



Better Buy: BCE (TSX:BCE), Telus (TSX:T), or Rogers (TSX:RCI.B)?

Description

Canada's Big Three telecoms are all down north of 10% thanks in part to the [COVID-19 crisis](#). With interest rates slated to remain depressed until 2023, now would be a good time to rotate some of your savings or exposure to fixed-income securities into beaten-up Canadian telecom stocks that are sporting [swollen dividend yields](#).

This piece will go into the Big Three — **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), **Telus** ([TSX:T](#))([NYSE:TU](#)), and **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) — to determine which, if any, offers the best bang for your buck. The telecoms sport yields of around 6%, 5%, 4%, respectively, at the time of writing.

BCE: High dividend yield and low growth

With the largest dividend yield, BCE is the go-to play for investors who are willing to compromise on long-term growth for greater (sustainable) income. The telecom behemoth is a stalwart that's had little luck acquiring its way to growth, but what the firm lacks in growth, it more than makes up for in dividend stability and predictability.

While BCE has had its fair share of stumbles amid the pandemic, investors have nothing to worry about as far as the dividend is concerned. It's still very well covered and will be in a position to grow once the economy has a chance to normalize.

The significant headwind for BCE is the threat of rising competition that could weigh on the firm's ability to generate above-average economic profits with its wireless business over time. Add the media division, which is currently under pressure amid the pandemic, into the equation, and you've got a bloated behemoth that could be doomed to consolidate in the \$50-60 range for years.

Telus: A concrete mix of growth, value, and income

For younger investors who should be growing their wealth, rather than seeking to maximize their income at the expense of growth, there's Telus, which is currently at the crossroads between value and

income. For a yield 1% lower than you'd get with the likes of a BCE, you get so much more. Telus lacks a media division and has been facing a minimal amount of damage amid this pandemic, making the name a far more resilient play to own if you fear the pandemic could worsen before it gets any better.

The company has more compelling segments in Telus Health and Telus International (global customer service and IT service provider), which could give the company a nice growth boost over the next five years and beyond. With a reputation for having stellar customer service and top-notch network quality, Telus, I believe, is in the best shape to retain its subscriber base once the telecom wars heat up.

Shares of Telus sport a 0.7 five-year beta and trade at a modest 1.9 times sales, making the firm cheaper and growthier, but more volatile than the likes of a BCE.

Rogers: The hardest-hit Canadian telecom

Finally, we have Rogers Communications, the Big Three telecom that's been facing the greatest negative momentum of late. Shares have lost nearly 30% of their value from their 2019 peak levels. Despite the drastic fall, the dividend yield remains the lowest of the Big Three at 3.8%.

Rogers recently dropped the ball in its last quarter, as it felt the force of the COVID-19 impact. The wireless and media segments were under pressure, falling short of already low analyst expectations. While Rogers may seem like a lost cause and the least attractive of the Big Three, given its negative momentum and the fact that it sports the least bountiful yield, I think it makes sense to go against the grain while shares trade at a mere 1.8 times sales.

On a price-to-sales basis, Rogers is the cheapest stock of the Big Three. While the company has more than its fair share of baggage, I think shares are now oversold and could stand to have the most upside once the pandemic ends.

Which is the best buy?

Unless you're keen on maximizing your quarterly income, I'd have to go with Telus. Shares are more resilient in the face of this pandemic and will stand to grow at a quicker rate than its peers over the long term.

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