



BCE (TSX:BCE): A Dividend King That's Too Cheap for Passive-Income Investors to Ignore!

Description

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is a dividend [darling](#) and one of the bluest of blue-chip Canadian stocks out there. After a brutal 2020, BCE stock now trades at the lower end of the historical range, with a slightly swollen dividend yield of 6.3%. The dividend payout is not only well covered, but it's in a spot to [grow](#) at a decent rate for many years to come.

While COVID-19 headwinds may continue to weigh on upcoming quarters, I still think that the stock is worthy of betting on for passive-income investors looking for outsized gains over the next 18 months.

BCE: Don't discount the dividend!

BCE has one of the better dividends on the **TSX Index**. The payout has undoubtedly been stretched in recent months, as the appetite for mobile data has been relatively muted thanks to COVID-induced (partial) lockdowns. While the top line is under pressure, with a dividend that's continuing to stretch, I don't think revenues will be pressured long enough such that the payout will be stretched to its breaking point.

Sure, unprecedented times call for equally unprecedented action. But one must not discount BCE's incredible track record of keeping its dividend promise to its shareholders. The company has hiked its dividend by at least 5% over the last 11 years. And while such hikes are likely to be off the table (or muted) amid the pandemic, I wouldn't at all be surprised to see the company hike at a more generous rate once the insidious coronavirus is eliminated.

Passive-income investors: Be mindful of COVID-19 risks

Even if COVID-19 becomes endemic, I still think mobile data demand will revert to normalized levels quite quickly. The rise of 5G mobile technology will be a boon for mobile demand. Once it's safe to venture outside again, I think many Canadian savers will start spending again as consumer sentiment and employment (sustainably) recovers.

Many Canadians are probably postponing their purchase of 5G devices until they get more clarity on where the economy is headed. In the meantime, three COVID-19 variants of concern are serious threats that could prolong (or even worsen) this socio-economic crisis. Regardless, BCE has a strong enough balance sheet and more than enough expertise to navigate through another few waves of COVID-19 cases. It's BCE's ability to make it through to the other side of this pandemic that makes me bullish on the stock and its attractive dividend.

Nobody knows when this pandemic will end and how long we'll have to live with the insidious coronavirus. If you are looking to bet on a return to normalcy without risking your shirt to do so, BCE is one of the better bets out there.

At the time of writing, shares of BCE trade at 22.2 times trailing earnings, 2.2x sales and three times book value, both of which are pretty in line with industry averages. Although BCE stock doesn't yet look like a steal after its 2020 plunge, I still think it is, given the quality of the dividend payout and the post-COVID recovery trajectory.

Foolish takeaway on BCE stock

With interest rates likely to remain lower through 2024, BCE stock looks like a magnificent option at today's depressed levels. Just be ready for a bumpy ride en route to normalcy. The 6% yield should act as more than enough of an incentive for passive-income investors to stick around.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date

2025/07/29

Date Created

2021/02/15

Author

joefrenette

default watermark

default watermark