3 Ways to Profit From Canada's Oligopolies

Description

Living in Canada is expensive. Just check out the endless stream of Canadian licence plates heading across the border every weekend to fill up on gas, groceries, and gadgets for the house.

Anyone who has the good fortune to live close to the border can take advantage of the huge savings. The rest of us just have to bite the bullet, and complain about it with our friends over an $8 pint of beer.

Here are three of the daily expenses Canadians grumble about the most, and ways we can get some of our money back by investing in the companies that really rake it in.

1. Phone charges

Canada might not have the most expensive voice and data rates in the world, but most Canucks are still convinced the country's cozy little group of mobile service providers is nailing them good. Unfortunately, there doesn't seem to be much relief in sight, despite the government's apparent determination to increase competition in the communication sector.

The best way to recover some of that big data bill is to buy shares in the company that makes the most money from mobile users. Right now, that would be **Telus Corporation** (TSX:T)(NYSE:TU).

In its Q3 2014 earnings statement, Telus reported a blended average revenue per unit (ARPU) of $64.51, the highest among the big three operators. ARPU essentially measures the average monthly amount a mobile customer spends.

Telus regularly increases the dividend it pays out to shareholders. The current distribution of $1.20 per share yields about 3.8% and the company plans to increase the dividend by at least 10% per year through 2016.

2. ATM fees

One thing that really upsets Canadians is the fact that banks don't pay any interest on savings accounts, and then turn around and charge fees if the customers happen to make a withdrawal using the ATM of another Canadian bank.

In fact, the ATM charge is just the icing on the bank-fee cake. Don’t even get me started on credit card rates.

If you are going to buy a bank stock, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is currently the cheapest among the big five. The company had a rough year in 2014 compared to its peers, but a new restructuring plan should clean up a lot of the problems.

The recent drop in the stock means Bank of Nova Scotia is now trading at an attractive 11 times trailing earnings. The bank’s $1.32 per share dividend yields about 4.2%.

3. Fuel prices

The plunge in oil prices has provided Canadians with some relief at the gas pump, but it wasn’t that long ago that prices were $1.40 per litre or higher. Canadians often cry collusion when gas prices go through the roof, but the more likely reason for high prices is a limited number of refiners.

Gas stations are cash cows. The owners make a bit of money on the gas, but the real profits come from the sale of all the extras like smokes, sweets, car washes, and coffee.

Imperial Oil Limited (TSX:IMO)(NYSEMKT:IMO) owns the Esso brand of service stations. It is also a major oil producer and refiner, which means it gets a piece of the pie at every stage in the value chain. Imperial’s stock is down much less than many of its peers because its integrated business model provides a hedge against volatile oil prices.

The company pays a dividend of 52 cents per share that yields 1.1%. The payout is low, but Imperial has a very aggressive share-repurchase program that also benefits shareholders.

Investing in these three stocks is one way Canadians can recoup some of the daily living expenses. As the old saying goes, “If you can’t beat them, join them”.

The following report looks at one other company that receives a nice chunk of the Canadian household budget, and then gives hoards of it to shareholders.

CATEGORY

1. Bank Stocks
2. Energy Stocks
3. Investing

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Date
2025/08/22
Date Created
2015/01/12
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