Here's Why BCE (TSX:BCE) Stock Is Still a Hold for TSX Index Investors

Description

A favourite of dividend stock pickers, **BCE** (TSX:BCE), is what you might call a diversified telecoms stock: with both wireless and wireline services under its remit, this staple of investors in the TSX index provides not only internet, but also television solutions to customers across the nation, be they private residential subscribers, business customers, or wholesale accounts.

When recommending a scheme of stock investing for beginners, picking undervalued dividend payers with low betas is often a good way to learn how to invest in the stock market. While earning dividends by buying shares on the TSX index is often not as easy as it sounds, this telecoms superstar is usually found in articles and lists of Canadian stocks to buy now while they're relatively cheap. Below, we'll run BCE through a data-scoring test and see if buying it is a good way to make money by trading stocks.

What signal is this ticker communicating?

There's a good reason why BCE stock is one of the hottest TSX index tickers to watch. Canadian stocks don't get much better than this, and let's face it: you need more than just banks, miners, and utilities in your domestic stock portfolio. Size-wise, it's suitably defensive, boasting a market cap of $46 billion. Its 2.3% one-month returns show that it's doing nicely in terms of profit, too, with a one-year past earnings contraction by 2.6% buoyed by a five-year average past earnings growth of 6.9%.

BCE stock isn't as cheap as it could be, though: a PEG of 2.9 times growth is perhaps a little too high for some value investors (though read on to see why that valuation isn't cut and dry), while a comparative debt level of 116.3% of net worth may count this ticker out for investors who don't like a side order of risk with their plateful of dividends.

Value, quality, and momentum

I’ve been using a homemade stock screening tool, which usually feeds back some fairly analyst-acquiescent results. Based on a 33-point weighting per factor, with three factors that add up to a total score out of 100, each third contains three subsections scored out of 11 for ease of calculation. In terms of value, and per my screening tool, BCE is looking at a P/E of 17.5 times earnings, P/B of 2.9 times book, and a dividend yield of 5.65%, giving a total of 20 out of 33.

The second of the three factors in my tripartite system is composed of three oft-quoted signifiers of quality that newcomers should consider if they want to know how to start investing in Canadian stocks. Here, BCE displays a ROE of 14%, most recent EPS of $3.05, and a 6% expected annual growth in earnings, totalling a so-so 19 out of 33.

BCE gained 1.95% in the last five days at the time of writing, though a low beta of 0.18 indicates low volatility (in this reading, that’s not necessarily a good thing), and its share price is discounted by 37% compared to its future cash flow value, with an overall segment score of 15/33. While there are obviously better momentum stocks to buy on the TSX index, it should be noted that value investors who like low-risk stocks have something to smile about here.

The bottom line

A total score of 54% signals a hold and, in this case, would mean that momentum and growth investors should look elsewhere. However, dividend investors who like to make passive money with stocks should consider the low-risk, decent value, and moderately high yield of this TSX index favourite.

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