



Is it Too Late to Buy BCE Stock?

Description

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is one of the best Canadian stocks to own. It's a leading telecom stock with massive operations and low volatility, which makes it perfect for passive-income investors.

Not only is its business diversified with several different operating segments, but these segments are well integrated and offer BCE some incredible synergies.

The company can cross-sell its products, scale its costs, and even use its media business to help advertise its services. And on top of all the qualities that this [blue-chip stock](#) has, it's also operating in an industry that has tonnes of long-term growth potential and is highly resilient.

Just think of what the telecommunications industry was 50 or even 20 years ago. It has grown tremendously and continues to have tonnes of long-term potential, even today, with the rollout of [5G technology](#).

Even before the pandemic, you would argue it was a crucial industry and a staple of the economy. However, now with the new normal, there is no question that telecommunications are a critical industry, and BCE is one of the best Canadian stocks investors can buy.

The company is clearly a resilient business long term, but BCE stock is also a low-volatility investment. Just look at how little it was impacted in the selloffs this week.

But after the recent rally over the last few months, especially since it reported strong earnings in August, you may be wondering if BCE stock is still worth a buy today.

Is BCE stock worth a buy?

Before deciding if BCE stock is worth buying, we have to look at its business operations. The company has three main segments: wireless, wireline, and media.

The wireless business is the segment that was impacted the worst by the pandemic. With mobility

down significantly, BCE's revenue took a hit as overage and roaming charges significantly declined. The wireline business did see a slight uptick. However, it was not enough to offset the impact.

Nevertheless, BCE was never actually impacted that badly. The company is such a cash cow that it even elected to continue investing in growth during the uncertainty of the pandemic when many other companies halted growth programs altogether.

Plus, it's continued to raise its dividend for investors. So, although revenue was impacted, at one point by up to 9%, the stock has never been in that bad of shape.

In recent quarters, BCE has shown significant improvements in its results, which is one of the main reasons the stock has rallied so consistently.

So, the company is one of the best businesses you can own long term, but does that make it a buy today?

What is the fair value of BCE stock today?

To look at whether BCE stock is a buy today, we need to get an idea of its fair value. One of the best metrics for this is the enterprise value to [EBITDA](#) (EV/EBITDA) ratio.

In recent years, BCE has had an average EV/EBITDA ratio of about 8.5 times. Today, the stock trades at forward EV/EBITDA of roughly 8.7 times.

Furthermore, its average price-to-earnings (P/E) ratio over the last few years has been roughly 17.5 times. Today, the stock trades at a forward P/E ratio of about 19.5 times.

So, BCE stock looks to be at its fair value today. It's worth noting that while the stock trades a little above its recent historical averages, predictable and stable stocks like BCE deserve a premium in this uncertain environment.

Plus, it still pays an attractive 5.4% dividend and offers investors some impressive prospects for growth over the coming years.

Bottom line

What's important to consider for investors looking at buying BCE is that it's a stock to own forever. So, while you understandably want to buy it as cheap as you can, it's also a stock you'll want exposure to as soon as possible.

Therefore, if you're going to wait to buy the stock today, I'd just make sure not to wait too long. It wouldn't be terrible if you bought it today overpaid a little for it.

On the flip side, if you do wait too long, you could end up missing out on more incredible growth, especially if it continues to rally in the near term.

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Author

danieldacosta

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