



## 3 Reasons Why Shaw Communications Inc. Belongs in Your Portfolio

### Description

One of the reasons why so many investors love the telecommunications sector is because it's just so darn steady. It tends to deliver consistent profits and dividends, without much in the way of surprises. Especially for investors looking for dividends, steadiness is an attractive trait.

The companies in the sector that are exposed to wireless tend to trade based on investors' expectations of their wireless business. **Telus Corporation** trades at a higher P/E ratio than **Rogers Communications** largely because the former is doing a good job growing its wireless business, while the latter is seen as struggling in the area. Therefore, Telus's P/E is approximately 20% higher than Rogers's.

That isn't an issue with **Shaw Communications Inc.** ([TSX: SJR.B](#))([NYSE: SJR](#)), which doesn't have a wireless division. It's Western Canada's largest provider of cable and satellite television, as well as being a leader in home phone and internet, with a total of 3.2 million customers. The company also has a large media division, owning television stations such as Global, HGTV, Food Network, and History.

Let's take a closer look at some reasons why the company belongs in your portfolio.

### 1. The moat surrounding cable

Although it's obvious that the cable business is struggling a bit because of cord-cutters, it's still a terrific business.

Think about your own cable bill. Each year it goes up, usually a little faster than the pace of inflation. Sometimes people get fed up and switch to a competitor, but that hardly seems worth the hassle. You know how to operate the remote and what number your favorite channels are. So you don't switch. Besides, chances are you have your internet and home phone with the same company, and all things considered cable is pretty cheap entertainment.

Shaw counts on that stickiness, and because of it the company can easily raise its prices enough to compensate for the few cord-cutters. Besides, folks without cable tend to splurge on faster internet packages, and potential cord-cutters can be often talked out of it with a well-timed offer of discounted

TV for a few months.

## 2. Wifi network

A few years ago, Shaw's execs were faced with a decision. The company acquired wireless spectrum and was looking to roll out its own wireless company. Should it spend the billions needed to make it a reality?

It didn't, choosing to spend some of the cash on a network of wifi hotspots across the west, which has since grown to more than 45,000 locations. Customers can access these hotspots for no extra cost from both their laptops and smartphones, giving Shaw an important perk to differentiate itself from competitors. It seems to be working, since the company is reporting churn from internet customers is down 35% so far in 2014.

## 3. A monthly dividend

Shaw has quietly become one of Canada's most consistent dividend growth companies.

Since the company moved to a monthly dividend in 2005, the annual payout has gone from \$0.20 per share to today's levels of \$1.10 per share. That's an annualized growth rate of approximately 21% per year. Investors probably can't expect growth to continue at that pace, but the 7% annual raise investors have enjoyed over the last 3 years looks to be pretty sustainable.

Shares currently yield 3.7%, which is on the low side compared to usual levels. The company tends to have a dividend between 4-5%, but shares are currently trading at a 52-week high, which explains the smaller yield. Investors looking for a little more yield can buy the company's series A preferred shares, which yield 5%, but come with a fixed dividend payment.

Shaw is a terrific company. It has a solid moat around its businesses, delivers a consistent growing dividend to investors, and is doing some interesting things to stand out from the competition. The only problem is it might be a little expensive. For 3 other dividend stocks that are a better value, read on.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

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