



Could BCE Inc.'s Q2 Earnings Support a Rally to New Highs?

Description

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)), the largest communications company in Canada, announced second-quarter earnings results on the morning of August 6, and its stock has responded by making a slight move to the upside. Let's take a closer look at the results to determine if we should consider initiating long-term positions today, or if we should wait for a better entry point in the trading sessions ahead.

The results that satisfied analysts' expectations

Here's a summary of BCE's second-quarter earnings results compared with what analysts had anticipated and its results in the same period a year ago.

| Metric | Reported | Expected | Year-Ago |
|-----------------------------|----------------|----------------|----------------|
| Adjusted Earnings Per Share | \$0.87 | \$0.87 | \$0.82 |
| Operating Revenues | \$5.33 billion | \$5.32 billion | \$5.22 billion |

Source: *Financial Times*

BCE's adjusted earnings per share increased 6.1% and its operating revenues increased 2% compared with the second quarter of fiscal 2014. The company's strong earnings-per-share growth can be attributed to its adjusted net income increasing 14.8% to \$735 million, but this was partially offset by its average number of common shares outstanding increasing 8.6% to 844.9 million.

Its slight increase in revenue can be attributed to its number of wireless subscribers increasing 2.2% to 8.12 million and its average revenue per user increasing 5.3% to \$62.48, which led to its total revenues increasing 10% to \$1.70 billion in its Bell Wireless segment.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. High-speed internet subscribers increased 4.3% to 3.32 million, making it the market share leader

2. TV subscribers increased 4.4% to 2.67 million
3. Local telephone subscribers decreased 5.8% to 6.9 million
4. Revenues decreased 0.2% to \$3.04 billion in its Bell Wireline segment
5. Revenues decreased 2.8% to \$740 million in its Bell Media segment
6. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 2.5% to \$2.2 billion
7. Adjusted EBITDA margin expanded 20 basis points to 41.3%
8. Cash flows from operating activities decreased 0.5% to \$1.84 billion
9. Free cash flow increased 14.2% to \$931 million
10. Free cash flow per share increased 5.7% to \$1.11

BCE also made two other announcements. First, it will be maintaining its quarterly dividend of \$0.65 per share, and the next payment will come on October 15 to shareholders of record at the close of business on September 15. Second, it reaffirmed its full-year outlook on fiscal 2015, calling for adjusted earnings per share in the range of \$3.28-3.38, which would result in growth of 3.1-6.3% from fiscal 2014.

Should you buy BCE?

It was a great quarter for BCE, so I think its stock has responded correctly by moving higher. I also think this could be the start of a sustained rally higher because it trades at favourable forward valuations and because it has a high dividend yield, which will continue attracting new investors.

First, BCE's stock trades at just 16.3 times its median earnings-per-share outlook of \$3.33 for fiscal 2015 and only 15.4 times analysts' estimated earnings per share of \$3.53 for fiscal 2016, both of which are inexpensive compared with the industry average price-to-earnings multiple of 21.

Second, BCE pays an annual dividend of \$2.60 per share, which gives its stock a 4.8% yield at today's levels. The company has also increased its annual dividend payment for six consecutive years, and it is currently on pace for 2015 to mark the seventh consecutive year with an increase. Its increased amount of free cash flow could allow this streak to continue for the foreseeable future.

With all of the information provided above in mind, I think BCE represents one of the best long-term investment opportunities in the market today. All Foolish investors should take a closer look and strongly consider making it a core holding.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/10/01

Date Created

2015/08/07

Author

jsolitro

default watermark

default watermark