



BCE Inc. vs. Telus Corporation: Which Is Better for Dividend Investors?

Description

It's been more than a year now that shares of **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) have diverged.

During the past 12 months, BCE stock has lagged behind the Canada's third-largest network operator, Telus. While BCE shares fallen about 5%, Telus stock gained by the similar amount during the period.

If you're a long-term income investor in these stocks, there is a good reason to understand why these companies are moving in opposite directions and if there is an opportunity to make money from this divergence.

Before we discuss which stock is a better buy for income investors, let's have a few words on the current state of Canadian telecom sector.

Shaw's threat

The most immediate threat faced by the telecom operators is coming from **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)). In the growing wireless market, Shaw has emerged as one of the main contenders after it bought Freedom Mobile last year.

Through its extensive spending plan to improve its slow and faulty wireless network and with competitive pricing, Shaw is challenging both BCE and Telus as they struggle to protect their subscriber base.

In the second quarter, for example, Telus reported a smaller-than-expected profit as it spent heavily to win and retain wireless customers. Its operating expenses before depreciation and amortization increased by \$120 million to \$2.08 billion after it invested more in customer service and subsidizing high-end smartphones.

For BCE, the battleground is the same. Though it was able to show a strong growth in its wireless segment in the second quarter, it lost ground on fixed line and cable segments.

Which one is better?

Canadian telecom operators are among the best companies, providing stable and growing dividends to income investors. Just like banks, they regularly increase their dividends.

Telus, with a current dividend yield of 4.36%, has grown its dividend by 10.3% during the past five years. BCE offers a attractive 4.9% yield, but it's had smaller growth of 5.7% in its dividend over the past five years.

I like both Telus and BCE for retirees and long-term buy-and-hold investors. But in this competitive environment, I feel Telus has a slight edge over BCE due to its better asset mix and lack of media exposure.

If you plan to add telecom exposure in your portfolio, a good strategy will be to concentrate on Telus and Shaw and avoid bigger players. I feel there are more growth opportunities in investing smaller players. With their leaner structures and aggressive strategies, they're better equipped to compete in this challenging environment.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:SJR (Shaw Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
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