



Looking for the Perfect Telecom Investment?

Description

Canada's telecoms are often regarded by seasoned investors as some of the [best options on the market](#). There's a good reason for that view. Specifically, telecoms have wide defensive moats, generate stable revenue streams, and provide handsome [dividends](#). But which one across the major Canadian players is that perfect telecom investment?

Today, let's take a look at **BCE** ([TSX:BCE](#))([NYSE:BCE](#)).

Why BCE is the perfect telecom investment

I always try to look for three key elements in any investment: long-term growth prospects, defensive capabilities, and income-producing potential. To be fair, not all investments can boast having all three of those factors, but, fortunately, BCE does.

As one of the largest telecoms in Canada, BCE boasts nationwide coverage that casts a wide defensive moat. That moat not only spans its traditional telecom subscriber-based business but also through its impressive media holdings.

By way of example, in the most recent quarter, BCE saw its media segment report a whopping 30% increase in revenue. That bump to \$755 million reflects a steady recovery of advertiser spending from the pandemic lows we saw in 2020. Interestingly, with that segment, digital revenue now accounts for approximately 19% of the company's media revenue.

While BCE's media segment did provide impressive growth numbers in the latest quarter, the company's primary growth prospects lie elsewhere. Specifically, I'm referring to BCE's wireless segment.

Wireless connections are becoming more important with each passing quarter. In a little over a decade, they've transitioned from being communication devices to digital extensions of ourselves. Wireless devices are now the must-have accessory to our daily lives, replacing hundreds of standalone devices we no longer need.

With that now-necessary data connections comes an ever-increasing thirst for data, routed to the latest and greatest device. The constant churn of new devices and apps provides BCE with a growing revenue stream that also boasts some defensive appeal.

By way of example, in the most recent quarter, BCE's wireless segment reported impressive revenue growth of 10.7%, coming in at \$2,28 million. In that quarter, BCE outperformed its peers in terms of wireless service revenue growth. Coincidentally, the increase of 5.8% witnessed was also the first quarterly year-over-year improvement since the pandemic began.

What about income?

One of the main reasons why investors continue to flock to BCE as the perfect telecom investment comes down to its dividend. BCE has been paying out dividends to investors without fail for well over a century.

Incredibly, the current yield on that dividend works out to 5.47%, which not only surpasses BCE's telecom peers, but also many other [defensive investments](#) on the market.

To put those earnings into context, a \$35,000 position in BCE added to your TFSA will generate just over \$1,900 in income during the first year. Factor in reinvestments, growth, and likely annual dividend hikes, and that investment will grow very quickly.

Final thoughts

No investment is without risk, and that includes BCE. That being said, BCE is well diversified and provides investors with plenty of growth and income-earning potential to offset that risk.

In my opinion, BCE is a perfect telecom investment that should be part of any well-diversified portfolio.

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