Which Is the Better Telecom for Growth and Income?

Description

Canada's telecoms are [incredible investments](). Besides benefiting from the highly regulated market and charging some of the highest rates anywhere, Canada's telecoms have built sizable empires of holdings, each fighting to gain supremacy (and more customers) over peers.

One of the often-mentioned advantages of investing in Canada's telecoms comes in the form of the impressive dividend that is offered to investors. Critics often state that the higher dividend yield, stemming from that regulated business, comes at the cost of little to no growth, but that's hardly ever the case.

Today, let's take a look at two of the most popular and similar wireless providers and see whether **Rogers Communications** ([TSX:RCI.B]())([NYSE:RCI]()) or **Telus** ([TSX:T]())([NYSE:TU]()) belongs in your portfolio.

The case for Rogers

Rogers is the larger of the two telecoms, and the company offers core services of wireless, wireline, TV and internet service to subscribers across the country. In addition to those service offerings, Rogers also has an impressive media empire that includes radio and TV stations; it also has ownership in real estate and professional sports teams.

Despite owning that strong moat which blankets the market, Rogers has struggled over the past few years to grow subscriber numbers, and the lack of a viable IPTV offering put the company at a disadvantage over its peers.

That all changed within the span of the past two years, and as a result, Rogers has in many ways become the envy of its peers.

Rogers's newly launched X1 IPTV solution, which boasts features such as voice search, has proven wildly popular. Turning to the wireless front, Rogers has seen strong growth over the past few quarters, with 112,000 net additions in the most recent quarter, continuing a string of quarters that has seen

some of the best figures in the past decade.

Even Rogers's churn rate — historically, one of the two main points noted by critics — is now at its lowest rate in years. The other point of contention for critics is the lack of any dividend hikes in years, but the company just announced a 4.2% increase to its dividend.

The case for Telus

If Rogers was predominately regarded as a growth-first stock, Telus could be seen as the opposite. The company has provided strong annual or better hikes to its dividend for more than a decade, and the company's churn rate has remained the lowest among its peers for years, currently sitting at just 0.9%.

Telus's current payout offers a very appetizing 4.73% yield, which will no doubt appeal to income-seeking investors, but that's not even the best part about this stock.

In terms of growth, Telus has managed to see solid growth from both its wireless and TV segments. A 5% year-over-year gain in the number of TV subscribers may not seem that impressive, but when you factor in the fact that most other carriers are losing TV subscribers as a result of cord-cutting, clearly Telus is doing something well to keep its churn down and revenues up.

Which is the better investment?

Both Telus and Rogers would make incredible additions to nearly any portfolio. In fact, between the Big Three carriers and their subsidiaries, over 90% of the market is already accounted for.

That being said, if there were one investment to choose over the other, right now my pick would be Rogers. Rogers's superior growth numbers and potential for further growth are very attractive, and the company's recent dividend hike, the first in several years, represents the one main reason why I've favoured Rogers peers in the past.

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