Is BCE Inc. Still an Attractive Holding?

Description

BCE Inc. (TSX:BCE)(NYSE:BCE) is one of a few stocks on the market that is often regarded as a buy-and-forget type of holding. A great dividend, secure growth, and a nearly impenetrable moat keep the company one step ahead of other telecoms.

That position has come into question recently, as interest rate hikes and a changing economy have exposed risks and opportunities for investors.

Let's look at these factors and see if BCE is still a good investment.

Interest rates went up. What does that mean?

Interest rate hikes were clearly the topic on investors' minds this summer, as the Bank of Canada gave us two rate hikes to end the long spell of cheap borrowing. Canada's stronger than expected economy was cited as one of the reasons for the hike, which expanded at an annualized rate of 4.5% in the quarter prior to the first hike.

When interest rates go up, the cost of borrowing increases. In some cases, this could delay or completely halt expansion plans. For companies working with razor-thin margins or operating in a less than favourable economic climate, interest rate hikes are just another issue to deal with.

Another point to consider is the impact that interest rates will have on existing and future debt. This was a primary concern expressed by critics of BCE when interest rates were hiked this summer.

While the interest rate hike may have scared some investors off BCE for a while, the stock has already recouped from a temporary dip and is back in positive territory year to date.

Quarterly results show promise

Earlier this month, BCE provided an update on the most recent quarter, which was, in a word, impressive. In the third quarter, BCE managed to add 200,000 subscribers, handily surpassing the figure from the same quarter last year by 8%. More than 117,000 of those subscriber additions were attributed to the wireless segment.

Competition across telecoms for wireless subscribers has increased significantly over the past few years, as consumers hungry for the latest devices and increasing data allowances scramble to carriers for the best deal. BCE wasn't the only carrier to post a massive gain in subscribers in the most recent quarter.

Another promising figure from the quarterly update was with respect to churn, which is the percentage of current subscribers who opt to terminate their service in the period. Churn dropped, hitting a low of 1.16%, which, coincidentally, was lower than analysts had predicted.

Overall, BCE reported net income attributable to shareholders of $770 million, or $0.88 per share in the quarter.

Is BCE a good investment?

BCE has plenty of potential, including a recent acquisition that will allow the company to enter the home security and monitoring market. The subscriber growth witnessed in the most recent quarter is also encouraging, and the synergies from the completed MTS deal should provide a further boost over time.

Investors not yet convinced should also look at the company's stellar quarterly dividend, which has been paid for well over century. The current dividend provides a yield of 4.65%.

In my opinion, BCE remains a great investment option that is best placed as a buy-and-forget addition to any portfolio.

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