Is BCE Inc. Canada's Best Dividend Stock?

Description

Ever since the financial disaster, I have had a single goal in mind: achieve financial independence. I never want a job to have a say over my financial well-being or to control my destiny. In my opinion, the best way to achieve that financial independence is to invest in companies that pay dividends. And, frankly, **BCE Inc.** (TSX:BCE)(NYSE:BCE) might be the best company in Canada for dividends.

There's no denying that BCE's 4.8% yield is lower than some of Canada's much higher-paying dividend stocks, but the difference between those companies and BCE rests in the business. BCE provides a product so integral to society that it is highly unlikely that it won't be able to generate significant enough cash flow to pay its dividends.

What's that product?

Connectivity. I don't know about you, but I am always on my phone. And if I'm not on my phone, I'm on the computer. And what am I doing while on those devices? I'm consuming content. BCE ensures that I am able to connect to that content and, in some instances, it actually provides the content.

BCE is integral to society. People won't ever give up their connections and, therefore, it's a business that can continue to predict cash flow.

With that in mind, how is the business doing?

The most recent quarterly results confused investors to some extent. Revenue increased by 6.7%, and free cash flow increased by 17.1% when compared to the previous year. But the $792 million in net earnings was a drop compared to last year.

The good news is that the demand for connectivity doesn't appear to be slowing down. BCE added over 88,000 new postpaid customers, which is over 18,000 more than what analysts had been expecting.

A big reason revenue was up so much is because of the recently completed takeover of Manitoba Telecom Services Inc. This added 229,000 internet subscribers, 109,000 IPTV subscribers, 477,000 wireless subscribers, and 420,000 network access services customers. I expect this acquisition to continue providing synergies as the year progresses.

So, here’s what you can expect from BCE.

This is not a high-flying stock. It’s not going to see massive price increases, and it won’t really experience huge dips in price either. But that’s okay, because we’re looking at this company strictly for the dividend. What you *can* expect is a strong dividend. Because of the predictability of the business, BCE pays out over 80% of its earnings in dividends, so you can rest easy knowing the company will continue rewarding investors.

Consider this: if you’d invested $10,000 in BCE at ~$60 per share, you’d be buying 167 shares. After the first full year of owning the stock, you would have earned $480.96 in dividends. Roll that back into the stock at the same $60 price, and you’ll have an additional eight shares. If the dividend remains unchanged, you’ll have 175 shares, which, after a year, will earn you $504 in dividends.

That’s the strategy you want to deploy with BCE. Pick up shares, reinvest the dividends, buy the dip if the company experiences a pullback, and, in a decade or two, you’ll be generating consistent quarterly distributions.

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