Better Buy: BCE Stock or Enbridge?

Description

Dividend investors are searching for top TSX stocks to buy for retirement portfolios focused on passive income and total returns. The market is off the recent lows, and investors who missed the bounce are wondering which top Canadian dividend stocks might still be attractive for a Tax-Free Savings Account (TFSA) or a Registered Retirement Pension Plan (RRSP).

Let's take a look at **BCE** (TSX:BCE) and **Enbridge** (TSX:ENB) to see if one is attractive today.

BCE

BCE generated solid results for the third quarter (Q3) 2022 and said it is on track to hit its guidance for the year. The communications giant added a record 401,132 total broadband net customer activations in the quarter. That was a 50% increase over the same period last year.

Operating revenues increased 3.2% in the quarter and adjusted net earnings rose 7.3% on a per-share basis. Cash flow from operating activities jumped 12.5% and free cash flow increased 13.4%.

BCE has a strong balance sheet to ride out a recession with $3.5 billion in available liquidity as of September 30. One important item is the company's pension solvency surplus across its defined benefit pension plans. Rising interest rates should help keep the pension in a surplus position, and this means BCE shouldn't have to top-up any shortfalls. As a result, more cash could be available for dividends.

BCE gets the largest chunk of its revenues from essential mobile and internet services. This makes the revenue stream resistant to an economic downturn, although the media group could see revenue decline if advertisers reduce spending to protect cash flow.

BCE raised the dividend by at least 5% in each of the past 14 years. A similar increase should be on the way for 2023, supported by the solid 2022 results and the resilience of the company's core wireline and wireless operations.

BCE is investing in new fibre-optic lines and expanding its 5G network to drive future revenue growth while protecting the company's competitive position in the market.

The stock trades for close to $64 at the time of writing compared to $74 earlier in the year. Investors can now get a 5.75% dividend yield.

Enbridge

Enbridge (TSX:ENB) is making good progress on diversifying its investments away from the traditional growth engine of large oil pipelines. Recent acquisitions include a US$3 billion oil export platform in Texas, a 30% stake in a liquified natural gas (LNG) facility in British Columbia, and the purchase of a solar and wind facility developer in the United States. Enbridge also just announced the completion of an offshore wind project in France, where it is a partner on a number of renewable energy initiatives.

Looking ahead, hydrogen and carbon capture could be drivers of revenue growth, and Enbridge is already testing the waters on these segments.

The rebound in the oil and natural gas markets is expected to continue, as domestic and international demand increases. That's good news for Enbridge's oil and natural gas pipeline infrastructure businesses. Getting new major pipeline projects approved and completed is difficult. This means the existing infrastructure should rise in value.

Enbridge trades near $55.50 at the time of writing compared to $59.50 in early June. The dip gives investors a chance to pick up a 6.2% dividend yield.

Is one a better bet?

BCE and Enbridge pay attractive dividends that should continue to grow in the coming years. BCE probably offers better upside potential at the current share price while Enbridge provides a slightly better dividend yield.

I would probably split a new investment between the two stocks today.

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