Ranking the Big 4 Canadian Telecoms for 2018 and Beyond

Description

Telus Corporation (TSX:T)(NYSE:TU), **Roger Communications Inc.** (TSX:RCI.B)(NYSE:RCI), **BCE Inc.** (TSX:BCE)(NYSE:BCE), and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) are usually the go-to picks when it comes to the Canadian telecom sector. With four different intriguing options to choose from, the average income investor may be wondering if now is a good time to load up on one or more of these terrific income players.

The industry is about to experience a shake-up over the next few years, as competition heats up, regulators begin to step in, and as interest rates continue to move higher. There's no question that the telecoms are going to be entering a more challenging environment compared to past years. Let's have a look at which telecoms will fare best as the industry evolves over the next three years to come at a ranking based on which telecoms are best positioned to deliver the highest total return over the next five years.

4. **BCE Inc.**

BCE is a market darling that has done incredibly year in the years following the Great Recession. Investors who stayed the course with this behemoth have been rewarded, not just with capital gains, but with a high dividend that has grown by a huge amount on a regular basis.

The stock has stagnated over the last few years, but the dividend yield, currently at 4.7%, is still very attractive to income investors, like retirees who want a large and secure source of regular income. When it comes to stability, it's hard to top BCE, but in terms of total returns, I think BCE will be a laggard over the next few years due to its lacklustre growth profile.

BCE is an absolute behemoth, so, as you'd expect with any mega-cap, growth will be difficult, even with promising acquisitions that aim to reignite growth. The high dividend will grow over the next five years, but I suspect the stock may remain flat for a longer period of time.

3. **Telus Corporation**

With a 4.2% dividend yield, Telus is a rock-solid holding, like BCE, but with a more promising runway for organic growth through tuck-in acquisitions.

For income investors seeking a good mix of growth and yield, Telus is a great pick, but be warned, the rising competition in the wireless space could leave Telus's west coast subscriber base exposed to new entrants like Freedom Mobile. In response, Telus is slated to invest billions of dollars in infrastructure upgrades in Alberta and British Columbia over the next few years, all while rates rise.

Telus is a compelling pick for investors seeking balance, but, like BCE, capital gains will likely be dampened in the years ahead.

2. **Rogers Communications Inc.**

While Telus and BCE shares are slowing down, Rogers has been off to the races with its shares surging ~27% over the past year. The 3% dividend yield may be unattractive to more income-focused investors, but it's important to realize that given Rogers's incredibly impressive subscriber growth momentum, the stock and the magnitude of dividend growth are likely to accelerate in the years ahead.

In Rogers's most recent quarter, net income skyrocketed 112% on a year-over-year basis, and postpaid net additions jumped by 15,000 year over year. That's some incredible subscriber growth momentum thanks in part to the company's attractive promos and unique offerings.

1. **Shaw Communications Inc.**

Shaw is a higher-risk/higher-reward play for income investors who want their cake and the ability to eat it too (capital gains and a high growing dividend). Shaw's wireless business, Freedom Mobile, has been aggressively ramping up promotions of late with $0 down wireless plans on its 10 GB data bundle, which has caused the Big Three incumbents to respond with 10 GB for $60 data promos of their own, albeit for a limited time only.

Many analysts have been downplaying the rise of Freedom Mobile and its impact on the Big Three, but I think the company is a legitimate disruptor that could change the Canadian wireless scene forever. Freedom Mobile will continue to improve its wireless network, while keeping its costs low to obtain the ambitious goal of capturing an equal ~25% share of the Canadian wireless market over the next few years. In this time span, I believe Shaw's capital gains will be far greater than those of the Big Three incumbents.

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CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:SJR (Shaw Communications Inc.)
4. NYSE:TU (TELUS)
5. TSX:BCE (BCE Inc.)
6. TSX:RCI.B (Rogers Communications Inc.)

7. TSX:SJR.B (Shaw Communications)
8. TSX:T (TELUS)

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1. Investing

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