Which Is the Better Buy: Telus Corporation (TSX:T) or BCE Inc. (TSX:BCE)?

Description

It's been a hard year for telecom stocks. Investors have been bearish on the industry as a whole, as many people believe that increasing sales and advertising will flow through to online companies like **Netflix** and away from traditional cable companies.

Keeping customers and growing top lines is a struggle, as customers seem to just bounce back from one provider to another, and aside from raising prices, there are limited ways for revenues to increase.

It might therefore come as no surprise that **BCE Inc.** (TSX:BCE)(NYSE:BCE) has declined more than 11% in 2018, which comes after a mediocre, but stable 2017 where the stock was up over 3%. With sales growth of less than 2% in its last quarter, BCE is running out of options to grow and could be why the company has been accused of using high-pressure sales tactics.

Unfortunately, if true, even the aggressive tactics have not been enough to generate much growth and would call into question how much fewer sales BCE would have had otherwise.

A big limitation for BCE and its peers is that without taking on an acquisition, it's limited to its current market. And unless the company comes out with a new product or service, it will be very difficult to generate much in the way of growth.

What BCE stock can provide investors is stability, along with a strong dividend yielding more than 5.5% per year. At a price-to-earnings ratio of 17 and trading around 2.8 times its book value, BCE is a moderately priced stock that could be a good value buy for investors looking to collect a dividend and expecting not much else in return.

But whether BCE is the best investment you can make in the industry is a separate issue.

Telus Corporation (TSX:T)(NYSE:TU) might have a bit more opportunity for growth, if only because it's a relatively new player when it comes to providing television, and so that segment may offer a way for the company to boost its top line in future quarters.

In its most recent quarter, Telus saw its sales rise by over 5%, although for all of 2017 revenue increased closer to 4% year over year.

While it had a better quarter than BCE, Telus still faces many of the same challenges, and the gap is not big enough to know which company will do better over the long term.

Year to date, Telus stock has risen a little more than 1%, although over the past 12 months it is up more than 8%. While its divided yield is not as high as BCE's, at over 4.2% it still offers investors a good source of recurring cash flow.

Telus is a bit more of an expensive buy than BCE, trading at three times book value and at a price-to-earnings ratio of around 20.

Bottom line

If you’re just looking for a dividend, then BCE would be the clear winner among these two stocks. However, Telus would otherwise be my pick as it offers investors more down the road and I believe it also has a better reputation among the two companies. Also, its services have not been as saturated across the country as BCE’s have.

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