



Why BCE Inc. Is up About 2%

Description

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)), the largest communications company in Canada, announced its fourth-quarter earnings results before the market opened this morning, and its stock has responded by rising about 2% at the open of 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 BCE's Q4 results

Here's a breakdown of 10 of the most notable statistics from BCE's three-month period ended on December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Bell Wireless revenues	\$2,070 million	\$1,883 million	9.9%
Bell Wireline revenues	\$3,222 million	\$3,137 million	2.7%
Bell Media revenues	\$834 million	\$845 million	(1.3%)
Total operating revenues	\$5,958 million	\$5,702 million	4.5%
Adjusted EBITDA	\$2,217 million	\$2,121 million	4.5%
Adjusted EBITDA margin	37.2%	37.2%	Unchanged
Adjusted net earnings	\$684 million	\$667 million	2.5%
Adjusted earnings per share (EPS)	\$0.76	\$0.76	Unchanged
Cash flows from operating activities	\$1,658 million	\$1,520 million	9.1%
Free cash flow	\$652 million	\$923 million	(29.4%)

Announcing its outlook on 2018

In the press release, BCE announced its outlook on fiscal 2018, calling for the following performance:

Metric	2017 results	2018 outlook
Revenue growth	4.6%	2-4%

Adjusted EBITDA growth	4.4%	2-4%
Capital intensity	17.8%	Approximately 17%
Adjusted EPS	\$3.39	\$3.42-3.52
Free cash flow growth	6.0%	3-7%

Putting a smile on its shareholders' faces

In the press release, BCE also announced a 5.2% increase to its quarterly dividend to \$0.755 per share, and the first payment at the increased rate will come on April 15 to shareholders of record at the close of business on March 15.

What should you do with BCE's stock today?

It was a decent quarter overall for BCE, and a dividend hike is always welcomed by the market, so I think the slight pop in its stock is warranted. With a long-term mindset, I think BCE's stock represents a very attractive opportunity for two fundamental reasons.

First, it's undervalued. BCE's stock trades at just 17.1 times fiscal 2017's adjusted EPS of \$3.39 and only 16.7 times the median of its outlook of \$3.42-3.52 for fiscal 2018, both of which are inexpensive given its very strong cash flow-generating ability; these multiples are also inexpensive given its long-term growth potential, especially when you factor in its massive opportunity in the connected home market from its acquisition of [AlarmForce Industries Inc.](#)

Second, it has one of the market's best dividends. BCE now pays an annual dividend of \$3.02 per share, which gives it a rich 5.2% yield. The communications giant has also raised its annual dividend payment for [nine consecutive years](#), and the hike it just announced puts it on track for 2018 to mark the 10th consecutive year with an increase, making it both a high-yield and dividend-growth play.

With all of the information provided above in mind, I think BCE represents a very attractive investment opportunity for 2018 and beyond, so take a closer look and consider initiating long-term positions today.

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