A Top Dividend Stock on Sale Today

Description

Some businesses are built to last. When you see their stocks being hammered due to some short-term challenges, that's usually the best time to be aggressive and grab the bargain.

In today's economic environment, when interesting rates are rising and investors are avoiding stocks that are rate-sensitive, I have a recommendation for a top dividend stock, which I believe is in oversold territory. Let's see if this stock fits with your investing style.

BCE Inc.

There's nothing wrong with the business of Canada's largest telecom operators, BCE Inc. (TSX:BCE)(NYSE:BCE). The operator has a dominant position in an industry that's so crucial to our daily lives, and I don't see this is changing soon.

The company has an aggressive growth agenda with investment plans throughout Canada.
To meet growing demand for a quality broadband and wireless networks, BCE is investing more than $3.77 billion as part of a plan it announced in 2016. The size of this investment is far more than any other communications companies in Canada and on par with major investors in Canada's oil and gas sector.

After its acquisition of Manitoba Telecom Services last year, BCE is investing $1 billion in broadband network infrastructure projects throughout the province over the next five years. The company's investments will bring major wireline and wireless expansions to the province, which has an underdeveloped telecom market.

These growth initiatives have begun to show up in the company's financial results. While announcing its fourth-quarter earnings this month, BCE reported its best quarterly wireless performance in many years, adding 175,204 wireless subscribers in the three months ending December 31, up 56% from the same period last year for its best quarterly performance in 15 years.

The strong gains in its wireless division helped the company beat analysts' forecast for its net income, excluding one-time items. BCE earned $0.76 per share, beating the average analyst estimate of $0.75, according to Thomson Reuters. Its operating revenue rose 4.5% to $5.96 billion.

But despite these encouraging numbers, BCE stock is under pressure. It has fallen about ~11% to $55.89 from the 52-week high on concerns that rising interest rates will make it tough for the company to continue with its dividend growth and that the rising borrowing cost will cut its profit margin.

The bottom line

After this pullback in its share price, BCE dividend yield has reached an attractive 5.4%, which is higher than its five-year average of 4.86%. Given the company's ability to generate hefty cash flows and the growing nature of its business, I don't believe that BCE's dividend growth is under threat.

Earlier this month, BCE shareholders got a 5.2% hike in their annual payout, which now stands at $3.02 a share. This dividend hike was BCE's 14th increase since 2008, representing a 107% jump since then. I believe CE stock is a buy on this dip, and long-term investors should take advantage of this opportunity to earn stable and growing dividend income.

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