



3 Key Warren Buffett Investing Principles to Help Make You Rich

Description

Warren Buffett, the greatest investor of all time, is one of the top role models that almost every investor tries to emulate.

Since Buffett came on the scene back in the 50s and 60s, he has revolutionized the value-investing profession.

Throughout his career, Buffett has refined his investing guidelines, and because he doesn't do anything super fancy, his principles can be easily replicated by any investor looking to employ a long-term value strategy.

One of Buffett's first principles for companies he is consider investing in is a long history and track record of the company in question.

By investing in companies with extensive histories, Buffett can get a good idea not only of how the company operates, but also the economics surrounding it over time and how they have changed or stayed the same.

One of Buffett's best investments ever was in **Coca-Cola**, a business that had been around for nearly 100 years by the time Buffett first invested, and it was evident that the long-term success of the company wouldn't be much different in the future than from its past, similar to the economics surrounding the beverage industry.

The next important factor for [Buffett](#) is being able to understand what the company does.

After all, when you buy shares of a stock, what you are really buying is ownership in that company, and you are going to have to follow along with how it's performing, so you know where you stand as its price fluctuates over time.

If you don't even understand the business in the first place, then you'd have trouble putting an accurate value on the business in the first place before you invested, and you'll have a hard time understanding where the company is going and how it's performing as you own it, which could lead to some

disastrous consequences.

The last and possibly most important thing that Buffett wants to see out of any company that he is going to buy is a significant competitive advantage.

Companies with competitive advantages are clear-cut winners in their industries and, barring anything crazy, should stand the test of time, which is exactly why Buffett wants to own them.

A stock like **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) is a great example of the type of stock that fits Buffett's criteria.

The company traces its roots back to the 1880s, giving it an extensive history. It's easy to understand how it makes money and, above all else, it has a major competitive advantage.

The telecom industry in Canada is dominated by the Big Three, giving each a significant competitive advantage, especially considering the major barriers to entry in the industry.

Its business is derived from three main segments: its wireline, wireless, and Bell Media businesses; however, its wireline and wireless make up the majority of its business.

As of its most recent quarter, BCE has reported 56 straight quarters, or 14 straight years, of quarterly earnings before interest, taxes, depreciation, and amortization (EBITDA) growth, with an increase of 5.6% in the most recent quarter.

The exceptional EBITDA growth has led BCE shares much higher and contributed to the growing dividend.

BCE is one of the largest and best companies on the Canadian Dividend Aristocrats list. It's increased its dividend by 28% in the last five years, or a compounded annual growth rate of more than 5%.

The dividend now yields more than 5.1% for investors and can be expected to be increased often, as the company aims to keep its payout ratio at 65% to 75% of its free cash flow.

In addition to BCE being a company with a huge track record of success, an easy-to-understand business, and a leader in its industry, the stock also trades for a fair valuation — something else that's a key and necessary element before Buffett pulls the trigger on buying a stock.

The shares trade at an enterprise-value-to-EBITDA ratio of just 8.8 times, extremely undervalued for a major industry leader.

There are a lot of great lessons you can learn from Warren Buffett, but these three are the main principles to always keep in mind to help build your wealth as quickly and safely as possible.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
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