Forget BCE: These 2 Dividend Stocks Are Better Deals for Passive Income

Description

BCE (TSX:BCE)(NYSE:BCE) stock plunged 3.7% on Thursday, as almost everything on the TSX Index, including energy stocks, nosedived. This bear market has grown out of hand, but unless you're leveraged or need to impress short-term-thinking investors by year's end, you can keep calm. Telecom dividend payouts are more than safe, even if worse comes to worst and we fall into a nasty recession.

Though BCE is a retirement fund favourite, the stock faces considerable downside risks, as costs of borrowing surge, while consumers look to lighten up on their spending. Less wireless spending as the firm continues improving its wireless network will not bode well for BCE. Though most other telecoms are dealt the same sour hand, I'd argue that the 19 times trailing earnings multiple on the stock is a tad excessive.

BCE stock isn't the only dividend stud out there

Undoubtedly, the main draw to BCE stock is the huge dividend yield of 6%. It's a solid dividend, but what good is a huge payout if you're just going to take on capital losses far in excess of that amount?

Right now, it's hard to shelter your portfolio from the brutal bear market. It may or may not end in the second half. Regardless, I think those keen on deep value will do well over the next five years. At the end of the day, it's the long-term horizon that matters, not the fluctuations driven by the talking heads or speculation over just how bad things can get.

While BCE isn't a terrible deal by any stretch of the imagination, I think the following two TSX dividend stocks are better deals for those who seek big passive income.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a pipeline firm that's finally coming out of its funk, thanks to profound strength in energy prices. On a bad day for nearly everything, ENB stock slipped around 3.7%. Indeed, the oil trade hasn't soured yet, and as a less-sensitive and highly in-demand service provider, Enbridge has potential catalysts that could take its stock back to the top.

For now, the 11% plunge seems more like a broadening out of the market pain and panic. I'd treat such a dip as a great buying opportunity. The stock trades at 18.3 times trailing earnings, with a huge 6.5% dividend yield — a full 0.5% more than you'd get with BCE.

I think Enbridge is better able to navigate a recession versus BCE. I think the next downturn will be consumer driven, making BCE pricier than it seems right here.

Quebecor

Quebecor (TSX:QBR.B) is a Quebec-based telecom that you may not be familiar with. It's a whole lot cheaper than BCE, with some strong returns on invested capital over the years. Like BCE, it rides on the 5G tailwind but stands to take a hit as recessionary storm clouds move in.

Why do I prefer mid-cap Quebecor over mega-cap BCE?

Quebecor has a better growth profile at a far lower multiple, in my opinion. The company, which is concentrated in Quebec, is ready to expand to new provinces. As it does, it could take its growth to the next level. As rates rise, such growth will not be cheap, but under a solid management team, I'd argue that Quebecor could bring the fight to its rivals.

At 12.1 times trailing earnings, with a 4.4% dividend yield, Quebecor is an underdog that's looking quite intriguing at $27 and change per share.

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Date
2025/07/07
Date Created
2022/06/17
Author
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