4 Reasons I Still Prefer BCE Inc.

Description

Are you invested in one or more of Canada’s telecoms? The telecom sector is a crowded space, with the Big Three (arguably now the Big Four) telecoms vying for a share of your monthly income.

The telecoms are often compared, but ultimately they offer a very similar landscape for investors. **BCE Inc.** (TSX:BCE)(NYSE:BCE), however, makes a very compelling case for investors, owing to several factors that distinguish it from the rest of the pack.

BCE still runs a growing business

Say what you will about the “cut-the-cord” movement and the slow decline of the cable and wireline segments, but BCE is realizing some truly amazing growth from the wireless segment.

In less than a decade, the need for a wireless line has gone from a mere communications device to a must-have staple of modern society that has replaced upwards of 60 different things in our everyday lives, from alarm clocks to maps and radios.

The list of tasks that wireless devices can perform continues to grow by the day, which makes a wireless connection that much more of a necessity.

As the potential uses for wireless devices grow, so do the data needs of consumers. Industry pundits say that wireless data consumption continues to double with each passing year, which provides more revenue for wireless providers such as BCE.

As an example of this, in the most recent quarter, BCE added 68,000 net additions, representing an incredible 91.4% year-over-year growth. In terms of churn, BCE managed a fourth consecutive quarter of lowering year-over-year churn, which hit 1.13%.

BCE still has an impenetrable moat

One thing that investors often discount when reviewing BCE is the incredible moat that the company has, both in terms of infrastructure as well as in other ventures that provide a stream of revenue to the company.

Most investors know that BCE has a myriad of business ventures that contribute to the overall success of the company, but few realize just how extensive those ventures are, or how encompassing they are in our daily lives.

BCE has a very large and successful media arm that includes several TV and radio stations that provide much of our media coverage. In fact, most of us will, on a given day, either use BCE's wireless network or consume media from a BCE-owned station without even realizing it.

BCE has growth potential

A lucrative mobile business and a strong moat aren't reasons enough to invest in BCE. But an overwhelming opportunity for growth could be.

One of the most significant acquisitions by BCE in recent years was the AlarmForce deal, which was announced last year. While many investors were quick to dismiss the deal, there are some key points that will provide growth for BCE for at least the next few years.

In order to operate effectively, the AlarmForce offering requires an internet connection, which BCE conveniently offers. This creates a mutually beneficial relationship where the customers from one segment can become prospects for another.

Sign-on incentives, multi-year contracts, and even bundling AlarmForce service into an existing Bell Sympatico service contract no longer seem far-fetched or foreign.

BCE is still a dividend champion

Of all the reasons for investors to turn back to BCE, the impressive quarterly dividend the company offers continues to be near the top of the list. An extremely impressive 5.60% yield is hard to ignore, as is the fact that BCE has been paying a dividend for well over a century.

If that isn't compelling enough, in the most recent quarter the company maintained a goal of keeping payouts between 65% and 75% of free cash flow, with the company on target to realize a 5% or better uptick in the dividend later in 2018.

In my opinion, BCE is one of several great long-term holdings that should form part of nearly every portfolio.

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dafxentiou