Better Buy: BCE Stock vs Rogers Stock

Description

Canada's telecoms are among the best long-term options for any portfolio. But which of those telecoms should you consider investing in? Let's try to answer that question by looking at which is the better buy right now, **Rogers** (TSX:RCI.B) or **BCE** (TSX:BCE)

The case for Rogers

Rogers isn't just a telecom. The company boasts a booming media arm that comprises multiple media outlets across the country. The communications and media provider also owns an interest in professional sports teams and sporting venues.

Telecoms generate a reliable and recurring revenue stream from their subscription-based offerings. In the case of Rogers, the company saw revenue surge 6% in the most recent quarter, to $4.2 billion. A healthy part of that increase can be attributed to Rogers popular wireless segment.

In the most recent quarter, that wireless segment saw a 37% year-over-year addition of postpaid phone net additions of 193,000.

While Rogers does offer a dividend (more on that in a moment), the company has shifted its focus from annual dividend hikes to longer-term strategic objectives. Specifically, the company is using funds to invest in growth and pay down debt.

As a result, Rogers offers a slightly lower P/E of 19.6 over BCE. One of those growth initiatives is Rogers $20 billion deal to acquire its smaller peer, **Shaw Communications.** Completion of that merger has stretched out for some time but a final decision is expected this year.

On completion, Rogers is expected to realize multiple cost synergies and significant long-term growth potential.

In terms of a dividend, Rogers offers a quarterly dividend that has a yield of 3.08%. While the yield is lower than BCE, that could be a good thing in a volatile market of rising interest rates.

As of the time of writing, Rogers trades near flat over the trailing 12-month period, and year to date shows a modest gain of just 2%.

The case for BCE

Like Rogers, BCE also operates a massive media arm with TV and radio stations across the country. BCE maintains an interest in professional sports teams as well.

So then, where does BCE differ, and is it enough to consider it a better buy?

Prospective income investors will turn first and foremost to BCE's quarterly dividend. BCE is one of the few companies on the market today that has paid out dividends for over a century without fail. This makes it appealing from both an income and a defensive perspective.

In terms of a yield, that dividend currently comes in at a juicy 6.33%, which makes it just over double the payout that Rogers offers. It also makes BCE one of the highest-paying dividends on the market.

By way of example, a $40,000 investment in BCE will earn an income of just over $2,500. For some investors that income potential may be reason enough to consider BCE over Rogers.

Turning to results, BCE also saw strong wireless growth in the most recent quarter. Specifically, the company reported 122,621 net new activations in the quarter. BCE also saw retail internet net activations surge to 201,762 in the quarter. This was the highest figure for the segment in 16 years.

Prospective investors should also note that BCE trades down nearly 8% over the trailing 12-month period. This makes it a good time for long-term investors to consider it as a better buy.

The winner, and better buy: Rogers or BCE?

Both Rogers and BCE offer similar services and similarly wide moats. They both offer a recurring quarterly dividend, and both offer some form of growth.

Ultimately, it's that growth vs income point that will influence a preference for one stock over the other as a better buy right now.

Income-seeking investors will no doubt prefer the juicy 6% yield offered by BCE. Investors with long-term horizons will also appreciate the capacity for those reinvested dividends to quickly grow a nest egg.

More conservative investors, as well as those that prioritize growth, will see Rogers as the better option. Specifically, the completion of the Shaw merger will unlock significant long-term potential for the company. A more conservative take on dividends is also noteworthy in this current environment.

In my opinion, BCE’s dividend is just too hard to ignore, but either stock would do well as a small partin a larger, well-diversified portfolio.

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