The 'Warren Buffett of Canada' Loves This Dividend Stock: BCE Inc.

Description

This 'Forever Stock' has done the impossible. Since declaring its first dividend in 1881, the company has never skipped a single payment to shareholders.

Think about that for a second. This business has seen wars, recessions, and asset bubbles. It witnessed the rise of folk music, blues, disco, folk again, punk rock, heavy metal, boy bands, and hip-hop.

Yet through all of that, shareholders have always been able to count on a dividend cheque arriving in their mailbox. It's no wonder that billionaire investor Prem Watsa backed up the truck and owns over 268,000 shares of this company. The bottom line, now could be a great time to follow his lead and add this Forever Stock to your portfolio.

The one dividend stock for the next 100 years

Some call Prem Watsa the 'Warren Buffett of Canada', and for good reason. He's the CEO of **Fairfax Financial Holdings Ltd** (TSX: FFH), an insurance holding company modeled in much the same way as **Berkshire Hathaway**. Over the last 30 years, he has grown the book value of this business at a remarkable 21% compounded annual clip.

That's why poking through Watsa's portfolio is a great source of investment ideas. There's one name that has been a core position for years: **BCE Inc** (TSX: BCE)(NYSE: BCE). And if you like collecting globs of dividend income, this stock deserves a permanent spot in your portfolio as well. Here's why:

First and foremost, it's built to last. When Warren Buffett is evaluating the strength of a company, he asks himself, "If I had a billion dollars, how much can I hurt this guy?" But even if you had $1 billion… $5 billion… $10 billion, chances are you couldn't compete against BCE.

That's because building a telecom company is enormously expensive. The cost to build out the needed infrastructure and acquire wireless spectrum is on the order of tens of billions of dollars. No small business could possibly eat into BCE's margins.

Even if a deep-pocketed rival wanted to enter the industry (cough… cough… **Verizon**), it would still be hard to out-muscle BCE. In some industries — think airports, utilities, and railroads — it just doesn't make sense to have multiple players serving the same area. These are cases in which the business is profitable when there is only one company exploiting it, but increased competition would ruin the party for everyone.

Canada's telecom sector is exactly the same. In some of the markets BCE serves, it's the only game in town. However, it just doesn't make sense for a second competitor to build out all of the wireline infrastructure needed to grab a piece of the action. That means an established player like BCE can crank out steady profits for years.

Finally, BCE is a cash gushing machine. Telecom is a mature industry and rapid growth isn't something that needs to be funded. This means the company can reward shareholders through generous dividends and share buybacks.

In February, the board hiked the company's dividend 6%, marking the sixth straight year that BCE has lifted its payout. Today the stock yields 4.9%, more than double the average yield of the **S&P/TSX Composite Index**. You can expect that payout to continue for many years to come.

This 120 year old dividend stock is crushing the market

Of course, all of these points are just common sense — strong companies that take care of their shareholders should do better over the long run. It doesn't take a PhD to figure that out. There're no sure things in investing, but any company in Prem Watsa's portfolio should catch your attention.

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