Why BCE Inc. Remains a Buy-and-Forget Superstar

Description

When looking for a long-term investment, we often select a company that pays a great dividend or a company that has great growth. Rarely can you find a company that can offer both, especially one you can buy and forget.

Fortunately for investors, there are some investments like that in the market.

BCE Inc. (TSX:BCE)(NYSE:BCE) is a long-time favourite investment for nearly any portfolio, especially for those investors looking for dividend income. BCE has been paying dividends for well over a century, and that trend doesn't appear to be ending anytime soon.

Besides the core subscription services that make up most of BCE's revenue, BCE also has a massive media arm that includes various radio and TV stations, and it even owns a number of professional sports teams. In many ways, BCE affects our lives like no other company, and this is just one of several moats the company has set up over the years to keep revenue flowing.

Quarterly results show continued improvement

In the most recent quarter, BCE posted revenues of $5,702 million — an increase of 1.8% over the same quarter last year. On an earnings-per-share basis, the company earned $0.76 per share, bettering the same quarter last year by 5.6%. Free cash flow also edged upwards by 0.8% over last year, coming in at $923 million.

Looking at the individual segments of the company, the wireless segment continues to shine over other areas with 112,393 net postpaid additions recorded for the quarter, representing an impressive 23.1% increase. The average revenue per user (ARPU) also increased by 4.7%. The broadband segment also saw strong growth of 54,307 new additions for both internet and IPTV services.

While those results are impressive, what really impresses me about BCE are the defensive moats the company has set up over the years that keep BCE on top.

BCE’s defensive moat and dividend

BCE’s core subscription services include phone, TV, internet, and wireless services with coverage that extends coast to coast thanks to expansive infrastructure that has been set up over the years.

The costs associated with setting up a new competing network to rival BCE on coverage would take years of construction and billions in investment.

This allows BCE to dedicate a large amount of free cash flow to return to shareholders in the form of a dividend.

BCE’s current dividend amounts to $0.7175 per quarter, which, at the current stock price, provides a very appetizing 4.9% yield. While there is an argument to be made about BCE paying out too much in dividends to account for future investment, the company has fared well so far, and, if anything, it has managed to outgrow competitors.

Growth prospects: MTS deal is complete

Last week BCE closed the acquisition of Manitoba Telecom Services (MTS) in a deal reportedly worth $3.9 billion. This deal allowed BCE to leapfrog competitors in Manitoba and attain the top position. As MTS becomes fully integrated into the BCE network, cost savings and revenue growth could be realized in the coming years that could drive BCE up even further.

Part of the deal required that BCE offload some of MTS’s customers to other regional and national competitors, but the added synergies and future opportunities that the deal represents outweigh those losses.

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