BCE Inc.: You Should Own This 5% Yielding Stock

Description

Long-term readers know that I am incredibly bullish on **BCE Inc.** (TSX:BCE)(NYSE:BCE). And when the market gives you a great opportunity to buy cheaper shares of what I believe is one of Canada's top dividend stocks, you take that opportunity.

And that's exactly what's happening. For about a month now, shares of BCE have been trending down, giving up over 5%. Interest rates increasing are the primary driver of the pullback. Let me explain …

For years now, interest rates have been nonexistent, so the only way for income investors to get cash was to invest in dividend stocks. This was a contributor to the consistent increase in the share of stocks. But with interest rates beginning to creep up, some investors are pulling out of riskier stocks in favour of much safer alternatives.

Naturally, this creates downward pressure on dividend payers like BCE. While I can't predict where interest rates are going to go over the coming years, I do know that BCE remains one of the top dividend stocks. With the pullback the company has experienced, it's a great buy for investors.

This all boils down to the fact that BCE has an immense moat and provides a service that is integral to society: connectivity to the content people want.

BCE owns 37.5% of Maple Leaf Sports & Entertainment, which owns the Toronto Raptors. When they play the Jazz on Friday, they'll earn money from customers that are in the stadium. Through its subsidiary, Bell Media, it operates the TV channel that the game is on, targeting advertising to its viewers. It also sells the subscription to get that TV channel. As if that's not enough, if I'm posting clips from the game on social media, BCE also provides the connectivity — WiFi or mobile plan — so I can share.

You've got a content delivery juggernaut that takes a piece of the pie every step of the way, either in person or through the various connectivity services it provides. That's why I remain bullish. It's true that cord cutters are a thing, but BCE is the ISP, which is integral to any sort of content distribution — that power is its moat.

Looking at the Q3 results released in November, clearly things are working. Net earnings increased by 2.1% to $817 millon thanks to an 8.3% increase in wireless postpaid, Internet, and IPTV net additions. Further, free cash flow increased by 24.4% to $1.183 billion, which should make it possible for the company to continue its strong dividend paying history.

Since the end of 2008, BCE has increased the dividend 13 times, resulting in a total increase of 97%. Unless the company suddenly experiences a drop in demand for its service, which I don't see happening, the dividend should continue appreciating.

It's true that some investors may seek out safer investments, but I remain bullish on BCE's moat. As long as BCE has its hand in the entire content delivery operation, the dividend should be secure. Just add this to your core portfolio and then start hunting for other opportunities.

As a matter of fact, I have one in mind …

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