Forget the Shaw-Rogers Merger: BCE Stock Is Still the Best Dividend King!

Description

The **Shaw–Rogers** merger has been grabbing headlines this morning, as the resulting telecom titan is to become the second-largest in Canada. It's a blockbuster deal, and it could unlock considerable value in both firms (Shaw and Rogers were both up big on the announcement).

That said, I still view **BCE** (TSX:BCE)(NYSE:BCE) as the top Canadian dividend king to bet on in the telecom scene. Canada's number one telecom is still my number-one passive income pick in the space.

Not only will you get the richest dividend yield in the telecom space, but you'll also get incredible dividend growth, as the firm looks to double-down on its 5G infrastructure over the next few years.

The untimely return of the Big Three

Taking Canada's fourth major telecom out of the mix, I believe, is terrible news for consumers. The Big Three triopoly is making a return to Canada, and I don't think federal regulators will do anything about it despite past pushes to foster a more competitive telecom landscape in the past.

NDP leader Jagmeet Singh recently remarked that the Shaw-Rogers merger would "only help big telecom companies profit more on the backs of Canadians."

A sad day for Canadian consumers? Possibly.

One thing is certain: it's a massive positive for all members of the Big Three. Telus and BCE stock were down over 1% on the big Shaw-Rogers news, but with cartel-like pricing practices likely to make a return in the 5G era, I'm even more bullish on Canada's telecom titans like BCE over the long haul.

Still the best dividend king for Canadian income investors?

BCE stock's dividend yield is a handsome 6.3%. What has me even more bullish on the name is that the firm modestly hiked its payout at a time its operations are still under subtle pandemic pressures and without compromising on the growth front. BCE boosted its capital spending plan by over $1 billion to double its 5G coverage.

BCE is putting its foot on the gas, and it should, given the recovery trajectory that lies just ahead. Management knows that COVID-induced pressures will not last forever. They're focused on becoming a force to be reckoned with, as new telecom tech, like 5G mobile, becomes the norm.

In a prior piece, I highlighted that BCE stock was a great way for Warren Buffett fans on this side of the border to mirror the man's move into the undervalued telecom space. After the Shaw-Rogers-induced pressure on BCE stock, I think Buffett fanatics ought to load up on shares ahead of a 5G boom that'll really start to take off once COVID-19 jabs are given in arms.

The telecom dividend kings reek of value

Of all the COVID-hit dividend kings out there, the big telecoms — with BCE stock leading the charge — will likely be among the first to post a full recovery. And they'll also be one of the bigger beneficiaries of a spending boom that could fuel the so-called "roaring 2020s."

BCE's aggressive capital allocation seems to suggest such tailwinds are on the horizon for the telecom space, as too do Warren Buffett's fourth-quarter bets on U.S. telecoms.

"Warren Buffett's big telecom bets suggest my optimistic expectations for the telecoms are not exaggerated," I wrote.

"While the discounts to be had in the telecom space isn't as steep as some of the harder-hit areas of the market (think the airlines and cruise lines), the telecoms' risk/reward trade-off is too good to pass up, especially for conservative investors looking beyond fixed-maturity securities for passive income."

Foolish takeaway on BCE stock

So, forget the Shaw-Rogers tie-up. BCE stock is still one of the best bargains in town. It has the highest yield in the space, and is by far the cheapest option at this critical market crossroads. Take a hint from Warren Buffett, check the name out and consider placing a bet while the dividend king is still depressed.

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