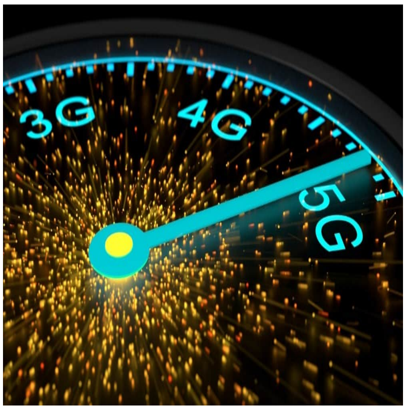

Best 5G Buy: BCE (TSX:BCE) Stock vs. Rogers Communications (TSX:RCI.B)

Description

Trading volume is high for two Canadian telecom giants, **BCE** (TSX:BCE)(NYSE:BCE) and **Rogers Communications** (TSX:RCI.B)(NYSE:RCI). Wireless communication stock has been getting a lot of attention, as telecom readies itself for the 2020 5G rollout, but disparities in financial strength between Canada's top telecom companies place Rogers in a better position to capitalize on the technological progress.

Thus far, the economic impact of 5G is in the trillions due to the significant investments in equipment and software upgrades necessary to make 5G a reality. Faster download and streaming speeds imply sizeable impacts on what media services like **Amazon**, Crave, and **Netflix** can do for their customers. Moreover, the additional investments will increase data capacity, allowing for high-tech smart cities and increased connectivity.

BCE

BCE operates Canada's second-largest wireless carrier through Bell Mobility, which may be lagging behind competitors in investment and revenue growth. BCE's stock price increased 12% in the past year and currently sells at a P/E ratio of 18.81 — lower than the industry average of 20.37.

While the eye-popping 5.29% dividend yield and a 60-month beta of only .334 may entice large volume on the TSX, BCE's cash flows are flashing warning signs. A company's cash flows are an indication of retained earnings, future growth, and the general affordability of the dividend yield. In 2018, BCE's net income growth stood at a negative 2.52% with a free cash flow yield of only 1.21%, indicating diluted ownership and inefficient use of capital.

In addition to offering wireless services, in 2014, BCE acquired Glentel, a wireless retail outlet. Following the announcement, Rogers Communications claimed the acquisition violated contractual terms between Glentel and Rogers. To conclude the dispute, BCE agreed to divide ownership over Glentel equally with Rogers in a joint procurement.

Rogers Communications

As Canada's largest wireless carrier, Rogers Communications's financials and investment activity are robust, according to past earnings reports. Rogers Communications stock increased 11% over the past year and currently sells at a P/E ratio of 17.69, demonstrating higher shareholder value relative to competitors.

Although Rogers Communications offers an attractive dividend yield of only 2.83% at a market average beta of .97, the company may be in a better financial position to afford the dividend payout than BCE. Rogers Communications increased net income by an unbelievable 120.96% in 2017 and by 11.6% in 2018. Meanwhile, free cash flow growth stands at 3.15% with a yield of 1.34%, demonstrating strong earnings growth from capital investments.

Rogers Communications reports investments of $4.7 billion in 5G infrastructure, positioning itself as the incumbent leader of wireless services in Canada. Moreover, the company assertively guards its market share against competitors, as its 2014 Supreme Court case against Glentel demonstrates. Profit-seeking investors should buy and hold Rogers Communications stock going into 2020 to cash in on the economic benefits of 5G.

Why is 5G significant?

5G is essentially a software and infrastructure update to increase telecoms' power to serve data-hungry consumers, especially urban Generation Z techies. Global demand for data increases as technology becomes more affordable and telecom companies struggle to keep pace, hence unlimited data with reduced speed wireless plans. For a cost, 5G upgrades may help attenuate this issue through increased capacity to accommodate the data traffic.

Before 5G rolls out officially, cutting-edge investors should consider the investment traffic going through the Toronto Stock Exchange as a sign: 5G is an opportunity to profit from historical technology advancements if smart savers get in early enough.

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