



Here's Why BCE (TSX:BCE) Is the Top Core Stock for Your Portfolio

Description

The telecommunications industry is dominated by massive companies with huge scale. The industry is one that is extremely important to the economy as communication is key and in this day in age the internet is essentially required to function in society.

In addition to their importance in the economy, there is also a number of future growth opportunities in the telecom space, as 5G technology gets closer to its rollout and vastly improves the number of possibilities and capabilities of the telecom industry.

The importance of the industry and major growth opportunities are what makes the companies in that industry ideal stocks to form a core part of your portfolio. The top stock of the group is easily **BCE Inc** ([TSX:BCE](#))([NYSE:BCE](#)).

It's always important to have strong companies at the core of your portfolio, but even more so as we begin 2020, especially as we approach an inevitable [market crash](#).

One of the first reasons why BCE is the top stock to choose in the telecom sector is because it is Canada's largest telecom. The company has more than 22 million total subscribers, it's a market leader in internet and TV and one of the largest wireless operators in the country.

Although wireless has been a huge growth segment world-wide over the last few decades, wireline continues to account for the majority of BCE's business. It derives roughly 51% of its business from wireline, with 35% of its business coming from broadband and TV and the other 15% coming from Wireline Voice.

Additionally, 37% of its business comes from its strong wireless segment and the remaining 12% comes from Bell Media, the leading Media company in Canada.

Its reach and scale give it a significant competitive advantage as well as an extremely large customer base, which works to its advantage. It also helps to grow the Bell brand, which is ranked one of the most valuable brands in Canada and the only non-bank in the top five.

The second main reason to make BCE a core stock in your portfolio is due to its strong balance sheet and financial position with lots of liquidity and an investment grade credit profile.

The company is diligent about its debt and cost of capital and is continuously looking for opportunities to cut costs and improves its financial structure.

It's net debt of roughly \$30 billion and trailing 12-month earnings before interest, taxes, depreciation and amortization (EBITDA) of roughly \$9 billion give it a net debt to EBITDA of roughly 3.3 times, which is very strong for a sustainable industry-leading telecom.

The last reason that BCE is the top core stock to add to your portfolio today is due to its long track record of consistent and sustainable dividend growth.

Since 2008, it's increased the dividend by 117%, now totalling \$3.17 a share annually, which yields roughly 5.25% today.

BCE aims to maintain its payout ratio of between 65% and 75% of free cash flow. Therefore, it will increase the dividend accordingly as it grows its free cash flow while still leaving itself enough capital to reinvest in the growth of its assets as well as keeping a strong financial position.

The dividend growth is what really makes it such a high-quality stock for long-term investors and one of the reasons why it's one of the best companies on the Canadian Dividend Aristocrat's list.

The new CEO will be bringing new strategic initiatives to the company — a positive step that opens the business up to more growth potential.

It's the top company in a growing industry with experienced and strong leadership that pays a growing dividend. With an enterprise value to EBITDA of less than nine times earnings, the stock is trading at an attractive valuation.

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