What Telecom Is Worth Buying Now?

Description

Investing in Canada's telecoms remains one of the best long-term investment options on the market. But which of Canada's telecoms is worth buying now? Canada's big telecoms are alike in many respects, and all offer a compelling dividend.

Let's try to answer that questions by looking at both **BCE** (TSX:BCE)(NYSE:BCE) and **Rogers Communications** (TSX:RCI.B)(NYSE:RCI).

The case for BCE

BCE is collectively the larger of the two telecoms, boasting an impressive subscriber base of wired, wireless, internet, and TV service. Additionally, BCE operates a media segment that boasts many TV and radio stations. That coverage blankets Canada's airwaves, resulting in a stable and recurring revenue stream.

In other words, BCE provides investors with an impressive defensive moat that is hard to beat.

That moat is only expanded when considering BCE's income-earning potential. The company offers investors a quarterly yield of 5.66%, making it one of the better returns on the market. To put that earnings potential into context, a $30,000 BCE investment in your Tax-Free Savings Account (TFSA) will generate nearly $1700 in the first year alone. Factoring in annual upticks and growth, that investment could grow significantly.

Speaking of dividend upticks, BCE has provided an annual or better uptick to that dividend for well over a century. In other words, BCE is not only a great defensive pick, but one that should appeal to growth and income-seeking investors as well.

In short, If building a growing income stream is one of your portfolio objectives, BCE may be the telecom worth buying now.

The case for Rogers

Like BCE, Rogers also has wired, wireless, internet, and TV service segments. The company also has a sizable media segment that can rival BCE's footprint. Where Rogers does differ from its peer however is when it comes to the wireless segment.

Wireless connections are growing in importance. In just over a decade, wireless devices have gone from being auxiliary communication devices to be a necessity of our digital world. Wireless devices are consuming an ever-increasing amount of data, which provides a growing stream of revenue for telecoms.

Earlier this year, Rogers announced that it was going to purchase one of its smaller rivals in a multi-billion-dollar deal. The deal still needs to gain regulatory approval, but if successful, it will cement Rogers's position as the dominant wireless carrier. This is important because, unlike BCE, Rogers is focused on long-term growth.

In fact, several years ago Rogers stopped providing investors with annual bumps to its dividend, instead focused on paying down debt and investing in growth. The multi-billion-dollar deal announced earlier this year is just the latest outcome of that investment.

Turning to income, Rogers halting its annual dividend uptick doesn't imply that it isn't a viable income pick. In fact, Rogers did provide investors a hike at the end of 2018, after several years of no increases. At that time, Rogers noted additional upticks would come in the future. Keep in mind, however, that growth, not dividend increases, is the focus.

Rogers currently provides a respectable quarterly dividend that carries a yield of 2.98%. Compared with BCE, that same $30,000 investment in your TFSA will provide $894 in income during the first year.

Which telecom is worth buying now?

Both Rogers and BCE offer compelling investment cases to consider, which makes picking one over the other difficult. In fact, the decision to pick one telecom over the other will depend largely on your individual portfolio goals. If establishing a reliable income stream is a primary objective of yours, then BCE is the way to go.

On the other hand, if growth is more important than income at this juncture, then Rogers may be the better telecom worth buying now.

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