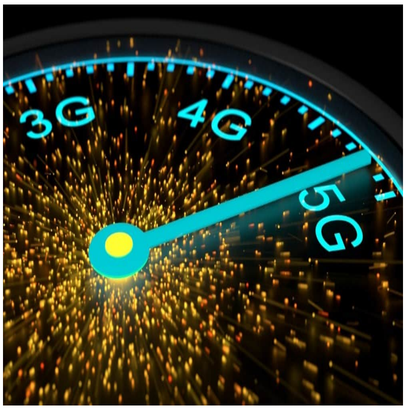

BCE (TSX:BCE): 1 High-Yield Dividend Stock That's Still Worth Buying

Description

2019 has been a productive year for investors in dividend stocks. In middle of the year, when recession talk grew and geopolitical tensions rose, many investors flocked to safety, raising cash and buying defensive stocks.

That shift continued until October, benefiting some of the best dividend stocks by propelling their share values. But as we headed to the final quarter of 2019, risk appetite again rose on indications that the economy was going strong and that the U.S. and China are serious about negotiating a trade deal.

With investors starting 2020 expecting another banner year for growth stocks, investing in dividend stocks doesn't look attractive. There are not many large-cap stocks that offer attractive dividend yield and stability of income that many investors seek. If you're on a hunt of such opportunity, then Canada's largest telecom operator, **BCE** (TSX:BCE)(NYSE:BCE), is one stock I recommend strongly.

Despite a strong rally in dividend stocks, you can still earn a more than 5% dividend yield by buying BCE stock now. It's one of the best companies in Canada that pays steadily growing payouts to beat inflation and keep your capital safe. Going forward, there are many catalysts that could further fuel growth in BCE stock and improve the utility's ability to generate strong cash flows.

5G revolution

Advanced economies are on the doorstep of a 5G (fifth-generation cellular wireless) era of connectivity. Relative to the prior generation, 5G brings greater speed to move more data, lowers latency to boost responsiveness, and connects a lot more devices. To get ready for this opportunity, BCE is spending billions of dollars on its fibre-optic network to support faster internet speeds and prepare to offer 5G.

BCE has a strong dominant position in Canada's highly regulated telecom market, where three big players make most of the revenues. BCE, through its diversified service offerings, including wireless, home internet, and media operations, has shown sustained growth in its subscribers. BCE has made the right bets in the past five years, positioning the company to produce better returns for shareholders.

Dividend safety

If you buy a dividend stock for holding it over the long run, dividend safety should be the key. You don't want to buy a high-yielding stock just to have a payout cut down the road.

BCE has long maintained a policy of increasing its dividend by 5% annually and has used a series of acquisitions to partly fuel the cash flow growth necessary to keep boosting the payout. Its latest acquisition of Manitoba Telecom Services in 2017 was one such move that began to improve both top- and bottom-line profitability.

As per the company's dividend policy, the company distributes between 65% and 75% of its free cash flow in payouts. In line with this policy, BCE has increased its annual payout by 107% since the fourth quarter of 2008; the payout is now at $3.17 per share. These factors make BCE stock an attractive option for income investors to consider, despite the stock's recent surge.

Bottom line

Trading at $60.33 at the time of writing, BCE stock is trading close to the 52-week high after gaining more than 11% in 2019. Due to this strength, this may not be a best time to buy BCE stock, but the utility's 5% yield is still attractive given the low-rate environment. For these reasons, I still recommend investors take a position in BCE stock and earn stable dividends.

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