



## Shaw Communications Inc.: This Forever Stock Would Look Great in Your RRSP

### Description

RRSP season is upon us again, with contributions due by March 2 in order to get a break on your 2014 taxes.

Contributing is just one part of the process; the much more important decision is still to be made. What investments should you use that money to buy? Should you invest for growth, yield, or a combination of the two?

In today's market, I think it's imperative to get at least some yield on the stocks you choose. As we all know, interest rates are dismally low, which dictates that bonds mostly act as a hedge against equities in a balanced portfolio. It's hard to get excited about an asset class with limited capital appreciation potential and 2-3% yields.

But when you combine the potential for 8-10% equity returns and a generous dividend greater than bond yields, there's the potential for a pretty exciting investment. That's exactly what **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) is offering at this point.

### The skinny

Shaw Communications is western Canada's largest provider of both cable and satellite television, as well as sharing the Internet and landline phone market with **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)). It briefly entertained a foray into the wireless market—even going as far as buying spectrum—before ultimately deciding it would be too expensive.

Let's look at the television business first. Although Shaw is slowly losing customers because folks are deciding to go without cable, it has the ability to increase prices faster than it loses customers. A business doesn't have much to worry about if it can increase prices 4% annually, while losing 1% of its customers.

Shaw's internet business is where it really shines. The company recently completed a program where it introduced more than 40,000 wi-fi locations across western Canada that are accessible to its customers who are looking for fast and secure internet while on the go. That, combined with

investments to make its network faster, has proven to be popular with consumers. Besides, it's easy to justify getting a faster internet package when you no longer have a cable bill.

## Valuation

Shaw isn't exactly cheap, but it's not very often a high-quality company like it ever gets truly cheap.

Think of Shaw as more fairly valued. It currently trades at 16.6x earnings, which is a little cheaper than most of its competitors. Earnings are expected to rise modestly to \$1.83 per share in 2015, and increase to \$1.92 in 2016, which puts the company at 16.2 and 15.4 times forward earnings, respectively. That puts it at a slight discount to the market, which is probably about right considering the company's slower-growth profile going forward.

## Dividend

The dividend is perhaps the strongest reason to invest in Shaw. As time goes by, it just keeps getting better.

Imagine you invested in Shaw a decade ago. You would have paid about \$12 per share (split adjusted) and could look forward to a dividend of about \$0.14 per share annually. Today, those same shares would be paying \$1.10 annually, good enough for a yield on cost of nearly 10%.

While there's no guarantee Shaw will repeat the last decade's worth of dividend growth, the company remains committed to raising its monthly payout. It has done so over the past five years at a pace of about 6% annually, a target that can reasonably be expected to continue.

Shaw is a fine company in a space where it's unlikely to ever see any new meaningful competition. It has a great moat, geographic protection, and generates plenty of predictable cash flow. Plus, if you own it, the dividends will be like getting a discount off your cable or internet bill. It's the kind of company that would look great in anyone's RRSP.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. NYSE:TU (TELUS)
3. TSX:SJR.B (Shaw Communications)
4. TSX:T (TELUS)

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