



Why BCE Inc. Is Perfect for Your Portfolio

Description

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)) has long-established itself as being Canada's telecommunications and media behemoth, and for good reason.

You can't venture too far away from home without seeing or hearing various pieces of the BCE empire that surround us in our lives. Whether it's listening to a BCE-owned station on the radio, streaming media on your smartphone that runs on BCE's network, or watching your favourite show on your BCE-subscribed TV service, the company is everywhere.

If you haven't already invested in BCE, there are plenty of reasons to consider it. Here are just a couple of the reasons why you may want to invest if you haven't already.

BCE has a massive defensive moat

While BCE has a massive empire of assets that connect with each other and surround us, the manner in which BCE's core businesses cover the country is what really impresses me.

Establishing a nationwide network for both wired and wireless phone service is no simple feat. There's a reason why there are relatively few competitors on a national level to BCE. It takes a lot of investment and time to build up that level of infrastructure, and BCE has managed to build a formidable network through years of investment.

With a network that size already built up, the chances of a new, direct competitor emerging that's able to challenge BCE would take years (if not decades) of infrastructure work and financing in the area of tens of billions of dollars.

Because its network is already built, BCE can focus revenues on upgrading existing infrastructure and providing shareholder value.

BCE is a great dividend stock

BCE has been paying out dividends for well over 100 years. There are relatively few companies that

can match BCE in this regard. BCE has raised that dividend 12 times over the past eight years, resulting in 85% dividend growth.

The current quarterly dividend is set to \$0.68 per share, which gives BCE a very impressive yield of 4.54% given the current stock price of just over \$60.

In terms of a payout level, BCE passes on 75% of free cash flow in the form of dividends. Now, this may seem like a lot at first glance, but BCE can afford this thanks to the mature level of infrastructure already in place.

BCE has the results

In the most recent quarter BCE posted net earnings of \$830 million, or \$0.94 per share. This represents a 2% increase for the quarter. In terms of forecasts, analysts had speculated that the company would post earnings of just \$0.91 per share on an adjusted basis.

Total revenue across all segments of the company came in, as expected, at \$5.3 billion. While this was relatively flat in growth overall, the real story lies in the wireless business results.

The wireless segment showed growth of 4.6% for the quarter thanks in part to the addition of 70,000 new contract customers. Analysts were expecting a mere 47,000 new subscribers. The average revenue per user continued its upwards trend, climbing 3% for the quarter and coming in at \$64.32 per month. Collectively, the wireless business brought in \$1.6 billion for the quarter.

It wasn't all pleasant news, however, as BCE's core internet, phone, and TV services came in lower than expected for the quarter. Only 2,100 new subscribers were added to the TV business in the quarter, and just 7,500 new internet subscribers were added. This falls below the 8,000 TV and 14,000 internet subscribers that analysts had expected.

Much of that drop can be attributed to aggressive pricing by competitors in certain hot markets across the country. Aggressive pricing campaigns are typically short-lived, and BCE investors need not worry about this impacting the bottom line in subsequent quarters. BCE's margins remain strong, and the company posted the 41st consecutive quarter of year-over-year growth in EBITDA.

In my opinion, BCE remains one of just a handful of investments that you can truly call a forever stock. The company continues to perform admirably, has a strong, growing dividend, and is set up to continue growing for years to come.

CATEGORY

1. Dividend Stocks
2. Investing

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