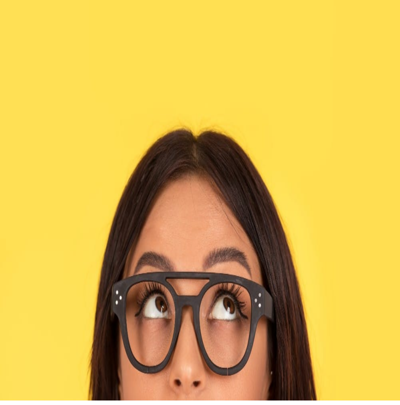

Rogers vs. BCE: Which Is the Better Buy Today?

Description

Rogers (TSX:RCI.B)(NYSE:RCI) suffered a widespread service outage on the morning of Friday, July 8. That outage would bleed into the next day, stirring outrage. Indeed, recent reports indicate that some Rogers customers are still without cell and internet service. Today, I want to discuss whether Rogers is worth snatching up over one of its chief rivals after this catastrophic misstep. Let's dive in.

Will the latest Rogers outage cause lasting damage?

Rogers is the largest service provider in Ontario, Canada's most populous province. The state of telecommunications is already a raw topic for many Canadians. Consumers are typically given two choices for cable and internet service. This was the second significant outage over the past two years for Rogers, which has stirred animosity among its users.

CEO Tony Staffieri stated that the outage occurred due to a maintenance update that had unintended consequences. Rogers will be combatting ire from customers and business partners alike in the weeks and months ahead. It remains to be seen whether this will result in a significant customer exodus.

The outage comes as an unfortunate time for a company that had a solid start to fiscal 2022. In Q1 2022, Rogers delivered revenue growth of 4% to $3.61 billion. It delivered postpaid mobile net adds of 66,000 in the quarter — up 44,000 from the previous year.

Shares of Rogers currently possess a solid price-to-earnings (P/E) ratio of 19. Moreover, it offers a quarterly dividend of $0.50 per share. That represents a 3.2% yield.

Can BCE benefit from its competitors' misfortune?

BCE (TSX:BCE)(NYSE:BCE) is another one of the top three telecom giants in Canada. Its shares have dropped 3.6% in 2022 as of close on July 8. The stock is still up 2.4% from the previous year.

It is difficult to predict how the Rogers outage could impact BCE's business in the near term. Tempers were undoubtedly running hot during the painfully long outage. However, consumers looking to make a quick change were met with long wait times. Anger tends to dissipate, which could pour cold water on a mass exodus.

A potential customer migration aside, BCE also put together a strong start to fiscal 2022. It released its first-quarter 2022 earnings on May 5. Adjusted EBITDA climbed 6.4% year over year to $2.58 billion. Meanwhile, it posted adjusted net earnings of $811 million or $0.89 per share — up from $704 million, or $0.78 per share, in the previous year.

BCE last had a P/E ratio of 19, which puts it in line with its other top competitor. However, it offers a quarterly dividend of $0.92 per share, representing a strong 5.7% yield.

Which is the better buy today?

Rogers may be in for a bout of volatility after its catastrophic outage. Indeed, the event led to a meeting between a federal industry minister and CEO Tony Staffieri. BCE, however, could potentially benefit from the customer anger. Moreover, it also offers a much stronger dividend. I'm more inclined to snatch up BCE, as Rogers will find itself on defence in the weeks ahead.

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aocallaghan