Which Wireless Provider Is Better for Your Portfolio?

Description

Canada's two largest telecoms remain a source of constant debate among investors. Both **BCE** (TSX:BCE)(NYSE:BCE) and **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) boast similar product portfolios and side ventures, which further blurs the lines for investors contemplating an investment in either of these two behemoths.

Let's take a look at both and determine which of the two is the better investment.

The case for BCE

BCE is the larger of the two companies and has become a staple among income-seeking investors for well over a century. In fact, BCE's appetizing quarterly 5.63% yield far surpasses any of its telecom sector peers. To be fair, that yield is higher due to the stock price skidding over 10% in the past year, but that in no way makes BCE any less of an impressive investment.

Investors considering BCE as an investment should weigh three key points. The first one is debt and its potential to impact the dividend. As interest rates rise, the cost of existing debt also rises, and that is a concern for many investors who could soon see that dividend start to shrink. BCE's last major acquisition was MTS, and while the deal came with expanded coverage and new subscribers, it also came in with a chunk of debt.

With BCE's high payout, the dividend could be the first thing to see slower growth if interest rates continue to rise over the long term.

However, BCE's other major acquisition of the past few years hold significant upside. The acquisition of AlarmForce not only introduced an entirely new business segment and customers to BCE, but it's complementary to BCE's existing suite of subscription services. By way of example, an AlarmForce customer needs a high-speed internet connection to function, and an existing BCE customer could, in theory, be cross-sold a package to include home monitoring/security from AlarmForce.

In terms of results, BCE's recent second-quarter results were mixed. Net earnings saw an 8% drop year over year, coming in at $704 million, or $0.79 per share. The company did, however, see strong subscriber growth from its wireless segment, which witnessed a 5% uptick over the same quarter last year to $2,046 million.

The case for Rogers

Rogers also provided a quarterly update recently, which was, in a word, impressive. While analysts expected Rogers to announce 90,000 new subscribers to the company's wireless segment, Rogers surpassed that expectation with a much higher number of 122,000 new subscribers. Quarterly growth in the segment represents the best numbers that Rogers has seen in nearly a decade, which coincidentally followed a similarly impressive quarter earlier in the year.

Keep in mind that the busiest season for wireless providers comes in the fall and holiday quarters that are quickly coming upon us. To put it another way, despite the impressive numbers from earlier this summer, the next two quarters could prove to be even more lucrative for the company.

Wireless wasn't the only bright spot for Rogers; expected losses from the company's cable segment were not as deep as was expected, with only 9,000 customers cutting the cord from Rogers in the most recent quarter. That figure may soon turn positive, however, as Rogers pushes to roll out a highly anticipated IPTV solution later this year.

In terms of a dividend, Rogers provides a quarterly payout with a respectable 3.00% yield.

Which is the better investment?

Answering that question really depends on what your goals are. Dividend-seeking investors will no doubt salivate at the impressive dividend that BCE offers to investors, and growth-seeking investors will see the potential for Rogers, which has already risen over 8% year to date, to grow further.

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Date
2025/08/26
Date Created
2018/08/16
Author
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