



Warren Buffett Fans: Why Now Is a Great Time to Buy BCE (TSX:BCE) Stock

Description

Warren Buffett fans had a lot to glean from his latest letter to **Berkshire Hathaway** shareholders. What speaks louder than Buffett's words, though, were his actions. Specifically, the ones he took in the fourth quarter of 2020. The most remarkable move, I believe, was his massive US\$8.6 billion investment in U.S. telecom titan **Verizon**.

Shares of Verizon command a near-5% yield after its COVID-induced stumbles. And with the end of the pandemic in sight, it's not a mystery as to why Warren Buffett made a big splash in the telecom space while valuations were still relatively depressed.

Warren Buffett sees opportunity in the telecoms

In numerous prior pieces, I stated that I thought the telecoms were among the best-positioned of COVID-hit firms to recover to pre-pandemic levels.

"Once the pandemic ends, the Canadian telecoms will be among the first to bounce back as a part of a potential post-pandemic discretionary spending boom," I said in a [prior piece](#) in early-February. "Nest eggs have swollen amid the pandemic, and once COVID-19 is conquered, consumer sentiment will heal, and a lot of pent-up demand for certain goods will finally have a chance to be met."

Warren Buffett's big telecom bets suggest my optimistic expectations for the telecoms are not exaggerated.

While the discounts to be had in the telecom space isn't as steep as some of the harder-hit areas of the market (think the airlines and cruise lines), the telecoms' risk/reward trade-off is too good to pass up, especially for conservative investors looking beyond fixed-maturity securities for passive income.

A top telecom pick to mirror Warren Buffett's big bet on Verizon?

The 5G boom is still at play, albeit it may seem like the pandemic has permanently diminished the appetite for the next generation of telecom tech.

In this piece, we'll have a closer look at my favourite Canadian telecom play in **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), which recently announced it'll increase capital spending by over \$1 billion to double its 5G coverage. The [pandemic](#) may have weighed heavily on BCE's business through most of 2020, but the disruptions aren't causing management to pull the brakes with its growth initiatives. In fact, they're putting their foot to the gas.

Despite the accelerated capital expenditure plan, the firm had the confidence to hike its dividend by a very generous 5%. Such a dividend raise shows that management is incredibly bullish on its post-COVID recovery trajectory. And I think investors should take notice by punching their ticket into BCE stock while the yield is still swollen above the 6% mark.

What about valuation?

BCE stock trades at 22.7 times earnings, 2.2 times sales, and 3.1 times book value. Shares are modestly discounted versus that of its historical averages.

The stock sports a juicy 6.2% dividend yield which should serve as more than enough of an incentive to hold through the final innings of this pandemic. With the yield spread versus the 10-year note now at the highest it's been in recent memory, BCE makes for a magnificent buy for investors who've grown fed up with lacklustre bond yields.

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Author

joefrenette

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