



## BCE Inc.: A Wide Moat and a Great Dividend Make This a Buy

### Description

**BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) is, in my opinion, one of the best dividend stocks on the market. Its 4.84% yield is immensely lucrative and, unlike some of the much higher dividends on the market, it's also incredibly secure. And for those investors looking to add income to their portfolios, I doubt there is a better opportunity on the market.

Here's why the dividend is so great.

BCE hawks one of the most important products to our society: the means to consume content. Let's break down what that means with a real example.

The Toronto Raptors have just started their season. BCE owns 37.5% of Maple Leaf Sports & Entertainment, which means it is earning money on the games. It also operates the TV channel by which that game is consumed through Bell Media, thus allowing it to generate money on advertising. It also sells a subscription to get that TV channel. And finally, if I'm on my phone tweeting about the game, I am paying for that connectivity too — either through the WiFi or a mobile plan.

It not only is part of the creation of the content, but it charges me to consume it through a subscription to the pipes that deliver it. That completely integrated business model means it is taking a cut from every step of the content supply chain. That's a lucrative place to be.

And demand only appears to be getting stronger. BCE added 88,000 new postpaid customers in Q2 2017, which beat analyst expectations by 18,000. This was up 26.9% from the same quarter last year.

Operating revenue was up 6.7% to \$5.7 billion with adjusted EBITDA up 5% to \$2.38 billion. The bit of bad news is that net earnings were down by 2.1% to \$762 million. Management blamed this on "increased net depreciation and amortization expense, higher interest expense and lower other income." Although I don't like to see a drop in earnings, I don't see this becoming a long-term problem yet.

So, if we look at the above example about the Raptors, it's easy to see why BCE is such a great dividend stock. How would a competitor honestly be able to build that sort of integrated media

conglomerate? Not only would it need to create content, but it would need to invest tens of billions in connectivity just to rival the type of service that BCE can offer. The reality is, there are few companies that are able to offer that.

This is all good news for investors, because it allows BCE to pay out 80% of its earnings in dividends. And if earnings stay strong, the dividend should increase. It currently pays \$0.7175, but that increased in 2016. I would not be surprised if management announced during the next quarter that it would be increasing the dividend again. The last increase was 5%, so if we get another boost like that, investors can expect \$0.75 per quarter.

With how connected and content hungry our society is, those that control the means of consumption are the ones that will generate the wealth. BCE Inc. is your way to achieve that.

## CATEGORY

1. Dividend Stocks
2. Investing

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