



Telus (TSX:T) vs. Rogers (TSX:RCI.B): Here's the Best 5G Bet for 2021

Description

5G is being rolled out across Canada.

Telus ([TSX:T](#))([NYSE:TU](#)) and **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) are two top telcos leading the charge.

Both Telus and Rogers are heavyweights in the telecommunications industry, with legions of subscribers nationwide. Both are growing their core operations and have delivered steady (but not amazing) earnings growth over the years. Finally, both are solid dividend stocks with above-average yields.

However, when it comes to 5G, one of these two stocks is clearly better than the other. With a massive head start in 5G deployment, it has the edge in the year ahead. In this article, I'll reveal which of these stocks that is. First, let's take a close look at what both Telus and Rogers have going for them.

The case for Telus

One big advantage Telus has over Rogers is its dividend yield.

At 4.87%, it beats Rogers's 3.34%. Telus also has Rogers beaten on dividend growth, with an 8% dividend-growth rate over the last 10 years compared to Rogers's 5.6%. This combination of a higher yield and stronger dividend growth might make Telus look more appealing than Rogers. However, Telus's advantages basically end there.

The case for Rogers

Rogers has two main advantages over Telus in 2021:

- Better positioning for 5G
- Better results in the most recent quarter

When it comes to 5G, Rogers is by far the best positioned out of all Canadian telcos. It already has its infrastructure rolled out in over 100 cities, whereas Telus currently only has it in place in a few large urban centres. The reason for this is [infrastructure partnerships](#). Whereas Rogers partnered with **Ericsson** on 5G from the beginning, Telus had planned to go with **Huawei**. This allowed Rogers to push full steam ahead with its 5G rollout, while Telus got mired in Huawei-related controversies.

Eventually, Telus capitulated and chose other 5G infrastructure partners. It had been lobbying the government to allow Huawei components on 5G networks but gave up after a while. In the meantime, Rogers went right along with Ericsson and got a head start.

Another factor Rogers has going for it over Telus is better results in the most recent quarter. In Q3, Rogers's earnings were down only 11% and its media revenue, which had previously been crushed by the closure of professional sports, was up 1% year over year. Telus, by contrast, [saw earnings decline 27%](#). On top of that, Rogers actually had positive 13% growth in free cash flow in the third quarter, while Telus saw both earnings and free cash flow decline.

Foolish takeaway

Heading into the 5G era, it definitely looks like Rogers is the best play among Canadian telcos. It certainly has the edge over Telus, with a bigger 5G network and better recent earnings. To be sure, Rogers is exposed to many risk factors, such as COVID-19 taking a bite out of its media revenue. But overall, it's looking like a better play than Telus right now.

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2. NYSE:TU (TELUS)
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