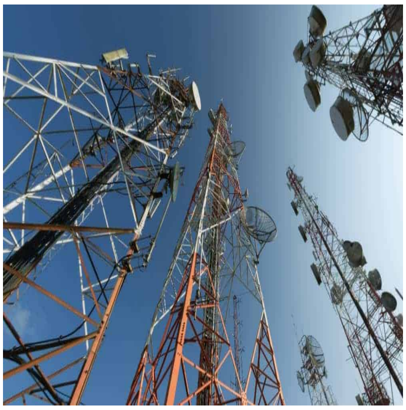

BCE (TSX:BCE) Makes Big Changes: Is the Stock in Trouble?

Description

BCE (TSX:BCE)(NYSE:BCE) released its fourth-quarter earnings results this month, but the big news has been around the layoffs the company has been making of late. Big-name personalities have been leaving the company, often with minimal notice, as BCE looks to trim its costs. According to a union for Bell Media, more than 200 Toronto-based employees were cut. And it could be a precursor of more changes ahead, as the union noted that there may be less news coverage, with the company even laying off camera operators. BCE also made changes to all-sports radio stations in multiple cities, altering their formats and focusing them more on comedy and business.

The company has been under fire on social media for the recent moves, especially since it comes not long after Bell's Let's Talk Day on Jan. 28, which focuses on the awareness of mental health issues. For investors, and the public, it's a question of whether the company's business is in trouble or if this is just an effort to squeeze out more profit.

Here's what BCE's latest results show

On Feb. 4, BCE's reported that its net earnings during the period totaled $932 million — up 28.9% from a year ago, even though its operating revenue declined by 2.8%. BCE did see a significant decline in free cash flow, however, with $92 million in cash coming in after operating activities and capital purchases. That's down from $874 million in the prior-year period, as BCE noted an increase in capital expenditure in the most recent quarter.

With BCE planning to expand its 5G network coverage in 2021, the layoffs could be due in part to free up more cash and resources. But the company didn't appear too concerned with its cash position, as it did announce a 5.1% increase to its dividend payments.

In short, the company isn't in a bad position, and it's arguably doing well, as the economy slowly recovers from the COVID-19 pandemic. The optics of these layoffs isn't great, especially with them coming so soon after the company's mental health day and after posting fairly strong results. But businesses always look to make moves to try to maximize profits and improve their numbers as best as they can. BCE stock has risen more than 50% in value over the past 10 years. However, over the last five, it has struggled, falling 5%.

Should you invest in BCE?

As aggravating as it may be to see BCE make job cuts, despite the business still being in good shape, investors can't let emotions dictate their decision making. This is still a top dividend stock to hold in your portfolio. And with a dividend yield of more than 6%, investors can do a lot with all that money they'll collect from BCE. It's a safe stock to own, and while it may not generate great returns, it can still help grow your portfolio and make you rich many years from now.

With a market cap of over $50 billion, this is one of the top stocks on the TSX, and that's not likely to change anytime soon.

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