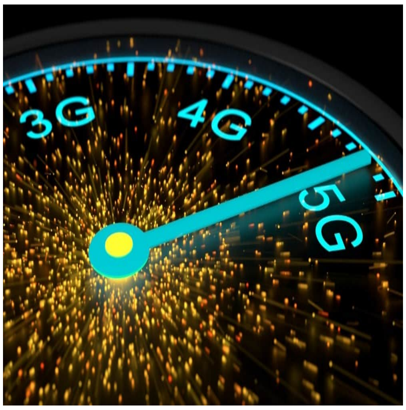

Down by 15%: Is BCE Stock a Good Investment in January 2023?

Description

The TSX is full of stocks that are good investments only in the right circumstances. Undervaluation, price discounts, and sector-driven bullish phases are just some of the few characteristics that can make a stock attractive, at least for a limited time.

Once that attraction is taken away and the stock has nothing else to offer in the long term, it's usually a good idea to exit your position and divert the capital to more productive avenues.

Dividend stocks are more resilient to these "purges" as they may offer consistent dividend-based returns. Blue-chip stocks that also offer dividends are even more resilient because of their strong long-term prospects. These sturdy stocks might deserve a place in your portfolio for years.

A great time to buy such stocks is when they are discounted because even if it doesn't impact their capital appreciation potential, you can still lock in a better yield.

The telecom giant of Canada

BCE (TSX:BCE) is the largest telecom company in Canada by market cap and is currently valued at $56 billion. It's registered in both Canada and the US but operates mostly in Canada. Even though it doesn't boast the largest number of subscribers in the country, it has a massive presence in multiple domains, including over 6,000 retail points.

There are eight different companies under the Bell umbrella, including one of the top residential internet companies in Atlantic Canada and the largest tech retailer in the country (The Source). The company is also expanding its presence in innovative new markets under the "Bell Ventures" umbrella and already has a portfolio of investments, including AI-focused companies and ventures.

This diversified business model looks promising, especially if you consider the new wealth of opportunities we may see when IoT becomes more commonplace and millions of new devices come online. While BCE is not at the top when it comes to 5G stocks in Canada, it may still benefit from 5G's promising prospects thanks to its overlap with IoT.

A good pick

BCE is currently trading at a 15.6% discount from its 2022 peak, a drop that has pushed its already attractive yield to a slightly higher number of 5.9%. The discount hasn't done much to make the value more attractive, and the price-to-earnings is currently at 20, but it's in line with its peers.

Assuming BCE sees a strong upward trend in 2023, now would be a good time to consider adding it to your portfolio. Multiple institutional investors have already boosted their position in the telecom giant, and big money moving in is a good sign of confidence in BCE's short-term prospects.

From a long-term perspective, BCE is a strong enough investment for its dividends alone. It's an established aristocrat that has managed to sustain and grow its payouts through at least two major financial crises. It hasn't done quite as well on the capital appreciation front, but the price did go up about 40% in the last decade, which is at least enough to neutralize the impact of inflation (to an extent).

Foolish takeaway

A reliable stock like BCE can prove to be a strong addition to your portfolio, both for its dividends and its growth prospects. The company has a strong presence in the market and a leadership position in the sector, making it relatively resilient against future market downturns.

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Date
2025/07/19
Date Created
2023/01/31
Author
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