# BCE and Quebecor: 2 Dividend Studs to Fund an Income Stream

## Description

Telecom stocks haven't been spared from the market's latest slide lower. With so much concern surrounding rate hikes and the ensuing recession, it's hard to find a reason to be bullish on anything. Though telecom stocks could find it harder to collect monthly bill payments in a recession, I think recent share price weakness and swollen dividend yields more than compensate for potential recession risks up ahead.



The telecoms are wide-moat companies that can defend their economic profits over the long haul. Though higher interest rates are a negative for capital-intensive companies like the telecoms (many still have to spend billions on 5G wireless infrastructure over coming years), I'd argue that the Canadian telecoms have more than enough pricing power to pass on such costs to consumers. Indeed, there's power in being a part of an oligopoly.

In this piece, we'll look at a telecom heavyweight in **BCE** (TSX:BCE) and an up-and-coming national prospect in **Quebecor** (TSX:QBR.B).

# BCE

BCE stock is a telecom titan with a massive 6.4% dividend yield — the highest of the Canadian telecom plays. With limited growth prospects and a low-growth media business, BCE may not be the perfect play for young investors seeking to maximize total returns over the long run. For those who seek a chunk dividend that's safe and growing, it's tough to top BCE. The payout is a thing of beauty, with inflation at or around the 7% mark.

At writing, BCE is in a bear market slump, at a fresh 52-week low of $57 and change per share. Indeed, broader market weakness is a major contributing factor. With Bell Canada winning the title of *PCMag's* fastest mobile network for three straight years, I think BCE is a behemoth that Canadians can rely on upon through rough times.

At 18.4 times trailing price-to-earnings (P/E) ratio, BCE stock seems ripe for picking. There's a lot of recession fear baked in. Given the magnitude of the recent bear market plunge, I'd argue the slip is an opportunity for passive-income seekers to lock in that juicy +6% yield.

## Quebecor

Quebecor is a regional telecom that could make a massive splash in the national telecom scene, as it looks to become the fourth major Canadian carrier. As we saw with Freedom Mobile, it's not easy to be that number-four player, as the Big Three heavyweights flex their muscles. Still, I think the market is underestimating the abilities of Chief Executive Officer Pierre Peladeau. Quebecor has thrived in the Quebec market, and if it can replicate success in other provinces, I'd argue it's the Big Three telecoms that should be worried about losing market share.

At writing, QBR.B stock is down more than 30% from its high. The 4.9% dividend yield is bountiful, and the 9.9 times trailing P/E, I believe, seems too low.

Like betting on any underdog, there are massive gains to be had if things go right. If you're a long-term thinker, I think there are a lot of reasons to give the $5.7 billion telecom stock the benefit of the doubt.

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