3 Reasons Why BCE Inc. Is the Best Way to Score Big Dividends

Description

Over the past month, shares of **BCE Inc.** (TSX: BCE)(NYSE: BCE) have seemingly moved in only one direction: straight up. Since the middle of October, the shares have appreciated by over 8%.

As a result, BCE's dividend yield has nudged down. After yielding more than 5% for most of the year, the stock now yields less than 4.8%. On Business News Network (which ironically is owned by BCE), Robert Spafford of Toron Asset Management said that the company is likely fully valued at this point.

But if you're looking for big dividends, there is still no better place to turn. Below we take a look at three reasons why.

1. It's a telecom

First of all, Canada's big three telecommunications providers have everything that dividend investors should be looking for. They face little competition, are protected by high barriers to entry, and are able to generate consistent revenue. This allows the companies to pay very attractive dividends.

BCE provides a perfect example. From 2011 to 2013, its revenue totaled $19.5 billion, $20.0 billion, and then $20.4 billion. It is difficult to find that level of consistency in any other industry.

2. An improving revenue mix

A common concern among investors is BCE's revenue mix, which is more heavily weighted toward the fixed wireline business (i.e., home phones). Even BCE acknowledges this is a declining business.

But over the past few years, the company has been growing in the right areas. And as a result, wireline accounted for only 18% of revenues last year – most of which came from corporate customers – compared to 31% back in 2008.

3. There's a lack of alternatives

Finally, one only has to look at the big dividend alternatives to realize that BCE is clearly the best option.

On the TSX 60, six companies have bigger dividend yields than BCE. Five of them are oil producers. So these companies have to deal with lower oil prices, leading many to wonder if their dividends are sustainable. In fact two of them – **Penn West Petroleum Ltd.** and **Enerplus Corp.** – have cut their dividend in half in the last two years.

In fact, if you had held a portfolio of these six companies in the past three years, your portfolio would be down about 40% (the dividends would have softened the blow). While the companies may turn around, and their share prices could recover, this does show just how risky these names are. And is that really what you want as you collect your dividends?

So BCE may very well be the best dividend stock to buy. Obviously you should hold additional names, to achieve at least some diversification. The free report below reveals three dividend payers to help you with just that.

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1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
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Date
2025/07/23
Date Created
2014/11/11
Author
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