BCE (TSX:BCE) Stock Climbs on HBO Deal

Description

BCE's (TSX:BCE) Bell Media has reached an agreement with **Warner Brothers** for exclusive Canadian rights of HBO Max content. Bell's Crave streaming platform will feature HBO Max content to compete with rival television providers like **Netflix**. HBO Max is scheduled to launch in May 2020 for $14.99 per month.

HBO Max content will differ from the current HBO Now streaming service by target age group. HBO Now features mostly adult content available on the popular HBO channel. HBO Max will provide more content geared toward children like *Sesame Street* along with CW originals like *Gossip Girl*.

This news caused Bell Media stock to steadily rise after the market open on Wednesday by 1.35% or $0.77. By mid-day, the stock was up to $62.88 per share. Canadian investors should seriously consider purchasing Bell Media stock for their Tax-Free Savings Accounts (TFSAs) and Registered Retirement Savings Plans (RRSPs).

Significant market power means less risk

This is the best stock in Canada to own and hold. Bell Media has substantial market power with very little, if any, competition. Together, Bell and its primary competitor **Rogers** control 63% of the market. Moreover, these two companies are very close in that they jointly own multiple enterprises, including a retail chain and a sports team.

Profits at both Bell and Rogers are safe, and so is any initial investment in their shares. With the 5G revolution rolling out in 2020, Canadians do not need to worry about holding telecommunications stock in their TFSAs or RRSPs. 5G is expected to boost the value of telecommunications stocks with a negligible risk of downside.

Even better: Bell Media stock issues a dividend-yielding 5% of the current share price. It is hard to beat a 5% dividend yield at this level of risk. The best financial decision Canadian savers can make today is the purchase of Bell Media stock.

Exclusive content key to business strategy

Media is a fascinating and risky market. The Hollywood movie industry, for instance, is notorious for producing unprofitable content in about 80% of its endeavours.

Netflix, one of the online-streaming pioneers, has pulled off the difficult task of developing a profitable business out of media. Its profit margin rests at 7.5%, with a higher operating margin of 12.5%. The profit margin is the percentage return on all the activities of the business and includes interest expenses on loans.

Netflix is a more highly leveraged company and necessarily has a more significant spread between its profit and operating margins. Much of the debt goes toward creating original content, which drives viewership retention. It isn’t enough for Netflix to just air content; it must also draw in viewers with exclusive movies and television shows.

Exclusive content does not necessarily need to be original; it needs only to be restricted in access. Limited availability is key to the success of streaming services to differentiate their products and compete in the industry. This competitive edge is the reason why investors reacted so strongly to the Bell-HBO streaming agreement on Wednesday.

Bell Media is in a strong position to compete in the streaming wars, and this stock has the power of 5G behind it as well. A Canadian TFSA and RRSP would not be complete without this stock.

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