Is BCE (TSX:BCE) a Buy After Its First-Quarter Earnings?

Description

The season for first-quarter earnings has arrived for the telecom sector. **BCE** (TSX:BCE)(NYSE:BCE), one of the three telecom giants in Canada, recently posted its first-quarter earnings where it beat investor estimates. The earnings call was a breath of fresh year for BCE investors since the company posted year-over-year growth for the first time since the pandemic began.

BCE posted significant losses in 2020, mostly because lockdowns prevented the company from continuing with its usual promotional efforts in the shopping malls. But now, the telecom giant is starting to look more financially stable.

The company

With a market capitalization of about $52.4 billion, BCE is the largest (by market cap) of the big three in the telecom sector. The company has about 22.32 million total consumers, i.e., more than half of the country's population. It includes wireless, high-speed internet, TV, and local telephone service. The latter two segments are slowly declining, and the company is focusing more on high-speed internet because that is likely to be the most significant earners in the coming years.

The two areas where the company is currently focusing on (to grow its business) are the fiber optic and 5G deployment. By offering unlimited monthly usage, the company is enticing more internet consumers into its fold. The media segment is still a considerable portion of the revenue mix but compared to 2019, BCE's Bell Media contributed less to the total revenue generation (10% instead of 12%).

The stock

BCE has a powerful dividend growth streak. It has grown its payouts for 13 consecutive years, and between 2009 and 2021, the company has grown its payouts by 140%. The 6.1% yield makes it not just one of the most generous dividend aristocrats but also one of the most stable ones. The payout ratio is still in the danger zone, but it is highly unlikely to slash its dividends.

BCE has never been much of a growth stock, especially if you consider its five-year stock history. Although, if you are talking in terms of decades, the company might be able to offer you decent capital growth, though its dividends stay the primary reason you might be interested in this telecom giant.

In 2020, the Bell Wireline business segment, which includes 9.9 million fiber-optic clients and has six brands under its umbrella, still dominates the revenue charts. Bell Wireless comes in second, but with 5G deployment expedited, the tide might soon shift.

Foolish takeaway

BCE is almost an evergreen buy if you are only considering it for its dividends. The company has a stellar dividend history and a generous yield. But right now, the company might also offer a bit of capital growth. Its year-to-date stock growth is still in single digits, but the first-quarter results and a general aura of recovery might propel the stock further. The stock is just a bit overpriced, but well within reason.

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