



## BCE Inc.: A Dividend Chart Every Investor Needs to See

### Description

The rout in crude prices that has forced a number of oil companies to slash dividends and capital budgets has brought the spotlight firmly back on the fundamentals of successful dividend investing.

One company that I believe stands out for the all of the right reasons for dividend investors is telecommunications provider **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)).

### So what?

A key component of the strength of BCE's business model is its wide economic moat that protects its competitive advantage and future earnings growth. BCE is Canada's largest telecommunications network, spanning landline, wireless, high speed internet, and pay TV, and the capital investment required to replicate such a network is tremendous.

There are also significant regulatory hurdles that any prospective entrant to the telecommunication market in Canada would need to meet.

These aspects of BCE's business and the significant barriers to entry make it extremely difficult to replicate and given the importance of connectivity in our modern world, demand for BCE's products is essentially inelastic.

The end result is that earnings growth is virtually guaranteed; a key reason why BCE has paid a dividend in its current for every year since 1949. More impressively, BCE has hiked its dividend for the last six years straight, because of its strong earnings growth.

If you take a look at the chart below, you can see what I am referring to.

[BCE Inc Dividend Chart MF Canada 230115](#)

Source: *BCE Investor Relations*.

BCE is trading with a solid but sustainable dividend yield of 4% that has grown at an impressive compound annual growth rate of 7% over the last 10 years. Many analysts, myself included, argue that this represents the true rate of return of any dividend. In the current low interest rate environment, where else can you find an income investment that grows by 7% each year?

But the good news doesn't stop there for investors.

BCE's is constantly working on building its distribution network and improving its cost structure as a means of expanding its customer base and boosting margins. It acquired wireless distributor GLENTEL Inc. at the end of last year, and it is now splitting this deal with **Rogers Communications Inc.**

It also acquired the outstanding shares of subsidiary Bell Aliant, taking that company private. This transaction is expected to boost cash flow and create annual pre-tax savings of \$100 million.

BCE is also focused on updating its suite of service offerings, including its critical wireless voice and data services, in order to meet customer expectations and remain relevant in a fast-moving market.

### **Now what?**

I expect to see BCE further increase its dividend. I believe this company is a core holding in any income-focused portfolio, with investors being rewarded by a steadily growing dividend, while BCE's share price continues to appreciate on the back of consistently growing earnings.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

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

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