



## Does an Attractive Yield Make BCE Inc. a Buy?

### Description

Shares of **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) are down 12.5% since December, which has created an opportunity for a boosted yield. For investors that have been sitting on the sidelines, the 5.5% yield is attractive.

When a solid income stock starts to dip in price, the yield increases. For example, BCE currently pays \$0.775 per share, per quarter. Assume shares were trading at December prices today (\$62.80). You'd have to spend \$628 to get 10 shares, which would get you \$7.75 per quarter in dividends.

But let's say you had that \$628 to buy shares today at \$54.77. That gets you nearly 11.5 shares. That gets you \$8.91 in dividends — an additional \$1 more per quarter. When you're talking about 10 shares, it doesn't seem like a lot. But imagine if you were investing tens of thousands. It adds up.

But why are shares at BCE dropping to begin with?

A big reason is that interest rates are increasing, which is a double whammy for the company. On the one hand, the company is carrying significant debt, so as interest rates increase, the amount it pays in financing costs also increase.

But another reason has to do with investment strategies. When interest rates were incredibly low, the only place to get income was to invest in dividend stocks like BCE. With rates increasing, conservative investors can move their money into other potentially safer investments. So, they sell BCE, putting downward pressure on the company.

BCE is [one of Canada's top dividend stocks](#). And there's two primary reasons I say this: [the economic moat](#) and the addictive product it sells.

I don't know about you, but I'm on my phone all the time. My need to constantly be connected is what companies like BCE offer. And the fact that BCE controls every step of the connection and, in many respects, the content gives it tremendous power.

For example, because BCE owns 37.5% of Maple Leaf Sports & Entertainment, it benefits when

Toronto Raptors games are occurring. BCE also makes money by selling a cable subscription, so I can watch the game on a TV station that BCE owns. BCE is making money on the advertisements. And then if I am tweeting about the game, it's making money on the mobile plan or the WiFi I bought.

This moat makes earnings incredibly predictable, which is one reason BCE is such a great income stock. In the fourth quarter, adjusted net earnings were \$684 million, up from \$667 million a year ago. And the full-year results improved 0.8% to \$3.03 billion. Customers continue to buy the addictive product BCE sells.

When the market is rocky, it can sometimes feel scary putting money into a company. But when a stock like BCE, which pays an amazing dividend, starts to drop, it creates an opportunity to increase your income. With the same purchasing power, you can accumulate more shares, which can compound over the years.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

## PARTNER-FEEDS

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2. Newscred
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## Date

2025/07/19

## Date Created

2018/03/27

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