



Build a 5G Portfolio: 3 Canadian Stocks to Buy Right Now

Description

5G is the next big technology revolution that will lay the groundwork for the future. The technology will connect billions of devices to the internet and enable computing at the edge. What does this mean? 5G can make mission-critical applications, like healthcare and autonomous vehicle (AV), where even one-second latency can be dangerous, a reality. To harness the true potential of the internet, you need a strong communication infrastructure. 5G will give you just that.

How to build a 5G portfolio

As an investor, the [5G revolution](#) can also give you significant returns in the 2030 decade. So, you might want to consider building your 5G portfolio through the Tax-Free Savings Account (TFSA), as it makes your investment income tax-free. On the Toronto Stock Exchange, you can get exposure to three levels of the 5G supply chain:

- Telecom services
- 5G internet of things (IoT) devices
- Cloud-based cybersecurity

Telecom stocks with 5G exposure

Telecom is a highly consolidated market with a few players having the dominant market share. **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) and **Telus** are Canada's top two telecom providers. There are other players, like **Shaw Communications** and **Rogers Communications**. But when you talk about 5G, you want market leaders, as it is expensive to build a 5G infrastructure. Moreover, infrastructure with a good reach will give you better returns in the long term.

BCE has the largest data centres, wireless, and wireline networks. *PCMag* named BCE as Canada's fastest 4G and 5G national mobile network. It also has a multimedia company, which hosts the number one sports channel TSN. It will spend more than \$1 billion over the next two years in network expansion and a 5G footprint.

With liquidity of \$3.8 billion and an adjusted EBITDA margin of 42% in 2020, BCE is well capitalized to accelerate its 5G expansion and pay incremental dividends. The BCE stock surged 51% and increased its dividends at an average annual rate of 6.4% in the last decade. It could accelerate this growth in the 2030 decade.

Chip stocks with 5G exposure

In the chip segment, Canada doesn't have many options. The U.S.-based **Qualcomm** and **Broadcom** led the global communication chip market. However, one Canadian company, **Sierra Wireless** ([TSX:SW](#))([NASDAQ:SWIR](#)), makes modules, gateways, routers, SIMs, and IoT platforms. It [will benefit](#) as the 5G rollout will lead to the proliferation of IoT devices. There will be a need for routers, cellular modules, and gateways that support 5G. The company expects to start seeing 5G revenue growth in 2021. It has already secured 15 design wins for its 5G offerings.

Sierra Wireless stock has doubled in the last year, and this is just the recovery from the cyclical and pandemic downturn. The chip industry is seeing a supply shortage which is pulling the stock down. This shows that there is a huge demand. The industry will address the supply constraints over time, and that will lead to unprecedented growth in the coming years. Despite the cyclicity, the stock surged 250% between August 2010 and June 2017. It could repeat this growth in the 5G cycle.

Software stocks

The 4G long-term evolution (LTE) accelerated internet penetration and set the stage for cloud-based software services to flourish. The 5G rollout will lead the way to AV, drone deliveries, and edge computing (robotics and smart cities).

Sierra Wireless will power the devices, and **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) will provide endpoint security to these devices. Between 2013 and 2020, BlackBerry underwent a major shift from hardware to endpoint security software and services.

BlackBerry is a leader in mobile applications security and is expanding to automotive with the Intelligent Vehicle Data Platform (IVY). It will be the key beneficiary of the AV and IoT revolution. Hence, Canadian billionaire Prem Watsa has its second-largest holding in BlackBerry, as he sees growth potential.

Final thoughts

The above 5G stocks will give you a well-balanced portfolio of dividend and growth stocks and large- and small-cap stocks. These stocks have the potential to grow your money multiple folds in the next 10 years.

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

1. NASDAQ:SWIR (Sierra Wireless)
2. NYSE:BB (BlackBerry)
3. NYSE:BCE (BCE Inc.)
4. TSX:BB (BlackBerry)
5. TSX:BCE (BCE Inc.)
6. TSX:SW (Sierra Wireless)

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