TFSA Investors: The World’s Best Business

Description

BCE (TSX:BCE) is Canada’s largest telecommunications and media company and provides wireless, wireline, Internet, and television services to residential, business, and wholesale customers. It operates in three high margin areas: Bell Wireless, Bell Wireline, and Bell Media.

The Bell Wireless segment provides wireless and communications services; the Bell Wireline segment provides data services; and the Bell Media segment provides media products and services.

The company is fairly valued with a price-to-earnings ratio of 18.92, a price-to-book ratio of 3.41 and market capitalization of 57.8 billion. A strong financial position gives the company flexibility to utilize low cost debt to finance operations; the company takes advantage of this flexibility as evidenced by a debt to equity ratio of 1.3.

The company has excellent performance metrics with an operating margin of 23.43% and a return on equity of 17.63%.

The company sells several products such as smartphones and tablets, mobile Internet hubs and sticks, mobile Wi-Fi devices, smartwatches, Bell connected cars, trackers, smart homes, lifestyle products, and virtual reality products.

BCE also provides home security, monitoring, and automation services; satellite TV and connectivity services; and local telephone, long distance, communications services.

The bullish thesis around Bell lies around the company’s focus to build the advanced fibre and mobile networks that will help the Canadian communications. There could be huge potential for the company to get into the high frequency trading market.

The company has repeatedly achieved industry-leading subscriber growth, including record Q3 net wireless customer additions. It’s incredible to note that the company has seen 56 consecutive quarters of increased year-over-year adjusted earnings before interest, tax, depreciation and amortization (EBITDA).

In 2019, BCE reported growth across the company's wireless, wireline and media segments. The company has a huge focus on cost control with bodes well for long-term holders of BCE's stock.

In the most recent quarter, the company's bottom line increased by 6.3% and free cash flow grew by 17.3% year over year, a superb performance in touch economic conditions. The company has over-funded pension obligations indicating low defined benefit financial risk.

BCE's operating revenue has steadily increased over the years and all Bell operating segments have grown even during recessions. Service revenue has grown fast over the years amid strong wireless, Internet and IPTV subscriber base growth.

Product revenue is expected to continue with greater volumes of higher-value smartphones and wireless rate plans in the sales mix.

The company has seen phenomenal growth in wireless net additions and average billing per user (ABPU) over the years. In 2019, total wireless and retail internet additions were up 8.4% and BCE's margins grew to 44.2%. Earnings were of high quality with operating cash flow growth of 10.5% free cash flow growth of 17.3%.

At these prices, BCE looks like a great buy. The company pays a safe 5% dividend and satisfies Kevin O'Leary's criteria of a great stock to hold for the long-term.

There is also significant potential for Bell to increase market share and engage in share buybacks. Company executives are long-standing and hold a large chunk of BCE's stock indicating aligned interest with loyal shareholders.

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Author
nikhilwaterloo