# BCE Inc. (TSX:BCE) vs. Telus Corp. (TSX:TU): Which Stock Is a Better Buy?

## Description

Telecom utilities are among the best dividend stocks in Canada. They operate in an oligopoly where the entry of new entrant is highly regulated. This unique position allows them to keep prices higher and churn out hefty cash flows year after year.

The telecom market is divided among four major players that control about 80% of the broadband and video market and more than 90% of the wireless market.



Among these operators, **BCE Inc.** (TSX:BCE)(NYSE:BCE) and Telus Corporation (TSX:T)(NYSE:TU) are my two favourite stocks. Let's find which one is a better buy today.

**BCE**

For a company with a balance sheet that's loaded with debt and a growing need to raise funds through borrowing, rising interest rates aren't in their favour. Investors usually shun rate-sensitive stocks in an environment with rising bond yields.

BCE's 9% plunge so far this year is a reflection of this economic reality. But as I have said in my previous articles, this weakness is a great opportunity for income investors to buy this stock, as there's nothing wrong with the BCE business.

The company is investing heavily to improve its infrastructure, and it's winning a lot of new subscribers each quarter. BCE is rapidly expanding Canada's broadband fibre and wireless network infrastructure, with annual capital investments surpassing $4 billion. This size and scale of BCE makes it very tough for new players to destroy the company's enterprise value and snatch away its loyal customers.

BCE attracted more new wireless customers on contract than analysts had expected in the first quarter ? winning 68,487 new subscribers versus analyst estimates of about 55,000.

**Telus**

Telus stock fared much better than did BCE this year. Its shares are down just 1.3% compared with a 9% plunge in the BCE stock.

One possible reason that's supporting Telus in this rising interest-rate environment is that the company has already made major investments to improve its network. Investors believe the operator is in a much better position to return cash to shareholders in the form of dividends.

Telus is targeting 7-10% growth in its dividend each year until 2019. And given the company's ability to generate more cash from its growing customer base throughout Canada, this target does not seem too ambitious,

In the first quarter, Telus won 48,000 new wireless subscribers on contracts, more than the 35,000 analysts had predicted. Telus's wireless subscriber turnover, or churn, was 0.95% for the quarter, which was much lower than that of BCE.

With a current dividend yield of 4.49%, Telus pays a quarterly dividend of $0.525 a share, which translates into $2.10 per share annually. This year was the 15 straight year in which Telus hiked its annual dividend.

**Which stock is a better buy?**

BCE stock looks more attractive and a much better bet for investors who want to lock in its juicy 5.5% dividend yield. After this weak spell, BCE stock is likely to recover fast once the Bank of Canada rate-hiking drive is over. Trading at $54.37 at the time of writing, BCE is a good bargain stock to buy when it's trading close to the 52-week low.



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2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
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