



Ranked: 4 of the Best Telecom Stocks to Buy for Dividends

Description

Canadian telecom stocks are a great source of passive income for dividend-hungry [Tax-Free Savings Account \(TFSA\)](#) investors. Undoubtedly, the Canadian telecom scene is dominated by the Big Three telecoms in **Telus** ([TSX:T](#)), **Rogers Communications** ([TSX:RCI.B](#)), and **BCE** ([TSX:BCE](#)). The three members form a virtual triopoly in the telecom scene. Though some contenders have pushed to become that number-four national player in the past, none have challenged the dominance of the Big Three.

Undoubtedly, Canada needs more competition in the wireless space to grant Canadians better deals.

At this juncture, **Quebecor** ([TSX:QBR.B](#)) stands out as a potential number-four player that can challenge the dominance of the Big Three at some point in the future. Of course, a lot of investment will need to be made for the regional telecom to make noise at the national level.

Telus

Telus makes a strong case for why it should be investors' telecom of choice. The stock doesn't have the highest yield, but it does stand out as a firm that could grow its payout by the quickest amount. Further, its lack of a media segment makes it a more focused firm that could make the most of the 5G boom.

Indeed, the 5G trend has lost its lustre in recent quarters. Consumer spending is dwindling, and there's concern that indebted Canadians may start missing monthly bill payments. In any case, I think the 5G boom is still very much in play. It's just hit the pause button, with a recession underway.

For now, Telus is a terrific telecom stock for investors looking to maximize their total returns over the next five to 10 years. At writing, shares yield 5%, with a modest 19.4 times trailing price-to-earnings (P/E) multiple. As Telus continues to invest heavily in its business, while maintaining its reputation for quality service, look for the firm to take a bit of share from rivals.

Rogers

Rogers is a 3%-yielding telecom that doesn't get as much respect from investors. The payout may be modest, but the firm has a lot to offer in terms of value (19.8 times trailing P/E) and momentum.

The stock is up 28% from its lows in October due partly to some solid earnings. Profits recently surged 25%, thanks in part to gains in the wireless segment. The terrific recent quarter certainly makes up for the embarrassing and widespread network outages Rogers endured last summer.

With a 0.39 beta, Rogers is far less volatile than its Big Three rivals. With a recession looming, Rogers may be the stock to stash in a long-term portfolio.

BCE

BCE is the richest dividend play of the telecoms. At 6.32%, the yield is juicy as it is safe. Still, yield isn't everything when it comes to dividend stocks. BCE's growth profile hasn't been the best in recent years, partially due to its size (\$55.9 billion [market cap](#)) but also due to headwinds faced by its sluggish media division.

In any case, BCE's a fine choice for those who need extra passive income. At 20.6 times trailing P/E, you'll pay a slight premium to its peers. If you're a younger investor seeking superior total returns (dividends plus capital gains), I'd prefer any other telecom over BCE.

Quebecor

Last, but certainly not least, we have Quebecor — the underdog in the telecom space. The stock is the cheapest (12.5 times P/E), with the most ambitious long-term growth story. As Quebecor looks to Freedom Mobile as a platform to break into the national wireless scene, I think the firm makes a strong case for why it could be that sought-after fourth player to help Canadians score a better deal.

Quebecor is the best telecom stock for young investors who have decades to see how things pan out with its expansion beyond Quebec's border. With a 3.85% dividend yield to collect in the meantime, QBR.B stock stands out as my favourite of the four on this list.

Bottom line

Quebecor is my top pick (it's the perfect blend of value and growth), while Telus is a close second due to its strong growth profile. Meanwhile, Rogers is my third choice, and BCE is my last pick primarily due to its rich valuation. Still, I'm not against picking up BCE if the yield entices you.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:QBR.B (Quebecor Inc.)
3. TSX:RCI.B (Rogers Communications Inc.)
4. TSX:T (TELUS)

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