Why BCE Inc. Is Still a Great Forever Stock

Description

BCE Inc. (TSX:BCE)(NYSE:BCE) is a stock that is often cited as being a great investment — an investment that is fitting of the buy-and-forget label.

Lately, a growing number of skeptics seem to believe the stock no longer fits that label and are even questioning if BCE is still a viable investment given other options on the market.

Forever means forever

One of the first things to note about BCE is that the company is huge. In addition to the core internet, TV, wired phone, and wireless subscription segments, BCE also owns TV and radio stations, real estate, and even a few professional sports teams.

The company truly affects our daily lives; chances are that your morning commute involves listening to or watching a BCE-owned station, seeing a BCE billboard, or even traversing to or through a BCE-owned property. Like I said, BCE is everywhere. That exposure is great, but it is only one of two moats that surround BCE.

BCE's core subscription services offer an unprecedented amount of coverage across Canada. This is thanks in part to the sheer size and reach of the company as well as the massive infrastructure BCE has set up across the entire country.

For a new national competitor to even consider setting up operations at this point is laughable. Any new competitor would need a decade of construction and tens of billions in initial investment to compete with BCE.

Continuing a century-old tradition

BCE is one of just a few companies on the market today that has been paying dividends for well over a century. That dividend, which is a quarterly $0.72 per share, has an impressive yield of 4.92%, surpassing the returns of some of the best dividend investments in the country.

In some ways, BCE's dividend is reason enough to justify a place for the company in your portfolio.

Remember that massive infrastructure I mentioned previously? Because BCE's infrastructure is already built, the company can allocate a much larger portion of earnings to paying back shareholders through the dividend. The current level is between 65% and 75% of free cash flow, which leaves a healthy amount to fuel growth.

From a growth perspective, BCE has averaged just shy of 10% growth over the past five years. While the company continues to show growth and acquire smaller carriers, dividend income is a primary reason for investing in BCE.

Results: Does BCE measure up?

BCE provided a quarterly and annual update earlier this month for the fourth quarter of fiscal 2016. Net earnings soared 29%, closing at $699 million, and net earnings attributable to shareholders came in at $657 million, or $0.75 per common share — an increase of 32.5%.

Cash flow from operating activities and free cash flow finished the year higher with $1,520 million and $920 million, respectively. Free cash flow for the year ended 7.6% higher. Operating revenue saw an uptick of 1.8% primarily due to a 2.3% increase to service revenue.

From a segment perspective, the wireless segment of BCE had a 23.1% increase of 112,393 net postpaid subscribers. The wireless segment also had a 4.7% increase in the ARPU and an increase in service revenue by 7.2%.

The internet and TV segments had steady improvements with 54,307 net additions. The wireline segment realized a decrease in operating costs by 1.8%, which helped push margins up to 40.1%

Overall, the company is seeing growth and increasing dividends — all while becoming more efficient. These are all hallmarks of a great investment to have in your portfolio.

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