

Should You Buy or Sell BCE Inc.?

Description

It is one of the strongest players in its sector, so it's no surprise that everyone seems to be talking about **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)). By now, you've probably already heard the argument that a shift in energy money into the telecom sector is the reason behind the rally in telecom stocks. With so much uncertainty around them, investors seem to be looking for safety, and when looking at the telcos, BCE sure seems to be a good bet. Right?

The wrong time

I am part of the camp that believes that now is not the time to buy shares of BCE as the company is just too expensive. The company hit its all-time high a little more than two weeks ago, and despite coming down a bit, BCE shares are still trading close to the 52-week high.

If you take the simple price-to-earnings ratio, BCE trades at about 19 times its earnings. This valuation is just too high for me to suggest that investors should put new money into the stock.

The positives

Of course, the company is solid and has a strong management team and great assets. BCE is Canada's largest communications company and provides residential, business, and wholesale customers with a range of communication solutions.

The company also had a strong quarter and a great start to the year. Earnings per share beat analysts' estimates and came in at \$0.72. A boost in subscribers across several divisions led to stable revenue growth. This also led to a bump in BCE's free cash flow, which usually means a push in dividends. The company said that it is increasing its dividend this quarter to \$2.60 per share — investors are loving it!

Additionally, BCE has a proven track record of sustainable dividends. In fact, since 2009, the company has announced six dividend increases. The company also expects to have an attractive cash flow growth due to its many recent acquisitions (including Astral Media and its subsidiary, Bell Alliant).

What does it mean?

Although this is all great for the company and current shareholders, I find the stock too expensive to buy at current valuations. I prefer to go by the mantra "Be greedy when the market is fearful and fearful when the market is greedy." After all, it's hard to argue with the man who coined this strategy: Mr. Warren Buffett.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

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Date

2025/07/21

Date Created

2015/02/13

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