



BCE Inc. Has a 4.6% Dividend With Room to Grow

Description

Following a quick 5% decline in share price last week, **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) stock is now yielding a bit over 4.6% annually. For over a decade, the company has paid out a steady stream of dividends, becoming a favourite among income investors along the way. Over the past five years alone, BCE has paid out over \$10 per share in total dividends.

While a large dividend is generally attractive, the ability to sustain and grow that dividend is even more important. Despite its already high yield, BCE looks like it has plenty of options ahead to grow earnings and dividends into the next decade.

Oligopoly ensures steady core profits

An industry with few players that control a majority of the market is a simple way to ensure high and steady profit margins for participants. Typically, wherever an oligopoly has existed, happy shareholders have enjoyed the ride.

Fortunately for BCE, Canada's wireless services market is incredibly concentrated. Just three companies make up nearly 90% of the domestic market. These companies include **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)), and BCE, each with a roughly 30% market share.

As with most telecom services, BCE also has heavy exposure to the Internet and television markets. Again, both of these markets are very consolidated. The company is Canada's largest Internet provider as well as the second-largest television provider. Combined, this has given BCE an unmatched scale in the industry.

With a market cap of \$48 billion, BCE dominates even its closest competitors, with Telus at \$26 billion and Rogers at \$27 billion. This scale is a competitive advantage that won't be eroded any time soon.

Building the future today

Even with its market-leading positions, BCE is still heavily investing in future technologies. This has

two primary benefits. First, it allows it to maintain its customer base given better offerings. Second, and perhaps even more important, is that it only adds to BCE's scale and competitive advantages. Few competitors have the ability to roll out modern technologies at the pace and scale of BCE. This means that peers will most likely fall further and further behind.

For example, BCE is rolling out gigabit fiber Internet service in Toronto with a project worth nearly \$1 billion. This will add over 1 million homes and businesses to BCE's available market. Future markets include Quebec, Ontario, and Atlantic Canada. BCE is also rolling out the continent's first tri-band LTE-Advanced service, promising mobile data speed of up to 290 mbps. Unmatched product offerings should force many customers over to BCE.

A perfect growth plus income opportunity

For 2015, management is expecting earnings growth of just under 5%. Over the long term, analysts anticipate 4-6% in annual per share earnings growth. With a near 5% dividend yield, BCE looks to be a stable and reliable option to produce double-digit returns over the long run.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

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