



## Better Buy: BCE Inc. vs. Telus Corporation

### Description

**BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) are the two largest telecommunications companies in Canada — BCE is the largest one.

BCE reported its 2017 second-quarter results on August 3, while Telus reported its Q2 results on August 11.

If you're looking to add a telecommunications stock to your portfolio, you may wonder which one is going to give you more for your money. Let's take a look at the financials of the two companies as well as their outlook to see if one is a better investment than the other.

#### **BCE Inc.**

BCE's second-quarter revenue rose, but its profit fell. Strong performance in the wireless market and acquisition of Manitoba Telecom Services Inc. in March drove BCE's revenue. Thus, its operating revenue grew by 6.7% in Q2 to \$5.7 billion compared to the same quarter last year, slightly above expectations of \$5.65 billion.

BCE's wireless revenue grew to \$1.96 billion, an increase of 12.9% from 2016. Its total subscriber base is now 8,901,291, up 7.5% from a year ago.

The company added 89,000 net postpaid wireless customers in Q2, outpacing analyst estimates in the range of 70,000. As of June 30, postpaid customers amounted to 8,126,264. The numbers include the MTS subscribers, which is reportedly meeting acquisition expectations. BCE's rate of contract customer turnover declined to 1.08%, its lowest quarterly churn rate in 11 years.

The company's wireline division, its largest business line, reported revenue growth of 4.8% to \$3.12 billion.

Profit attributable to common shareholders slipped by 2.3% to \$762 million, or \$0.84 per share.

BCE attributed the decrease in its earnings to higher depreciation and amortization costs, higher

interest expenses, and lower other income.

The company currently has a dividend yield of 4.9%. Its forward P/E is 17.46, which seems low, but its forward PEG is 5.09. This is way over one and means you are paying a high price for little growth.

BCE's return on equity is 20.96%, and its return on invested capital is 10.22%.

Analysts estimate that BCE will grow at a rate of 5.40% next year and at a rate of 3.43% for the next five years.

## **Telus Corporation**

Like BCE, Telus's revenue is up in its second quarter, but its profit is down. Revenue was driven by strong performance in its wireless division, including customer additions and higher average revenue per user.

Telus's second-quarter consolidated operating revenue was up 3.9% to \$3.3 billion compared to the same quarter last year.

Wireless revenue was \$1.85 billion, which included a 7.2 % increase in network revenue. This increase was supported by the net addition of 99,000 high-quality postpaid subscribers during the quarter, far exceeding average analyst estimates of about 55,000.

Telus's total wireless subscriber base of 8.7 million is up 3.2% from a year ago, reflecting a 5.1% increase in the postpaid subscriber base to 7.8 million. The company also reported a record low rate of subscriber turnover at 0.79%.

In the wireline division, which includes high-speed internet and television services, revenue was up 2.5% at nearly \$1.5 billion.

Net income was down 7.2 % to \$386 million, including \$379 million, or \$0.64 per share, attributable to common shareholders due to lower operating income, higher financing costs, and unusual items.

Telus has a dividend yield of 4.4%. Its forward P/E is 16.54, and its forward PEG is 2.43. While this PEG is better than BCE's PEG, it's also over one, so you're paying too much for not enough growth.

Telus's return on equity is 15.09%, and its return on invested capital is 7.69%.

Analysts estimate that Telus will grow at a rate of 6.60% next year and at a rate of 6.40% for the next five years.

## **Which telecom stock is a better pick?**

The two telecommunications companies are not strong buys, but I think that Telus is a better buy than BCE for its better perspectives of growth. Telus is very good at attracting new customers and retaining old ones by offering an excellent customer service.

## **CATEGORY**

1. Dividend Stocks

2. Investing
3. Tech Stocks

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