



## Slow and Steady Wins the Race for BCE Inc.

### Description

If you're an investor who believes in slow, comfortable investing and consistent dividend payments, there are few stocks that are as high quality as **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)).

BCE epitomizes the word conglomerate. It has assets in telecommunications along with significant holdings in media. It also owns a percentage of the Montreal Canadiens and Maple Leaf Sports and Entertainment, the owner of the Toronto Maple Leafs. The reality is, it has its fingers in everything.

But that is one of the reasons why BCE is such a smart holding. One of the key factors that Warren Buffett looks for in an investment is a company's ability to build a wide moat. The moat is a competitive advantage that prevents other companies from operating.

Further, all of these different assets allow BCE to be in its customers' lives consistently. If you're on your cell phone texting a friend about the Canadiens game on TV, BCE makes money across all of those avenues.

And it's working...

In its 2015 fiscal year results, the company saw incredible growth for such a large organization. Its adjusted net earnings increased by 12.7% to \$2.85 billion year over year. This came on the back of operating revenues increasing 2.2% to \$21.51 billion. While its total subscribers decreased by half a percent, the company is still generating more money on fewer customers.

And that customer base is very large. It has 3.4 million Internet subscribers, 2.7 million television subscribers, and 8.2 million wireless phone subscribers. In the Internet and television segments, it leads the market. In mobile, it is third, which means it could experience some growth if it can steal customers from competitors.

All of this leads to a very consistent, predictable company.

Consider that people are always going to want to connect to the Internet and have their cell phones; they're always going to consume media and watch sports. This allows the company to understand

where it's growing and where it's not. Further, because it generates its revenue in so many ways, it's able to provide an incredibly lucrative dividend.

Presently, the company pays \$0.6825 per share, per quarter. This means that it yields 4.6%. That's a significant return on investment every year, but what I like about this stock is that it has increased the dividend every year for eight years. In February, it hiked the dividend by 5%.

While dividend growth is important, it also has to be safe. In 2015, its payout ratio was 72.3%. The company has argued that it feels comfortable paying anywhere between 65-75%. Therefore, if earnings continue to rise for the company, I expect that the dividend will grow with it.

This isn't a stock that will quickly increase in value every year. But between the growing dividend and the slowly appreciating stock, I imagine investors can expect to earn anywhere from 10-12% every year. While it's not nearly as flashy as other companies, there's something to be said for slow, steady, predictable growth.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

## Category

1. Dividend Stocks
2. Investing

## Date

2025/08/23

## Date Created

2016/03/29

## Author

jaycodon

default watermark