Dividend Stocks: BCE (TSX:BCE) vs. Rogers Communications (TSX:RCI.B) vs. Telus (TSX:T)

Description

Canada's telecommunications sector is an oligopoly. Three major players dominate the market and extract tremendous profits from a user base that doesn't seem to have many alternatives. These profits have been transferred to lucky shareholders in the form of high dividends over several decades.

However, which of these three dividends is the most robust or likely to grow in the long term? Dividend investors need to pay attention to the company's growth prospects, reinvestment, and debt to figure out if the company can continue to deliver returns for the long term. Here's a closer look at the underlying fundamentals powering these three impressive payouts.

Benchmark

The average dividend yield of the top three telecoms is 4.23%. The average return on assets and debt-to-equity ratio is 6.24% and 1.69, respectively. These averages offer a benchmark for the sector, which can help us compare all three of the top players.

BCE (TSX:BCE)(NYSE:BCE)

BCE offers a 5.3% dividend yield, which is the highest of the group. Meanwhile, its debt-to-equity is the lowest of the three at just 1.34. As the country's largest telecom, BCE's economies of scale is being reflected on its balance sheet. However, the company hasn't been complacent about its dominant position.

BCE has been deploying a tremendous amount of capital into expanding its fibre optic network for better coverage and adopting 5G technology earlier than most of its rivals. The scale of this reinvestment program makes it more likely that BCE can sustain its 5% compounded annual growth in dividends for the foreseeable future.

Telus (TSX:T)(NYSE:TU)

At its current market price, Telus offers a 4.42% dividend yield, placing it in the middle of the trio in terms of shareholder return. Similarly, the company's debt is higher than BCE's but lower than the other peer on this list.

However, Telus seems to be using its debt inefficiently. At 5.5%, its return on assets is the lowest of the three. This could be because the company's business model is slightly differentiated by its healthcare investments in recent years.

Telus Health is a critical new venture that makes this company more than an average telecom. Management's attempt at diversification is well justified, but shareholders may have to wait a while before this subsidiary starts making an impact on the bottom line.

Meanwhile, Telus's investments in its wireless infrastructure are on par with BCE, which should put dividend-conscious investors at ease.

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

Rogers has the lowest dividend yield (2.97%) and the highest debt burden ($2.6 in debt for every $1 in equity) of the three on this list.

Although it is the largest wireless service provider and a major cable provider in the country at the moment, fellow Fool contributor Daniel Da Costa believes this advantage is being rapidly eroded by BCE and Telus.

Bottom line

The combination of low yield, high debt, and increasing competition make Rogers the worst dividend stock on this list. Meanwhile, Telus is a good bet, but based on scale, capital expenditure, and track record, BCE seems to be the most reliable dividend stock in the telecom sector.

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3. NYSE:TU (TELUS)
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