Buy and Forget BCE Inc.

Description

Finding a great buy-and-forget stock that can provide growth and income for years to come can be overwhelming to some investors. Fortunately, there are plenty of great candidates to consider adding to your portfolio, and no assessment of buy-and-forget stocks would be complete without mentioning **BCE Inc.** (TSX:BCE)(NYSE:BCE).

What can BCE offer?

Like other telecoms, BCE offers core subscription services that consist of wireline, wireless, internet, and TV services. BCE is able to provide those services thanks in part to a fairly extensive infrastructure setup that blankets the country, forming an impressive and nearly impenetrable moat that extends beyond the core subscription offerings.

BCE has amassed an impressive media empire over the year. It includes TV and radio stations as well as several professional sports teams. That empire has blanketed the country so well that we routinely use BCE's holdings every day without realizing it when we send text messages, make calls, or watch our favourite shows or sports teams.

Each of those routine transactions comes at a cost, which is paid to BCE for both accessing that content and using the infrastructure to deliver the content. In short, BCE has a massive defensive moat that few, if any, companies can counter.

Isn't BCE's dividend a concern?

Critics of BCE often point to both the staggeringly high dividend-payout level and debt levels as points of concern. BCE offers investors a quarterly dividend of $0.72 per share, which amounts to a very impressive 4.93% yield given the current stock price.

That impressive payout is thanks to a staggeringly high payout ratio, which currently sits near 85% and is also higher than other telecoms; competitors offer payouts as low as 55% with similar yields.

Skeptics often note that maintaining such a high payout leaves little room to account for growth, or uncertainties that prop up, such as the recent interest rate hike. This is concerning because the possibility of additional hikes in future could spell reduced cash flow and the possibility of lower dividends as BCE's debt grows. BCE's debt load currently stands in excess of US$24 billion, translating into a debt-to-equity ratio of 1.62.

The concerns with BCE are warranted, but its cash flow and dividends will not be reduced anytime soon. The company is still posting impressive numbers with each passing quarter, and the recently completed deal for Manitoba Telecom is set to provide annual growth for the company over the next several years, dispelling the myth that BCE lacks growth opportunities.

Is BCE a good buy-and-forget investment?

BCE is one of a handful of investments on the market that can truly be classified as a buy-and-forget stock. The impressive dividend payout as well as a record of increases that spans back nearly two decades may be reasons to take a position in the company. But what really makes BCE a prime candidate for any portfolio is the strong defensive moat and positive results it continues to provide with each passing quarter.

In my opinion, BCE is a great investment opportunity for those investors looking for a long-term, stable income source.

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