4 Reasons to Buy BCE Inc. Right Now

Description

The Canadian market has been volatile in the past few months and many of the index's popular dividend stocks have fallen on hard times. Income investors have watched their favourite energy stocks get slaughtered, and now the financial companies look like they are beginning to roll over.

Through all the recent turmoil, one company has continued to rise and just hit a new high. That stock is **BCE Inc.** (TSX:BCE)(NYSE:BCE).

Here are the reasons why I think investors should consider adding BCE Inc. to their portfolios right now.

1. Rotation out of oil and financials

Energy companies have been in a free fall for several months, and it could be a while before the market finally finds a bottom and stabilizes. As investors continue to flee the sector, they are struggling to find a safe place where they can preserve capital and earn a reasonable return.

When the oil rout began, financial companies were early beneficiaries of the rotation out of energy. Now, investors are also beginning abandon the banks.

A lot of this money will find a home in BCE Inc. The company is a market leader in its industry, has limited competition, offers predictable earnings, and is relatively insulated from global economic shocks.

2. Reliable dividend growth

BCE pays a dividend of $2.48 per share that yields about 4.5%. The company has made a number of recent acquisitions that should drive cash flow and distributions higher in 2015 and beyond.

In 2014, BCE spent almost $4 billion to take its Bell Aliant subsidiary private. Bell Aliant is a cash machine and all the fat dividend payments that were being paid out to its shareholders are now available to holders of BCE's stock.

In 2013, BCE bought Astral Media for about $3.4 billion. The deal has given BCE a strong presence in

Quebec's lucrative pay TV market. As the company continues to integrate the Astral assets, cash flow is getting a boost and that is good news for investors.

3. Competitive dominance

Some pundits are concerned that the government's fervent determination to see a new national telecom competitor makes BCE a risky investment. The possibility certainly exists, but it is unlikely to happen in the near term, and many analysts doubt if a fourth national competitor will ever emerge. For international telecom giants, the relatively small size of the Canadian market probably doesn't justify the expense that would be required to build a national network. A homegrown competitor is possible, but prices might not change very much for consumers.

In the meantime, BCE continues to position itself against competitive threats. The company recently announced a deal to acquire Glentel Inc., an international wireless retail chain. Originally, BCE was going to do the $670 million deal on its own, but an arrangement has been made to split the deal with **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI). The deal helps fortify an already powerful Canadian retail presence.

4. Interest rates

Many analysts say that higher interest rates are coming in the back half of 2015 and this will hit BCE's stock. I'm not convinced that interest rates are going higher this year. Even if rates rise, the company's dividend growth and share repurchase capabilities should offset any threat posed by a small rate increase.

The bottom line

There are very few safe places for dividend investors to get decent yield right now. BCE's shares are not cheap, but the absence of good dividend options means the stock will probably continue to do well through 2015 and beyond.

The Motley Fool team has identified one other top dividend-growth stock that Canadian investors can rely on.

CATEGORY

1. Investing

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