Beat the TSX With This Unstoppable Dividend Payer

Description

The **S&P/ TSX Composite Index** is up 5.8% since January 1. Canada's blue-chip stocks seem to be recovering after a tumultuous year. However, some sectors of the economy are likely to outperform the rest in 2023.

Here's an unstoppable dividend payer that should be on your watch list this year.

Bell Canada

BCE (TSX:BCE) will always be a good investment stock, regardless of the prevailing economic conditions. Wireless internet access is pretty much an essential utility now, and consumers are likely to pay their phone and data bills, regardless of a potential recession.

Bell is the largest telecom and internet service provider in the country with a 30% market share. While the stock was under pressure in 2022, going down by 7%, it still outperformed the TSX, cementing its position as a top-notch dividend stock.

Last year, investors were worried about the company's hardware sales and media division. Nevertheless, the diversified nature of the company's operations means it is always well positioned to offset such losses. In addition, Bell generates most of its revenues and profits from mobile and internet subscriptions, services that people are always ready to pay for.

In the third quarter, BCE posted a 3.2% increase in revenues compared to the same quarter of the previous year. The increase affirmed the resilience of the company's core business. Adjusted earnings were up 7.3% as free cash flow rose 13.4%. With management insisting the company is on target to hit its financial targets, the prospects of the company generating significant cash flow are high.

Growth

BCE's growth comes from the natural growth of Canada's population and the constantly expanding need for more wireless data. As long as the company holds onto its market share its growth is secured by Canada’s immigration policy and the advancements in consumer technology products.

The company also has deep pockets with assets worth roughly $20 per share. Recurring cash flow means the team has all the capital it needs to make investments and drive revenue growth. The planned $2 billion investment to expand its 5G mobile network should also bolster the company’s long-term prospects.

Dividend and valuation

Over the last 14 years, BCE has increased its dividend payout by an average of 5.85% every year, underscoring its ability to generate free cash flow. Additionally, the company pays a solid 6.1% dividend yield, which is ideal amid the current high inflation levels for anyone looking to generate some passive income.

While the stock is down by about 11% from its 52-week high, it is currently trading at a discount. The underlying fundamentals are as robust as ever. BCE stock trades at a price-to-earnings ratio of 19.9, which implies an earnings yield of 5%. Assuming steady growth of 5-7% this year, BCE stock seems fairly valued at current levels.

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