Is BCE Stock Worth Buying Ahead of its Earnings Event Next Week?

Description

BCE (TSX:BCE)(NYSE:BCE) stock has consistently been sliding for the last six sessions amid an intensifying broader market selloff. While the Canadian communications giant is set to announce its first-quarter results on Thursday next week, even investors' high expectations from its upcoming earnings event are unable to drive BCE stock up.

Before we discuss whether its stock is worth buying ahead of its earnings event, let's take a look at its recent financial growth trends and analysts' expectations from its Q1 results.

BCE's revenue-growth recovery

BCE, the parent company of Bell Canada, faced several operational challenges in 2020 due to the COVID-19-related shutdowns and restrictions. This is one of the key reasons its total revenue for the year fell by 4.5% YoY (year over year) to around $22.88 billion. While the company tried to minimize its costs during the year, its adjusted earnings for the year still dived by 13.7% YoY to $3.02 per share.

Nonetheless, its revenue and earnings growth trend started showing a strong recovery starting from the second quarter of 2021, as the global pandemic-related restrictions eased. With this, BCE's total revenue rose by 2.5% YoY last year to around $23.45 billion. While this revenue-growth rate was on the lower side of its target range of around 2-5%, it still helped the company regain investors' confidence, who expect its financial growth trend to accelerate further in the ongoing year. It's also important to note that its home market, Canada, accounted for nearly 95% of BCE's total revenue last year.

Earnings growth supported by subscriber growth

Interestingly, BCE registered a 9.4% increase in its mobile connected device subscribers from a year ago in 2021. Similarly, its internet and mobile subscribers also grew positively by about 2.2% and 3.2% YoY, respectively.

Although its residual telephone services subscribers fell by 7.5% last year, the impressive growth in its mobile phone, internet, and mobile connected device subscribers could be a positive sign for its future growth potential. Its healthy overall subscriber growth in 2021 helped BCE post a strong 5.6% YoY growth in its adjusted earnings to around $3.19 per share. More importantly, the telecom giant's adjusted net profit margin expanded to around 12.4% last year compared to 11.9% in the previous year.

What to expect from its upcoming earnings?

In the first quarter of 2022, Street analysts expect the ongoing positive growth trend in BCE's revenue and earnings to continue. According to the latest estimates, the Canadian communications company's March quarter revenue could be around $5.85 billion, reflecting 2.6% YoY growth. Similarly, its adjusted earnings for the quarter could be around $0.81 per share — up 3.8% from the first quarter of 2021.

Apart from Street's expectations, investors may also want to keep a close eye on the latest trends in BCE's subscriber growth — especially in its mobile phone, internet, and mobile connected device segments.

Is BCE stock worth buying right now?

Growing economic uncertainties amid the ongoing Russia-Ukraine war are taking a toll on investors' sentiments lately. However, BCE's consistent subscriber and financial growth could help its stock recover fast after its Q1 results. While it's very difficult to predict short-term stock price action, no matter how good or bad a company's financial results turned out to be, BCE stock looks attractive to buy for the long term after the recent dip.

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