



Cheap Dividends: 2 Telecom Kings to Buy Today

Description

If you're like Warren Buffett and missed out on a chance to scoop up stocks in March and April before the stock market rebounded in a V shape, don't fret. There are still ample value opportunities out there, especially with Canada's telecom stocks and their [cheap dividends](#).

This piece will have a look at two Canadian telecom stocks that I believe can give you the most bang for your buck at today's market crossroads.

Quebecor

Quebecor ([TSX:QBR.B](#)) is a regional telecom that I think has a moat around its home province of Quebec. Instead of trying to take over the country and run the risk of spreading itself too thin against the Big Three telecom behemoths, Quebecor has mostly stayed within its circle of competence, serving the Quebec market and other non-Quebec francophone communities.

While the reluctance to expand into other provinces has left a lot to be desired on the growth front, Quebecor has been able to maintain some pretty stellar double-digit ROIC (return on invested capital) and ROE (return on equity) numbers over the years.

Moreover, Quebecor's ROIC numbers, a superior efficiency metric given it measures [real cash-on-cash return](#), has been on the uptrend over the last seven years — a trend I expect to continue, as Quebecor rolls out next-gen telecom tech across the communities it serves.

The company recently cut 10% of its workforce amid COVID-19-related pressures. The telecom isn't immune from the crisis. Still, it is in an excellent position to continue weathering the storm with its decent liquidity position (0.9 current ratio) and its resilient operating cash flow stream. Shares of Quebecor look steeply discounted here at 7.6 times book and 7.6 times EV/EBITDA, both of which are below five-year historical averages.

The 2.4% dividend yield, which is among the lowest of major Canadian telecoms, leaves a lot to be desired. Still, Quebecor's dividend is in a position to grow at an above-average rate over the years, as

Quebecor continues rolling out new infrastructure while continuing to defend its home turf.

Shaw Communications

Shaw Communications ([TSX:SJR.B](#))([NYSE:SJR](#)) is Canada's fourth major telecom; it broke into the wireless scene just a few years ago. Shaw's wireless business Freedom Mobile has been picking up major traction of late, and I think the wireless momentum is just getting started.

As we're propelled further into the coronavirus recession, it's likely that Freedom Mobile's value proposition will begin to shine, as Canadians look to tighten the belt with their phone bills.

More recently, Shaw launched Shaw Mobile, which offers considerable savings to its internet customers in B.C. and Alberta. Prices start at \$0 for six lines of unlimited talk and text, with the option to add 25 GB of LTE data for \$45. The value proposition for Canadian bundlers is unprecedented, and with the economy in a tough spot, the new Shaw Mobile brand may act as a major gut-punch to the Big Three.

Shaw has a unique opportunity to win over a tonne of subscribers with its continuously improving value proposition amid this economic downturn, and I don't think the potential tailwinds are baked into the stock yet. Shaw's wireless network quality may be inferior to its bigger brothers, but in times of recession, it's inferior, lower-cost goods and services that suddenly become superior through the eyes of belt-tightening consumers.

On a price-to-book basis, Shaw is the cheapest Big Four telecom at 2.02 times book value. With a 4.8% yield, Shaw currently sports one of the cheapest high-quality dividends out there today. So, if you seek a near-term upside and a growing dividend at a reasonable price, look no further than the telecom underdog, which could rise to become a top dog in due time.

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3. TSX:SJR.B (Shaw Communications)

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Author

joefrenette

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