Now May Be the Time to Buy BCE Inc. After its Earnings Release

Description

BCE Inc. (TSX:BCE)(NYSE:BCE) is the parent company of Bell Media and released some interesting earnings results Thursday. The earnings release was generally positive. The company achieved all of its 2016 financial guidance targets and announced a dividend increase for 2017.

I'll dig deeper into the numbers and look at some of the factors that may continue to propel BCE to new highs in 2017.

Dividend increase

A significant positive for investors following the recent earnings release was the announcement of yet another annual dividend hike. The company has raised its dividend each year since 2009, and the stock has shown steady and stable principal growth as well, increasing by approximately 150% since the beginning of 2009 (a 12% annualized appreciation).

The Canadian telecommunications giant announced a dividend increase of 5.1% in 2017 to $2.87 a share — up from $2.73 per share in 2016. This dividend increase marks the ninth consecutive year the telecom company has increased its dividend by more than 5%, and the dividend has appreciated 97% cumulatively since Q4 2008. BCE has been able to maintain its dividend-increase schedule while keeping the dividend-payout ratio within its mandated range of 65-75% of free cash flow, meaning the dividend has continued to remain sustainable to this day.

This commitment to increasing the dividend consistently and sustainably is one of the primary reasons many investors own BCE; predictable and stable income growth is combined with strength in the company's underlying fundamentals and growth prospects.

Company fundamentals

With a solid track record of 12% annualized stock growth combined with a 5% dividend yield increase each year, the long-term investor in BCE has seen a growth rate just shy of 20% per year since theend of 2008. That said, it is always important to look at the underlying fundamentals of a businessbefore making any long-term investment decisions.

In its earnings release Thursday, the company announced significant subscriber growth, which is viewed by investors and analysts as one of the key drivers of top- and bottom-line growth for telecommunications companies. BCE beat analyst expectations in Q4, adding over 315,000 postpaid wireless subscribers in 2016 — a 19% increase over 2015 levels and a 23% increase over Q4 2015.

The company has also experienced earnings and revenue growth driven by usage increases across its customer base. In 2016, BCE customers used 41% more data year over year, meaning that “very, very strong net add results” outpaced rival **Rogers Communications Inc.**, which added 286,000 subscribers for the year to BCE’s 315,000.

BCE has maintained stable capex levels and appears to be investing in boosting its user base for its most profitable product segments, including its streaming service CraveTV. With the exit of its biggest streaming competitor Shomi, a collaboration between Rogers Communications and **Shaw Communications Inc.**, BCE stands to gain further ground on its major Canadian competitors.

Post-earnings release, the company’s stock is down marginally, providing an interesting potential entry point for an investor looking for exposure to Canadian telecoms.

Stay Foolish, my friends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/05
Date Created
2017/02/06
Author

chrismacdonald