Better Buy in November: Rogers Communications (TSX:RCI.B) or BCE (TSX: BCE)?

Description

Retirees are having a tough time finding yield, and the governments of the world continue to make life harder. The constant rate cuts that are designed to help irresponsible lenders are hurting the responsible savers who want to earn safe income from their hard-earned dollars. This has driven these individuals to the stock market, where safety is not as clear-cut as it is with GICs and bonds.

One of the traditional ways to invest in dividend stocks is to pick one of the utility companies, telecoms, or Canadian banks. These three categories have made up the bulk of the Canadian dividend investment environment for decades. It is pretty much essential, therefore, that investors looking for serious income should turn to one of these sectors for steady, growing income.

As one of the essential sectors, telecoms have to be on the top of a dividend investor's list. Two of the top choices for most Canadians have been **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI). Both companies have long histories of leadership in the telecom sector and have provided investors with capital appreciation and dividend growth. Choosing between the two can be challenging, but it is a good idea to try to focus on the one you want.

Both of these companies focus on wireless networks, internet connectivity, and cable television service provision as a source of their revenues. BCE is the largest by far of the two companies with a market capitalization almost double that of Rogers, at $57 billion. However, Rogers is not exactly tiny either with a market capitalization of about $35 billion.

The dividend is a major issue from the standpoint of an income investor. From this perspective, BCE is again the better choice with a yield that currently sits at just over 5%, while Rogers' sits at 2.99%.

Dividend growth is also firmly in BCE's favour, with the company sporting steady dividend increases for years. Rogers, on the other hand, decided to pause its dividend for a number of years before beginning to increase it again earlier this year. This was a major disappointment for income investors.

That being said, the CEO stated that the dividend was paused so that the company could focus on having cash for business growth. Of course, the best situation would be for a company to have enough cash generated for both dividend and business capital expenditures, which appears to be the case for

BCE.

Both of the companies have decent growth for a slow-growth industry, with revenues increasing by 1% for Rogers and BCE revenues up 2.5%. BCE’s free cash flow increased an impressive 10% year over year, a number that should help continue to drive dividends and dividend growth.

The best choice

For me, the choice for income-seeking retirees is clear. Out of the two stocks, I believe that BCE is the best way to lock in relatively safe and solid income for the long term. Its dividend is the primary reason, but the other aspects of its business are attractive as well. Its free cash flow is excellent and its position as the market leader in the Canadian telecom space makes this a go-to name for income.

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Date
2025/08/26
Date Created
2019/11/03
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