Here's the Telecom That Will Beat the Market

Description

Telecoms remain one of the most compelling investments for any portfolio. Canada's Big Three: our internet, phone, wireless and TV screens — constantly press the envelope in terms of offering new and improved services, bandwidth and products.

Among the Big Three, **BCE Inc.** (TSX:BCE)(NYSE:BCE) is the one telecom that continues to impress and captivate investors as an incredible investment option. Despite that claim, investors are often dismissive of BCE, making note of several reasons why BCE isn't a good investment at this juncture.

Let's take a look at those claims and see why they can all be dismissed.

BCE lacks growth because of its high-flying dividend

BCE's massive infrastructure set-up is arguably the envy of telecom providers worldwide. Canada's harsh terrain and massive geographical size require a complex and significant infrastructure investment to offer coast-to-coast coverage.

That infrastructure investment has in turn allowed BCE to offer a dividend with a higher payout level than other peers.

The criticism that BCE doesn't have enough left over to invest in growth is simply untrue.

Over the course of the past two years, BCE has made several acquisitions that not only put that criticism to rest, but also open up significant growth prospects for the company.

The first such acquisition was the MTS deal that began in 2016 and was completed last year. The $3.9 billion deal opened up the market of Manitoba subscribers to BCE and will continue to fuel the growth of BCE for years to come.

The second acquisition worth noting was the deal for AlarmForce last fall. This allowed BCE to expand into a completely new, yet growing market of home security services. This isn't a new revenue stream for the company, but the business complements BCE's internet service, meaning that customers of one become prospects of the other.

As for that high-flying dividend, it currently provides an appetizing 5.42% yield and has had a run of nearly a decade of annual or better increases.

More people are cutting the cord, and BCE will lose subscribers

The end of the wired phone and cable TV is nigh. We are increasingly a more connected society, with content curated to our individual needs rather than one-size fits all slew of programming. Nearly 80% of us own at least one smartphone, if not more than one, and our data consumption is nearly doubling each and every year.

That's an incredible amount of data and subscribers. In the most recent quarter, BCE realized a gain of 175,000 net wireless postpaid customers. In total, BCE has over nine million wireless subscribers, an increase of over 8% over last year.

In other words, any losses from customers ditching their wired phone and older cable connection will be more than met with gains from the wireless and IPTV segments.

The final reason to consider BCE involves the company's presence. Few people realize just how massive BCE's empire is, which goes beyond the core subscription services and delves into media and other assets. Through the course of a normal day, chances are that you have interacted with someone on the BCE network or used it yourself.

This is an incredibly understated advantage that few people realize.

In my opinion, BCE remains a great long-term investment that should form part of almost every portfolio. The company provides a very healthy dividend with an established record of growth. Further, BCE operates with one of the largest moats in the business, thanks in part to its massive network infrastructure.

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