



## Telecoms, Tech, and Trains: How Do 3 Very Different Canadian Stocks Compare?

### Description

Telecoms and trains are renowned dividend stocks, with just enough defensive qualities to keep the risk-averse long-term investor satisfied. Tech stocks, however, are key to certain types of capital gains investing, with the majority of shareholders' income gleaned from buying low and selling high. So, how does one go about comparing these disparate stocks? Below, we'll go through the data for a few representative big-name tickers on the TSX index and see how they stack up.

### Rogers Communications ([TSX:RCI.B](#))([NYSE:RCI](#))

The telecom pick for this list had a good year, growing its earnings by 20.3% and expecting a 7.9% annual rise over the next one to three years. The valuation is a bit hit or miss, though, with an acceptable P/E of 17.8 times earnings let down by a bloated P/B of 4.5 times book — although that per-asset valuation is by no means the highest on the TSX index. A dividend yield of 2.81% is on offer, though, while a 25% ROE in the past year would ordinarily signify a high-quality stock, this latter characteristic is let down somewhat by a high level of debt at 202.3% of net worth.

### BCE ([TSX:BCE](#))([NYSE:BCE](#))

The biggest direct competitor to [Rogers Communications](#) on the TSX index, BCE has a solid — if slightly underwhelming — track record with a five-year average past earnings growth of 6.5%, though there has been no earnings growth in the past year. It's not quite the hot stock that Rogers Communications is right now, however, with more inside selling than buying taking place over the past three months.

That said, a dividend yield of 5.56% is on offer, with an 8.5% expected annual growth in earnings making that yield look all the more tempting. Valuation is likewise mixed for this telecoms stocks, with a P/E of 18.4 times earnings and P/B of 3.1 times book showing a similar profile to that of the previous ticker.

## Open Text ([TSX:OTEX](#))([NASDAQ:OTEX](#))

One of the sturdiest [tech stocks](#) on the TSX index, Open Text represents the best year-on-year growth of this selection of tickers with a one-year past earnings growth of 37.9% beating a five-year average growth rate of 12.1%. It differs from telecoms stocks in that it's more overvalued, with a P/E of 38 times earnings, and it also has greater momentum, with a 30% expected annual growth in earnings ahead.

Open Text is similar to those telecom stocks in its amount of inside selling in the last three months, its payment of a so-so dividend yield (1.64%), and that fact that it carries a certain amount of debt, with a comparative level of 69.1% representing a mediocre balance sheet.

## Canadian Pacific Railway ([TSX:CP](#))([NYSE:CP](#))

At twice its future cash flow value, this darling of the TSX index dividend crowd is overvalued — see that P/B of 5.5 times book for a handle on intrinsic value. Canadian Pacific Railway ostensibly had a bad year, with a negative earnings-growth rate of -18.9% that lets down a positive five-year average of 16.2%.

For a famous dividend stock, its yield is pretty low at 0.99%, with an 8.8% expected annual growth in earnings on the pedestrian end of the scale. It's seen more inside selling than buying of late, and though its 29% last-year ROE is significant, it's let down somewhat by a mediocre balance sheet carrying a debt level of 131% of net worth.

## The bottom line

We saw a mix of so-so valuations (see Rogers Communications's PEG of 2.3 times growth and Canadian Pacific Railway's P/E of 19.2 times earnings) and low expected earnings-growth rates. However, Open Text is the exception to this latter characteristic, with a cleaner balance sheet than BCE (with its debt of 118% of net worth), making the tech stock the best choice here for high growth mixed with passive income.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)

2. NYSE:BCE (BCE Inc.)
3. NYSE:CP (Canadian Pacific Railway)
4. NYSE:RCI (Rogers Communications Inc.)
5. TSX:BCE (BCE Inc.)
6. TSX:CP (Canadian Pacific Railway)
7. TSX:RCI.B (Rogers Communications Inc.)

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