

Dividend Investors: Should You Buy BCE Inc. or Enbridge Inc.?

Description

Dividend investors are searching for reliable long-term picks, and two of the top names that often come up are **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)).

Let's take a look at both companies to see if one is a better pick right now.

BCE

BCE has grown from being a boring old telecom service provider to a dynamic media and communications powerhouse, and the timing of the move has been a savvy one.

Consumers want to access content through a variety of platforms on a 24/7 basis, and that means service providers have to keep up with the times. BCE has invested billions in developing its state-of-the-art national mobile and wireline networks and has added assets on the media side to ensure it collects a bit of revenue at every point in the communications process.

Companies sometimes stumble when they stray from their core competencies, but in the case of BCE, the recent additions of assets all along the value chain have been strong moves in a rapidly changing communications world.

How well entrenched is BCE?

The company owns retail operations, sports franchises, a TV network, specialty channels, radio stations, and an advertising company in addition to the communications infrastructure. This means that most Canadians probably interact with a BCE product or service every week, possibly every day. That's a powerful business—one that is set to dominate for decades.

BCE increases the dividend on a regular basis and strong free cash flow growth should ensure that trend continues. The stock currently pays a quarterly distribution of \$0.6825 per share that yields 4.6%.

The shares currently trade at just under 20 times earnings, which is about in line with the five-year average. The current stock price is near its 12-month high.

Enbridge

Enbridge took a hit last year as investors fled any name connected to the oil sector. The sell-off was way out of control, and bargain hunters have piled back into the stock in recent weeks.

Low oil and natural gas prices are tough on producers, but Enbridge isn't involved in that part of the sector. The company simply transports the product from the producers to the end users and charges a fee for providing the service.

According to the company's documents, less than 5% of revenue is directly impacted by moves in the

price of the commodities.

Some pundits are concerned that reduced development in the oil patch will hinder Enbridge's growth prospects. That is a valid point if oil is destined to remain below US\$40 per barrel for an extended period of time, but analysts are all over the map when it comes to oil forecasts.

In the meantime, Enbridge certainly isn't hurting for work.

The company has \$18 billion in new projects that should be completed over the next three years. That means revenue and cash flow will continue to rise, and Enbridge plans to boost the dividend by 8-10% through 2019. The current distribution offers a yield of 4.2%

The stock has rallied 25% off the recent lows but is still down significantly from the 52-week high.

Which should you buy?

Both stocks are solid dividend-growth holdings and deserve to be in any portfolio.

BCE is probably the safer choice in the current environment, and the stock offers a higher yield right now. If you think more pain is on the way for energy markets, BCE is the way to go.

However, if you believe oil has bottomed, there is probably more upside potential in Enbridge, and the dividend-growth outlook means you will get paid well to wait for better days.

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Date

2025/09/22

Date Created

2016/03/31

Author

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