



Which of the Big 3 Telecoms Should You Add to Your RRSP?

Description

It's no secret that Canada's telecommunication sector is dominated by the Big Three: **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)), and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)). The combined might of the Big Three accounts for over 90% of the wireless market share in Canada. Love them or hate them, this oligopoly has rewarded even the most novice of investors. With the RRSP deadline nearing, investors may be asking themselves which one they should add to their portfolios today.

The dividend

Income investors are attracted to the Big Three because they provide juicy yields and have a historical pattern of dividend growth. BCE leads the trio with a 4.95% yield, followed closely by Telus at 4.25%. Rogers trails the pack with a low 3.12% starting yield.

What about dividend growth? Telus shines with an impressive 14-year dividend-growth streak, and it expects to raise dividends by 7-10% annually through 2019. BCE is also a Canadian dividend aristocrat with a nine-year dividend-growth streak. The company expects to raise dividends by approximately 5%, in line with its historical averages. Unfortunately, Rogers has not raised dividends for the past three years, having last raised it in 2014. The company's cautious approach to raising dividends is understandable, given that it is the highest leveraged of the three and the company has been focused on reducing debt obligations.

Expected growth

The telecom sector is beginning to be a saturated market, and the days of double-digit growth for the Big Three appear to be in the rear-view mirror. Telus and Rogers are expected to increase earnings by approximately 7% in 2019, while BCE's earnings are only expected to jump by approximately 5% next year. Although that's respectable for mature companies, these growth numbers are nothing to get overly excited about.

Valuation

Not much separates either company when it comes to current valuation. All three are trading in line with historical price-to-earnings (P/E) averages, and none seem particularly undervalued. That being said, Rogers appears to offer the best value based on future growth with a forward P/E of 13.87 and a P/E-to-growth (PEG) ratio 1.97. Telus and BCE lag on both accounts, with BCE in particular trading at a very high PEG ratio of 4.64.

The verdict

Year to date (YTD), the broader S&P/TSX has lost 4.79%, and all of the Big Three have suffered a similar fate. Rogers's share price has been the hardest hit, losing 8.59%, while BCE's share price has lost 6.67% YTD. Telus has outperformed the market, despite its share price losing 3.86% YTD. There isn't much that separates the Big Three, and investors would do well to hold any of the stocks in their portfolio. However, Telus appears to have the edge based on its expected future earnings and dividend growth.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
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