Earnings Season: 5 Key Telecoms Stocks To Watch

Description

With earnings season coming up, let's take a look at five North American telecommunications stocks. To gauge whether these stocks look like pre-earnings buys, let's examine a few basic criteria. In screening these five telecoms, we'll consider value for money, dividend yields, payout ratios, growth potential, and earnings expectations.

The sports media play with big comeback potential

October 22 will see **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) spilling the beans on its most recent quarter. Investors will be expecting some improvement in Rogers' fortunes in the last three months. A partial reopening has seen the return of sports, while some of those roaming fees should have started trickling in again. In terms of growth potential, earnings are estimated to rise by around 15% annually.

Value-wise, Rogers will likely be a better buy after the current earnings bullishness. This week has seen investors push Rogers' stock up by more than 10%. However, a positive quarterly result might not do much to bring that price down. A dividend yield of 3.4% is moderately rich and is covered by a payout ratio of 60%. Throw in Rogers' market share and business diversification and we have a solid looking distribution.

The takeover bid of the decade

Cogeco Communications (TSX:CCA) has been the subject of a takeover bid that has rocked the telecom space in the last quarter. However, the Audet family has now rejected two proposals from Rogers and **Altice** (NYSE:ATUS). The most recent statement repeated that the veto was "not a negotiating strategy, but a definitive refusal."

Value investors can still pick up Cogeco shares at a snip, with a 2.4% dividend yield on offer. A 30% payout coverage leaves plenty of room for dividend growth. Share price growth potential is moderate, with around 63% total returns projected over five years.

Altice will itself report earnings October 29. This name will likely have appeared on telecom investors' radars in relation to Cogeco. But is Altice a buy in itself? Look out for EPS of US$1 in the upcoming report. Extra value for money could be forthcoming if this doesn't materialize. That said, Altice brings growth potential to a portfolio with earnings set to increase by a third annually.

Key stocks to watch post-earnings

BCE reports quarterly earnings November 5 and shareholders will looking for EPS of $0.57. With a dividend yield of almost 6%, BCE should a clear favourite for passive income investors.

If its payout ratio were better, this rich name would be suitable to pack in a Tax-Free Savings Account (TFSA) or RRSP for the long term. With a mediocre 11% annual earnings growth potential, BCE looks like one to pick up cheaper post-earnings.

Telus investors should pencil November 6 into their diaries, as the Canadian telecom gears up to reveal its most recent earnings report. In terms of value and growth potential, Telus is in similar territory as BCE.

While it's tempting to see both names as being sidelined by Rogers, Telus certainly has its charms. This is a media-free pure-play on telecommunications. Its 4.8% dividend yield is also rich enough to contend for a place in a TFSA.

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2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:CCA (COGECO CABLE INC)
4. TSX:RCI.B (Rogers Communications Inc.)
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