Brexit: Get Defensive With These 2 Telecom Stocks

Description

Telecommunications stocks are some of the most popular and widely held stocks in the market today, and they are sought after as safe havens during times of uncertainty for the following reasons:

- They have stable business models that are relatively easy to understand.
- They face limited competition due to the high barriers for entry into the industry.
- They have stable and predictable cash flows, much of which is passed down to shareholders in the form of dividends.

I've scoured the industry and selected my two favourite investment options, so let's take a quick look at each to determine if you should invest in one of them today.

1. BCE Inc.

BCE Inc. (TSX:BCE)(NYSE:BCE) is Canada's largest internet provider, its largest provider of television services, and its third-largest wireless provider. Overall, it's the country's largest telecommunications company with approximately 20.96 million total subscribers as of March 31, 2016.

Its stock currently trades at just 17.2 times fiscal 2016's estimated earnings per share of $3.50 and only 16.4 times fiscal 2017's estimated earnings per share of $3.67, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 19 and the industry average multiple of 22.3. These multiples are also inexpensive given its estimated 5.3% long-term earnings-growth rate.

In addition, BCE pays a quarterly dividend of $0.6825 per share, or $2.73 per share annually, which gives its stock a yield of approximately 4.5% at current levels.

It's also very important to make two notes regarding its dividend.

First, it has raised its annual dividend payment for seven consecutive years, and its 4% hike in February has it on pace for 2016 to mark the eighth consecutive year with an increase.

Second, it has a long-term target dividend-payout range of 65-75% of its free cash flow.

2. Telus Corporation

Telus Corporation (TSX:T)(NYSE:TU) is Canada's second-largest wireless provider, its third-largest internet provider, and its third-largest provider of television services. Overall, it's the country third-largest telecommunications company with approximately 12.44 million customer connections as of March 31, 2016.

Its stock currently trades at just 15.5 times fiscal 2016's estimated earnings per share of $2.66 and only 14.9 times fiscal 2017's estimated earnings per share of $2.76, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 18.3 and the industry average multiple of 22.3. These multiples are also inexpensive given its estimated 6.4% long-term earnings-growth rate.

In addition, Telus pays a quarterly dividend of $0.46 per share, or $1.84 per share annually, which gives its stock a yield of approximately 4.5% at current levels.

It's also very important to make two notes regarding its dividend.

First, it has raised its annual dividend payment for 12 consecutive years, and its three hikes since the start of 2015, including its 4.5% hike last month, have it on pace for 2016 to mark the 13th consecutive year with an increase.

Second, it has a dividend-growth target of 7-10% annually through 2019.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
4. TSX:T (TELUS)

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