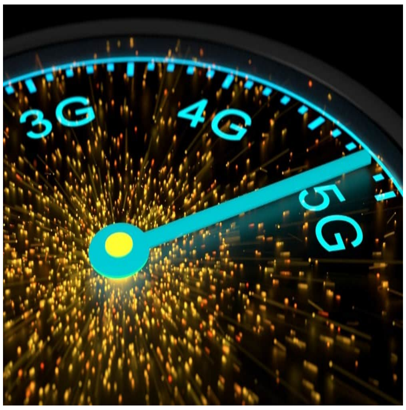

A Dividend Stock I'd Prefer Over BCE (TSX:BCE)

Description

BCE (TSX:BCE)(NYSE:BCE) is the epitome of a market darling. The Canadian telecom kingpin has delivered above-average returns since coming out of the depths of the Great Recession, and during this time many conservative, income-oriented investors have likely grown attached to the stock.

Dividends, dividend, growth, capital gains … BCE truly had it all. But of late, the performance has begun to stink, and I don't think it's a temporary blip that we'll look back on in 10 years from now. I think BCE's best days are behind it and that the behemoth will struggle to maintain the same magnitude of growth that it commanded when the Canadian telecom scene was less competitive.

Moving forward, the Federal Government may pose a risk to BCE's growth as it aims to foster increased competition in Canada's wireless scene, but I think the sheer size of the business will be the primary reason why BCE will deliver sub-par returns over the coming decade. In past pieces, I've described BCE as an aircraft-carrier-sized business that'll take longer to pivot than its smaller, more agile up-and-coming peers in the space.

Add the "bloat" of ageing, soon-to-be-legacy infrastructure, higher expenditures to finance new tech, a potential mild financial hit in the event of a nationwide Huawei ban, a soured reputation with consumers as a whole, and the existence of a lower-ROE media business into the equation. It's clear that BCE stock should trade at a considerable discount to historical average multiples, not at a slight premium (shares currently trade at 19 times trailing earnings, which is way too rich).

I understand that many retirees have reserved a permanent spot in their income funds for the name, but as the industry landscape changes, I think it's in the best interest of investors to adjust for the times to score better long-term results.

At this juncture, I much prefer **Shaw Communications** (TSX:SJR.B)(NYSE:SJR), a long-time Canadian telecom titan that's taking the role of disruptor in Canada's wireless scene, as a top dividend stock for income investors of all ages.

Shaw's wireless business, Freedom Mobile, doesn't have the best network in the world. But as the quality gap between Shaw and the Big Three incumbents inevitably decreases with time (the transition to 5G could accelerate this), I suspect the incredibly agile Freedom Mobile will have the ability to score an equal 25% share of the Canadian wireless market a lot sooner than most analysts predict.

Wireless subscribers are the Big Three's to lose. Freedom Mobile has pledged to keep its prices lower, and as its network quality improves, subscribers are naturally going to flow out of the incumbents, and towards the disruptor.

Should Freedom Mobile offer "unlimited 5G data plans," as some analysts predict, I see a huge inflow to Freedom Mobile and a massive outflow from the incumbents that'll be catalyzed by the continued reduction of telecom switching costs.

The dramatic changing of Canada's wireless landscape won't change overnight, so investors are going to need to hang on to their shares for at least five years, because there's going to be a massive wave of infrastructure spending before the real fruit can be plucked.

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Date

2025/08/25
Date Created
2019/05/22
Author
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