



BCE (TSX:BCE) Stock Is Losing its Lustre... Should You Still Own it?

Description

Warren Buffett's ideal holding period is forever, but not even the Oracle of Omaha himself can put the sell button away permanently.

While it's good to have an extremely long-term investment thesis that spans decades at a time, unforeseen events down the road could stand to erode a firm's moat, and when this happens, one must not hesitate to revisit one's original investment thesis to see what has changed.

If the original thesis no longer holds, it's tempting to formulate a new one, but a lot of times, it's just better to throw in the towel and look to other names that can offer a better risk/reward trade-off.

Consider **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), a dividend darling that has delivered outstanding results over the past decade.

Investors have enjoyed [significant capital gains and dividend growth](#) made possible by a lack of competition in Canada's telecom scene.

The era of immense pricing power, higher margins, and rock-bottom interest rates may soon be drawing to a close, however, now that federal regulators are playing favourites with new entrants in the space, such as Freedom Mobile of **Shaw Communications**.

It's not just a more competitive landscape that makes BCE less attractive than it used to be. The telecom behemoth is only getting larger, and with that comes a struggle to sustain growth rates that can support outsized total returns over time.

BCE has a \$54 billion market cap and less agility than its peers in the space. Add the soon-to-be depreciating assets into the equation, and you've got a dividend-growth stock that may post single-digit annualized capital gains at best.

Should you still hang on?

As price wars are continued to be unleashed across the Canadian telecom scene, I'd avoid BCE if you're a young investor who's looking for significant returns. The stock isn't that cheap, nor is it looking likely that the stock will be headed anywhere meaningful over the long haul.

If you're a conservative [income investor](#) who's content with a safe and growing dividend (currently yielding 5.3%), continuing to hold BCE shares may make sense, but don't expect much on the capital gains front.

Despite the more competitive landscape and a lack of meaningful growth catalysts, BCE still looks well equipped to support above-average dividend hikes. Just make sure you get in the stock at a reasonable price; otherwise, capital losses could offset the dividends you'll receive.

Stay hungry. Stay Foolish.

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