Which Is the Better Telecom for Your Portfolio?

Description

Rogers Communications (TSX:RCI.B)(NYSE:RCI) and **Shaw Communications** (TSX:SJR.B)(NYSE:SJR) are two of the most sought-after telecom investments on the market with significant growth prospects for long-term investors.

But which of these two represents the better investment opportunity? Let's try to answer that question.

The case for Rogers

Rogers operates one of the largest wireless networks in the country and recently released its much-hyped new Ignite IPTV product offering. Those two factors alone put the company in a positive light for investors, but the growth-focused company offers investors much more.

Let's start with Rogers's wireless solution. Our obsession with data-hungry applications continues to take on a greater share of our lives with each passing year. Gone are the days of having standalone cameras, alarm clocks, digital calendars and dictionaries; all have since been replaced by our smartphones, and by having Rogers provide data services for our devices to access those apps, we are, in some ways, making Rogers a required and recurring element of our modern society.

To quantify that opportunity into numbers, in the most recent quarter, Rogers announced a whopping 124,000 new net subscribers, which also happened to be the highest number of new quarterly subscribers joining the company in nearly a decade. Rogers's internet segment also realized growth in the quarter of 35,000 net additions.

Adjusted net income for the quarter hit $625 million, or $1.21 per adjusted diluted share, handily beating the same quarter last year by 13%. The impressive results also led to Rogers announcing updated guidance of 5-7% for the remainder of the year for both EBITDA and free cash.

Rogers's quarterly dividend provides a respectable yield of 2.71%, but the company has lagged behind its peers in recent years by providing bumps to the payout.

The case for Shaw

Shaw is often excluded when mentioning Canada's largest telecoms, owing partly to Shaw's smaller coverage footprint and to the fact that, until recently, Shaw lacked a wireless solution.

Shaw's new wireless solution, known as Freedom Mobile, came about after the company realized the immense long-term potential that wireless could have on the market. Shaw proceeded to build a national network, first by acquiring the assets of former carrier Wind Mobile and then investing heavily into upgrading and expanding service to rival other carriers.

Those efforts have been largely successful, as Shaw has captured approximately 5% of the market in nearly one year and continues to see strong growth with each passing quarter. An emphasis on customer service, aggressive marketing tactics, and retail distribution deals are also playing their part in bringing Freedom Mobile to more customers, and Shaw is positioning the aptly named wireless service as a true alternative to the other carriers.

In terms of a dividend, Shaw offers a very appetizing 4.79% yield with a monthly distribution that will leave most investors more than content with. Adding to the allure is the fact that Shaw, like just about every stock, is trading down at the moment, making it an excellent time to pick up some discounted shares.

The better investment is…

Both Rogers and Shaw make compelling cases for investors, who would be happy with an investment in either stock. That being said, we should be diligent in picking the better option of the two, which, in my opinion, would be Shaw at the moment.

Shaw's growing mobile segment as well as its outstanding monthly dividend are just too hard to ignore. That's not to say that Rogers can't offer attractive growth, but it's more that Rogers's lagging dividend yield puts it at a disadvantage over Shaw at the moment.

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2. NYSE:SJR (Shaw Communications Inc.)
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