BCE Inc.'s Q2 EPS Tops Estimates: Should You Be a Buyer?

Description

BCE Inc. (TSX:BCE)(NYSE:BCE), the largest communications company in Canada, announced its first-quarter earnings results on April 28, and its stock has reacted by rising about 1%. Let's take a closer look at the results and the fundamentals of its stock to determine if we should be long-term buyers today, or if we should hold off on an investment for the time being.

A quarter of top- and bottom-line growth

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

Metric	**Q1 2016 Actual**	**Q1 2016 Expected**	**Q1 2015 Actual**
Adjusted Earnings Per Share	$0.85	$0.84	$0.84
Operating Revenues	$5.27 billion	$5.32 billion	$5.24 billion

Source: Financial Times

BCE's adjusted earnings per share increased 1.2% and its revenue increased 0.6% compared with the first quarter of fiscal 2015. Its slight earnings-per-share growth can be attributed to its adjusted net earnings increasing 4.1% to $734 million, but this partially offset by its weighted-average number of common shares outstanding increasing 3% to 868.1 million.

Its slight increase in revenue can be attributed to its revenues increasing 3.4% to $1.69 billion in its Bell Wireless segment and 2.1% to $741 million in its Bell Media segment. The growth in its Wireless segment can be attributed to its service revenues increasing 5.3% to $1.58 billion, driven by its total number of subscribers increasing 1.6% to 8.24 million and its average revenue per user increasing 3.6% to $63.02.

The growth in its Media segment can be attributed to increased subscriber revenues, driven by the expansion of The Movie Network into a national pay TV service on March 1 and rate increases onsome of its specialty channels.

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

1. Revenues decreased 1.5% to $2.98 billion in its Bell Wireline segment
2. High-speed Internet subscribers increased 3.4% to 3.41 million
3. TV subscribers increased 3.4% to 2.75 million
4. Local telephone subscribers decreased 6.4% to 6.57 million
5. Adjusted earnings before interest, taxes, depreciation, and amortization increased 3.3% to $2.16 billion
6. Cash flows from operating activities increased 23.4% to $1.29 billion
7. Free cash flow increased 81% to $418 million
8. Free cash flow per share increased 77.8% to $0.48

What should you do with BCE today?

It was a great quarter overall for BCE, so I think the market has reacted correctly by sending its shares higher. I also think the stock represents a great long-term investment opportunity today for two primary reasons.

First, it’s inexpensive. BCE’s stock trades at just 16.8 times fiscal 2016’s estimated earnings per share of $3.50 and only 16 times fiscal 2017’s estimated earnings per share of $3.67, both of which are inexpensive compared with the industry average price-to-earnings multiple of 21.9, and the latter of which is inexpensive compared with its five-year average multiple of 16.5. These multiples are also inexpensive given the strength and stability of BCE’s balance sheet and its estimated 4.8% long-term earnings growth rate.

Second, it has a great dividend. BCE pays a quarterly dividend of $0.6825 per share, or $2.73 per share annually, which gives its stock a high and safe yield of about 4.6%. Investors must also note that the company has raised its annual dividend payment for seven consecutive years, and its 5% hike in February has it on pace for 2016 to mark the eighth consecutive year with an increase.

With all of the information provided above in mind, I think all Foolish investors should strongly consider beginning to scale in to long-term positions in BCE today.

CATEGORY

1. Investing
2. Tech Stocks

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jsolitro