



Can BCE (TSX:BCE) Power You to Retirement?

Description

Canada's telecoms are often mentioned as must-have investments for nearly any well-balanced portfolio. Part of the reason for this stems from the recurring revenue stream that telecoms offer, while other investors may prioritize the handsome dividend on offer.

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is one of the largest telecoms in Canada and makes a compelling case to be added to nearly any portfolio.

Meet big Bell

Few investors may not realize this, but BCE has been a core investment to Canadians for well over a century. While BCE's appetizing 5.19% yield remains one of the key reasons why investors continue to flock to the company as an [income investment](#), there are several other compelling reasons worth noting.

First, there's the sheer size of BCE's network. BCE's enviable coast-to-coast coverage not only provides a sizable source of revenue for the company but also serves as a moat against would-be competitors. By way of example, imagine a new competitor emerged to challenge BCE's core subscription services. How long would it take for that new company to establish a nationwide network of wired, wireline, TV and internet services? The answer is a decade or longer at a cost of tens of billions.

As impressive as BCE's moat is, it's only going to grow in the next few years thanks to our increasing need for cell phones. Most Canadians already own a smartphone, but the number of things that we use these "phones" for is increasing with each passing month. In short, cell phones are no longer solely a communications device, but rather a requirement of our modern society, with everything from banking, to recordkeeping now being done on mobile devices.

To drive that point home, think about the dizzying array of devices that our smartphones have replaced within the past decade. Alarm clocks, cameras, portable music players, and calendars are just the tip of the iceberg.

Q2 results: a lucky break

Earlier this month, BCE reported results for the second fiscal quarter of 2019. During the quarter, BCE's wireless segment saw its best growth in nearly two decades with 149,478 new net customer additions, reflecting a whopping 30.6% increase over the prior period. A key aspect of that growth was BCE's Lucky Mobiel brand, which continues to see strong growth in the prepaid market. Inclusive of BCE's other subscription offerings, the company added 185,667 new customers in the most recent quarter.

Adjusted EBITDA for the quarter came in at 6.8%, reflecting what is now BCE's 55th consecutive quarter of year-over-year growth.

Overall, BCE saw net earnings come in at \$761 million, or \$0.85 per common share, reflecting solid gains over the \$701 million, or \$0.79 per share, reported in the same quarter last year. Free cash flow also saw a 10% bump in the quarter, coming in at \$1,093 million.

Final thoughts

BCE checks off the three big boxes that investors look for: a growing source of recurring revenue, a handsome dividend, and a business model that is defensive enough to withstand a slowdown in other areas of the market.

In my opinion, BCE represents an excellent long-term opportunity for investors. Buy it, hold it, forget about it, and in a decade or two, [retire rich](#).

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