Forget BCE: This Under-$30 Canadian Dividend Stock Could Soar

Description

Forget about Canadian telecom behemoth **BCE** and its colossal 5.7% dividend yield for a moment.

While the telecoms do look like one of the safer and more bountiful reopening plays on the TSX, there's not much in terms of deep value to be had after their latest 2021 pop. BCE stock is now up nearly 12% year to date, which, while still trailing the **TSX Index**, is still pretty impressive, given the considerable dividend payout that investors will also pocket.

BCE's dividend is juicy, but there's not much in the way of value

As BCE stock rallied, its dividend yield compressed below the 6% mark. With little in the way of growth to truly get excited about, even as the economy reopens just in time for the 5G boom, there doesn't seem to be much runway in terms of capital appreciation.

Still, the payout looks more than satisfactory for Canadian retirees on the hunt for safe passive-income sources in this inflationary environment. For younger investors, like millennials, there are far better passive-income options out there — more specifically, in the beaten-down Canadian energy patch. Just over a year after oil prices went negative, WTI finds itself north of the US$70 mark, which is well above where it sat before the coronavirus crisis struck earlier last year.

Despite oil's epic run and the room for WCS (Western Canadian Select) to close in on its discount to WTI, **Suncor Energy** (TSX:SU)(NYSE:SU) doesn't seem to be flying nearly as high as its peers in the oil patch. Still down around 33% from its January 2020 high, Suncor stock doesn't appear to have gotten the memo that oil is on an unstoppable rally that could very well see it test the US$80 mark by year's end.

Demand is coming back in a big way. And producers may not be able to react quickly enough. Undoubtedly, Suncor and many unloved Canadian energy stocks are great again just a year after it seemed like they were in their “death knell” phase amid the continued rise of green energy stocks.

Suncor Energy stock is back, but it’s not done yet

In prior pieces, I’ve noted that battered oil stocks like Suncor were screaming buys. I’d actually called the bottom in the name at around $15 and change, highlighting the possibility that green energy stocks were in a bubble. And once that bubble burst and a sustained growth-to-value rotation hit the market, Suncor and the broader basket of beaten-down fossil fuel stocks would come roaring back. As it turned out, I was right. And as energy analysts hike their targets on WTI (could US$100 be in the cards?), I think the space has much more upside, as energy demand looks to continue outweighing supply.

If you missed the upward charge in names like **Cenovus Energy**, which is now up over 400% from its March 2020 trough of $2 and change, don’t fret. I believe Suncor stock is one of the best catch-up plays for those late to the oil rally. Moreover, I think oil prices are so high that a modest pullback to the low to mid-US$60 levels would not derail Suncor’s current rally, which is far more muted than the pack.

The Foolish bottom line for passive-income investors

Today, Suncor trades at $30.32, with a very modest 2.8% dividend yield, less than half of BCE’s yield. At a modest 20% premium to book value, though, I find Suncor stock to be a deep-value bargain, and that’s assuming WTI’s rally runs out of steam right here at US$70.

Suncor’s dividend seems small here. But as industry conditions continue to improve, investors should brace themselves for some generous dividend hikes, making Suncor stock a more bountiful passive-income investment than it seems right now.

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