BCE (TSX:BCE) vs. Rogers Communications (TSX:RCI.B) Which Is the Better Long-Term Investment?

## Description

The telecommunications industry is one of importance for investors' portfolios. The industry consists of massive conglomerates with large market share. While having a large, stable company is an important pillar of your portfolio, it can be difficult to know what the best investment is.



Many factors affect what investors may be looking for: dividend, track record, opportunities for growth and share price today.

The entire telecommunications space is somewhat overvalued; 10 years of a bull market and the belief that a recession may soon be around the corner have made industries like telco's and utilities more expensive. These sectors tend to be bid up because of their stability and defensive nature.

Regardless, there is still room for growth in the industry. The Canadian wireless network is much less penetrated than in U.S and Europe, which means there is a long possibility for growth in Canada. Each company has its own strategy and its own pros and cons. However, which is the better investment today?

# BCE Inc. (TSX:BCE)(NYSE:BCE)

**BCE Inc** (TSX:BCE) is the largest of the telecoms and is divided into three main business segments. Bell Wireline, which accounts for 53% of revenues. This consists of TV and Canada's largest internet provider. Bell Wireless, which is the cell phone division, makes up 36% of revenues, with the remaining 11% made up by Bell Media.

BCE's strategy for the future has been through a build-out for their fiber network. The company is hoping to gain market share with the future of 5G. The goal of increasing the fiber-to-home network is to increase the download speeds for consumers and lower operating costs.

In today's age, speed is one of the most important needs consumers have, so BCE's strategy hasbeen to focus on the growth of its footprint in fiber optics.

When investors talk about BCE, the main highlight for investors is BCE's dividend. The company has raised the dividend more than 5% every year for over a decade. It is also important to investors that BCE is a large stable business with a low beta so it can anchor a portfolio without being wildly volatile.

There are some common problems facing the company as well. Its large size makes it difficult to continue to post comparable growth numbers to the past. The dividend is also starting to get close to a 100% payout ratio, which will make continued dividend growth even more troublesome.

## Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI)

**Rogers Communications Inc** (TSX:RCI.B), similar to BCE, is well diversified. However, Rogers is only half the size by market cap. Nonetheless, Rogers is the largest wireless service provider in Canada. Rogers Wireless accounts for 60% of total company revenues; of that, 77% is from service charges and the other 23% comes from equipment.

The cable segment makes up 26% of total revenues. Cable is broken down between internet 54%, television 37%, and phone 9%. Media makes up the remaining 14% of revenues.



With regard to fiber, most investors agree that Rogers will have a tough time maintaining its cable advantage in Ontario because of BCE's aggressive expansion. Rogers has been investing in its cable infrastructure; however, the industry is very competitive and very mature. Cable continues to face headwinds as cord-cutting is becoming more popular these days.

Additionally, Rogers capex on its wireless infrastructure has also lagged behind BCE and Telus, opening the door for increased competition. The shared network between BCE and Telus is now faster than Rogers' network, which may end up hurting Rogers' dominance in the wireless space. This could pose a major problem for Rogers as a whole, as more than half of total revenue comes from Rogers Wireless.

## Bottom line

The telecom industry is a stable, defensive industry that is paramount to a well diversified portfolio. While Rogers has been out executed by BCE in the last few years, that has been reflected in share price. As a whole, the industry is fully valued, However; Rogers is at a slight discount, reflecting their poor track record as of late.

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