3 Reasons Why BCE Inc. Is a Great Investment Now and for the Future

Description

BCE Inc. (TSX:BCE)(NYSE:BCE) is one of the largest companies in the country that has been around for decades and has been paying out dividends to shareholders for even longer.

Let's take a look at how BCE is doing, and how it fits into your portfolio.

How's BCE doing?

BCE currently trades at just over $57, down from the 52-week high of $60.20. Over the past three months, the stock is up over 8%, outperforming the market. Year-to-date, the stock is up by 7.8%, and extending this out to a full year, the stock is up by an impressive 18.3%.

Long-term investors will be particularly pleased with BCE's increase over the past five-years—68%. This fact alone makes the stock a candidate for investors seeking long-term growth.

1. Dividends that are the envy of the market

BCE pays out a dividend of $0.65 per quarter, a yield of 4.52%, making the company one of the best dividend stocks to own on the market. What's better is the fact that the company has been paying out dividends to shareholders for over 100 years consistently.

As to whether or not this level of dividends is sustainable, it is for BCE thanks in part to the massive infrastructure the company has already set up, in some cases over the course of decades. While the company may pay out large dividends, it is because a significant investment in infrastructure is not necessary. With such high barriers to entry, it is unlikely that another new competitor could emerge.

As a result, the portion of revenues attributed to dividends is significant, meaning there is less revenue available for investments into growth. Dividend growth over time is clearly the focus of owning this stock.

2. Results that speak for themselves

During the most recent quarter BCE reported a very strong quarter with increases in both revenues and subscriptions for Internet and TV services. This will likely continue to increase further as consumers shift to paying for entertainment via the Internet in the form of streamed content.

Operating revenues were reported as $5.32 billion, representing a 2% increase over the same quarter last year. Adjusted earnings per share came in at $0.87, representing a 6.1% increase over the same quarter last year.

Free cash flow increased to $931 million, an increase of 14.2% over the same quarter last year.

3. Expansion and growth

BCE, along with the Kilmer Group, announced earlier this year the acquisition of the Toronto Argonauts of the CFL and the team's move to BMO field for the 2016 season. The acquisition increases BCE's interest in the sports industry, which is key to continuing the growth of the media segment's sports networks.

BCE also announced extended broadcast agreements through the end of 2021 with the CFL, for pre-season, regular, and post-season games to be aired on TSN and RDS, which are both BCE specialty sport stations.

In my opinion, solid results, a strong record of very handsome dividend payments, and a continued path to growing the BCE brand are some of the reasons that make BCE a sound investment for any portfolio.

CATEGORY

1. Investing

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1. NYSE:BCE (BCE Inc.)
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