



Avoid the Market Hype and Add BCE Inc. to Your Portfolio

Description

Many stock market investors struggle to consistently succeed at investing. They are too preoccupied with chasing the next hot stock and trade too frequently, which only ends up generating losses and additional costs.

Like my fellow Fools, I believe that one of the easiest paths to successful investing is to invest for the long term in stocks that possess wide economic moats and consistently pay steadily growing dividends. One stock that is hard to pass up for these reasons and more is Canada's largest telco, **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)).

Now what?

Canada's telecommunications industry is a virtual oligopoly with the top players controlling 90% of the cellphone market alone. They have managed to saturate the market with such high penetration rates for wireless services that it is extremely difficult, if not impossible, for new companies to enter the market. Along with the significant amount of capital required to enter the industry, the industry is also heavily regulated, which gives it steep barriers to entry.

These characteristics significantly reduce competition and allow the top three telcos to be price makers (to a degree) rather than price takers.

And consider that the demand for telecommunications services remains virtually unchanging as they are now important parts of our modern lives.

Such market characteristics help to protect telco's earnings and the substantial investments they have made in telecommunications infrastructure to support their businesses.

In the case of BCE, its moat is even wider because of the depth and breadth of its business, which make it almost impossible to replicate as well as prohibitively costly to acquire.

For these reasons BCE has an impressive history of earnings growth. Between 2010 and 2014, its full-year net income had a compound annual growth rate of just over 5%.

Meanwhile, for the last quarter its revenue, EBITDA and net income grew by about 3% quarter over quarter.

More importantly, for the same period wireless postpaid and Internet connections both grew by 4% compared with the same period in 2014. This is worth noting because these business segments are among the most valuable to Canada's telcos.

This is quite an impressive feat for a company that holds a dominant market share in stable industry and operates in a saturated market.

It is this solid financial performance that has allowed BCE to reward patient investors by regularly hiking its dividend, and it has done so for the last seven straight years. BCE pays a juicy yield of 5% which remains sustainable with a payout ratio of 84%, particularly with BCE's earnings set to continue growing.

You see, BCE continues to expand its suite of products and services while remaining focused on reducing costs.

BCE became the largest provider of television services in Canada during the third quarter 2015 and entered the world of mobile commerce with the launch of Suretap, a mobile wallet payment system.

In October 2015, BCE completed the placement of \$1 billion in notes that allowed it to reduce the cost of its debt, which should see an overall improvement in its bottom line over time.

So what?

It is hard to pass up BCE with its wide economic moat and defensive characteristics that make it a great stock for rough times. The company has demonstrated its resilience to economic downturns and continues to reward investors with a steadily growing and sustainable dividend.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

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