



Telus Corporation or BCE Inc.: Which Is the Better Buy for Your TFSA?

Description

Investing in reliable, [dividend-paying companies](#) that provide essential services is a key strategy in ensuring that we investors have safe, reliable income for years to come.

This is what we have with telecommunications companies, who provide essential services that generate plenty of predictable revenues and returns.

Let's start out by comparing the dividend yields of two of the biggest telecommunications companies in Canada: **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) currently has a dividend yield of 4.34%, and **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) has a yield of 4.92%.

Let's move on to the history of dividend increases, because, of course, we all want a stock that has a history of steadily increasing dividends, thereby returning more and more cash to us shareholders.

Telus has a long history of semi-annual dividend increases and has a seven-year compound annual growth rate (CAGR) of 11.4%.

BCE also has a very favourable dividend-growth history, but with a seven-year CAGR of 7.4%, the growth rate has been slower.

In terms of capital appreciation, [BCE shares](#) have risen 64% in the last 10 years, while Telus shares have risen 123%, as Telus has grown at a faster pace.

In the latest quarter, results were strong for both Telus and BCE, as Telus reported a 4% increase in revenue and a 4.3% increase in EBITDA, and BCE reported a 5% increase in revenue and a 5.8% increase in EBITDA.

Looking to the future, Telus has announced its intention to continue with the semi-annual dividend increases, with an annual increase in the range of 7-10% from 2017 to the end of 2019.

To this end, Telus has been spending heavily on its network, accumulating a big debt position and using up its cash flow. The big focus right now is on investment in the company's fibre-optic network,

which allows large volumes of information to be sent at close to the speed of light.

The good thing is that this has been done with much success, as Telus has overtaken BCE and **Rogers Communications Inc.** as the country's fastest wireless network — not a small feat.

So, Telus has built a strong brand with leading-edge infrastructure and has built itself a strong competitive advantage in this area.

BCE is also spending billions to invest in fibre-optic networks, as this is the future of the telecommunications industry.

Going forward, we can expect a mid-single-digit annual dividend increases for BCE, which will be supported by the company's ample cash flow. With free cash flow of almost \$3 billion in 2016, and a free cash flow yield of 7%, BCE is a pillar of strength.

In conclusion, while both of these stocks are actually great, stable, and reliable additions to your income-generating portfolios, Telus is the riskier of the two. With this comes more growth potential, but also more debt and no free cash flow at this time. There is probably also more upside with regard to capital appreciation.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

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

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