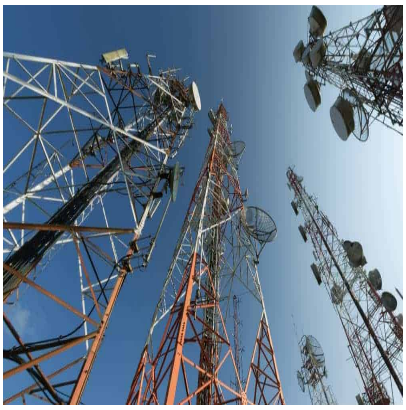

The Best Telecom Stock to Buy Now

Description

The big Canadian telecom stocks, which operate as an oligopoly, are known to be safe long-term investments that pay reliable dividends. Let's compare **BCE** (TSX:BCE)(NYSE:BCE), **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), and **TELUS** (TSX:T)(NYSE:TU) to see which is the best buy today. All three have an investment-grade S&P credit rating of BBB+.

Recent profitability

Revenue growth can help boost company earnings. So, it's always good to see. BCE, Rogers, and TELUS's three-year revenue growth were 2.9%, 4%, and 4.3%, respectively. Their 2018 revenues were $23.5 billion, $15 billion, and $14 billion. Typically, larger companies have lower growth than their smaller peers, and that's exactly what we saw in the Big Three telecoms in the last three years.

Going down the income statement, we arrive at the operating income. BCE, Rogers, and TELUS's 2018 operating income were $5.5 billion, $3.8 billion, and $2.9 billion, respectively. Their three-year operating income growth were 2.8%, 11.8%, and 4.4%. Notably, there was a marked improvement in Rogers's operating income compared to the other two thanks partially to margins expansion.

Finally, we reach the net income. BCE, Rogers, and TELUS's 2018 net income were $2.9 billion, $2 billion, and $1.6 billion, respectively. Their three-year net income growth were 3%, 15.3%, and 5%, respectively.

Valuation

As of writing, BCE trades at under $60 per share at a price-to-earnings ratio (P/E) of about 17, while it's estimated to increase its earnings per share by 3-4% per year over the next three to five years.

Rogers trades at about $70 per share at a P/E of about 15.9, while it's estimated to increase its earnings per share by about 6.8% per year over the next few years.

TELUS trades at about $48.50 per share at a P/E of about 16.5, while it's estimated to increase its earnings per share by 7-8% per year over the next few years.

So, Rogers and TELUS offer more value for your investment dollars today than BCE.

Dividends

At the recent quotations, BCE, Rogers, and TELUS offer yields of 5.3%, 2.9%, and 4.6%, respectively. BCE has increased its dividend per share for 10 consecutive years with a five-year dividend-growth rate of 5.3%.

Rogers, however, has maintained the same dividend for a few years but began increasing it again early this year.

TELUS has boosted its dividend per share for 15 consecutive years with a five-year dividend-growth rate of 9.1%.

Going forward, TELUS will likely be your best choice for dividend growth, though Rogers can be a dark horse due to its ridiculously low payout ratio of about 44%. Compare that to BCE and TELUS's much higher payout ratios of 90% and 75%, respectively.

Foolish takeaway

In the last few years, Rogers had the strongest bottom-line growth. Going forward, Rogers, and TELUS should be better bets for higher total returns than BCE.

Rogers is capable of delivering higher dividend growth than the rest because of its super low payout ratio (while maintaining stable earnings growth). However, its actual dividend growth will depend on management’s capital-allocation decisions.

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