
# Battle for the Toronto Market: Should You Bet on BCE Inc. or Rogers Communications Inc.?

## Description

Last year, the Canadian Radio-television and Telecommunications Commission (CRTC) released its Communications Monitoring Report. Overall annual communications service revenue grew 2% in telecommunications from 2015 to 2016, but the largest growth was seen in Internet and Wireless. Internet climbed 9.8% to $10.8 billion, and Wireless local and long distance grew 3.4%.



Internet users have grown to over four billion worldwide in 2018. With the expansion of the internet worldwide, users in developed nations are also demanding faster service. In Toronto, the most populated city in Canada, two telecommunications giants are duking it out to attract customers. This comes in the aftermath of hikes in internet rates for Canada's major telecoms, which frustrated customers and opens the door for increased competition.

Which stock is the better buy today? Let's take a look.

**BCE Inc.** (TSX:BCE)(NYSE:BCE)

BCE stock had fallen by over 10% at the beginning of the third week of April. Shares have been on a steep slide since early December. Choppy conditions in the Canadian stock market and rising bond yields have turned investors away from income plays that have been very attractive in the years after the financial crisis. Telecoms have suffered along with utilities and real estate stocks.

BCE staged a concert at Yonge-Dundas Square in downtown Toronto on April 5 to celebrate the launch of its marketing campaign for fibre-optic internet service in the city. The company is offering download speeds of up to one gigabit per second for homes and businesses. Bell has also offered WiFi boosters, for a monthly fee, that help to extend signals in larger areas.

In 2017, BCE saw operating revenues rise 4.6% from the prior year to $22.71 billion, and adjusted EBITDA increased 4.4% to $9.17 billion. The company hiked its annual dividend 5.2% to $3.02 per share, representing an attractive 5.4% dividend yield.

**Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI)

Shares of Rogers had also fallen over 10% as of close on April 18. The stock hit an all-time high of $70.08 in late November, but it has experienced a steep decline in the months since.

Rogers has offered gigabit internet speeds with its upgraded cable technology since late 2016, not just in Toronto but across Ontario and Atlantic Canada. Both Bell and Rogers have hiked internet rates in recent months. Rogers has said that it will not overextend in an effort to lure customers, favouring a "disciplined approach" instead. Instead of fomenting competition between Rogers and Bell, it is likely that smaller internet providers could inch into the market with promises of favourable pricing.

In 2017, Rogers reported total revenue of $14.14 billion, which represented a 3% increase from the prior year. Adjusted net income surged 23% to $1.82 billion. It offered a dividend of $1.92 per share in 2017, representing a 3.3% dividend yield.

**Which should you buy right now?**

Stock markets in Canada and the United States have experienced more volatility in recent months. Telecoms have been battered, but the wide moat and attractive dividends should start to lure investors in the spring and summers months. The Bank of Canada also elected to hold rates on Wednesday, which bodes well for telecoms.



Even with the speed increase that sees these companies on equal footing, and the superior dividend at Bell, I prefer Rogers stock in April at its current price.

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