



Comparing shares of Telus Corporation to BCE Inc.

Description

It is well known that there are different ways to go about valuing share prices, which, depending on the sector or type of company, may be based on a price-to-earnings (P/E) multiple, amount of tangible book value per share, or even the dividend yield. In the case of Canada's television and cellular phone providers, P/E multiples, which were previously very important, have started to take a back seat to the dividend yield, which is becoming much more important in the ongoing low interest rate environment.

As long as investors are receiving less than 2% on fixed-rate investments, those seeking to grow their capital will have no choice but to look elsewhere for higher income payments and higher total returns. In the case of both **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) and **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), shares trade at a relatively high P/E, as there are fewer opportunities available for either company to increase the top and bottom lines through organic growth.

Telus is in the business of providing consumers and businesses with cell phone service across the country and internet services in Alberta and British Columbia. What may have been previously viewed as a cyclical company has become one of the country's most defensive investments available to investors.

Investors and consumers alike must advance with the times and realize that owning a cell phone is now essential to people under the age of 40, and consumers will not be cutting off their service during any period of an economic cycle, even during a recession. At a price of \$48.50, shares of Telus offer investors a dividend yield of almost 4.25% and trade at a trailing P/E of almost 23 times. Although it's not a cheap stock, investors will be paid an above-average yield while waiting for capital appreciation.

BCE offers investors a slightly higher yield of 4.65% at a price of \$62 per share. Although the P/E is also a little lower at 19 times earnings, investors are not giving this company as high a valuation as Telus. BCE is also involved in providing television services — a service that is quickly going out of style. This segment is currently detracting from the cell phone and internet provider services offered by BCE.

With dividend-payout ratios which are comparable, 81% for Telus and 78% for BCE, during fiscal 2016, investors need to figure out if they are only seeking a defensive investment with a fantastic dividend

yield of 4.25% ([Telus](#)) or if they are looking to invest their money and, in the process, make a bet that the company ([BCE](#)) will be successful in turning around a business that an entire generation doesn't seem to be very concerned about.

CATEGORY

1. Dividend Stocks
2. Investing

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

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