Dividend Investors: If You Don’t Buy BCE Inc., You’ll Be Kicking Yourself Later

Description

Despite what your broker, friends, or favourite pundit on TV tells you, investing doesn’t have to be complicated.

There’s one strategy that’s delivered excess returns for decades now. This method is so easy that just about every investor can implement it without much thought. The hard part is having the discipline to stay invested over the long haul.

All an investor needs to do is buy shares in Canada’s finest companies, reinvest their dividends, and never sell. It really is that easy.

You don’t have to look far for investing ideas either. These companies are the same businesses we deal with every day. They dominate their particular sector. They’re big enough to attract the best employees, which further entrenches their dominance.

Even if an investor pays a lofty price for one of these businesses, it’ll work out okay if dividends are reinvested and shares are held for a very long time. Time has a way of erasing short-term sins.

BCE Inc. (TSX:BCE)(NYSE:BCE) is one of Canada’s finest stocks. Here’s why today is a particularly good time to add this stalwart to your portfolio.

Great assets

BCE is Canada’s largest telecom and one of the nation’s largest companies overall. Revenues mainly come from wireless and wired (cable TV and home phones) sources as well as the media division.

Let’s start with wireless. BCE isn’t quite Canada’s largest wireless provider, but it still holds a dominant market share. The top three players have more than 85% of the market; most people continue to use the same provider after they get a new phone. Wireless is pretty much a cash cow.

While home phone is struggling — and will continue to do so — the rest of BCE’s wired business is strong. Both television and internet subscriber numbers are ticking up nicely. Yes, certain millennials are cutting the cable cord, but BCE isn’t really feeling the pinch.

Finally, there’s the media division. BCE owns many of Canada’s top TV stations (and their corresponding websites) as well as more than 100 radio stations. It also has a 28% stake in the Toronto Maple Leafs, Toronto Raptors, and Toronto FC sports franchises, as well as owns 18% of the Montreal Canadiens. While the media division doesn’t enjoy the same kind of margins as the other parts of the company, it does provide cheap content, which boosts cable margins.

A reasonable valuation

I’m a fan of buying BCE shares pretty much whenever. It doesn’t take a genius to want to load up on a great stock.

But at the same time, it’s prudent to wait for a good entry point. In other words, you’ll make more money over time if you wait for shares to dip a bit.

That’s exactly the situation we’re in today. BCE shares trade hands at $58.83 as I type this, only marginally ahead of their 52-week low of $56.69. The company is expected to earn $3.52 per share in 2017, putting the company at a very reasonable 16.7 times forward earnings.

That’s not exactly cheap, but BCE never trades at a cheap valuation. The best investors have been able to do is to buy when shares are fairly valued. Besides, isn’t Warren Buffett always telling us investing is all about buying a wonderful company at a reasonable price?

The dividend

Not only is BCE a great company that’s finally on sale, but it also pays a 4.9% dividend.

Compare that yield to a GIC, government bond, or so-called high-interest savings account. It’s not even close. BCE also offers great dividend growth; the payout has increased by an average of 5% a year since 2012.

When was the last time your GIC paid you 4.9% plus an annual raise? I thought so.

The bottom line

It’s as simple as this: BCE shares have helped make countless investors rich over the years. There’s little reason to believe that is about to change. Nothing is guaranteed, of course, but it’s easy to see how investors who don’t get in today will be kicking themselves a few decades from now.

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