Retirees: Forget BCE Inc. (TSX:BCE)! This Income Stock Is Far Superior

Description

There's no shortage of analyst coverage on **BCE Inc.** (TSX:BCE)(NYSE:BCE) stock. It's one of the most popular holdings among conservative income investors, like retirees. Despite fairly favourable analyst ratings, I think investors ought to be concerned over the vast number of long-term headwinds that stand to stunt growth for many years to come.

With recent fears over higher rates, an apparent lack of meaningful growth prospects, and a new competitor in **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR), which may threaten the price collusion of the Big Three incumbents in the Canadian telecom oligopoly, I think investors have a wealth of reasons to finally ditch long-time market darling BCE to the curb.

Shares of BCE have fallen around 14% from peak to trough with the dividend yield swelling to an attractive 5.55%. Based on traditional valuation metrics, the stock is the cheapest it's been in a while, but given the bleak long-term outlook, the stock is anything but cheap! As such, I'd urge investors not to bite on the dividend at these levels, because shares can and likely will get even cheaper, despite favourable ratings by high-profile analysts.

Here are two other conservative income stocks that I believe will offer above-average dividend growth and far better capital gains over the next decade.

Shaw Communications Inc.

Naturally, it'd make sense to dump a disrupted firm like BCE and go with its disruptor.

Shaw only has a 4% slice of the Canadian wireless market. If management can achieve its goal of obtaining an equal 25% share of the pie over time, there's a tonne of upside to be had for Shaw investors over the next five years or so. It looks like it's going to be "open season" in the years ahead as Shaw gradually disrupts the pricing equilibrium of the Big Three.

Shaw's wireless business, Freedom Mobile, has really been picking up a tonne traction of late, with wireless revenues surging 106% year over year to $290 million for Q2. A surprised analyst went as far as saying that the quarter was "almost too good," as Shaw more than doubled analyst expectations of wireless subscriber additions for the quarter and almost tripled the number of additions on a year-over-year basis.

Although the quality of Shaw's network is still vastly inferior to those of the Big Three incumbents, Freedom Mobile's lower price point, aggressive promos, and commitment to improving infrastructure have clearly been enough to win over budget-conscious Canadians.

Furthermore, Canadian regulators are likely to grant Shaw a competitive edge to accelerate competition in Canada's telecom scene to bring forth lower wireless rate to Canadian consumers.

The 4.3% dividend yield pales in comparison to BCE's 5.5% yield, but in terms of a total return over the next decade, odds are, you'll be much richer with Shaw at your portfolio's core than you would with BCE, which may still have another 10-15% to correct before it can move higher.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:SJR.B (Shaw Communications)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/25
Date Created

2018/06/18
Author
joefrenette