Why BCE Is Worth the Risk

Description

Rapidly rising interest rates and market volatility made 2022 a rollercoaster year that most investors will want to forget. Those rising rates also left some stocks like **BCE** (TSX:BCE) in a risky position, trading at a discount. Despite that risk, here's a look at why BCE is worth the risk.

Why is BCE risky right now?

BCE is one of Canada's big three telecoms. Telecoms are renowned for being very defensive investments. They generate a stable and recurring revenue stream. And they also pay out some of the best dividends on the market.

In the case of BCE, that stable revenue stream is augmented by an additional complementary revenue stream. That additional revenue stream comes in the form of BCE's massive media segment. That segment blankets the country with dozens of radio and TV stations.

Operating a telecom is an expensive business, and telecoms carry heavy debt loads. When interest rates rise, the cost of servicing that debt increases. And in 2022, interest rates shot up seven times, from 0.25% to 4.25%.

That's part of the reason why BCE has shed 10% of its stock price since interest rates started rising.

Why BCE is worth the risk – especially right now

Despite the spillover effect from those rising interest rates, BCE is worth the risk right now.

BCE is an incredibly defensive investment, and thanks to the pandemic, that defensive appeal has grown considerably. There are now more of us working and studying in a remote capacity than ever before.

Furthermore, that arrangement, which was initially viewed as a temporary measure for the pandemic, has become permanent for many. As a result, the need for a fast and stable internet connection has become one of necessity.

And it’s not just BCE’s internet segment. The same could also be said for the wireless segment. A gradual shift to mobile commerce accelerated during the pandemic when physical stores were closed. Furthermore, the ongoing rollout of 5G is enabling faster downloads, and newer devices to get into the hands of subscribers.

As a result, mobile subscribership continues to soar. By extension, growing data consumption from those subscribers adds nicely to BCE’s already impressive earnings.

By way of example, let’s look at the most recent quarterly update.

In the third quarter of 2022, BCE reported over 273,000 mobile phone and mobile-connected device activations. Mobile phone activations comprised over 224,000 of that total, the highest net activations ever posted in a single quarter.

Turning to the internet segment, BCE reported 89,652 net retail internet activations. Incredibly, this was the highest number of activations in 17 years.

Overall the company earned $771 million in the quarter, down 5.2% over the same period last year. Despite that dip, the company still managed to grow revenue and free cash flow in the quarter. Revenue came in at $6 billion, bettering last year’s figure by 3.2%. Free cash flow came in at $642 million, reflecting a 13.4% increase over the prior period.

Saving best for last

There’s one final reason investors should strongly consider when evaluating if BCE is worth the risk. Apart from the discounted price on the stock, BCE’s drop in share price has swelled its already stellar dividend.

That dividend, which is paid out on a quarterly basis, currently carries a yield of 5.89%. This makes BCE’s yield the highest yield among its big telecom peers. It also makes BCE one of the higher-paying options on the market.

If that’s not enough, there’s still more. Prospective investors should also note that BCE has been paying out those dividends for over 140 years without fail. BCE has also provided a generous uptick to that dividend on an annual cadence for over a decade.

Is BCE is worth the risk? Yes, as long as it’s part of a larger, well-diversified portfolio. BCE is a stellar long-term pick that should be on the radar of investors everywhere.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)

PARTNER-FEEDS

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

PP NOTIFY USER

1. cleona
2. dafxentiou

Category

1. Dividend Stocks
2. Investing

Date
2025/07/19
Date Created
2023/01/16
Author
dafxentiou