



3 Reasons to Buy BCE Inc. for Income

Description

If I were looking to build a portfolio of companies that were going to generate outsized returns, one of the companies that I would consider is **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)).

It is an incredibly lucrative telecommunications company that is diversified in television channels, retail outlets, websites, and other revenue-generating operations. The truth is, BCE is a diversified juggernaut that distributes dividends like few other companies.

Here are three reasons that you should buy BCE Inc. for income.

1. Predictable earnings

It can be difficult to predict what earnings will be with a young company. When a company reaches the size of BCE Inc., its earnings are predictable and reliable. Comparing 2015 with 2014, BCE Inc.'s adjusted earnings per share rose by 5.7% to \$3.36, its operating revenue increased by 2.2%, and its free cash flow increased 9.3%.

As I mentioned above, the primary reason for this because of its diversified business model. For example, its operating revenues in the wireless division increased by 8.7%. Part of what drove this was a 3.7% increase in postpaid wireless subscribers. But BCE Inc. also had an overall increase in service revenue, which means it's generating more money per subscriber.

On top of this, its radio, website, television, and other media properties had a 1.3% increase in revenue. While it is not significant, it does show that the company is seeing solid growth across the board.

2. Solid moat

When it comes to high-quality dividend stocks, what want is a company that doesn't have to spend much money fending off competition because these companies increase the amount of money they can distribute to you. BCE is one of those companies.

Consider how much it would cost to create a competitive product in Canada. The country is very large, while the population density is low. You're looking at spending billions of dollars just to create a competitive product in a market with only 36 million people. Because of this, I doubt BCE Inc. will see any more competitors beyond the already standard ones.

3. Dividends are growing

After its most recent quarter came to a close, BCE Inc. announced that it was increasing its quarterly dividend to \$0.6825, a 5% increase. If you look at how much its adjusted earnings per share rose over the year, you can see that the company distributes just a little less than what it earned per share.

While this 4.68% yield is incredible, what is even more incredible to me is the fact that for seven years BCE Inc. has increased its dividend. This 5% increase, which will be paid out in April, will make the eighth year that it has increased its dividend. There's nothing better than getting a pay raise every year.

Here's the thing ... I like knowing that I can wake up, go to the office, and get a paycheck every other week. I like to know that my income-generating stock are stable and going to continue pushing cash my way. BCE is one stock that will do this. It's definitely worth considering if your portfolio is in need of income.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
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Date

2025/08/24

Date Created

2016/02/23

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