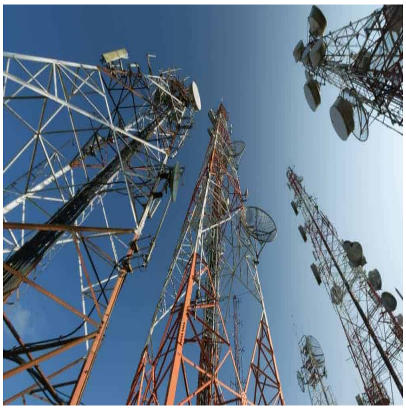

1 Canadian Telecom Stock Is Too Cheap to Ignore

Description

The Canadian telecom stocks are popular for dividend income. **BCE** (TSX:BCE)(NYSE:BCE), in particular, provides the biggest yield of the Big Three telecom stocks. It has consistently increased its dividends every year since 2010.

Let's take a closer look at BCE stock.

BCE stock

BCE is the largest Canadian telecom. Earlier this month, it reported its 2021 results. The highlights are as follows:

- Revenue increased by 2.5% to $23.4 billion
- Adjusted net earnings growth of 6.0% to $2.9 billion
- Adjusted EBITDA, a cash flow proxy, climbed 3.0% to $9.9 billion
- Adjusted earnings per share (EPS) improved by 5.6% to $3.19
- Cash flows from operating activities rose 3.3% to $8 billion

In 2021, BCE paid out total dividends of $3.50 per share, resulting in a payout ratio of almost 110% based on its 2021 adjusted EPS.

On reporting these results, it increased its quarterly dividend by 5.14% to $0.92 per share that equates to $3.68 per year. So, BCE stock's 2022 payout will be approximately 111% based on BCE's projected 2022 adjusted EPS.

Management provided BCE's 2022 guidance as follows:

- Revenue growth of 1-5%
- Adjusted EBITDA growth of 2-5%
- Adjusted EPS growth of 2-7%

Even BCE's free cash flow generation did not cover its dividend in 2021, as it has been investing more heavily for the deployment of its direct fibre, Wireless Home Internet, and 5G networks. However, by 2023, it should be able to enjoy greater free cash flow again that will make its dividend safer.

Currently, BCE stock is fully valued but offers a juicy yield of about 5.5%.

The following Canadian telecom stock appears to be a much better bargain!

A more attractive Canadian telecom stock for income

Quebecor (TSX:QBR.B) appears to be too cheap to ignore. According to the 12-month consensus price target across 11 analysts on Yahoo Finance, at $27.51 per share at writing, Quebecor stock trades at a discount of almost 27%. That implies near-term upside potential of 36% is possible.

The dividend stock has corrected more than 21% since its peak in April. The decline may be due to the concerns about heightened competition, which even the Quebecor president and CEO admitted to.

> "In the 2021 financial year, [we] operat[ed] in an environment of ongoing and particularly intense competition in the Québec telecom industry."
> *Pierre Karl Péladeau, president and chief executive officer of Quebecor*

Still, the Canadian telecom stock reported resilient 2021 results last Thursday. Here are some highlights:

- Revenue increased by 5.5% to $4.55 billion
- Adjusted EBITDA climbed 1.1% to $1.97 billion
- Net income (from continuing operations) marginally improved by 0.7% to $588.4 million
- Diluted EPS (from continuing operations) climbed 3.2% to $2.29

Quebecor experienced double-digit EPS growth from 2015 to 2019. As a result, the dividend stock did very well by returning solid total returns of about 16.4% per year over that period. With much slower growth expected, the dividend stock has dropped to discounted levels, providing the opportunity for bargain hunters.

The dividend stock just raised its quarterly dividend by 9.1% to $0.30 per share. So, its payout ratio this year is estimated to be sustainable at roughly 52%. Based on its recent quotation, it provides a yield of 4.36%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

3. TSX:QBR.B (Quebecor Inc.)

PARTNER-FEEDS

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

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/26
Date Created
2022/02/28
Author
kayng