This 134-Year-Old Dividend Stock Is Crushing the Market

Description

Telecom stocks have a reputation for being stodgy investments that generate reliable dividends but not much excitement.

BCE Inc. (TSX:BCE)(NYSE:BCE) shareholders might beg to differ.

Since 2009, the firm has hiked its quarterly distribution 11 times. Today, shares yield a hefty 4.6%. And over the past five years, the Quebec-based company delivered a 98.9% total return, crushing the market during the same period.

Yet this could just be the beginning…

Can BCE *really* keep the big growth coming?

Certainly, BCE's recent performance will be hard to repeat. However, it does illustrate that you don't necessarily need to take on a lot of risk to earn solid returns. But even if you missed the recent rally, this stock may still have more upside ahead.

BCE's fourth-quarter results, published on February 5, reflect the company's strength. Led by revenue increases in wireless and unexpected strength in the company's new Internet TV service, BCE's overall profits jumped more than 10% year-over-year to $542 million.

"These strong Q4 and 2014 results prove Bell is a bold competitor focused on leading in the growth services of Canadian communications," said president and CEO George Cope in the company's press release.

And Mr. Cope is not blowing smoke. Digging deeper into the numbers, every single division shot the lights out this quarter.

- BCE added 177,700 net new communications customers (which includes TV, Internet, and wireless), up 2.4% from the same period last year.
- The company's Internet television offering, Fibe, is reducing customer churn while adding

demand for additional services as customers bundle products.
- Wireline revenues grew 1% to $2.63 billion, the first year-over-year growth since the third quarter of 2010.

Not only is BCE signing up more customers, but the company is earning more income from each subscriber. During the fourth quarter, average revenue per user climbed 5.5% over the same period last year to $61.12. This is the 20th consecutive quarter of year-over-year improvement.

For shareholders, this has translated into a growing stream of income. Along with stellar financial results, BCE hiked its annual dividend 5.3% to $2.60 per share. That is BCE’s 11th distribution bump since 2009, representing a 78% increase over the past six years.

So is BCE a slam dunk?

Hardly.

The telecom industry remains in a state of flux. Though having largely failed to achieve its objective so far, the federal government remains committed to fostering more competition. It’s still possible that Ottawa could introduce new rules that favour smaller carriers at the expense of incumbents like BCE, **Telus**, and **Rogers**.

But such regulatory risks aside, BCE has a lot going for it. The stock offers something for everyone: growth, dividend increases, a solid balance sheet, and a reasonable valuation relative to peers.

In addition, BCE is especially attractive to risk-averse investors because it’s largely insulated from oil prices. There are few companies on the Toronto Stock Exchange that have this kind of dividend growth track record, no exposure to commodities, and very predictable streams of income.

One dividend stock to buy and hold forever

The bottom line is that no one knows where this stock is going next. However, the company’s fourth-quarter results suggest it’s on track to deliver big dividend growth for many quarters to come.

Even if you missed the recent rally, this stock deserves a spot in your portfolio.

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Date
2025/07/03
Date Created
2015/02/14
Author
rbaillieul