



## Why BCE Inc. Is a Portfolio Gem

### Description

Every so often, a true gem emerges from the market — an investment that not only provides a great dividend that is sustainable, but growth prospects over the long term that will keep providing returns to shareholders for years to come.

**BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) is one of those rare investments.

What exactly makes BCE a good investment?

### **BCE has a moat that surrounds us**

One of the things that truly amazes me about BCE is how the company has managed to impact our daily lives. BCE has amassed an impressive portfolio of media holdings that include radio and TV stations, real estate, and even professional sports teams.

Once the core offerings of internet, phone, wireless, and TV subscription services are factored in, the sheer magnitude of BCE's moat becomes evident. In fact, most of us will use one or more of BCE's services at least a few times a day, whether it's watching or listening to the news, sending a text message, or connecting to the internet.

As impressive as that may sound, there's more to the moat that you may not even realize.

Canada is a huge market, and BCE's core services are reliant on massive infrastructure that has been built and upgraded over the years. That infrastructure allows BCE to offer those services from coast to coast at competitive rates.

The infrastructure also helps keep BCE in the top position. The chances of a competitor rising to challenge the supremacy of BCE's network would take a decade or longer of construction, and costs would be measured in the billions.

### **A century worth of dividend payments**

BCE is one of the few companies in the market that has been paying dividends to investors for well over a century. Thanks to the infrastructure, BCE can pass on a higher yield to investors that is competitive, sustainable, and that continues to grow.

The current quarterly dividend is set to \$0.72 per share, which results in a very appetizing yield of 4.75%.

BCE recently hiked the dividend by 5.1% to this level –the 13th time the company has hiked the dividend in under a decade for a total increase of over 95%. In that same period, the stock price has also appreciated nearly 60%.

### **More growth is coming**

Critics of BCE often point to limited growth prospects as a key area where BCE lags its competitors; so much cash is being directed back at the dividend, and BCE is already a huge coast-to-coast competitor. Some have even speculated that BCE is overweight.

This couldn't be further from the truth. In fact, when compared to BCE's main competitors, BCE is priced much lower, while still offering a better dividend.

In terms of growth, BCE recently completed the acquisition of Manitoba Telecom Services Inc. in a \$3.1 billion deal. The acquisition not only removes a competitor in a specific market, but it will likely fuel cash flow growth for the company of about 5-10% over the next few years.

### **What about results?**

In the most recent quarter, BCE reported adjusted earnings per share of \$0.87, bettering the \$0.85 posted in the same quarter last year. In terms of revenue, BCE realized 2.2% growth over the same quarter last year, and free cash flow soared 17% over last year, coming in at \$489 million.

In terms of subscribers, BCE realized 36,000 new wireless subscribers in the quarter, which remains the strongest and most competitive of all subscription services. Internet and TV subscriptions saw modest growth of 15,000 and 22,000 subscribers, respectively, in the quarter. BCE continued to increase the ARPU, which increased by 4.2% to \$65.56 in the most recent quarter.

In my opinion, BCE remains a great investment opportunity for those investors looking to diversify their portfolios with an income-producing stock with plenty of potential.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

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**Date**

2025/07/28

**Date Created**

2017/05/22

**Author**

dafxentiou

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