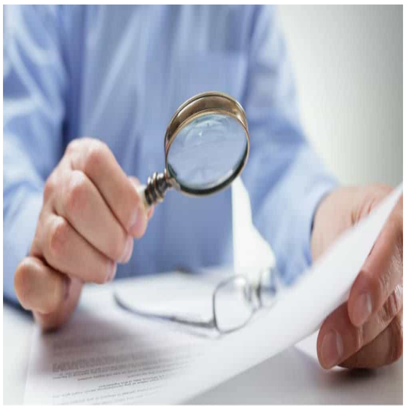

Ranking the Stock of Canada's Largest Telecoms from Best to Worst

Description

With Canada's 5G network slated to be rolled out over the next couple of years and Canadians already consuming more information on their mobile devices than ever before, the future is looking fairly bright for the country's leading telecom players.

However, while advancements in technology make it easier than ever now to stream your favourite television show or podcast on your smartphone or mobile device, what exactly are the implications as far as investors are concerned?

Let's take a closer look at how Canada's three major telecommunications companies shake out.

Headquartered in downtown Toronto, **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) may own claim to having the largest wireless subscriber base, but frankly speaking, the RCI stock today looks far from cheap.

Today, Rogers' stock is paying shareholders a dividend of only 2.85%, which is well below that of its peer group.

Meaning that if investors want to recoup what they are giving up in terms of a dividend yield, they are going to need to get it back in terms of either dividend increases or capital returns.

Unfortunately, Rogers' board of directors hasn't raised the company's dividend since January of 2015, so you aren't exactly getting much help there.

However, despite the lack of dividend hikes, RCI stock has outperformed its peer group by a considerable margin, up more than 66% since July of 2015, which does help to offset the lack of a current dividend yield.

But with a trailing P/E ratio ("price-to-earnings") ratio of 17.9 times, it may be ambitious to expect the pace of those gains to continue unless the company can manage to make a big splash when it takes part in the upcoming 2020 5G spectrum auctions.

If Rogers strength has been the recent appreciation in its share price, then by that same measure, the advantage of an investment in rival **BCE Inc.** (TSX:BCE)(NYSE:BCE) would unquestionably have to be the strength of the company's current dividend payout.

Bell shares yield shareholders 5.77% as of Thursday's trading, which is higher than any other company in its peer group, even after factoring in smaller competitors **Shaw Communications** (TSX:SJR.B) and **Quebecor, Inc.** (TSX:QBR.B).

Many expected BCE stock to underperform in 2018 on the heels of a strong campaign that was going to make it difficult to replicate similar levels of growth that the company was able to achieve a year ago in 2017.

But with Bell stock now down more than 12% year to date, it looks like those fears may already be priced in, meaning that now could be a great time to pick this blue-chipper on the dip, particularly for retirees and income-focused investors –.

And the winner is…

That said, in this author's own opinion at least, the best value being offered right now in Canada's telecom space comes from Vancouver-based **Telus Corporation** (TSX:T)(NYSE:TU).

While the Telus shares are a bit more expensive than the aforementioned two companies, trading at a forward P/E ratio of 16 times earnings, versus Rogers at 15 times and BCE at 14 times, analysts are also forecasting stronger year-over-year returns for Telus this year compared to both Rogers and Bell.

This means that as long as Telus can continue to maintain its current pace of growth, you should expect to earn a positive return the premium you're paying for Telus stock upfront today – maybe not right away -but over the course of the next couple of years, provided you're sticking to a disciplined buy-and-hold approach for your investments.

On top of all that, Telus also increased its dividend by 3.9% this summer following another 2.5% hike just six months ago last December.

Telus stock is effectively offering you better growth prospects than either of BCE stock or RCI stock, and while its yield isn't quite equal to that being offered by the BCE shares, the 4.36% yield on Telus stock is very respectable.

And unless you're needing the income today to pay for living expenses, future dividend increases should more than make up for the lower yield you'll be getting paid in the short-term.

All of which goes without saying that Telus also has more financial flexibility thanks to holding a lighter balance sheet, which not only should help support the current dividend, but also give the company a decided advantage when those all-important 5G spectrum auctions roll around in a few years' time.

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2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
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5. TSX:QBR.B (Quebecor Inc.)
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