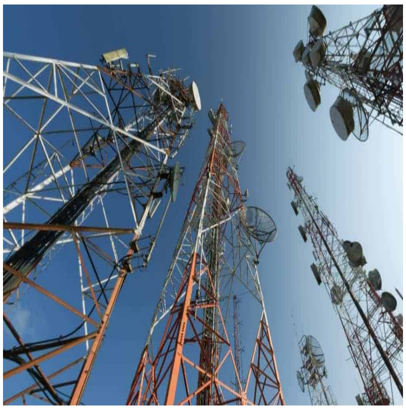

3 Big Telecom Stocks: Which Is the Best Buy Today?

Description

The Big Three telecoms are popular dividend stocks. However, they have stable growth drivers as well, including a growing population and increasing data usage.

Let's compare **BCE** (TSX:BCE)(NYSE:BCE), **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), and **TELUS Corporation** (TSX:T)(NYSE:TU) to see which may be the best buy today.

Recent profitability

Revenue growth helps drive earnings growth, which in turn drives long-term stock price appreciation and dividend growth.

BCE's three-year revenue growth rate is 2.9%, which translates to annual earnings-per-share growth of 1.5% in the period. Its trailing 12-month revenue is nearly $23.8 billion, the largest of the three telecoms. This is not surprising given that it's the largest company of the three.

Rogers' three-year revenue growth rate is 4%, which translates to earnings-per-share growth of 14.6% per year in the period. Its trailing 12-month revenue is $15 billion.

TELUS' three-year revenue growth rate is 4.3%, which translates to earnings-per-share growth of 3.5% per year in the period. Its trailing 12-month revenue is nearly $14.4 billion.

Dividends

BCE currently offers a yield of 4.9%; it’s paying out about 90% of earnings for its dividend. That payout ratio seems a bit high, but the company generates lots of cash flow. The free cash flow payout ratio of about 73% implies a safer dividend than seen on the surface. Its five-year dividend growth rate is 5.3%.

Rogers offers a yield of 3%; its payout ratio is only roughly 45% after freezing its dividend for several years. Therefore, it’s probable that it could increase its dividend at a higher pace than the other two telecoms in the future.

TELUS offers a yield of 4.6%. It has increased its dividend for 15 consecutive years, and its payout ratio is about 77%. Earnings growth and expansion of the payout ratio can allow the dividend to grow 7-10% per year through 2022 as the company targets.

Which telecom stock is the best buy today?

The telecom stocks’ five-year rates of return are 10.2% for BCE, 8.9% for Rogers, and 8.7% for TELUS. However, I believe that Rogers is the best buy because it trades at the cheapest valuation and offers the highest estimated earnings growth.

At $67.40 per share as of writing, Rogers trades at about 15.3 times earnings and is estimated to increase earnings per share by 6.6% per year over the next three to five years.

BCE is the most expensive, trading at more than 18 times earnings and is estimated to grow its earnings per share by about 3.7% per year.

TELUS offers the best balance of income and growth. It trades at about 16.6 times earnings and will grow earnings per share by about 5.2% per year.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

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2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
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5. TSX:RCI.B (Rogers Communications Inc.)
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