3 More Reasons to Buy BCE Inc.

Description

I have written extensively on the strengths of Canada's largest telecommunications company **BCE Inc.** (TSX: BCE) (NYSE: BCE) and why it is a cornerstone buy and hold stock for every portfolio. The company's core strengths are its dominant market share and wide economic moat, which coupled with relatively inelastic demand for its core products and services makes BCE a cash-generating machine.

But the good news doesn't stop there for shareholders, with BCE's management refusing to sit on their laurels, working hard to boost BCE's wireless market share and operational efficiency.

Recent acquisitions boost operational efficiencies and distribution capacity

In October, BCE completed the privatization of subsidiary **Bell Aliant Inc.** (TSX: BA) in order to boost overall operating and capital investment efficiencies.

It has now announced the acquisition of mobile phone distributor **GLENTEL Inc.** (TSX: GLN) for a total of $670 million including the assumption of debt. The acquisition will significantly boost BCE's distribution channel with GLENTEL operating 494 retail outlets in Canada, 735 in the U.S. and 147 points of sale in Australia.

This forms an important part of BCE's strategy to boost wireless subscribers from its existing 7.9 million and beat **Telus Corp.**, which has 8 million, to take the top spot from **Rogers Communications Inc.** with its 9.5 million subscribers.

Institutional investors are betting big on BCE

Institutional investors are betting big on BCE, with the man referred to as the "Warren Buffett of Canada", Prem Watsa, now holding 268,000 shares of BCE. Wall Street hedge fund manager Joel Greenblatt has also made a big acquisition, boosting his holdings in BCE to a massive 534,837 shares.

Clearly these investing gurus are attracted to BCE's key strengths referred to earlier including its wide economic moat, stable earnings, and solid growth prospects.

An impressive history of dividend payments

Companies which possess those characteristics typically also have another appealing feature, the ability to reward investors year after year with a steadily appreciating dividend payment.

In its current form, BCE has paid a dividend since 1983 and has a payment history stretching way back before then. Even more appealing is the company has hiked its dividend for six years straight, now giving it an impressive dividend yield of 4.6% and a sustainable payout ratio of 83%.

BCE even hiked its dividend during the global financial crisis – the worst global financial calamity since the Great Depression – when many companies were slashing their dividends or removing them altogether. This attests to the resilience of BCE's core business and the stability of its earnings.

With its growth prospects, wide economic moat, initiatives to boost wireless subscribers, and operational efficiencies, I expect BCE to continue gushing cash and making further dividend hikes.

Seasoned institutional investors like Prem Watsa and Joel Greenblatt don't make such big investments on a whim and it is easy to see why BCE appeals to them just as it should to every investor. It has a solid core business, stable earnings and strong growth prospects coupled with a philosophy of rewarding investors through a steadily appreciating dividend, with an impressive yield.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
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