



Buy BCE Inc. (TSX:BCE) Now, Get Rich Later

Description

BCE ([TSX:BCE](#))([NYSE:BCE](#)) remains one of the most [often-mentioned investments](#) to include in nearly any portfolio, and for good reason. The stock has paid a handsome dividend every year for well over a century and has maintained an impressive record of raising that dividend on an annual or better basis by at least 5% for years. Additionally, BCE commands one of the largest wireless networks in the country and takes a lead among the Big Three in Canada, which account for over 90% of the market.

Unfortunately, as we all learned most recently through the slumps we saw in 2018, prior performance is not indicative of future gains, and when it comes to BCE, there are several headwinds facing the company that are often cited by critics.

One of the biggest claims by those critics is that telecoms lack any form of real, promising long-term growth. This argument is based on the notion that BCE, like other telecoms, puts most of its earnings towards its handsome dividend, and as a result, it lacks that extra financial push to make the big deals and invest in growth. Adding to this is the belief that stringent regulations imposed on the telecom sector slow innovation and hamper growth.

Both of these has been proven false on more than one occasion. The acquisitions of both MTS and AlarmForce, both of which were completed in the past two years, expanded BCE's reach into new markets as well as new product offerings, thus addressing the first concern; and the fact that Canada has some of the highest wireless rates in the Western world and the emergence of a fourth player to the mobile market through Freedom Mobile address the latter.

There's still plenty to love about BCE

With the concerns noted, we can also take a look at what makes BCE a good investment.

First and foremost, let's revisit that dividend. The current 5.29% yield on offer is not only attractive but incredibly stable. Payouts typically fall under 75% of free cash flow, which provides some room for growth, addressing one of the main concerns of critics. Furthermore, the steady stream of dividend hikes has resulted in that payout more than doubling in the past decade, and that's a trend that is

unlikely to end anytime soon.

Second, let's look at a more macro view of the market and BCE's role. After a disastrous end to 2018, the market appears to be roaring back to life, with many of the holiday season losses nearly erased. While that may sound like a relief to some investors, recent gains are in no way addressing the countless areas of uncertainty in the economy, which could bring everything to a screeching halt again. Things that could play a part include the upcoming Brexit date, another U.S. government shutdown, interest rate hikes, or the real estate market cooling further. I'm not even going to mention the impact of further supply issues with crude or the price of oil itself.

With that level of uncertainty in the market, finding a selection of core investments that are defensive in nature is key, and BCE fits into that position nicely. The company is well diversified in several segments, and some of those segments, such as wireless, are increasingly becoming core to our way of life.

Should you buy?

I can appreciate the risk that critics often refer to but also the opportunity posed by including BCE in any type of long-term portfolio. In my opinion, the appetizing yield with its long history of dividend hikes is far too attractive to pass on, especially when considering the growing need for connectivity in our lives that BCE provides.

While I wouldn't back up the truck completely on the stock, taking a position in BCE could prove to be very profitable over the long run for [income-seeking investors](#).

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Date

2025/08/24

Date Created

2019/02/04

Author

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