

Two Stocks that Could Double from the 5G Boom

One of the biggest buzzwords you'll hear this year is 5G.

As smartphones and other digital devices get smarter and more numerous – and as the applications they run generate ever more data – the wireless network that connects them must change to keep pace. That's why telecommunications giants like Verizon, AT&T, and Sprint are racing to roll out the fifth generation of wireless network technology, says NBC News.

It'll help provide faster speed.

In many cases, data transfer speeds could be up to 10x faster than 4G. That means faster transmission of images and videos.

We'll see shorter delays, and increased connectivity, too.

Of the many things that will demand 5G-deployment is the Internet of Things (IoT), which is expected to connect up to 50 billion connected devices by 2020. Without 5G, though, IoT won't be able to function they way it should.

It'll be used with self-driving cars, and is expected to help fuel the virtual and augmented reality booms, too.

As this is rolled out, we want to have established positions in related stocks.

We've found two that we believe could thrive on such news.

Telus Corporation (NYSE:TU) provides a range of telecommunications products and services in Canada. It operates through Wireless and Wireline segments. The company's telecommunications products and services comprise wireless and wireline voice and data services; data services, including Internet protocol; television services; hosting, managed information technology, and security and cloud-based services; healthcare solutions; business process outsourcing; and security solutions. It has 13 million subscriber connections, including 8.9 million wireless subscribers, 1.7 million high-speed Internet subscribers, 1.3 million wireline residential network access lines, and 1.1 million TELUS TV subscribers.



Later this year, the major carriers will start rolling out their 5G networks – and we want to be well positioned to profit from it. That's because 5G based opportunities could generate as much as \$13 trillion

annual revenue for carriers by 2026, according to Ericsson. 5G is the next generation of mobile network technology, the successor to the 4G/LTE technology that most mobile phones use now. It's quite a big leap forward. Data delivery over 5G is 100 times faster than 4G and 10 times faster than even top-tier home broadband services.

Interesting to note, "Telus management had the foresight to embark on its generational fiber and small cell investment even before 2015," Scotia Capital analyst Jeff Fan wrote in a research report earlier this year. Better yet, Telus just reported a gain of 121,000 new subscribers, its biggest quarterly net gain since 2011.

Trade: Buy shares of TU at market prices.

Ceragon Networks Ltd. (NASDAQ:CRNT) provides wireless backhaul solutions that enable cellular operators and other wireless service providers to deliver voice and data services worldwide. Its wireless backhaul solutions use microwave radio technology to transfer telecommunication traffic between base stations, small cells, and the core of the service provider's network. The company also provides wireless front haul solutions that use microwave technology for communication between LTE/LTE-advanced base band digital unit stations and remote radio heads.



CRNT may also benefit from the 5G spending, which is expected to hit \$200 billion a year. Interesting to note, the company is a market leader in wireless overhaul, which is used to increase wireless network coverage. One place the company stands to do very well is India, which is expected to account for 27% of the 753 million new mobile subscribers by 2020. The company also anticipates that more than one billion devices will be connected to the 5G network by the time 2025 rolls around, covering about a third of all connected devices globally.

In recent months, Ceragon posted a net profit of \$2.1 million, or \$0.03 per diluted share for the first quarter of 2018, which compares with a net loss for the first quarter of 2017 of \$0.1 million. Net profit for the fourth quarter of 2017 was \$7.2 million or \$0.09 per diluted share. On a non-GAAP basis, gross margin was 33.2%, operating profit was \$5.7 million, and net profit was \$3.0 million, or \$0.04 per diluted share. Analysts expected earnings per share of 0.04 on revenue of \$80 million.

"We are beginning 2018 with a strong quarter in all respects," said Ceragon president and CEO Ira Palti. "We had strong bookings in Q1, with particular strength coming from India. Revenue increased 9.5% year over year, and we now have enough visibility to raise our quarterly run rate expectations from \$80 to \$85 million during the balance of this year. We won several important new projects in Q1 and our objective is to continue to gradually gain market share. Our financial

goal is to make 2018 the fourth consecutive year of increasing net income, despite facing some challenges with factors we can't control such as currency headwinds and shortages of passive components."

Given plenty of solid catalysts moving forward, we like the stock even here. We'd like to see it closer to \$10 a share with the 5G-boom.

Trade: Buy shares of CRNT at market prices.