



BCE Stock: Should You Buy for a Big Year-end Breakout?

Description

BCE ([TSX:BCE](#))([NYSE:BCE](#)) stock has steadily picked up traction of late, surging around 14% from its February 2021 lows. All the while, the [juicy](#) dividend yield had compressed from above 6% to 5.65%, where the yield currently sits today. Undoubtedly, Canada's top telecom firm has a lot going for it as the [5G boom](#) coincides with what could be a post-pandemic discretionary spending boom. The economy is reopening, and Canadians will be more willing to splurge on the next generation of 5G-enabled devices.

Tailwinds up ahead for BCE and the Big Three telecoms

The Big Three have all been investing heavily in 5G infrastructure. And as more Canadians embrace the new mobile standard, each member of the Big Three are due to get a nice [boost](#) over the next three years. Sure, the Delta variant and further lockdowns could entice Canadians to put off big-ticket purchases like cellphones, as they look to save up again. But given that vaccine efficacy rates against insidious COVID-19 variants are still remarkably high, I'd argue that the current bull market is unlikely to be derailed.

The economy is poised to boom, and the telecoms will be major beneficiaries, as their 5G investments finally pay off in the form of higher sales and expanded margins. But as the largest player in the Big Three, is BCE's growth profile too sluggish to be worthy of a 22.8 times trailing earnings multiple?

A lofty price tag for a lack of growth

While BCE has one of the safest and most bountiful dividends out there, I can't say I'm a huge fan of shares at north of \$60. Overpay for the dividend behemoth, and the dividend may be all you'll get in terms of total returns. With the \$65 ceiling of resistance up ahead, I think patient investors could get another shot to lock in a 6% yield should shares fail to breakout.

Sure, stocks across the board have been bid up in recent months. BCE's multiple isn't all that expensive, given the magnitude of the earnings boom that could be in the cards over the next 18

months. That said, I don't see that much of a margin of safety to be had in the name whose size may be getting in the way.

Simply put, you're not going to make a fortune from the imminent reopening of the Canadian economy. But if a safe dividend is what you seek, and you're willing to average down on another pullback (perhaps Delta-induced lockdowns could send shares tumbling back to the \$55-57 range), I'm certainly not against accumulating shares at these levels.

The bottom line on BCE stock

I think younger investors are leaving a lot of potential rewards on the table by settling for BCE at these valuations. For those who lack rock-solid foundations, however, there's no shame in bond proxies whose dividends will remain intact through the rainiest of days.

Personally, I'm sitting on the sidelines with BCE, as I think there's a high chance that the stock will fail to breakout and could drag into year-end, as the appetite for risk increases. In short, BCE is a great defensive dividend stock with a valuation that leaves a lot to be desired.

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