Is BCE Inc. Canada's Best Dividend Stock?

Description

In Canada, it's not easy finding quality dividend stocks with a decent yield. There are some simple reasons why. For one, big dividends are in high demand these days, which drives stock prices up and yields down. Secondly, our stock market is dominated by risky sectors, such as energy and mining, making safe dividends tricky to find.

With that in mind, I'd like to focus on **BCE Inc.** (TSX:BCE)(NYSE:BCE), which may be Canada's best dividend stock. The company also reported first-quarter earnings on Thursday. We take a closer look below.

More strong results

Let's start with the first-quarter numbers, which were excellent across the board. Revenue increased by 2.8%, adjusted EBITDA increased by 3.6%, and adjusted net earnings increased by 12%. Notably, all segments experienced positive revenue growth.

Especially impressive was the performance at Bell Wireless. The division added 35,000 new subscribers, and average revenue per subscriber jumped by 5%. As a result, revenue increased by nearly 10%, and adjusted EBITDA grew by nearly 11%.

It gets better. Over three-quarters of subscribers now use a smartphone, and wireless data revenues increased by nearly 25% last year. Canadians' thirst for wireless data has grown very quickly, and Bell Wireless is clearly benefiting handsomely. So, I would expect these strong results to continue.

What makes BCE such a great dividend stock?

BCE clearly has some big trends in its favour, as seen above. But there are other reasons for dividend investors to like this stock.

Above all, this is a very steady business. Competition is low and barriers to entry are high. Meanwhile, subscription-based revenue ensures that results will be very smooth.

Secondly, BCE pays out nearly all of its earnings to shareholders. To illustrate, last year the company earned about $3 per share. This year, it plans to pay out $2.60 per share in dividends. Given BCE's history (which includes a disastrous $10 billion acquisition in 2000) shareholders should feel pretty relieved, knowing that BCE's earnings won't be wasted.

A lack of alternatives

After raising its quarterly dividend to $0.65 per share, BCE now yields an impressive 4.8%. To put this in proper context, let's compare that number with some of Canada's top dividend payers.

Among companies on the **S&P/TSX 60**, BCE ranks third. The top two, **Crescent Point Energy Corp.** and **TransAlta Corporation**, are both very risky stocks. And the rest of the top 10 is dominated by energy names, too.

There is one downside: BCE is not cheap; it trades for nearly 20 times earnings. In fact, one analyst recently called it "the most expensive telco stock in North America." For that reason, I wouldn't expect BCE shares to take off any time soon.

But if you're looking for quality dividends, while still getting a decent yield, BCE should be right at the top of your list.

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