



3 Things You Need To Know From BCE's First Quarter Results

Description

On Tuesday morning, **BCE Inc.** ([TSX: BCE](#))([NYSE: BCE](#)) reported results for the first quarter of 2014. And the numbers were generally solid, with operating revenue up 3.7% year-over-year and adjusted EPS increasing 5.2%. The quarterly dividend remains unchanged at \$0.6175 per share, yielding just over 5%.

Here are the three biggest takeaways from the results.

1. Did strong customer service contribute to the results?

Interestingly, Bell highlighted its improvements in customer services as one of the big reasons for the strong results. The company has spent \$600 million in service enhancements since 2008, including online and mobile service apps, as well as three new call centres. And it seems to be paying off. Research firm Forrester Research Inc recently reported that BCE increased its average Customer Experience Index Scores by 41% from 2010 to 2013.

When talking about these kinds of things, any company will always make a great case for itself. But it's nice to see some hard data backing up BCE's claims, and this helps explain why new **Rogers** CEO Guy Laurence has stressed improvements in customer service in his long term plans.

2. Strong results in media and television

Bell Media consists of various news, sports, and entertainment channels, and recently went through a major transformation with the acquisition of Astral Media. As a result, operating revenue grew 40.7% in the division. EBITDA grew even more, by 53.1%. Media revenues were also aided by the growth of TV channels on mobile devices. There is a saying in media that "content is king", and that phrase certainly applied to BCE's first quarter results this year.

Also experiencing strong growth was Fibe TV, which transmits TV signals through fiber-optic cable. BCE is putting a lot of marketing dollars behind this service, and as a result grew its subscriber base over 534,000, up 80% year-over-year.

3. Regulatory headwinds in wireless

The biggest negative headline surrounding BCE's results is the soft numbers for wireless. The company added about 34,000 postpaid net wireless subscribers, down 43% from the same quarter last year. It appears that the main cause of the decline is the CRTC's new wireless code of conduct, introduced last December. The code imposes new restrictions on roaming fees and excess data charges, but most notably eliminates three-year contracts.

CEO George Cope acknowledged this headwind on the conference call, saying, "the impact has been customers have moved to two-year contracts and as a result prices have moved up and that's had some impact." It also sounds like he's trying to get Ottawa to reverse course on that new regulation.

Despite the strong results, BCE shares are down on the day, and underperforming the TSX. So it appears that these regulatory headwinds are getting a lot of attention. Time will tell if that is warranted.

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