

Comparing Telecoms: Growth vs. Income

Description

The debate over which of Canada's telecoms provides the best return for investors is one that has and will continue to evolve over time as [different portfolio objectives](#) and investment timelines weigh in.

Today, let's look at both **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) and **Telus Corp** ([TSX:T](#))([NYSE:TU](#)) to determine which of these two similar, yet very different companies should be in your portfolio.

Rogers is for growth-focused investors

Rogers is predominately known as a [growth stock](#) thanks to its massive wireless network as well as its core-subscription offerings of wired phone, cable internet, and TV packages. In addition to those offerings, the company draws a wide moat over the economy through its network of media and sports holdings, ranging from local TV and radio stations up to the Toronto Blue Jays and their stadium, the aptly named Rogers Centre.

One of the many reasons that investors deviate toward telecoms is for their dividend, and Rogers offers a quarterly payout with a yield of 2.76%, which does provide a decent return but lags behind its telecom peers such as Telus.

That lower yield comes as a result of not keeping up with annual hikes that the other telecoms have maintained, and the last hike that Rogers committed to was back in 2015. In lieu of hiking the dividend, Rogers has invested heavily into improving its customer service, launching new products such as its highly-anticipated and recently launched Ignite TV offering and paying down debt.

Management has noted in the past that dividend increases will likely resume "when the time is right," or more specifically when the increases can be long term and sustainable. Given Rogers' impressive growth over the past few years, industry pundits point to some point in 2019 as the likely timeline for those hikes to resume.

The investment that Rogers has made into its business is beginning to bear fruit. Wireless subscriber numbers have witnessed their best growth numbers in nearly a decade and improving churn numbers were witnessed in the most recent quarter.

Speaking of that most recent quarter, Rogers surpassed analyst expectations by posting adjusted net income of \$625 million, surpassing the figure from the same quarter last year by an impressive 13%. Those results were so impressive that the company even updated its guidance for both EBITDA and free cash for the remainder of the fiscal year.

Telus appeals to income-seeking investors

While Rogers has poured money into growth, Telus has become an income-producing gem that has

hiked its dividend 16 times in the past seven years, most recently earlier this year. The current quarterly dividend provides a mouth-watering yield of 4.78%.

While this makes Telus an intriguing option for income-seeking investors, the company does offer more. For one thing, Telus lacks a media arm, so investors can take solace in the fact that the pure-play telecom is focused on its core subscription service offering.

Another interesting point to note is growth. Growth and Telus are rarely mentioned together in the same sentence as there has been a perception among critics over the years to point to Telus' handsome dividend as not leaving room for growth.

To counter that claim, let's look at three points from Telus' most recent quarterly update. In the most recent quarter, Telus realized an 11% gain in operating revenue over the same period last year, while also registering a 3.7% or 199,000 year-over-year uptick in subscribership, which now stands at an incredible 9.2 million.

Finally, free cash flow in the most recent quarter saw an impressive 41% increase over the same quarter last year, which surpassed its other Big Telecom peers, such as Rogers.

The better investment is up to you

Both Rogers and Telus would make a great addition to any portfolio, so the choice to select one over the other for your portfolio should be based on your long-term objectives.

If your preference for a growing stream of income is more to your liking, then an investment in Telus may be preferred. If on the other hand growth is the primary focus of your portfolio, investing in Rogers may be better at this point.

CATEGORY

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