



## 3 Top Reasons That Make BCE Inc. (TSX:BCE) a Great TFSA Stock

### Description

What makes a stock a perfect hold-and-buy candidate for your Tax-Free Savings Account (TFSA)? In my opinion, companies that command a durable competitive advantage, growing free cash flows, and sticky services are the ones that fit the bill.

If you're looking to buy such stocks in 2019, I strongly recommend you consider Canada's largest telecom operator, **BCE** ([TSX:BCE](#))([NYSE:BCE](#)). Here are three top reasons that make [BCE stock a great addition](#) to your TFSA.

### Business dominance

BCE has a strong dominant position in Canada's highly regulated telecom market, where three big players make most of the revenues. BCE, through its diversified service offerings, including wireless, home internet, and media operations, has shown sustained growth in its subscribers.

BCE has made the right bets in the past five years, positioning the company to produce better returns for shareholders.

Among the few measures that will fuel future growth is its investment worth billions of dollars on its fibre-optic network to support faster internet speeds and prepare the utility to offer 5G: the next generation of wireless network technology.

### Strong cash flows

BCE has long maintained a policy of increasing its dividend by 5% annually and has used a series of acquisitions to partly fuel the cash flow growth necessary to keep boosting the payout. Its latest acquisition of Manitoba Telecom Services in 2017 was one such move that began to improve both top- and bottom-line profitability.

As per the company's dividend policy, the company distributes between 65% and 75% of its free cash

flow in payouts. In line with this policy, BCE has increased its annual payout by 107% since the fourth quarter of 2008; the payout is now at \$3.02 per share.

These factors make BCE stock an attractive option for TFSA investors to consider, despite its recent pullback, especially when its yield is still above 5%.

## Great defensive play

In general, telecom utilities are great investments for defensive investors, such as [your TFSA](#). These companies aren't too volatile when markets are going through an uncertain period. The reason is that their services are among the last that people would consider cutting in a recession. And that stickiness provides stability to their cash flows, making them perfect TFSA stocks.

If you analyze BCE's stock performance over the past five years, you will realize it's a slow-growing investment paying steadily growing dividends while preserving your capital.

## Bottom line

Trading at \$56.20 at the time of writing, BCE stock is trading close to the 52-week high after recovering from a weak phase in 2018. Due to this strength, this may not be a good time to buy BCE stock, but you can wait for the next dip and make your bet when prices are more favourable.

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