BCE Inc.: This Dividend Stud Hasn't Missed a Payout Since 1881

Description

A lot of things have happened in between 1881 and today.

Thomas Edison had patented the light bulb, but there were no power plants to light his invention. The first didn't come along until 1882 at Pearl Street in New York City.

John D. Rockefeller was well on his way to dominating the U.S. petroleum market, and his monopoly wouldn't be broken up for another 30 years in 1911.

We've also had two world wars, the Great Depression, and countless other economic shocks, downturns, and recessions. And yet, through it all, **BCE Inc.** (TSX:BCE)(NYSE:BCE) has continued to pay dividends. It hasn't missed a payment since debuting as a publicly traded company in 1881.

That kind of record is extraordinary. There are a few Canadian companies with longer dividend streaks — namely, some of Canada's largest banks — but those names are few and far between.

Is BCE poised to deliver another 135 years of consecutive dividends? I'm not sure about that considering technology changes so fast these days. But I certainly like its chances. Here's why.

A great mix of assets

BCE's diversification is a great asset.

The company provides millions of Canadians with wireless, home phone, internet, and television service. It has more than 8.3 million wireless customers, and is poised to add half a million more when it acquires **Manitoba Telecom**. It also has nearly 4.8 million internet and television subscribers. Growth in these three areas is more than making up for any weakness in landlines.

It also owns all sorts of interesting media assets. CTV is the most-watched television network in Canada. It also owns top stations like TSN, Discovery, and MuchMusic, as well as dozens more. CraveTV, BCE's answer to **Netflix**, recently surpassed one million subscribers. BCE even owns part of several sports teams including the Toronto Maple Leafs, Toronto Raptors, Toronto FC and

Montreal Canadiens.

Growth plans

BCE has been on a mission to consolidate Canada's telecom industry over the last few years. First it acquired the portion of Bell Aliant it didn't already own. It followed that up by agreeing to buy Manitoba Telecom — a deal that should be approved by the feds shortly.

There aren't many telecom acquisition targets left in Canada; the industry has already been consolidated a great deal. But there is potential to acquire a few smallish cable operators (like **Cogeco Cable**) as well as other media companies. And I wouldn't be surprised if it started bidding the next time a major sports team in Canada went up for sale either.

There are plenty of growth avenues available for BCE, which bodes well over the long term.

That dividend

We can't forget about the main reason why many investors own BCE shares. The company not only offers 135 years of consecutive dividend payments, but it also offers an attractive 4.7% yield after shares have struggled a bit over the past six months.

BCE's payout ratio has climbed over the last few years. The current annual dividend is $2.72 per share, while it earned $3.15 over the past year. That gives it a payout ratio of 86% of earnings, which is a little high. But earnings are projected to hit $3.51 per share for fiscal 2016 and increase to $3.61 in 2017. That reduces the payout ratio to under 80%.

The days of BCE increasing its dividend by 10% a year seem to be behind it. But it's still a solid dividend grower. The quarterly dividend has increased from $0.365 to $0.68 since 2008 — an increase of more than 7% annually.

The bottom line

There's a reason why so many investors own BCE. The company has great assets, predictable earnings, good growth potential, and, perhaps most importantly, one heck of a dividend history. Nobody knows if BCE will continue paying dividends for another 135 years, but I for one like its chances.

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