



Warren Buffett Is Bullish on Telecoms: Here Are Cheap Canadian Ones to Buy

Description

Warren Buffett upped his bets in the telecom space in the fourth quarter, with a massive bet of almost US\$9 billion in **Verizon**. The man also topped up his stake in U.S. telecom titan T-Mobile, reinforcing his bullish stance on the industry.

There's no question that the telecoms have been feeling the pain amid the COVID-19 pandemic. The appetite for mobile data has been quite muted, and more of the same is likely until vaccines can propel us into herd immunity. Moreover, the much-anticipated 5G boom may have been postponed by some time amid the latest uptick in unemployment.

BCE: The best Canadian telecom to follow in Warren Buffett to higher yields?

To make matters worse, many big-league telecoms also have a media segment, which is also under pressure amid this horrific pandemic. Just look to **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), which, sadly, was forced to layoff over 200 people from its Bell Media division last month.

While the COVID-19 headwinds seem insurmountable for the top telecoms, which have seen their share prices take a plunge, I think value investors should take a page out of Warren Buffett's playbook after his latest bets in two stellar U.S. telecom titans. I've noted in numerous prior pieces that the telecoms, I thought, would be among the first to bounce back once the pandemic ended.

The appetite for mobile data and the next generation of telecom tech will likely surpass pre-pandemic peak levels. Factor in the possibility of a post-pandemic spending boom, and it's not a mystery as to why Warren Buffett is bullish on the telecoms at these depths.

The COVID-19 pandemic hasn't killed the 5G boom

BCE and many of its peers are slated to invest a substantial chunk into 5G infrastructure. The

company markets itself as having Canada's largest 5G wireless network. And it's about to get much bigger, as the firm recently shed light on its plan to increase its capital spending to between \$1 billion and \$1.2 billion. The plan aims to double the company's 5G coverage across. Such massive investments should literally pay dividends on the other side of this pandemic when the masses really start to embrace the next generation of wireless tech.

Look ahead a few years, and BCE's value proposition becomes a heck of a lot more apparent. BCE could be one of the biggest beneficiaries of a post-pandemic 5G boom. A higher appetite for mobile data and its reputation for having one of the country's better networks will allow the firm to command higher margins, at least temporarily, until the competition catches up.

Warren Buffett is a magnificent investor, and he's acted to the [opportunity](#) at hand in a big way. BCE stock is down over 10% from its all-time high, and I think it's a Canadian telecom that resembles Verizon the most. BCE has an even juicier dividend yield than Verizon at 6.3%. The payout has been stretched, but it's very unlikely to be stretched its breaking point. In the meantime, I suspect BCE shares will fluctuate until it [corrects upward](#) ahead of a transition into the post-COVID world.

Foolish takeaway on Warren Buffett's high-yield telecom bets

I'd act on BCE stock now, rather than waiting for the tides to turn. By then, the deep value to be had will likely be gone. Warren Buffett is right on the money when it comes to the telecoms, not just the ones he bet on, but the industry as a whole.

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