Forget BCE (TSX:BCE)! This Dividend Stock Is a Better Bang for Your Buck!

Description

BCE (TSX:BCE)(NYSE:BCE) is arguably the most loved dividend darling on the TSX index. It's Canada's version of **AT&T**, a behemoth-sized, high-yield stock that's loved by retirees and defensive income investors alike. Both telecom companies have mass media assets and ample infrastructure throughout their respective countries.

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While BCE stock has been hot of late, with shares soaring nearly 20% year to date, the 5% yield remains compelling for those investors who realize that blue-chip dividend stocks are the only game in town since bond yields now appear no longer worthwhile through the eyes of conservative investors.

There's no question that the recent growth-to-value rotation has worked in BCE's favour, but now the stock is at new all-time highs, I think income seekers would be better served looking to more attractively valued names with better long-term growth prospects.

At the time of writing, BCE trades at nearly 20 times trailing earnings, which I think is far too high a price to pay given the more competitive Canadian telecom scene which lies ahead and the fact that it's going to be harder for BCE to grow, even with M&A factored into the equation due to its massive size.

What's a cheaper way to get a "growthier" stock for a lower price of admission?

Look no further than the Canadian banks. At current levels, **Scotiabank** (TSX:BNS)(NYSE:BNS) looks like a dirt-cheap Canadian bank that seems to be a better dividend bang for one's buck than BCE.

It's tough to break up with the dividend darling in BCE, its chunky dividend, and its mere 0.37 beta. While a lower beta is more desirable in this choppy market environment with uncertainties galore, I think there's much more upside (and a more significant margin of safety) for those willing to go with the much-unloved Scotiabank, which is currently down 12% from its late-2017 all-time high.

Scotiabank's beta is much higher than BCE with a 1.27 beta, so investors ought to be prepared for more volatility. But I think it's a worthwhile trade-off given the lower price of admission to the stock.

In recent weeks, Scotiabank has broken its long-term negative trend thanks to the release of better-than-feared results, but with shares still heavily out of favour thanks to macro headwinds and a bleak outlook, Scotiabank still looks ridiculously undervalued.

Yes, Scotiabank's exposure to emerging markets isn't doing it favours in these difficult conditions for the banks, but once the tides turn, it'll be Scotiabank that'll come surging back as its emerging market. At just 10.1 times next year's expected earnings, Scotiabank is a much better deal than BCE, and its "growthier" exposure to emerging markets is capable of fueling bigger dividend raises over time.

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