



Shaw Communications Inc.: 3 Reasons to Buy This Forever Stock

Description

If you're anything like me, you're not a fan of shelling out close to \$150 per month for cable and Internet.

But I keep doing it and so do you. We just can't live without Internet. It's amazing how something that was barely on anyone's radar screen 20 years ago has now become a utility as necessary as power or heat. The Internet has revolutionized everything from how we communicate to how we entertain ourselves.

And then there's cable. Sure, folks are cutting the cord and getting rid of their monthly subscriptions, but for the most part, people just keep right on paying. Until there's a service that lets me watch sports online, there's no chance I'm giving up cable. As I once told a friend, "you can pry the remote out of my cold, dead hands."

This is the kind of business you want to invest in. There are several companies to choose from in Canada, with one of my favourites being **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)). Here are the three main reasons why you should take a long look at this telecom powerhouse.

Going where the growth is

Let's face it. The glory days of everyone in the country giving companies like Shaw \$50-100 per month for cable are probably over. Television service will remain a pretty attractive cash cow for years to come, but subscriber growth will likely be nonexistent. The company is able to increase prices at a faster pace than it loses subscribers, which helps stem the bleeding.

The much more exciting part of Shaw's business is Internet. The company is looking to grow subscribers in one of two ways. First, it continually invests in its network, bringing faster Internet to its customers. As more of our lives migrate online, we're willing to pay more for faster service. Selling a customer a higher tier of Internet is almost pure profit.

Second, Shaw has a network of more than 45,000 WiFi hotspots scattered across western Canada, available for anyone with Shaw Internet at home to use for free. It's an attractive feature for just about

anyone, from the business exec who likes to work during his lunch break to the teenager who wants to check social media while at the mall.

A reasonable valuation

It's not very often a stock like Shaw becomes cheap. Investors looking to get into the name probably won't do a whole lot better than paying fair value for it.

That's about where shares trade right now. The current P/E ratio is 15.8, putting Shaw a little below most of its competitors. That's also about the average that it's traded at over the past few years.

Analysts are cautiously bullish on the company, expecting earnings to grow to \$1.83 per share in 2015, and then rise again to \$1.91 in 2016. It might not be the sexiest growth story out there, but Shaw is a tortoise, not a hare.

Look at it this way. If Shaw can grow earnings 5% annually and pay a dividend of 4%, you're looking at a pretty steady return of 9%. That's not bad.

A rising dividend

Over the last decade, Shaw has been one of the best dividend growers on the TSX. In 2005 the company paid just 1.16 cents monthly per share. After its most recent dividend increase, Shaw now pays 9.875 cents per share on a monthly basis. That's an annual increase of about 24%.

Investors can't realistically expect Shaw to have another decade of dividend growth that good, but a reasonable expectation would be for the dividend to grow about as fast as earnings, or about 5% annually. Considering the stability of Shaw's business and the quality of the dividend, I think most investors looking for income should be pretty happy with a 4.2% current yield and a 5% annual raise.

Shaw is a terrific company. It's a steady performer with a rock solid dividend. It's not very exciting, but I'll take predictable returns over excitement any day of the week. Perhaps you should too.

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