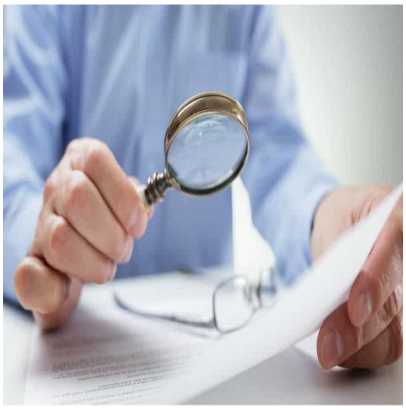

Better Buy in August: BCE Inc. (TSX:BCE) or Rogers Communications Inc. (TSX:RCI.B)?

Description

The S&P/TSX Composite Index shed 48 points to open the trading week on July 30. Last week, I'd discussed dividend stocks that investors may want to dip into, as trade remains an area of uncertainty heading into August. In that article, I'd also touched on telecom stocks and the impact that rate tightening has had on some of the top targets for income investors over the past decade. Telecoms, like utility stocks, have been battered as bond yields have climbed.

Back in April, I'd focused on the battle for the Toronto market between two of the largest Canadian telecoms. These last few months have given more insight into this competition and where it may lead in the next few years. With that in mind, let's take a look at which stock investors should hold in their portfolios in August and beyond.

BCE (TSX:BCE)(NYSE:BCE)

BCE is one of the three largest national wireless carriers in the country. Shares of BCE have climbed 1% over a three-month period as of close on July 30. The company is set to release its second-quarter results on August 2.

In April, BCE staged a concert in Yonge-Dundas Square to celebrate the launch of its fibre-optic internet service in Toronto. The second-quarter earnings release should give investors the first look at what kind of results this marketing campaign has yielded in the spring and early summer. Earnings were positive in the first quarter, as BCE posted 4.8% revenue growth from the prior year, and net earnings rose 3.1% to $709 million.

BCE stock offers a quarterly dividend of $0.755 per share, which represents an attractive 5.3% dividend yield.

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

Rogers Communications stock has climbed 8.5% over the past three months. Shares are up 2.6% in 2018 so far. Rogers has established an impressive foothold in the Toronto market, but the challenge from BCE represents a very real threat to its market position. The company released its second-quarter results on July 19.

Rogers reported total revenue growth of 4% year over year to $3.75 billion, and adjusted EBITDA increased 8% to $1.5 billion. Adjusted net income climbed 12% to $554 million. The company reported the highest second-quarter postpaid net additions in nine years at 122,000, which was up 29,000 from Q2 2017. This shows that up to June 30, 2018, Rogers was still able to perform very well across the board, and the heightened competition may not be a concern just yet.

The company last announced a quarterly dividend of $0.48 per share, which represents a 2.9% dividend yield.

Which is the better buy today?

Back in April, I'd picked Rogers due to its established position and up-to-date systems that had been in place for several years before the BCE update. Rogers is still my pick to perform better out of the two for the remainder of the year, but BCE could be a nice addition ahead of its Q2 report.

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Date
2025/08/20
Date Created
2018/07/31
Author
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