



3 Reasons to Buy and Hold BCE Inc. Forever

Description

During times of economic and geopolitical uncertainty — and volatile global stock markets — investors would do well to remember a few keys to success: identifying companies with stable but ever-growing earnings, wide economic moats to protect their competitive advantages, and easily understood businesses.

Companies with these key attributes are well-placed to continue rewarding investors through consistent and steadily appreciating dividend payments, regardless of the state of the economy.

One company that stands out is Canada's largest telecommunications provider, **BCE Inc.** ([TSX: BCE](#)) ([NYSE: BCE](#)). Over the last decade, BCE has seen its share price soar to new heights, appreciating by 101% in value as it continues to grow earnings and boost its bottom line.

The strengths of BCE's business can be summarised in three key points.

First, as the dominant market leader operating in an industry with steep barriers to entry that include strict regulatory requirements, BCE has a wide economic moat.

As a result, BCE's business is almost impossible to replicate, primarily because of the significant capital investment required to build a network of that size, coupled with significant regulatory requirements. This protects it from competition and allows it to continue growing earnings through a combination of cost savings, business improvements, and network expansion.

Secondly, BCE's business is almost recession-proof, with its core business being a vital ingredient for doing business and in our daily lives, as the need for exchanging and obtaining data in a knowledge economy grows.

This makes demand for its products and services almost inelastic and shields its earnings from the vagaries of the economic cycle. When combined with the first point, this makes BCE's earnings particularly stable, virtually ensuring long-term growth.

This can be seen in its third-quarter 2014 results, where BCE's revenue jumped 1.9% year-over-year,

while EBITDA, a key measure of core profitability, spiked 2.5% for the same period. These improvements can be attributed to the cost savings obtained through the integration of **Bell Aliant Inc.** (TSX: BA), along with the ever-expanding reach of its network.

For this period, wireless subscribers — a core driver of BCE's earnings — grew 1% year-over-year, while demand for data services increased with high-speed Internet subscribers growing 4.2% year-over-year.

Finally, BCE has a solid track record of continuing to reward shareholders.

It has paid a dividend since 1949 and hiked that dividend for the last eight consecutive years. Even more telling: During difficult times, BCE continued to reward shareholders, hiking its dividend during the height of the global financial crisis, when many companies were slashing theirs or cutting dividend payments altogether.

This now gives BCE an impressive 4.7% dividend yield, which is the ninth-highest yield in the **S&P TSX 60 Index**. While there may be some concern over the stability of the dividend because of its payout ratio of 83%, the strength of its business, coupled with strong core profitability and a wide economic moat, show that this is not an issue.

This should certainly garner the attention of income hungry investors, and it underscores the strength and sustainability of BCE's business. All of these characteristics make BCE a core addition to any long-term, buy-and-hold portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

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