# Why BCE (TSX:BCE) Could Be the Best Buy for Passive Income Investors in 2021

## Description

**BCE** (TSX:BCE)(NYSE:BCE) has felt the force of the COVID-19 impact last year. With Canadians self-isolating at home to avoid contracting the horrific novel coronavirus, the telecom behemoth's top and bottom lines have been suppressed.



With mutated strains spreading in various geographies, future waves (and lockdowns) should not be ruled out in Canada. And while BCE and its peers may take a hit to the chin amid this worsening pandemic, the stock and its stable cash flows are robust enough to hang onto, regardless of when you think we'll be out of this pandemic.

I view BCE stock as a cautiously optimistic way to play the reopening of the economy without running the risk of steep losses if it turns out we'll be stuck in a pandemic for another year. Here are three reasons why passive income investors should look to scoop up shares today as they look to flirt with their 52-week lows.

## BCE stock is dirt cheap

At the time of writing, BCE shares are down 15% from pre-pandemic highs with a bountiful (and safe) 6.1% dividend yield. BCE stock is trading at the lower end of its historical range at 2.2 times sales and 3.0 times book value, both of which are modestly lower than that of the industry average of 2.4 times and 3.2 times, respectively.

BCE may not have been best equipped to deal with the COVID-19 crisis versus the likes of **Telus**. But once COVID-19 is finally conquered, I think the telecoms, specifically the harder-hit ones like BCE, will be among the first to recover to normalized conditions.

I expect the appetite for mobile (roaming) data to recover in a V shape once it's safe to venture outside again, thanks in part to the 5G boom. The next generation of mobile data, I believe, will rapidly increase the demand for speedy mobile data over the long haul, and it's this boom that will be a boon for the telecoms for years to come. Moreover, I also expect the demand for 5G devices will surge as consumer sentiment shows signs of meaningful improvement.

## The dividend isn't going anywhere

BCE's dividend may have swollen in conjunction with the decline in its share price, but I view the bountiful dividend yield as more than safe. BCE's dividend is supported by very strong cash flows that could surge once the coronavirus crisis is over. BCE has hiked its dividend by at least 5% per year over the last 11 years, a trend that I don't believe will end anytime soon, even if COVID-19 headwinds persist through year's end.

## Buy BCE stock now or wait?

With investors turning their back on the proven defensive dividend heavyweights, I think now is the perfect time to pounce. BCE came off a solid third-quarter two months ago, but things could take a turn for the worst in Q4 as COVID-19 cases worsen.

That said, I think expectations are too low here such that the firm ought to be granted a "free pass" for its post-pandemic recovery prospects. If you're a passive income investor who wants a big (safe) yield without breaking the bank, BCE ought to be at the top of your shopping list.



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