Is BCE Inc. Canada's Top Dividend Stock?

Description

Before the carnage of the 2008-09 Great Recession, Canada's income investors had another reason to be nervous.

In July 2007 **BCE Inc.** (TSX:BCE)(NYSE:BCE) accepted a buyout offer from a group led by the Ontario Teachers' Pension Plan for $48.5 billion, which represented a price of $40.13 per share. The pension plan was looking for assets with dependable cash flows, and BCE fit the bill.

We all know how the deal worked out. As it was set to close, the world descended into the worst economic slowdown since the Great Depression. The banks financing the deal decided their capital would be better spent shoring up their own balance sheets, and loans were called off. BCE remained a publicly traded company.

For dividend investors, this was very good news. BCE came out of this deal stronger than ever, committed to serious dividend increases. It has delivered, upping its quarterly payout 11 times since the beginning of 2009. The quarterly payout back then was $0.365 per share; these days it tops out at $0.65 per share. That's an increase of approximately 8.5% annually.

I don't know many people who are getting 8.5% raises on an yearly basis.

BCE is such a good stock that I think there's an argument to be made for it being Canada's top dividend stock. Here are three reasons why it should be in your portfolio today.

Wireless growth

The future of wireless is still looking really strong.

In BCE's most recent quarter it posted wireless growth of 10% as more Canadians traded in their smartphones for new models. BCE grew its subscriber base by more than 61,000 people. This led to an increase in EBITDA from the division of 5.3%.

The reason why earnings didn't grow as fast as revenue is because the company was aggressive in advertising. The recent CRTC change that allows folks to trade in their smartphones after just two years–down from the standard of three years–kicked in during the quarter, and management wanted to make sure the company was well positioned to sign up these potential new subscribers for the long haul.

Acquisition potential

As the leader in the sector in Canada, BCE is the natural choice to take out the final remaining regional telecom, **Manitoba Telecom Services Inc.** (TSX:MBT).

Manitoba Telecom and BCE have worked closely together before, when the former was a crown corporation. A deal also makes sense considering BCE's geographical reach as well. It dominates eastern Canada, while **Telus** is the big player out west. It wouldn't be much of a stretch for it to expand operations into Manitoba.

Manitoba Telecom is one of Canada's most underrated companies. It continues to hold a dominant position in its home province even after dealing with both BCE and Telus trying to take that market share. And besides, BCE has experience with making big deals; it brought Bell Aliant back into the fold in 2014.

Media dominance

BCE added to its sports team empire earlier this year, acquiring the Toronto Argonauts of the Canadian Football League. This asset meshes quite well with its existing investment in Maple Leafs Sports and Entertainment, the parent company of the Toronto Maple Leafs, Raptors, and Toronto FC soccer team. It's also a significant investor in the Montreal Canadiens.

BCE's flagship television property TSN has the rights to broadcast CFL games until 2021, recently extending its contract with the league. BCE is betting that sports will continue to be a main reason why consumers continue to keep cable, and what better way to get cheap sports content than by buying one of the teams it broadcasts? And remember, sports teams do tend to grow in value faster than inflation.

BCE also owns CTV, Much Music, MTV Canada, BNN, The Comedy Network, Space, and many other specialty channels. These are all good assets, making money on their own while giving the cable part of the business with content.

With a dividend of 4.6%, a dividend growth rate of 8.5% annually since 2009, and a number of solid telecommunications businesses under one roof, it's easy to make the argument to buy BCE shares–even at close to an all-time high. It's the kind of company that would look good in anyone's portfolio.

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Date
2025/07/08
Date Created
2015/11/04
Author
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