



3 Reasons Why BCE Inc. Is 1 of the Top Stocks to Own in Uncertain Times

Description

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)), the largest communications company in Canada, has held its own during the downturn in the market, falling just over 2.5% in the last two weeks as the TSX Composite Index has fallen nearly 9.5%, and I think it could remain strong and widely outperform the overall market going forward. Let's take a look at three of the primary reasons why this could happen and why you should be a long-term buyer of the stock today.

1. Its strong financial results could support a quick rebound

On the morning of August 6, BCE released very strong earnings results for its three and six-month periods ending on June 30, 2015, and they could support a quick rebound in its shares. Here's a summary of 10 of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Adjusted net income increased 13.7% to \$1.44 billion
2. Adjusted earnings per share increased 4.9% to \$1.71
3. Operating revenues increased 2.4% to \$10.57 billion
4. High-speed Internet subscribers increased 4.3% to 3.32 million
5. TV subscribers increased 4.4% to 2.67 million
6. Local telephone subscribers decreased 5.8% to 6.9 million
7. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 3% to \$4.29 billion
8. Adjusted EBITDA margin expanded 20 basis points to 40.6%
9. Cash flow from operating activities increased 1.9% to \$2.89 billion
10. Free cash flow increased 7.9% to \$1.16 billion

2. Its stock trades at inexpensive forward valuations

At today's levels, BCE's stock trades at just 15.7 times its median earnings per share outlook of \$3.33 for fiscal 2015 and only 14.8 times analysts' estimated earnings per share of \$3.52 for fiscal 2016, both of which are inexpensive compared with the industry average price-to-earnings multiple of 19.5.

I think BCE's stock could consistently trade at a fair multiple of at least 18, which would place its shares around \$60 by the conclusion of fiscal 2015 and upwards of \$63.25 by the conclusion of fiscal 2016, representing upside of more than 14% and 21%, respectively, from current levels.

3. It has a 5% dividend yield with an active streak of annual increases

BCE pays a quarterly dividend of \$0.65 per share, or \$2.60 per share annually, giving its stock a 5% yield at today's levels, and this is well above the industry average yield of 2.6%. Investors should also note that the company has increased its annual dividend payment for six consecutive years, and its increased amount of free cash flow could allow this streak to continue for another six years at least.

Should you make BCE a core holding in your portfolio?

I think BCE should be bought following the recent downturn in the market. Its strong financial results in the first half of fiscal 2015 could support a quick rebound, its stock trades at inexpensive forward valuations, and it has a 5% dividend yield with a track record of increases, which will help minimize risk in today's uncertain times. All Foolish investors should take a closer look and strongly consider making BCE a core holding today.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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Author
jsolito

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