



Buy BCE Inc. and Hold Forever

Description

When selecting a stock for your portfolio, balancing growth and dividend-income potential is one of the hardest things for investors to understand. On one hand, high-growth companies typically invest heavily into that growth, leaving little room for dividend payouts. On the other end of the spectrum, the higher dividend-paying companies are forced to limit investments into growth because so much of revenue is allocated to dividend payments.

One company that has managed to perform admirably in both regards is **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)). This telecommunications and media behemoth has been around for over 130 years and truly surrounds us in our daily lives like no other company can.

Besides the well-known landline and wireless phone, TV, and internet subscription elements, BCE has TV stations, radio stations, sports teams, and real estate properties around the country.

Chances are that you've either watched, listened to, or passed by a BCE asset on your morning commute.

The BCE moat

BCE makes a great investment first and foremost because of the moat it has around all of the segments of the business—especially over the core business units.

Remember how BCE affects our daily lives? The only thing better than a company that has that much exposure is when those different businesses can complement one another. If one segment of BCE's business falters (say, an underperforming sports team results in lower sales), another area of the business (say, the media arm with coverage of that team) will offset some of that loss.

Turning to the more traditional business, BCE utilizes a vast array of infrastructure that has already been built up for decades. As technologies emerge, lines can be upgraded and new signals can be broadcasted, but the fact remains that BCE's infrastructure is solid and provides a nearly impenetrable moat for competitors to get through. A new competitor to emerge at the national level to BCE would take tens of billions of dollars in infrastructure and nearly a decade.

Because of this solid moat and pre-existing infrastructure, BCE can focus on rewarding shareholders by paying out one of the best dividends on the market.

The BCE dividend

Thanks to that established moat, BCE has a long-standing policy of paying out up to 75% of free cash flow in the form of dividends. Over the past eight years, the company has raised the dividend 12 times, resulting in dividend increase of over 85%.

Currently, BCE pays out a quarterly dividend of \$0.68 per share, which, at the current price, gives the stock a yield of 4.36%.

Even more impressive than the current dividend is the fact that BCE has reported growth in every quarter over the past decade. The company continues to attract new subscribers in the core business; the company netted 93,000 new subscribers in the most recent quarter.

The company recently acquired Manitoba Telecom Services Inc. in a deal reported to be worth \$3.9 billion. Approval of the purchases was granted recently by the Manitoba Court of Queen's Bench. While the deal is still pending approval from the CRTC and the Competition Bureau, shareholders of MTS have already voted in favour of the purchase.

The deal will serve to improve BCE's subscriber footprint in Manitoba, and the company has already committed to investing \$1 billion over the next five years to upgrade infrastructure in that province.

BCE is, in my opinion, one of the best options on the market for investors who are seeking long-term growth and dividend income from a stock that can be purchased and held without worry.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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

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