



Which Is the Better Buy: Telus (TSX:T) or BCE (TSX:BCE) Stock?

Description

Telecom companies are battling out as they offer new unlimited data plans, and so I thought it would be a great time to compare two of the industry’s top stocks as well. Both **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) and **Telus** ([TSX:T](#))([NYSE:TU](#)) are good value buys that pay great dividends, but I’ll assess which one is the better buy today. I’ll look at a number of factors, including their recent results and returns, valuation, and dividends.

How the companies have performed recently

In BCE’s most recent quarter, the company’s sales were up a modest 2.6% year over year, while profits climbed 12% thanks to a boost from other income. It’s the type of result that you would expect from a mature company with few avenues to generate real growth from. Over the past year, the stock has risen by 10%, as it continues to be a good investment that can provide solid returns for investors.

Meanwhile, Telus stock has increased by just around 2.5% in the past year, as its share price has typically not veered off into one direction or the other too often. It generated a bit more in sales growth last quarter with its top line rising by more than 4% from the prior year, and profits were up by a similar amount as well.

There’s no discernible advantage here, as both companies are likely trading customers back and forth.

Which stock is the better value?

Here’s a quick overview of how the stocks compare against one another in terms of multiples:

Ratio	BCE	Telus
Price to Earnings (P/E)	18.9	17.9

Price to Book (P/B)	3.3	2.8
Price to Sales (P/S)	2.3	2.0

A look at the numbers clearly shows us that BCE is a bit more expensive than Telus stock. However, with BCE being bigger and more diversified in its operations, the higher premium for the stock may very well be justified. From a strict value perspective, Telus is a bit of a better buy in this regard, but not by much.

Which dividend is better?

Currently, BCE pays investors a dividend of 5.3%, which is a [very good payout](#), and one that's grown over the years as well. From 65 cents paid every quarter back in 2015, dividends have risen to 79.25 cents in 2019 for an increase of 22% and averaging a compounded annual growth rate of over 5% during that time.

Telus pays a slightly lower dividend than BCE with a yield of 4.6%. However, its payments have been rising at a much higher CAGR of 8.2% over the past five years.

Both stocks are good sources of dividend income, but I would give the edge to BCE. Although Telus has increased its payouts at a higher rate, they'll likely slow down as the dividend yield gets closer to 5%.

Which is the better option today?

Telus is a good stock if you're looking for a good substitute for your bank account. Its minimal price movement and [good dividend](#) will give you a lot of consistency. However, BCE is the overall better buy, as it is more diversified, pays a stronger yield today, and although it's a bit more expensive, it's not enough to tip the scales in Telus's favour.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TU (TELUS)

3. TSX:BCE (BCE Inc.)
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Date

2025/08/27

Date Created

2019/06/26

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