



## Will This Canadian Telecommunications Giant Boom or Bust?

### Description

Every investors ought to consider the concept of timing when making investment decisions. The concept of dead money – having money sit in a portfolio and not do anything for a long period – is important to understand. When Canadian investors look at how the **S&P TSX Composite Index** performed from 2008-2018, one will see a lost decade for investors who bought at the 2008 peak. Of course, for those who bought at the 2009 trough, the story is very different.

Many stocks are continuing — amazingly — to trade at or near all-time highs. I believe we are on the precipice of another lost decade (at least). Valuations have once again become absurd. The true extent of the economic impact of the COVID-19 pandemic is unknown.

Companies like telecommunications giant **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) are among the broader group of companies I believe could be stuck in the mud during this period. Let me discuss why.

### Legacy businesses still too important

Among its peers, BCE has some of the [highest levels of exposure to legacy businesses](#) and other segment in a long-term secular decline. This is perhaps the biggest headwind for investors bullish on BCE's long-term outlook to consider.

Over the next decade or two (for investors with such a time horizon), BCE will need to find a way to offset declines from its landline and cable businesses. These will gradually decline in an asymptotic fashion toward zero. The company's media business, including television and radio assets, are continuing to feel the pain.

Customers are changing their preferences in terms of how they consume their media. Offsetting declines in these segments while finding growth elsewhere to allow for increased dividend growth and capital appreciation growth long-term is going to be a tough ask for BCE's management team.

## Telecoms not fully insulated from recessionary headwinds

One of the key reasons many investors choose companies like BCE is the defensive nature of these businesses. The logic goes that no matter how bad the economy gets, folks will never stop paying their cell phone bills or cut off their internet service.

While this may be true, the aforementioned cord-cutting trends and other secular shifts affecting BCE's legacy businesses will be accelerated by a severe recessionary environment. The extent of the damage that will ultimately be done remains to be seen. However, it's clear that the medium-term outlook for BCE is murkier than many believe.

### Bottom line

BCE remains a great income pick for investors seeking to gain bond-like exposure on the stock market. The company is an excellent long-term choice overall.

I would, however, encourage investors to wait for a better entry point, as I believe we are in for a turbulent market over the near-term.

#### CATEGORY

1. Investing
2. Tech Stocks

#### POST TAG

1. canada
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