Better Buy: Telus Stock or BCE?

Description

Investors have been rushing into defensive dividend payers throughout the year. While telecom plays like **Telus** (TSX:T) and **BCE** (TSX:BCE) are obvious first choices for those seeking to get big passive-income payments through another year of turbulence, the telecoms aren't exactly the most defensive plays in the world. Indeed, they can be subject to volatility, just like most other stocks. Monthly phone bill delinquencies can happen, especially when heavily indebted consumers feel the pinch going into a recession.

Looking south to the telecom names south of the border, and it's clear that the telecom plays can be slashed in half. **Verizon** stock lost more than 40% of its value from peak to trough, as it dealt with competitive issues and fears of recession. Here in Canada, the Big Three telecoms aren't as at risk to up-and-coming rivals.

Further, a recession isn't even guaranteed to happen in 2023. Even if it does, a Canadian recession is likely to be very mild, making the odds of 2008-esque crisis-level conditions far less likely.

That's why I'm still a believer in the telecom stocks while they run out of steam. I think recent weakness is a chance to get a bit more dividend yield for your dollar. The Canadian telecoms are incredibly well run and can help keep your portfolio above water in a tough year.

Telus stock

Telus stock sunk as low as 22%, as investors factored in the risks of a looming recession. Indeed, telecom plays may have been a tad overbought, as investors looked to find safety from the inflation storm. Telus's juicy 4.9% dividend yield is a perfect counter to the 7% inflation rate. Still, the dividend on Telus isn't without risk. Telus is still technically a "risky" security. Fortunately, Telus has smart managers mitigating such risks.

Telus isn't just investing heavily in infrastructure to gain ground on rivals, as the 5G boom continues. The company also has a good reputation, which can make all the difference in a competitive market.Of national telecom firms, Telus had the fewest complaints for the 11th straight year.

As Telus continues to improve upon quality (more bars and better customer service), I view Telus as the best telecom stock to hold over an extended period of time for the perfect mix of capital gains and dividends.

BCE stock

BCE doesn't have Telus's enviable title of fewest complaints. Further, it has a media segment that could act as a big sore spot in a recession year. BCE has made cuts to cope with the tough times ahead. With a swollen 5.8% dividend yield, income seekers can seek shelter with the name, as inflation continues to work its course.

BCE has its shortcomings relative to rivals, but the dividend yield makes them forgivable. Like Telus, BCE is rallying after a brief dip into bear market territory. Only time will tell if recession headwinds will drag it back into the depths. Regardless, the huge (and safe) dividend payout will surely draw in dip buyers across the country.

Better buy: BCE or Telus shares?

At 20.6 times trailing price to earnings (P/E), BCE stock seems more or less fairly valued. Telus is slightly cheaper with a 19.6 times trailing P/E multiple. The dividend may be almost a full percentage point smaller, but I think there's a lot more value to be had in Telus at these levels. Telus has a strong growth profile, no media business, and one of the better reputations on the scene.

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