

This Wireless Provider Profits Sank 64% Due to COVID-19

Description

One of the unique effects that COVID-19 had on the population, and on the relevant companies, was that due to stay at home situation and work from home becoming the norm, the internet usage increased around the globe. People spent more and more time on the internet, and not just for work.

Since going outside wasn't an option, internet-based entertainment also saw a major spike: Multiplayer gaming and streaming caused massive amounts of data to move through the internet.

While the internet took on the heavy load, wireless connections and telecom companies took a hit. One of the reasons was that most people while staying at home and working from home, use their internet and don't rely on a wireless network like they do when they are outside.

A wireless provider that suffered greatly due to COVID-19 is **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), one of the [telecom giants](#) in the country.

Plunged profits

BCE announced its second-quarter results recently, and the numbers are not in the company's favor. The company's net earnings took a massive dive and fell 64% from the previous quarter. But that isn't the only dismal number in this report. As a consequence, the adjusted EPS fell by 32.3%, and operating revenue fell by 9.1%. Despite these drawbacks, the company managed to increase its free cash flow by almost 50%.

One of the most significant contributors to this loss is BCE's media division. The impairment charges related to certain Bell media TV and radio properties cost the company a whopping \$452 million. Other contributors include material drops like lack of advertisement because most major league sports events and other live events were canceled.

Apart from media, the company also suffered from a low new subscriber count. Only over 21,000 new subscribers registered with the company, which is one-fifth of almost 103,000 subscribers last year. The company blamed it on major markets being shut down, and lack of promotional activities that the company could engage in.

Is BCE a losing bet?

If you have this telecom and media giant, and dividend aristocrat in your portfolio, you might be wondering if it's time to let go. But we would advise against it because despite going through a rough quarter, the company didn't break its 11-year-old dividend streak and say it would continue to sustain its dividends for the foreseeable future. The stock didn't take a huge dive, following the results.

The company does have a sizeable debt and liabilities, but its assets are more than sufficient enough

to balance the balance sheet in BCE's favor. Its return on equity took a hit, and it's not very solid at 12.9%, but it's much better than many other stocks with BCE's valuation and yield combination.

Foolish takeaway

The company hasn't fully recovered from its crash in March, and after these results, it seems that it would take some time before the company is solidly on its feet. But at its current valuation, a very juicy yield of 5.8%, and a five-year CAGR of 6.2%, it has the potential to be [a good addition](#) to your investment portfolio.

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