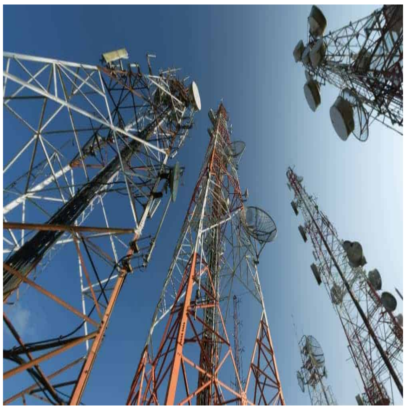

Better Buy: Rogers Communications (TSX:RCI.B) or BCE (TSX:BCE)?

Description

In the last two trading days, the Canadian equity markets were weak, as economic indicators and geopolitical tensions are beginning to weigh on stocks. The high-growth stocks, which were on a strong run since March, have corrected significantly.

Industry experts have stated that investors are moving away from high-growth companies that are trading at astronomical valuations towards value stocks that are trading at attractive valuations.

So, amid the increased interest in defensive bets, which among **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) and **BCE** (TSX:BCE)(NYSE:BCE) is a better buy right now?

Rogers Communications

So far, Rogers Communications has underperformed the broader equity market, with its stock price losing close to 14% of its value this year. The economic shutdown amid pandemic weighed heavily on the company's financials and its stock price.

In its second quarter, the company's revenue declined 16.5% on a year-over-year basis. The lower roaming revenue amid the travel restrictions and decline in overage income, primarily due to the increased adoption of the company's unlimited data plans, had dragged the company's sales from its wireless segment down. The company's media sales fell 50%, as no professional sports events played during the lockdown.

Also, the company's adjusted EPS declined by 48% during the period due to lower revenue and higher bad debt expenses amid weak economic conditions.

However, the company's outlook looks strong. The subscriptions for its unlimited data plans have gone up by 36% this year to 1.9 million. The company was the first to roll out the 5G network in the countryat the beginning of this year. Meanwhile, the company has planned to expand its 5G network and Connected Home services across the country. Also, with more people working and learning remotely, the need for Rogers Communications's services to rise, driving its financials.

Despite the weak performance, the company generated free cash flows of $468 million for the quarter. Meanwhile, at the end of the quarter, the company's liquidity stood at $5.4 billion. So, the company is well capitalized not only to survive the crisis but also to fund its expansion plans.

Also, the company currently pays dividends at a healthy rate of 3.6%. Given its positive free cash flows and strong liquidity, the company's dividends look safe.

BCE

BCE has performed better than Rogers Communications by falling just over 7% this year. In its second quarter, the company's net revenue declined by 9.1%, while its adjusted EPS fell by 32.3%. The decline in economic activities and lower customer demand across its business segments had dragged the company's financials down.

Despite the impact of the pandemic, the company continued to expand its fibre network and wireless home internet services during the quarter. It also launched its 5G network in five markets with plans of further expansion later. So, the company's growth prospects look strong.

Meanwhile, the company's free cash flow for the quarter increased by over 49% on a year over year to $1.61 billion. BCE's liquidity position looks healthy, with $5.4 billion at the end of the quarter.

Bottom line

Currently, BCE trades at a forward enterprise-to-EBITDA multiple of 8.2, which is relatively cheaper compared to Rogers Communications's 8.4. So, given its better growth prospects, high dividend yield, and an attractive valuation, BCE looks a better buy right now.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:RCI.B (Rogers Communications Inc.)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing

Date
2025/08/22
Date Created
2020/09/07
Author
rnanjapla