BCE Inc. (TSX:BCE) vs. Enbridge Inc. (TSX:ENB): Which Dividend Stock Should You Stash in Your TFSA?

Description

Both **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) are staple stocks for long-term savers. If you're using your Tax-Free Savings Account (TFSA), I strongly recommend to hold these dividend-paying companies due to their strength and income growth potential.

If you're planning to add these stocks to your TFSA today, it seems a tough time to decide which utility stock has better value after a year-long slump in their share values. Let's take a deeper look.

BCE

During the past year, BCE stock has been under pressure, falling over 9% as surging bond yields and escalating competition in the wireless business kept investors on the sidelines.

Now that we're in the middle of 2018, there is no big catalyst on the horizon that could trigger a strong rally in the largest telecom operator in Canada. Interest rates in Canada are still on the upward trajectory following strong economic data, while the margins are under pressure amid increased competition from the smaller rival, **Freedom Mobile.**

That situation was reflected in the company's second-quarter earnings report that came out on August 2, showing numbers that were in line with analysts' expectations. BCE reported revenue and adjusted EBITDA of $5.79-billion and $2.43-billion, respectively, for the quarter, meeting the Street's estimates of $5.81-billion and $2.43-billion.

Postpaid wireless net additions of 122,092 exceeded the consensus expectation of 104,000, but wireless average billing per user (ABPU) missed the target, thereby demonstrating the impact of competition that's forcing big players to keep prices attractive for users.

Trading at $53.49 with an annual dividend yield of 5.65% at the time of writing, I see BCE stock is fairly valued with no immediate catalyst for the future growth unless the company goes for a big acquisition.

That said, BCE is a solid dividend provider and its cash flows are strong. That means you can take advantage of this sluggish period and lock in its juicy yield. The company has doubled its payouts during the past decade and there is no reason to believe that its dividend growth is under threat.

Enbridge

Enbridge, North America's largest pipeline operator, faced different challenges this year when its stock came under severe selling pressure on concerns that the utility won't be able to grow its dividend at the pace it promised.

These concerns were the result of the company's growing debt liabilities and some bottlenecks that were slowing down its expansion plans. To address those challenges, the utility acted fast. It sold its non-core assets during the past six months and got regulatory approvals for its crucial Line 3

Replacement project from the U.S.

The result is that Enbridge stock recovered its losses after regaining the investors' confidence. Trading at $47.26 with an annual dividend yield of 5.68%, Enbridge stock is back on track. With no major threat to its cash flows and with an attractive 10% annual growth forecast in its payout until 2022, I still see Enbridge undervalued.

Which one is a better buy?

I like Enbridge more than BCE due to its impressive growth plan after its acquisition of Spectra Energy in 2017. That acquisition is likely to fuel growth in its payout and share price in the long-run. That said, a better strategy would be to split your cash between the two utilities and hold them in your TFSA over a long period to earn steadily growing income.

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