



These Underrated Telecom Stocks Look Incredibly Cheap

Description

The stock market rollercoaster could continue giving investors the rides of their lives going into 2023. Though there's evidence of peak inflation and hope that central banks' rate hikes are starting to have the desired effect, we're all about to enter the unknown. Undoubtedly, a recession could be closing in, and nobody knows how much of a hit earnings will take.

In any case, not all stocks are destined to take a big hit to the chin. Defensives and dividend payers could continue to outperform the more discretionary names that could take a bigger sales hit a result of an economic downturn. By betting on the risk-off names, you're foregoing a lot of potential return come the market's rebound.

While a recovery is likely to happen in the new year, nobody knows when it'll be or how sharp the bounce back will be. Chasing the most beaten-down stocks may be a good move for young investors who incorporate a dollar-cost averaging (DCA) approach. For everybody else, there's no shame in sticking it with the high-yield dividend stocks that can help us better cope with this bear market.

Telecom stocks: Sticking with the steady dividends

Between risk assets, which could soar or fold in a hurry, and Steady Eddie dividend payers that can inject some relative stability into your portfolio, I'm skewing on the side of the dividend payers, provided they're trading for reasonable valuations.

At this juncture, telecom stocks stand out as a low-cost way to gain lofty dividends. While telecoms aren't the most defensive place to "hide" one's wealth at the cusp of an economic recession, I think they're better equipped to ride out steep swoons that could arise in the new year.

In this piece, we'll have a look at two lesser-loved telecoms that I think have a lot to offer value investors seeking stability in what could be another rough year.

Quebecor

Quebecor ([TSX:QBR.B](#)) is probably one of the least-known telecom stocks on the TSX. Though the company began to get attention from investors after it was in the running to acquire Freedom Mobile's assets, the regional telecom remains a choppy ride.

Looking ahead, Quebecor has ambitions of making a big push beyond the Quebec market. Undoubtedly, it'll take billions' worth of infrastructure investments to catch up to the likes of Canada's Big Three telecoms. Still, I think Quebecor is an intriguing underdog play that far too many skeptics have already counted out of the game. At \$27 and change per share, shares trade at 10.7 times trailing price to earnings (P/E) with a 4.44% dividend yield.

For a [\\$6.25 billion company](#) that could enjoy greater [growth](#) than its peers over the next 10 years, as it embarks on a potentially fruitful national expansion, I'd argue there's a lot of multiple expansion to be had. Simply put, Quebecor is a misunderstood story that could explode on the telecom scene over the next few years.

Rogers Communications

Rogers Communications ([TSX:RCI.B](#)) is a telecom behemoth that suffered an embarrassing outage this summer. Rogers was quick to go on damage control, making things right for customers who suffered stiff losses and taking appropriate actions to ensure such outages won't happen again. Regardless, Rogers likely suffered a bit of reputational damage. Such a blow to Rogers was surely a jolt for its rivals.

In due time, all will be forgotten regarding the outage, and customers could find themselves flowing back to Rogers from other telecom rivals. At the end of the day, Rogers is a capable telecom firm that has a lot to gain from being a member of Canada's telecom triopoly. Down more than 23% from its high, Rogers stock stands out as one of the best bargains of the Big Three.

At 18.45 times trailing P/E and with a 3.48% dividend yield, RCI.B is a terrific value right here.

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Date

2025/07/21

Date Created

2022/11/17

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