



## How This Telecom Will Stay Relevant in the Future

### Description

People talk about cutting telephone cords and internet cables, so they can live and work in a completely mobile world. **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) is made up of Bell Wireless, Bell Wireline, and Bell Media segments. Where BCE will be in the future depends a lot on how it evolves its infrastructure to support wireless technology and demands. BCE is a leading company in Canada when it comes to telecommunication infrastructure.

### What the “G” are we talking about?

You may have heard about the fifth-generation technology — that is “5G” in the wireless communication world. It is the natural progression of standard and innovation to follow 4G. If you have a new phone right now, it is probably LTE, which is close to 4G.

In the future, data demands from devices in the home, work, and on the road will gobble up bandwidth at ever-increasing rates. Speed of communication and latency are prime considerations for 5G. An example would be updating a video feed on your phone every millisecond — that is one one-thousandth of a second.

Current predictions state that 5G will hit the wireless market in 2019. For instance, to usher in this new level of wireless world, Japan has said it will have 5G coverage in time for the 2020 Olympic games in Tokyo. The technology is being developed rapidly, but there are sizable infrastructure requirements to support 5G.

How does Bell fit in with 5G?

BCE is spending money and putting resources to work to support a future where 5G is the new normal. BCE is doing this with higher-octane fibre optic connections to the home, which is referred to as “fibre to the home” (FTTH). BCE has done 3.7 million installations of late. This FTTH infrastructure will, in theory, be compatible with 5G. Time will tell.

### Why BCE continues to be a buy-and-hold stock

If infrastructure doesn't float your boat, BCE boasts very solid fundamentals. Since 2011, BCE has grown earnings per share by 3.3%. Quarter-over-quarter EBITDA is historically increasing by 5%, which is a good thing. For comparison, **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) actually has a negative average EPS of -3.5% over the same period and a smaller EBITDA growth of 1.8%.

Valuations for BCE reveal this stock is not about large growth, but the word *dependable* does come to mind. You buy BCE for the dividend. The current yield is 4.9%. The average payout ratio is 72%, which is on the high side, but it's very safe considering the free cash flow levels. With the magic of compounding interest, a \$10,000 investment in stock today would kick off \$2,700 in dividend payments alone over a five-year dividend-reinvestment approach.

BCE will stay on top as a telecom giant.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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2. NYSE:RCI (Rogers Communications Inc.)
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