Why BCE (TSX:BCE) Should Remain a Core Holding in 2020

Description

BCE (TSX:BCE)(NYSE:BCE) has long been viewed as a solid investment option for nearly any portfolio. There are a few good reasons for making that statement, ranging from BCE's impressive array of businesses to the over 100-year history of providing a handsome dividend to investors.

As we enter the final weekend of 2019 and prepare for 2020, let's take a look at the case for continuing to invest in BCE.

BCE has a solid business model

Utilities and pipeline investments are often touted for having some of the most stable business models. There's a very simple reason for that – they both offer a necessary service that in turn leads to a steady, if not growing stream of revenue.

The same can be said about the modern telecom business. Wireless connections have evolved in the past decade from being an auxiliary form of contact to a necessity of our modern world. Smartphones have replaced hundreds of standalone devices we used to rely on, ranging from alarm clocks and music players to cameras and flashlights. Further to this, the unique functions are constantly being improved as new data-hungry devices are released with each passing quarter.

The end result is a steadily increasing need for data and new devices, all of which BCE is happy to provide and profit from.

By way of example, in the most recent quarter, BCE added an impressive (and record-setting) 204,000 net new subscribers to its wireless segment. That figure is likely to remain high in the coming quarters as 5G-capable devices begin to roll out, which will attract even more advanced functionality in the realm of IoT connectivity and faster data connections. This, in turn, will help BCE to attract new customers and retain others.

In the most recent quarter, the wireless segment saw revenue growth of 3.5% over the prior period while post-paid churn was reduced by 1.12%

That's not to say the other areas of the business are lagging behind. Both BCE's internet and IPTV segments saw handsome gains over the same period last year with 89,883 net new subscribers across the segments. BCE's media arm also saw an uptick in revenue of 2.7%.

Overall, the company realized net earnings of $922 million, or $0.96 per share, surpassing the $867 million, or $0.90 per share, reported in the same period last year.

Why BCE belongs in your 2020 portfolio

BCE is an appealing investment option for income-seeking investors as well as those investors looking for a defensive holding to balance out their portfolio.

From an income-earning standpoint, BCE offers one of the best and safest dividends on the market. Apart from a staggering history of rewarding shareholders with a dividend that spans back nearly two centuries, BCE has averaged almost 5% annual growth of that dividend over the past decade.

Today, that quarterly dividend amounts to an impressive 5.22% yield.

Turning to the defensive, BCE's growing wireless segment and sprawling media empire both provide a diversified stream of revenue to counter fears of any prolonged slowdown. Keep in mind that this is a company that has managed to pay out dividends consistently during every war, crisis, slowdown, and recession over the past century.

That level of consistency is nearly unprecedented on the market, which is why defensive investors should buy BCE and hold it for the long term.

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