



3 Reasons Why BCE Inc. Is the Top Stock in the TSX 60 Index Today

Description

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)), the largest communications company in Canada, has underperformed the overall market in 2015, rising just over 1% as the TSX Composite Index has returned over 2.5%, but it has the potential to be one of the top performing stocks going forward. Let's take a look at three of the primary reasons why this could happen and why you should initiate a position today.

1. Strong first-quarter earnings to support a short-term rally

BCE released better-than-expected first-quarter earnings results on the morning of April 30, but its stock has responded by remaining relatively flat in the trading sessions since. Here are 10 of the most notable statistics from the report compared with the year-ago period:

1. Adjusted net income increased 12.6% to \$705 million
2. Adjusted earnings per share increased 3.7% to \$0.84, surpassing analysts' expectations of \$0.79
3. Operating revenues increased 2.8% to \$5.24 billion, surpassing analysts' expectations of \$5.23 billion
4. Total wireless subscribers increased 2.5% to 8,102,714
5. Total TV subscribers increased 5.1% to 2,658,106
6. Total high-speed Internet subscribers increased 4.3% to 3,297,745
7. Adjusted earnings before interest, taxes, depreciation, and amortization increased 3.6% to \$2.09 billion
8. Cash flow from operating activities increased 6.4% to \$1.05 billion
9. Free cash flow decreased 11.8% to \$231 million
10. Weighted average number of common shares outstanding increased 8.3% to 841 million

2. The stock trades at inexpensive forward valuations

At today's levels, BCE's stock trades at just 16.2 times its median earnings per share outlook of \$3.33 for fiscal 2015 and only 15.4 times analysts' estimated earnings per share of \$3.51 for fiscal 2016, both of which are inexpensive compared with its long-term growth rate and the industry average multiple of

16.3.

I think BCE's stock could consistently command a fair multiple of at least 18, which would place its shares upwards of \$59 by the conclusion of fiscal 2015 and upwards of \$63 by the conclusion of fiscal 2016, representing upside of more than 9% and 16%, respectively, from current levels.

3. A dedication to maximizing shareholder value

BCE pays a quarterly dividend of \$0.65 per share, or \$2.60 per share annually, giving its stock a 4.8% yield at today's levels. The company has also increased its dividend 12 times since 2007, showing that it is strongly dedicated to maximizing the amount of capital it returns to shareholders and making it one of the top dividend-growth plays in the market today.

Is there a place for BCE in your portfolio?

BCE represents one of the best short-term and long-term investment opportunities in the market today. It has the support of strong first-quarter earnings results, its stock trades at inexpensive forward valuations, and it has a 4.8% dividend yield with an extensive track record of increasing its annual payment. Foolish investors should take a closer look and strongly consider making it a core holding today.

CATEGORY

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