A Dividend Stock I Like Better Than BCE Inc. (TSX:BCE)

Description

Of all the dividend darlings that have received praise from conservative income investors over the years, **BCE** (TSX:BCE)(NYSE:BCE) has arguably been the name that most have fallen in love with. The stock has an astounding dividend yield, an impeccable balance sheet, and shares have appreciated at an above-average rate over the last decade despite the recent slowdown in shares.

While it's hard to break up with stocks you've grown attached to over the years, you need to take your emotions out of the equation if you want to obtain superior risk-adjusted returns over the long haul. Don't fall in love with your holdings because very few stocks are "forever holdings," as investment theses change over the course of many years because of various factors we should be aware of.

At current levels, BCE sports a bountiful 5.41% yield, which is the highest it's been relative to the company's historical averages. With shares down 12% from the high, BCE may seem like a bargain, but given the deceleration in growth and the more competitive telecom environment that lies ahead, I'd say BCE stock could be on the hook for multiple expansion over the next five years.

The cartel-like days of Canada's Big Three telecoms are coming to an end, and the biggest player is BCE with its boatload of assets. So if you're as underwhelmed by BCE's future as I am, look to this alternative dividend stock instead: **Shaw Communications** (TSX:SJR.B)(NYSE:SJR).

Thanks to the continued proliferation of Shaw's wireless business, the telecoms will be disrupted, and Shaw will likely be granted competitive advantages by regulators who are eager to foster competition in Canada's telecom scene. BCE is one of the telecoms that will be negatively impacted by Shaw's continued to strengthening, so it naturally makes sense for BCE investors to hedge themselves by trimming their position in the disrupted (BCE) for shares in the disruptor (Shaw).

Of course, it will take many years before Shaw is seen as a serious fourth player, as there are many upgrades needed. As 5G wireless is rolled out, however, I do see Shaw commanding an equal 25% slice of the wireless pie at some point over the next decade. As this happens over the course of years, Shaw's subscriber gains will be the Big Three's losses.

Foolish takeaway on BCE and Shaw stock

At the time of writing, Shaw has a 4.4% yield, a full percentage point lower than BCE. Given Shaw's favourable growth trajectory, however, I do expect that Shaw will clock in the highest total returns over the next decade.

BCE may be cheaper than Shaw based on various valuation metrics like P/E, but given the less favourable environment that lies ahead, it's clear that Shaw has the home-ice advantage versus BCE. With Shaw, you're getting a big dividend and big growth potential. With BCE, you're getting the dividend and probably vastly inferior capital gains should Shaw's continued improvements spark major outflows from the Big Three incumbents.

Shaw could be the most disruptive telecom in North America right now. And if you're looking for more than just a dividend, now would be a great time to initiate or add to a position before the stock takes off.

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