Should You Buy Baytex Energy Corp. or BCE Inc. for Your TFSA?

Description

Canadian investors are searching for companies to add to their TFSA portfolios.

The TFSA is a great option for people who want to own stocks due to its tax-free status on all earnings and capital gains.

Investors who are looking for contrarian value plays can save themselves significant taxes if they make the right call and buy oversold stocks that are on the cusp of a rebound.

Another strategy for maximizing the value of the TFSA is to use it to hold dividend stocks in a retirement portfolio and reinvest the distributions in new shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice nest egg over the course of two or three decades.

Let’s take a look at two stocks that you might consider for your TFSA portfolio.

Baytex Energy Corp. (TSX:BTE)(NYSE:BTE)

Baytex has taken a real beating during the oil rout. The stock traded for $48 back when oil was US$100 per barrel. Today, investors can pick it up for close to $4 per share.

The company had to eliminate its generous dividend and continues to carry significant debt, but management has done a good job of keeping the company alive through the tough times, and there could be a nice value opportunity in the stock.

Why?

Baytex is increasing production, and current oil prices should enable the company to start making progress on debt reduction. In addition, the company has an attractive asset base that is likely worth more than the market is willing to pay for the stock.

In fact, Baytex has estimated its net asset value to be above $9 per share at oil prices that are much lower than the current level.

BCE Inc. (TSX:BCE)(NYSE:BCE)

BCE had a busy 2017, and investors should reap the benefits.

What happened?

The company purchased Manitoba Telecom Services early in the year, setting the giant up as the top player in the Manitoba market. The move also gave BCE a strong base to expand its presence in the western provinces.

In the fall, BCE announced a deal to buy home-security provider AlarmForce. The move makes sense, given BCE's existing relationship with millions of Canadian households.

Finally, BCE launched its new low-cost prepaid mobile service, Lucky Mobile.

The company has a strong track record of dividend growth, and that trend should continue in step with rising free cash flow.

At the time of writing, the dividend provides a yield of 4.9%.

The stock has come down recently amid concerns about rising interest rates, but the pullback is starting to look overdone.

Which stock should you buy?

Value investors who have a stomach for volatility might want to consider Baytex today. You have to be an oil bull, but if you fall in that camp, the troubled oil producer could deliver some big gains in a relatively short time frame.

Investors who prefer to use the TFSA for retirement saving should probably put BCE on their radar. The dividend is reliable, and the stock tends to hold up well when the broader market hits a rough patch.

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Author
aswalker