



Which Is The Best Telecom to Invest in 2019?

Description

Canada's telecoms represent some of the most stable investments on the market, with growth and plenty of income-earning potential to be realized.

Within the shortlist of Canada's biggest telecoms, both **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)) and **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) are represented at both ends of the spectrum, offering investors two very different, yet appealing investment options.

But which of these two companies is the better investment? Let's take a look at the case for both.

The established titan

BCE is recognized as the stereotypical large telecom, offering wireless, wireline, TV and internet subscription services to customers across the country. In addition to those core offerings, BCE also has a sizable media arm that consists of radio and TV station holdings that form a sizable moat around the entire economy.

That massive coverage footprint and media empire are key to BCE's generous dividend, which is one of the main reasons why investors flock to BCE. The current quarterly dividend amounts to an appetizing 5.34% yield, and BCE has provided investors a generous annual uptick to that dividend spanning back for a decade.

One of the long-standing concerns among investors when it comes to BCE is the company's [attractive dividend](#) and massive network, which according to critics leave little to any room for growth or dealing with its large amount of debt. In reality, that generous dividend comes in near 75% of free cash flow, which does leave some room for growth, but that could be squeezed if interest rates or debts continue to mount.

In terms of results, BCE announced results for the most recent quarter earlier this year that saw the company post a 3% increase in consolidated revenue and a 2.8% increase in adjusted EBITDA. The closely watched wireless segment saw revenue gains of 4.6% and garnered 143,000 net subscriber

additions, culminating a quarter that was overly positive.

The upstart disruptor

Shaw may have a much smaller footprint than BCE does, but Shaw holds plenty of promise for long-term investors that comes in the form of the new wireless service known as Freedom Mobile. That smaller footprint is steadily being built out to rival its larger peers, and Shaw even sold off its own media arm to finance the launch of Freedom.

Freedom mobile is Shaw's attempt at penetrating the lucrative wireless market where the Big Three telecoms have absorbed over 90% of the market and have provided little differentiation or competition to attract new customers.

Shaw's aptly named Freedom is gaining a reputation as a major [market disruptor](#) with plenty of long-term potential for growth thanks to favourable pricing, generous data allowances and a concentrated coverage area around key metro areas that has captured nearly 5% of the market in a very short amount of time.

The potential for wireless network operators is only going to grow over the next few years as telecoms and device OEMs release 5G connectivity devices and service that come with the promise of faster connections that in turn will unlock a slew of new functionality (and increased data and device revenues).

In addition to that growing wireless segment, Shaw offers a very appetizing monthly dividend that translates into a yield of 4.29%. Despite that impressive payout, dividend growth has stalled in recent years as the company has opted to divert funds toward building out and expanding Freedom's footprint.

Which is the better buy for 2019?

While both telecoms make promising additions to any portfolio, Shaw is the telecom that represents the better option at this juncture. Shaw's monthly dividend, coupled with impressive long-term prospects for Freedom mobile is simply too hard to ignore, whereas BCE's higher yield, and by extension, higher ongoing costs and debt load make it the higher risk and lower reward option.

CATEGORY

1. Dividend Stocks
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2. NYSE:SJR (Shaw Communications Inc.)
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Date

2025/09/01

Date Created

2019/03/31

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