



## Forget Telus (TSX:T): This Telco Stock Is FAR Better Positioned for 5G!

### Description

**Telus Inc** ([TSX:T](#))([NYSE:TU](#)) is one of Canada's most popular telecom stocks. With a \$30 billion market cap, it's a mainstay of many dividend investors' portfolios. Investors generally buy telcos for safe, modest returns and high dividend income. The latter, at least, Telus delivers in spades: the stock has a 4.9% yield at today's prices.

However, the company is going into the 5G era with a major handicap:

### Huawei

The politically unpopular Chinese firm [had been Telus' 5G partner](#) until recently, leading to delays when Telus switched over to **Ericsson**. As a result, Telus is behind other Canadian telcos on 5G rollout. While Telus' most recent quarter was fairly strong, it may face problems going forward. On the other hand, its largest competitor looks far better positioned for 5G.

### Rogers Communications

**Rogers Communications Inc** ([TSX:RCI.B](#)) is Canada's largest telecom. It operates cell, internet and TV service nationwide. It also has some media holdings.

Before going any further, I should mention that Rogers' most recent quarter was a loser. Revenue was down 17%, net income was down 53%, and adjusted earnings were down 48%. On the bright side, cash flow from operations was up 35%, but free cash flow was down 24%.

Overall, these are fairly poor results. But remember that Rogers has significant media holdings, such as TV stations. These got hit harder than the company's other business segments.

[Media revenue was down 50%](#) thanks to less demand for advertising and cancelled sports. Core telecom operations fared better on average. For example, cable revenue decreased by just 3%. What this means is that Rogers' core operations fared comparatively well in Q2 compared to other telecoms.

## Why it's better positioned than Telus

The reason that Rogers is better positioned than Telus for 5G is that it doesn't have Huawei issues to deal with.

Rogers has always partnered with Ericsson on infrastructure, and will continue doing so for 5G. This has allowed it to roll out its 5G quickly. With no political headaches to deal with, Rogers' 5G rollout has happened on schedule.

Telus is a different story, however. Until recently, Telus had been partnered with Huawei for some network components. Unfortunately, political pressure has been mounting against Huawei. The U.S. recently banned the Chinese firm from government networks, and Canadian military have voiced similar concerns.

Telus held the line on Huawei for a long time, until announcing in June that they would switch to Ericsson and Nokia. As a result, their rollout has been delayed.

## Foolish takeaway

Rogers and Telus are two of Canada's most popular 5G stocks. With high dividend yields and steady dividend growth, they're both solid income plays. However, Rogers seems to have the better future.

With its rollout steaming ahead, it's positioned to win over subscribers who want the fastest wireless available. This should play out well for the company going forward, despite its Q2 headwinds.

### CATEGORY

1. Dividend Stocks
2. Investing

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