



3 Ways to Invest and Profit from Canada's 5G Stocks

Description

Canadian companies are gearing up to start delivering faster high-speed wireless service to mobile customers in 2020. And investors are gearing up to start cashing in on 5G technology — a market expected to explode from US\$5.53 billion in 2020 to an estimated US\$667.90 billion by 2026.

5G, the fifth generation of wireless technology, could improve download speeds up to 100 times over, decrease latency, and offer the ability to connect a massive number of devices simultaneously.

Latency refers to the time it takes for data to reach its destination and back again across a network. 5G could drop latency to a mere millisecond — technology that could allow [hundreds of devices to connect to the same network](#) without a noticeable drop in performance.

Investors who want to get in on this booming technology have several options. Let's look at three ways investors can profit from 5G.

Telecom stocks

The most obvious way to invest in 5G technology is through telecommunication stocks. Canada's big three telecommunication companies, **BCE**, **Rogers Communications**, and **Telus**, [control 90% of the wireless market in the country](#).

Rogers activated 5G in areas of Toronto, Ottawa, Vancouver, and Montreal in early January. While customers may not be able to access the network for some time, its activation is [an achievement for the company](#).

Meanwhile, Telus is expecting to have a few launches in 2020 with a large deployment of 5G in 2021.

One caveat to investing with the telecommunication companies is the undetermined effect of a **Hauwei** ban. If the Canadian Security Intelligence Service (CSIS) and the Communications Security Establishment (CSE) determine that telecom companies must replace Huawei equipment in their cybersecurity review, Canadian telecoms will experience economic costs.

Depending on the outcome, the big three telecom companies may need to replace expensive electronics equipment.

BCE, Rogers, and Telus all report profit margins of greater than 10%, but if the companies are forced to replace expensive equipment, it would negatively impact their profit margins.

Chip makers

Another way to invest in 5G is through manufacturing companies in the supply chain of the equipment needed for the technology.

Sierra Wireless is a leading manufacturer of embedded machine-to-machine (M2M) modules and gateways. The company's chips have been crucial to the manufacture of cellular devices for the past two decades.

The razor-thin margins and multiple competitors in the market squeezed Sierra's profits and growth in 2019. The stock is trading near its lowest price since 2013.

The company's recurring revenue is \$100 million a year. Sierra expects to double this revenue by the middle of 2022, and double it again to [\\$400 million by the middle of 2024](#).

Another option

Finally, here's an unconventional choice to profit from the 5G rollout. The 5G cell service providers will require more cell tower space to deploy the network. This requirement points toward investing in REITs that [rent out towers to the primary cell service providers](#).

American Tower Corporation, a telecommunications REIT, is a leading independent owner, operator, and developer of multi-tenant communications real estate with a portfolio of over 171,000 communications sites. The company's EPS has grown 22% each year, compounded, over the past three years.

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cdye

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