What’s the Best Telecom for Your Portfolio?

Description

Canada’s telecoms are, without a doubt, very intriguing investments. The Big three, known commonly as RoBelUs among consumers, share many common traits and often target each other with aggressive marketing campaigns to gain new customers at the expense of another.

BCE Inc. (TSX:BCE)(NYSE:BCE) and **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) lead the pack in this regard, and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) follows just behind its peers with an intriguing opportunity for investors.

Deciding on which of these telecoms to invest in remains a long-standing question for investors without a simple answer. Let’s look at a case for each.

BCE is the de facto champ

BCE is the largest of all the telecoms, and for good reason, too. The company has a sprawling network that spans from coast to coast, and that impressive network infrastructure provides the fuel for a very impressive industry-leading 5.40% yield.

BCE’s integration into our daily lives is an impressive, yet often overlooked factor. BCE has a massive portfolio of holdings that extends far beyond the core subscription services on offer, and we interact with these holdings daily without realizing it, solidifying an already impressive moat.

BCE is stereotyped as an investment lacking in growth, owing to the high payout ratio that leaves little room for growth prospects. This myth has been debunked, as BCE has made and continues to pursue acquisition targets that not only expand the company’s foothold in the telecom sector, but that expand into new complementary segments. A prime example of this is the acquisition of AlarmForce last fall.

BCE is best suited for investors that want a stable source of income that can grow over time, fitting the buy-and-forget label.

Rogers is a growth machine

Rogers is like BCE in many ways, even down to the assets they own; both telecom behemoths own a share of the same professional sports teams.

Where Rogers differs is in that the company is pouring a significant investment into improving customer-retention numbers, known as churn. When a prospective customer leaves one telecom for another, the associated revenue is lost, and Rogers has highlighted this as a source of improvement.

The recent quarterly results from Rogers included the very lucrative holiday season, but due to a system issue that prevented new sign-up over the holiday season, those results were weaker than expected when compared to the competition. Those results in conjunction with the recent correction have pushed the stock price lower nearly 10% year to date that arguably put Rogers in a discounted position.

As an investment, Rogers is best suited for those investors looking for both long-term growth as well as income potential, with a preference for the former.

Shaw has massive long-term potential

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR) is the most intriguing telecom of the bunch, with an interesting plan for growth. Until recently, Shaw lacked a wireless offering with national coverage, which demoted the status of the carrier with investors.

Wireless subscriptions are a primary metric for telecoms, and consumers are using their wireless connections for an increasing number of tasks that use more data, which the telecoms are happy to provide at an increasing cost.

As that cost increases, customers begin to shop around for better deals, and this is the opportunity that Shaw is exploiting with its Freedom Mobile service.

Shaw acquired the assets of former carrier Wind Mobile and rebranded and expanded the carrier's reach, but it maintained the policies and price points of Wind, which were wildly popular with subscribers. To date, Shaw's new and expanding wireless segment has grown at an incredible pace, with over 100,000 new subscribers added during the past year.

In terms of a dividend, Shaw offers a monthly dividend with a yield of 4.71%.

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Date
2025/08/20
Date Created
2018/02/25
Author
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