



Why BCE Inc. Is up Over 1%

Description

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)), Canada's largest communications company, announced its third-quarter earnings results this morning, and its stock has responded by rising over 1% in early trading. Let's break down the results and the fundamentals of its stock to determine if we should be long-term buyers today.

Breaking down the quarterly results

Here's a quick breakdown of 12 of the most notable financial statistics from BCE's three-month period ended September 30, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2017	Change
Operating revenues	\$5,678 million	\$5,407 million	5.0%
Adjusted EBITDA	\$2,366 million	\$2,236 million	5.8%
Adjusted EBITDA margin	41.7%	41.4%	30 basis points
Adjusted net earnings	\$799 million	\$784 million	1.9%
Adjusted earnings per share (EPS)	\$0.88	\$0.91	(3.3%)
Cash flows from operating activities	\$2,233 million	\$1,943 million	14.9%
Free cash flow	\$1,183 million	\$951 million	24.4%
Wireless subscribers	9,008,273	8,380,949	7.5%
High-speed internet subscribers	3,763,101	3,458,160	8.8%
TV subscribers	2,825,754	2,745,873	2.9%
Wireline network access service (NAS) lines	6,394,553	6,358,362	0.6%
Total subscribers across all services	21,991,681	20,943,344	5.0%

Reaffirming its outlook on 2017

In the press release, BCE also reaffirmed its financial guidance targets for 2017 that were provided on April 26, which call for the following results:

Metric	2017 Outlook
Revenue growth	4-6%
Adjusted EBITDA growth	4-6%
Capital intensity	Approximately 17%
Adjusted EPS	\$3.30-3.40
Free cash flow growth	5-10%

Should you be a long-term buyer today?

The third quarter was a great success for BCE, especially when you consider that its slight decline in adjusted EPS was a result of an increase in the average number of common shares outstanding due to the shares issued for the equity component of its acquisition of Manitoba Telecom Services, which was completed on March 17. The company also posted very strong results for the first nine months of fiscal 2017, with its operating revenues up 4.6% to \$16.76 billion, its adjusted EBITDA up 4.4% to \$6.96 billion, and its adjusted net earnings up 0.3% to \$2.35 billion when compared with the same period in 2016.

With all of this being said, I think the market has responded correctly by sending BCE's stock higher today, and I think it still represents a great investment opportunity for the long term for two fundamental reasons.

First, it's attractively valued. BCE's stock trades at 18.1 times the median of its adjusted EPS outlook for 2017 and 17.1 times the consensus analyst estimate of \$3.54 for 2018, both of which are inexpensive given the strength and stability of its business model and its estimated 3.4% long-term earnings-growth rate.

Second, it's a dividend aristocrat. BCE currently pays a quarterly dividend of \$0.7175 per share, equating to \$2.87 per share on an annualized basis, which gives it a yield of about 4.7%. Foolish investors must also note that the telecom giant's [5.1% dividend hike](#) in February has it on track for 2017 to mark the ninth consecutive year in which it has raised its annual dividend payment, and that it has a target dividend-payout range of 65-75% of its annual free cash flow, so its consistent growth should allow this streak to continue for decades.

BCE is up more than 2.5% since I [last recommended it](#) on October 11, and I think it represents an even stronger buy today, so all Foolish investors should strongly consider making it a long-term core holding.

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