Here Is Why Telecoms Are Still a Top Income Play Right Now

Description

Last month, I'd discussed how trade negotiations between the United States and Canada could produce a new framework that would have ramifications for domestic telecoms.

According to reports, one of the sticking points during negotiations centered on Canada's insistence on including a cultural exemption that would protect domestic broadcasters. Many of the top broadcasters are also owned by Canadian telecoms, and the position of the Liberal government could also be framed as protectionist in defence of domestic telecoms.

In the late hours of September 30, Canadian and U.S. negotiators managed to come to a deal before the October 1st deadline hit. Canada made several concessions in key sectors, but it managed to secure the inclusion of a cultural exemption clause. More details will follow in the coming weeks on the United States-Canada-Mexico Agreement, but the news in the near term is likely a positive for the stability of Canadian telecoms.

With this in mind, let's look at three telecom stocks investors may want to consider adding in October.

Cogeco Communications (TSX:CCA)

Cogeco Communications is a Montreal-based cable operator. Shares have plunged 24.8% in 2018 as of close on October 3. Telecoms have struggled in 2018, as rate tightening has seen traditional income plays fall out of favour. This stock has boasted a modest dividend in comparison to its peers, but historically it has offered suitable growth potential with a little bit of income.

Cogeco is expected to release its fourth-quarter and full-year results on October 31. In the third quarter, Cogeco reported that revenue increased 11.6% year over year to $668.9 million. Adjusted EBITDA climbed 12.1% from the prior year to $296.8 million. The company also declared a quarterly dividend of $0.39 per share, representing a 0.7% dividend yield.

Telus (TSX:T)(NYSE:TU)

Telus stock has plunged 4.6% over the past month. Shares are down 3.1% in 2018 so far. The company released its second-quarter results on August 3.

Net income at Telus rose 0.3% year over year to $390 million. Revenue climbed 5.3% to $3.45 billion. Telus added 135,000 new wireless, high-speed internet and television customers in the second quarter. This included 87,000 net additions to its postpaid wireless service, which was tops in the industry. Telus offers a quarterly dividend of $0.525 per share, representing a 4.4% dividend yield.

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

Rogers stock has climbed 2.8% in 2018 as of close on October 3. The company is expected to release its third-quarter results in mid-October.

In the second quarter, Rogers posted total revenue growth of 4% to $3.75 billion and adjusted EBITDA climbed 8% to $1.5 billion. Rogers reported service revenue growth of 5% and saw postpaid net additions climb to 122,000 — a 29,000 increase from the prior year. This was the highest rate of increase in nine years. Adjusted net income rose 12% year over year to $554 million.

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

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