

Income Investors: BCE Inc. (TSX:BCE) Stock Is a Must-Own in 2019

Description

Success stories have been few and far between on the TSX in the lousy months of October and November. Interesting, two sectors that were challenged in 2017 and early 2018 have come roaring back. We [already talked](#) about **Fortis** and the bounce back for utilities earlier this month. Today I want to focus on a telecommunications stock that has performed extremely well in the fall.

BCE ([TSX:BCE](#))([NYSE:BCE](#)) stock has climbed 10.5% over the past month as of close on November 27. The stock is still down 5% in 2018 so far. BCE received a huge boost after it released its third-quarter results on November 1.

Like its peers, BCE has continued to post impressive wireless additions in successive quarters. The company reported 266,000 total broadband wireless, Internet, and IPTV net additions in Q3 2018, which was up 41.5% from the prior year. BCE posted record total wireless net additions of 178,000 in the quarter, while also reporting a 15.5% increase in postpaid net additions.

In early September I'd focused on two factors that [could hurt telecom stocks](#) for the rest of the year. The United States-Mexico-Canada Agreement (USMCA) brought some much-needed clarity that threw out the second headwind mentioned in the article, while the CRTC investigation into aggressive sales tactics at telecoms is expected to extend into 2019.

BCE has experienced early success with its broadband expansion in rural Ontario and Quebec. Its Crave content platform, which combines HBO Canada, The Movie Network (TMN), and other premium programming, launched on November 5. It also revamped the online platform to reflect this change. Building more user-friendly platforms will be crucial for cable providers as the streaming war heats up next year.

Netflix already poses a huge challenge, but companies like **AT&T**, **Disney**, **Amazon**, **Facebook** and others are either launching or expanding new offerings that will draw away cable consumers.

Fortunately, telecoms have been able to rely on wireless growth as customers have moved to cut away from cable. BCE will also benefit from a change from NAFTA to the USMCA, which is still yet to be ratified.

As part of the new deal, Canada has agreed to rescind Broadcasting Regulatory Policy CRTC 2016-334 and Broadcasting Order 2016-335, which means that Canada will agree to treat all programs equally when it comes to subbing in advertisements.

Bell Media currently owns Canadian broadcasting rights to the Super Bowl, and it lobbied alongside the National Football League (NFL) to reverse this policy. This change will be a boost to Bell Media and Canadian advertisers going forward.

BCE's May 3 guidance for revenue growth, adjusted EBITDA growth, and adjusted earnings per share are all on track after this most recent quarter. The board of directors declared a quarterly dividend of

\$0.755 per share, representing an attractive 5.2% yield. BCE stock is be a bit pricey heading into December with an RSI over 70, so value investors may want to wait for a pullback before adding it to their portfolios.

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