



Why Every Portfolio Needs These Telecoms

Description

Canada's telecom sector remains the envy of much of the world, at least for investors.

While it's no secret that our telecom market is not as saturated as our neighbours in the U.S., our telecoms remain great investment options that should form the core of nearly every portfolio.

That long-standing view was reinforced this week, as two of the nation's largest telecoms announced fourth-quarter earnings that, in a word, impressed.

BCE Inc. ([TSX:BCE](#))(NYSE:BCE) has long been viewed and criticized for its position in the market. As the largest of the telecoms, the company is often targeted as lacking growth prospects, which is just as often [proven wrong](#), particularly during earnings season.

In the fourth quarter, BCE reported wireless subscriber numbers that surpassed those of its peers. BCE saw a net gain in wireless activations in the quarter of 158,514. Analysts had been expecting a gain of 113,000.

Much of that growth came during the busy holiday shopping period in December when one of BCE's primary competitors, **Rogers Communications Inc.** experienced an issue with its price-adjustment system. The glitch prevented those customers from signing up at Rogers and ultimately drove them into the open arms of BCE.

Net income in the quarter came in lower than the same quarter last year, falling to \$575 million, or \$0.64 per share. The company attributed much of the decrease to higher severance and acquisition costs as well as asset-impairment costs and net loss on investments.

Despite that drop, when looking at how BCE performed over the course of the full fiscal, the company managed to grow revenue by an impressive 4.6%, with adjusted earnings per share coming in at \$3.39.

In forecasting results for 2018, BCE expects that revenue growth will slow during the year, coming in between 2% and 4% revenue growth, and adjusted earnings per share will come in between \$3.42 and \$3.52 per share.

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) also had a strong quarter and shared in the misfortune of Rogers by capturing its own set of new subscribers in during the holiday season. In the most recent quarter, Telus added 98,000 net additions, surpassing expectations.

In terms of results, Telus realized a 5% jump in revenue, bettering the \$3.47 billion noted in the same quarter last year. Net profit for the quarter came in at \$282 million, or \$0.47 per share. This is a massive improvement over the same quarter last year, where restructuring costs weighed on profitability, which resulted in Telus posting only \$82 million, or \$0.47 per share in profit.

Why should you invest in telecoms?

There's little reason to doubt the profitability of Canada's telecoms, particularly given these recent results. So, what other reasons should investors take into consideration when determining whether or not to include a telecom?

The top reasons that come to mind are the changing tastes of consumers, as we introduce more technology into our daily lives, and the growth opportunity it represents, as well as the impressive dividend income that can be earned through telecoms.

We are using our mobile devices more each day, and the amount of data we are using is growing astronomically. Some experts peg that growth to be doubling with each passing year, and those devices are infringing more on our daily lives. To even fathom that our phones could unlock our homes and vehicles and be used to pay for goods was something from science fiction just a few years ago, yet it is commonplace today.

In other words, mobile devices are becoming more a must-have necessity for many applications in our increasingly high-tech society. That's a trend that is going to continue as [ground-breaking technology advancements are underway](#) that will revolutionize mobile communications.

There's no denying that telecoms are notoriously great dividend investments. The recent pullback in the market has translated into a drop of over 6% for BCE and over 5% for Telus year to date. Conversely, this has meant that BCE's yield now tops 5%, and Telus is at 4.48%, which makes both stocks excellent long-term income options.

While the recent dip in the market may not be over, the long-term potential of both these stocks is not, which is why they remain, in my opinion, great investment options.

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