



BCE Inc. vs. Canadian Imperial Bank of Commerce: Which Is a Better Dividend Bet?

Description

The ongoing rout in the oil patch means Canadian income investors have fewer options available when it comes to buying reliable dividend-paying stocks.

Some of the rotation out of energy is going into **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) because they currently offer two of the best dividend yields in the S&P/TSX 60. Let's take a look at both companies to see if one is a better choice right now.

BCE Inc.

BCE has transformed itself from a boring old telephone company into a dynamic communications and media powerhouse. The portfolio of assets BCE now controls (in whole or through partnerships) includes professional sports teams, a television network, radio stations, specialty TV channels, advertising assets, online properties, and retail chains. This, in addition to BCE's state-of-the-art distribution infrastructure, delivers great content to its customers.

The number of acquisitions the company has made in recent years is pretty impressive, but it is going to take some time to get all the parts working together in a smooth and efficient way.

Fortunately for shareholders, BCE continues to deliver strong results and regularly increases its dividend. In fact, the company has hiked the payout by more than 50% in the past five years. BCE currently pays a distribution of \$2.60 that yields about 4.7%. Shareholders should continue to see small but steady dividend increases each year.

Canadian Imperial Bank of Commerce

Canadian banks have been under pressure for several months as investors worry about the spillover effects of the crash in oil prices. However, CIBC just reported stronger-than-expected Q1 2015 earnings, driven by solid results in Canadian retail and business banking, wealth management, and wholesale banking.

CIBC set aside \$187 million for credit losses in last quarter. This was the second-lowest amount in the past 12 months. Credit card losses were at their lowest level since Q1 2012. The company's Canadian residential mortgage portfolio stood at \$153 billion as of January 31. Two-thirds of the mortgages were insured and the average loan-to-value ratio on the uninsured portion was 60%.

Canadian Imperial Bank of Commerce just increased its quarterly dividend by three cents per share. The annualized payout of \$4.24 yields about 4.5%.

Which should you buy?

BCE Inc. offers a better yield, but the stock is also trading at a very high multiple. As long as interest rates remain low, the shares should continue to command a premium, especially given the juicy payout. At some point, rates will begin to rise again, and the stock could come under pressure.

CIBC trades at an attractive valuation, but the shares are probably more vulnerable to a pullback. The fact that CIBC just raised the dividend again is encouraging because it means the company is not too concerned about near-term earnings challenges.

It seems that Canadians are still paying their mortgages and credit card bills, but most analysts warn that Canadian Imperial Bank of Commerce is the most exposed bank to a meltdown in Canadian housing.

Both stocks are great long-term holdings, but I would lean toward BCE at the moment. If economic times get tough, phone, Internet, and TV are probably the last expenses people will cut.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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1. NYSE:BCE (BCE Inc.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BCE (BCE Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)

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aswalker

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