



Canadian Telecom Stocks Are on Sale: Get a Dividend Yield of up to 6%

Description

Canada's telecom sector is dominated by three key players, including **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) and **TELUS** ([TSX:T](#))([NYSE:TU](#)), which offer safe dividends.

The stock market crash has brought down their valuations, making them more attractive investments for income and total returns.

BCE stock

Despite being in a bear market, BCE stock is doing quite well. The stock fell almost 22% from the recent high to a recent low. From the low of \$50 per share, it has made a strong bounce of 10% to about \$55. This indicates that money is coming in to scoop up Canada's largest telecom at a decent price and high yield.

It trades at a price-to-earnings ratio of about 15.6, while the stock has traded at the 18 times earnings multiple times over the last six years.



BCE Dividend Yield data by YCharts. The chart shows the 10-year yield history of BCE stock.

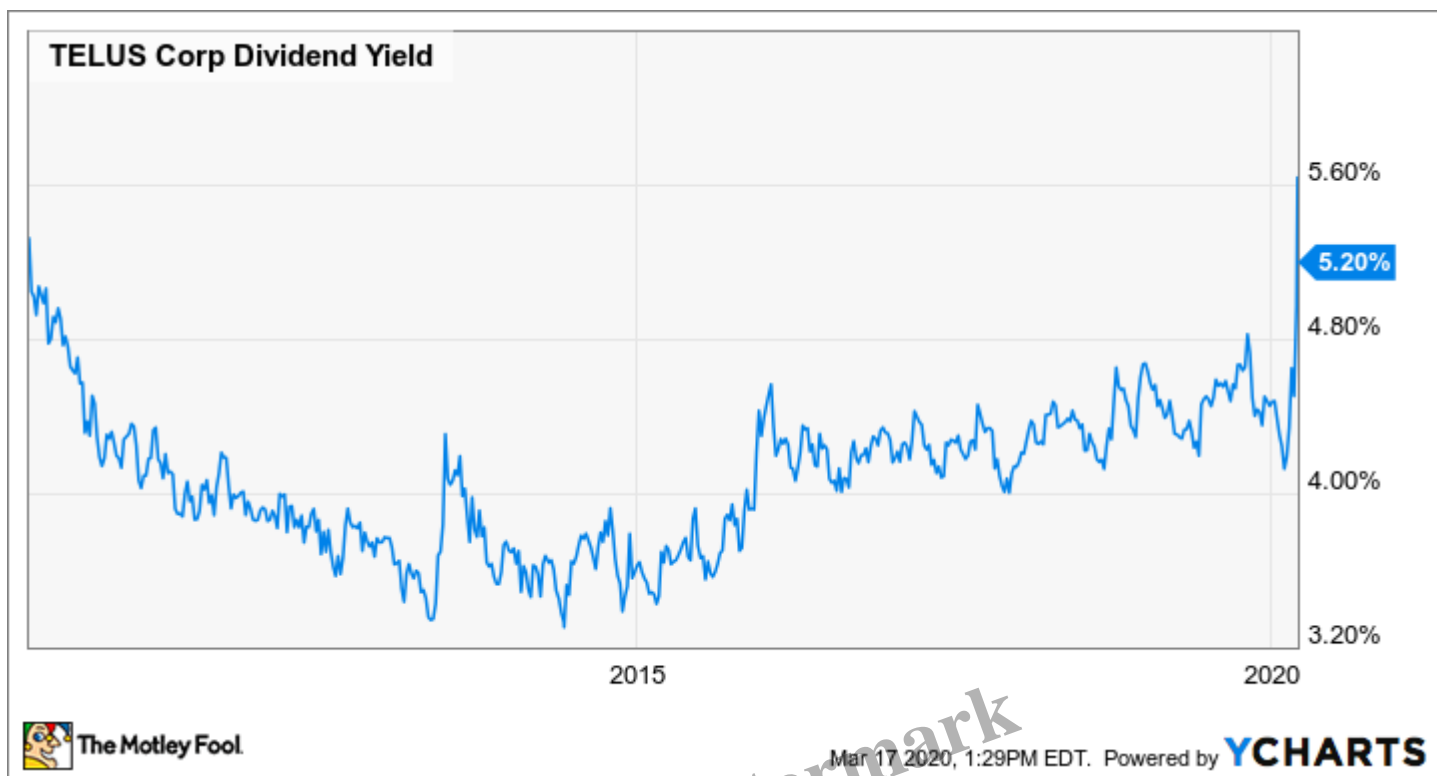
Today, investors can lock in a juicy yield of 6% that's protected by strong free cash flow generation. BCE stock's 2019 free cash flow payout ratio was 75%. That isn't going to change drastically this year or next.

BCE stock has increased its dividend for 11 consecutive years with a five-year dividend-growth rate of 5.1%. Based on its strong free cash flow generation, the telecom stock can continue increasing its dividend at a 5% clip.

TELUS stock

Similar to BCE stock, TELUS stock is also faring quite well. The telecom stock fell almost 30% from the recent high to a recent low. However, from the low of \$38 per share, it has rallied 14% to \$43 and change per share. This indicates that money is coming in to buy this Big Three Canadian telecom stock at a cheap price and high yield.

It trades at a price-to-earnings ratio of about 15.1, while the stock has traded in the 17 times earnings range multiple times over the last few years.



Telus Dividend Yield data by YCharts. The chart shows the 10-year yield history of Telus stock.

Currently, investors can start with a nice yield of 5.4% that's protected by earnings. Telus stock's 2019 payout ratio was 78%. That isn't going to change much this year.

Telus stock has increased its dividend for 16 consecutive years with a five-year dividend-growth rate of 8.2%. Based on its growth profile, the telecom stock will likely increase its dividend by about 6-7% per year over the next few years.

Therefore, Telus offers slightly better growth prospects.

A bear market: Does it make a difference?

Since we're in a bear market, even [defensive stocks](#) like BCE and Telus will be extra volatile. They'd be safer investments if investors can view them as long-term, stable businesses that generate safe dividends for investors' portfolios.

Consider systematically averaging into the stocks to override any emotions that might get into the way.

Focus on the safe dividends

Once you buy the stock, focus on the dividends that they bring. For example, investing \$5,000 in BCE stock now will generate passive income of about \$300 per year or \$75 every three months.

The same amount of investment in Telus stock will generate passive income of about \$270 a year or

\$67.50 per quarter.

Remember that's just the income for the first year. Future dividend increases should allow you to enjoy the passive income that grows faster than inflation to more than maintain your purchasing power.

There are more quality [dividend stocks](#) for you to choose from in this bear market.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
4. TSX:T (TELUS)

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