Will BCE Inc. Hit $65?

Description

Many of the stocks on the **S&P/TSX 60** are in a tailspin right now, but **BCE Inc.** (TSX: BCE)(NYSE: BCE) just hit a new high above $51 per share and it looks like the stock might be setting up to continue its surge.

Here are the reasons why I think investors should consider buying the stock right now.

1. Sector rotation

Resource companies and financial stocks dominate the Canadian market, and these two sectors are looking a bit scary. Miners and oil producers are taking it on the chin, and cracks appear to be forming in the earnings growth of the banks.

Investors looking for dividend yield *and* stability have few choices left. One of the best options is BCE Inc. The company has predictable earnings, enjoys a competitive advantage in its industry, and is generally insulated from volatility in global markets.

Money flowing out of other sectors is finding a home in communications companies and BCE should benefit as the rotation continues.

2. Dividend growth

BCE is a cash flow machine and investors can rely on the company for consistent dividend growth. Bell pays a dividend of $2.48 per share that yields about 4.8%. Recent acquisitions should ensure generous increases in the payout over the next few years.

BCE just spent nearly $4 billion to take its Bell Aliant subsidiary private. All the juicy dividends that were being paid out to Bell Aliant's shareholders are now available for distribution to investors in BCE. The company is also reaping significant cash flow from its 2013 purchase of Astral Media.

3. Low interest rates

Interest rates are likely to stay low for quite some time and this is great news for investors in stocks that pay high dividends. There is a theory that investors will flee telecoms and pipelines once interest rates begin to rise. I don't think that will happen. When rates start to drift higher, BCE's consistent dividend hikes should offset the move.

4. Competitive advantage

BCE and **Telus Corporation** (TSX: T)(NYSE: TU) are dominating the communications industry in Canada.

The government wants a new national competitor to enter the market and force BCE, Telus, and **Rogers Communications Inc.** (TSX: RCI.B)(NYSE: RCI) to drop their prices. The idea sounds great for consumers, but the costs involved in building out a national network to compete with the three leaders is prohibitive. Any company that has the financial firepower to do it probably isn't interested in going through all the trouble to fight for a piece of Canada's relatively small market.

The bottom line

BCE Inc. isn't cheap. The stock is trading at about 19 times trailing earnings which is at the high end of its historic range, but the fundamentals appear to be in place for continued growth at the company. The technical pundits also tend to like it when a stock consistently hits a new high after taking a short breather. BCE is doing just that.

If you are looking to add another dividend-growth stock to your portfolio, you might want to check out the following report.

CATEGORY

1. Investing

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2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
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