



Shaw Communications Inc.: Just Buy This Forever Stock Already

Description

There are certain boring businesses that we all know are great investments over the long-term.

A big one is telecommunications. Even though certain folks are cutting the cord from traditional cable, it's obvious that overall, we're consuming more media, not less. Perhaps the way we consume media will continue to evolve — after all, who could have predicted the dominant position **Netflix** has carved out, even a decade ago — but it's obvious that the infrastructure needed to get media to us will continue to be a pretty lucrative business.

But which name in the sector should you own? To be frank, you could probably own any of Canada's telecommunications giants and it would turn out to be a good investment. Not only has each sort of carved out a nice geographical niche, but each company's offerings are virtually the same. Nobody is really trying to undercut each other, and as long as a consumer gets a fast internet signal and access to the channels they like on TV, they're happy.

However, there is one company that I think is poised to do a little better than its competitors, and that's **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)). Here's why I think the company is poised to do well.

Wi-Fi network

During the period between 2007 and 2009, Shaw seriously considered a push into the wireless business, even going as far as acquiring spectrum during one of the auctions.

Ultimately though, the company decided to go in a different direction, taking the money it would have invested in wireless and putting it instead into a network of more than 45,000 wi-fi hotspots, which allow its customers to get access to reliable and secure internet while away from home. Some 1.25 million devices have already been registered.

In an era where cable subscriptions are slowly declining, capturing internet growth is important. And so far, it seems to be working. In 2014, the company picked up nearly 40,000 internet subscribers, which nearly made up for the decline in its cable business. Plus, it was able to pass on price increases to its

1.9 million existing internet subscribers.

Price stickiness

Usually once per year, every telecommunications company increases rates to its subscriber base, somewhere in the neighborhood of 5%.

Think about what happens when you see your cable or internet bill is a little higher. You might get a little upset, and maybe even threaten to jump ship to the competition. You might even think about cutting the cable cord for good.

But for the most part, you just shrug and pay it. Internet is pretty much a necessity in today's world, and when you look at it on a per day basis, paying \$70 or \$80 per month for cable is pretty cheap entertainment.

Most Canadians aren't price conscious enough to bolt to the competition every time they spot a better offering. And if they do threaten to switch, they can usually be appeased with an offer for discounted service for a few months. These are the types of customers that lead to a great performing business.

A great dividend

Shaw's business is exactly the kind of dividend growth investors want to get behind. It has customers who pay faithfully each month and who will accept price increases with a minimal amount of turnover, and it supplies a service which most Canadians don't want to live without. All these are signs of a company with terrific dividend growth potential.

Shaw has consistently delivered just that, increasing the monthly dividend each year since 2003. The company's current yield is 3.5%, and it is expected to raise the dividend again in the first part of 2015. Based on recent history, look for the payout to approach \$0.10 per share per month, good enough for a forward yield of 3.8%.

Shaw is exactly the kind of forever stock you want in your portfolio. It delivers predictable profits, a solid dividend, and it has a fantastic moat. Owning it is the closest thing to a no-brainer as you can get.

CATEGORY

1. Investing

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1. NASDAQ:NFLX (Netflix, Inc.)
2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:SJR.B (Shaw Communications)

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