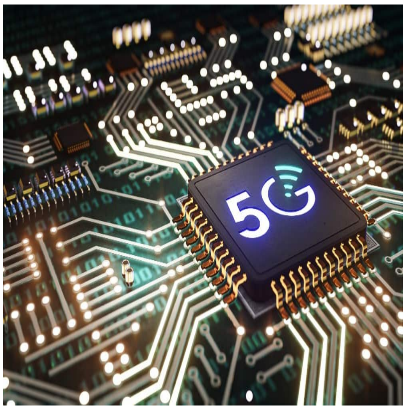

Forget BCE: 2 Canadian Dividend Stocks With Greater Upside

Description

With a towering 5.8% yield, **BCE** (TSX:BCE)(NYSE:BCE) definitely seems to be the go-to Canadian dividend stock to scoop up ahead of the great summertime reopening.

Shares of the telecom behemoth are just off 6% from their highs, and while the dividend is safe, bountiful, and growthy, I'd argue that there's not much in the way of capital upside over the next two years, even with the post-pandemic 5G boom thrown into the equation.

Even with acquisitions, BCE has struggled to grow. With a considerable number of legacy assets, which could stand to depreciate at a quicker rate, I'd argue that investors have a lot more to gain on the total returns (that's dividends plus capital appreciation) front by foregoing a bit of upfront yield.

Sell-side analysts on the Street have a consensus price target of $62 and change, implying a meagre 2% in total returns from current levels.

BCE's dividend is solid, but there are better Canadian dividend stocks out there

While I'm certainly not against scooping up BCE stock for its safe and sound nearly 6% yield, I think that younger investors who don't need extra income should look to some of the higher-growth, dividend-paying stalwarts out there. Despite the explosive first-half-of-the-year rally for the **TSX Index**, I still find dividend bargains abundant, even given the recent rotation from high-multiple growth stocks into high-yield value stocks.

In this piece, we'll have a closer look at two Canadian dividend stocks that I believe will outpace BCE stock in terms of total returns over the next 18 months and beyond.

Telus

Telus (TSX:T)(NYSE:TU) one of BCE's better-performing peers in the Big Three. Unlike BCE, shares of Telus are within a percentage point of all-time highs. As a result of the past year of capital appreciation, the yield has also compressed from nearly 6% to 4.6%. Shares also appear a tad on the expensive side at just north of 30 times trailing earnings.

After effectively navigating the worst of the coronavirus pandemic, I think investors should pay up the premium multiple for Telus over the likes of a BCE. The company lacks legacy media assets and can focus all its efforts and funds on building out the next generation of telecom tech (5G and fibre) across its markets of interest. Moreover, Telus is in great shape to continue taking share from its rivals on the west coast. With a reputation for having one of the better Canadian mobile networks and some stellar customer service, I'd put Telus stock in the camp of winners likely to keep on winning for years to come.

Moreover, the pricing power that comes with being a member of a triopoly is due to return, as **Shaw Communications** joins forces with the number three player of the Big Three.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) was crowned as the new king of the Canadian oil patch last year. After shedding over 71% of its value in a matter of weeks during the vicious February-March 2020 market meltdown, few people thought that CNQ stock would see its 2020 pre-pandemic highs in around a year. However, after nearly quadrupling up from its ominous March trough, CNQ is slightly higher than where it was before its shares tumbled off a cliff into the seemingly endless abyss.

Although the opportunity to snag the "steal" is gone, I still think CNQ is ridiculously cheap. I'd buy it here, as its momentum picks up into year's end, especially if you're lacking in reflation trades like commodity producers. CNQ sports an impressive 4.4% dividend yield and is likely to continue on the back of higher oil prices.

CATEGORY

1. Dividend Stocks
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4. TSX:BCE (BCE Inc.)
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