



BCE Inc. vs. Agrium Inc.: Which Is the Best Dividend Investment?

Description

Canadian income investors are having a difficult time finding safe companies that pay reliable dividends and offer reasonable protection to the initial investment.

Both **BCE Inc.** ([TSX:BCE](#)) ([NYSE:BCE](#)) and **Agrium Inc.** ([TSX:AGU](#)) ([NYSE:AGU](#)) rewarded shareholders handsomely in 2014. Let's look at these companies to see if one offers a better opportunity right now.

BCE Inc.

Canada's largest communications company is on a roll. The stock has doubled in the past five years and continues to reach new highs.

One reason for the current strength is a rotation of funds out of other sectors in the Canadian market. Energy companies used to be popular with income seekers, but the recent rout in the oil market has meant significant capital losses in the group, and there doesn't seem to be an end to the volatility in the near term.

BCE is benefitting from the huge rotation out of energy and that trend should continue.

Another attraction is BCE's cash flow growth. The company made three key acquisitions in the past two years that should ensure higher revenues moving forward. In 2013, BCE purchased Astral Media for about \$3.4 billion. The deal added a number of assets in the advertising and media sectors. The businesses are now well integrated and streaming solid free cash flow into the company. One notable part of the purchase is the lucrative pay TV assets in Quebec.

Last year, BCE announced two more strategic purchases. The company took its Bell Aliant subsidiary private in a \$4 billion deal that ensures BCE's shareholders will benefit from Bell Aliant's substantial free cash flow. BCE also just announced a plan to buy Glentel Inc., a large wireless retail chain. The Glentel deal is being split with **Rogers Communications Inc.** ([TSX:RCI.B](#)) ([NYSE:RCI](#)) and helps solidify the dominant retail positions the companies hold in Canada.

BCE pays a dividend of \$2.48 per share that yields about 4.5%.

Agrium Inc.

Sector rotation might also be sending some money into Agrium, but a number of other factors are contributing to the company's strength.

Agrium just completed the tie-in of its huge Vanscoy potash expansion. The benefits to shareholders in the coming years could be significant. Potash prices are rebounding amid improved demand. At the same time, a major producer is experiencing supply issues.

Uralkali, the world's largest potash producer, has shut down one of its largest mines due to an expanding sinkhole that is allowing salty water to enter the mine. The sinkhole has doubled in size since it was first detected and there is a risk the entire mine will flood. The affected mine represents about 20% of Russia-based Uralkali's production.

Increased production, higher prices, and lower capital expenditures should mean a flood of free cash flow available for distributions and share buybacks. Agrium has already boosted the payout significantly in the past three years and the trend should continue.

Agrium pays a dividend of US\$3.12 per share that yields about 3%.

Which should you buy?

Both companies are solid long-term investments. BCE offers a higher yield and more stability. Agrium tends to be more volatile, but the potential increase in free cash in the medium term could send distributions and the stock price significantly higher.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:RCI.B (Rogers Communications Inc.)

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