



Unscathed by Wireless Wars, Shaw Communications Is Worth a Look

Description

By Cameron Conway

The recent rumblings of **Verizon** coming to Canada left major wireless providers **Rogers** ([TSX:RCI-B](#)), **Bell**, and **Telus** with a justified sense of dread — and subsequent relief. Each stock sank on rumours of another major player entering the Canadian market.

But one provider was left unscathed: **Shaw Communications** (TSX:SJR.B, NYSE:SJR). Having home phone, Internet, and television services but no wireless division puts it in a unique position compared to its competitors.

After all, it is easier for foreign companies to enter the wireless market than traditional “hard-wired” services, given the capital cost required by the latter. The thought of Verizon venturing north is far easier to fathom than, say, **Comcast**. Because of this cost barrier, Shaw’s investors have a bit of extra padding within the telecommunications sector.

Staying out of wireless

Shaw is no longer able to enter the wireless market because it sold its wireless spectrum to Rogers, which was initiated when Shaw sold its shares of Mountain Cable to Rogers. That purchase carried with it an option to acquire Shaw’s wireless spectrum licenses. In exchange, Shaw would receive Rogers’ 33% stake in TVropolis and a net proceed of \$700 million.

The sale of Mountain Cable received regulatory approval in April of this year, and the acquisition of TVtropolis (now called DTour) has also been recently approved. According to the company’s third-quarter [news release](#), the sale of Shaw’s wireless spectrum to Rogers is expected to be completed during fiscal 2015.

Although Shaw is now without the licenses to pursue wireless phone service, it has made large investments in its satellite services through “Shaw Direct”. Nipping at the heels of Bell and other satellite providers, Shaw, with its newly launched Anik G1 satellite and its “16 extended Ku transponders,” had the largest HD channel launch in Canadian history. With a total of more than 650 SD and HD channels, Shaw is looking to go far beyond its current 904,400 subscribers.

Content is king

From the skies to our screens, Shaw has also made greater inroads in the content portion of its business. Through Shaw Media, it operates the Global Network and 19 specialty channels including HGTV, Showcase, and Slice. The drive to both create and broadcast entertainment is a newfound staple — it is so hungry for content growth that it went out and purchased **Corus Entertainment’s** 20% stake in the Food Network. In exchange, Shaw sold its 49% stake in ABC Spark and its 50% stake in French-language channels Historia and Series+.

With a price-to-earnings ratio below the market’s — and below its own five-year average — and an attractive dividend yield that is expected to be increased by 5%-10% in each of the next two years, this is a stock worth considering for anyone interested in exposure to the telecommunications industry. And if my monthly bill is any indication, Shaw will remain profitable for the foreseeable future.

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The Motley Fool Canada’s senior investment analyst just unveiled his [top two stock ideas](#) for new money now. And you can be one of the first to read his buy reports — just [click here](#) for all the details.

Disclosure: Cameron Conway does not own shares of any companies mentioned.

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