



Forget Telus (TSX:T): These 2 Dividend Stocks Are Better Buys

Description

As a defensive dividend play with a dominant presence in Canada's telecom scene, **Telus** ([TSX:T](#)) is precisely the type of stock you'd want to own when the market waters get choppy. With the [darkest days](#) of the coronavirus pandemic now behind us, investors may want to look away from Telus and consider one of its more [attractively valued](#) peers, as the competitive landscape of the Canadian telecom scene changes in favour of the consumer.

I've been quite critical of the Big Three Canadian telecoms for quite some time. They've had a glorious run over the years thanks to the lack of competition relative to the U.S. telecom market. With the federal government looking to foster greater competition in an effort to lower telecom prices for Canadians, we could see the competitive advantages that come with being a part of an oligopoly vanish over the next few years.

It's this advantage erosion of the Big Three, including Telus, that I believe warrants a substantial correction to shares. While I'm still a believer that Telus and its peers can continue posting high ROIC numbers and sustain impressive dividend growth, I don't see a scenario that will allow investors to have their outsized capital gains and their big dividends, too.

The competitive landscape has changed. So, investors may want to consider one of the following two dividend stocks that could allow for far greater total returns over the next five years and beyond.

Shaw Communications

Shaw Communications ([TSX:SJR.B](#))([NYSE:SJR](#)) is the fourth major player in Canada's telecom scene. It's a likely author of the pain of the Big Three incumbents, as Shaw looks to capitalize on providing Canadians with a greater value proposition for their telecom services.

Since acquiring Freedom Mobile, Shaw has been picking up traction in the Canadian wireless scene. With aggressive pricing practices, bundling opportunities, and potential first dibs at future spectra auctions, I view Shaw as having the growth edge, as it looks to poach away subscribers from the Big Three. With a recession on the horizon, I suspect Freedom Mobile's "cheaper" offering will be that

much more enticing through the eyes of indebted Canadians seeking to trim the personal budget.

In due time, the Canadian telecom scene will reach an equilibrium, and when the time comes, Shaw may find itself capturing a relatively equal 20-25% share of the Canadian wireless market. With a 5.1% yield, which is the same as Telus's, I'd encourage investors to make the switch from Telus to Shaw stock at today's valuations for the growth edge.

Enbridge

It's setback after setback for shares of **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), which fell to multi-year lows on the coronavirus-induced oil rout. With a crude curtailment in response to the growing glut, Enbridge is due to take a hit on earnings for the coming quarters. At this juncture, it's tough to gauge how much of an impact the coronavirus will have on the company for the year. As such, I wouldn't at all be surprised if management pulled their guidance, like so many other firms have been doing in these unprecedented times.

Enbridge has a stellar balance sheet thanks to moves made prior to the 2014 rout in oil prices. As coronavirus pressures continue to weigh on the results, I expect management will have a close look at taking steps to further improve its financial flexibility. Whether or not that means trimming the dividend is anyone's guess. If oil were to remain at these depths for a prolonged period of time, and if no further progress is made with the Line 3 Replacement (L3R) project, Enbridge may finally have no choice but to take the axe to its dividend, which currently yields 7.3%.

With shares at 1.5 book, investors should seek to load up on the value stock. The industry has been unkind to Enbridge, and while a dividend cut is possible, I don't think it's going to happen given management's reluctance to break its "dividend promise."

Stay hungry. Stay Foolish.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SJR (Shaw Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:ENB (Enbridge Inc.)
5. TSX:SJR.B (Shaw Communications)
6. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

Tags

1. Editor's Choice

Date

2025/07/04

Date Created

2020/05/01

Author

joefrenette

default watermark

default watermark