Shaw Communications Inc. Will Disrupt the Moats of the Big 3 Canadian Telecoms

Description

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR) will be a disruptor to the Canadian telecom scene. Canadians have always been very unhappy with the high prices that the Big Three telecom giants charge on cellphone plans.

Shaw versus the Big Three

The big three is comprised of **BCE Inc.** (TSX:BCE)(NYSE:BCE), **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) and **Telus Corporation** (TSX:T)(NYSE:TU), which have formed an oligopoly in the Canadian market for a long time. With the recent focus on its wireless segment and the continued investment it's making on it, we can expect that Shaw will take a huge chunk out of the moats of the Big Three, and the Big Three will shortly become the Big Four.

It's no secret that the acquisition of WIND Mobile for $1.6 billion is going to be a tough uphill climb for Shaw, especially considering how poor the WIND network is compared to the Big Three. Shaw sold off its entire media arm, so it could focus and invest in a wireless infrastructure that would be good for Canadians and bad for the Big Three.

Which direction does the WIND blow?

WIND is primarily known as a discount wireless carrier–one that is cheap for Canadians–but it doesn't always offer the best connection and lacks a 4G LTE data network. Shaw has been aggressively investing in this department; the 4G LTE network is set to be rolled out by 2017. Although Shaw's competitors already have a fully functional 4G LTE network available right now, the rollout, when combined with the discounted services as well as possibilities of bundling, will cause some fierce competition in the Canadian telecom scene.

Shaw still plans to keep WIND a discount carrier, but as it grows its network, we can expect that the company will have an interesting time balancing its profit margin, while trying to take customers from the competition.

WIND currently has the fewest paid subscribers at about one million, which is much lower than Rogers, BCE, and Telus, which all have subscribers north of the eight million mark. As Shaw continues to invest into WIND, it will be stealing market share away from the Big Three. And with Shaw's current, impressive bundling platform, we can expect great growth from this undervalued telecom play.

Great growth prospects, but what about the value?

Shaw is definitely one of the best growth plays in the telecom market, and this should capture the attention of dividend investors. We could have a rare opportunity of a high dividend combined with huge capital gains over the next few years, as WIND slowly takes subscribers away from the Big Three. It will not be easy as Shaw will need to invest wisely in the infrastructure. I believe Shaw has the ability to do this; consider that Shaw Open WiFi is a very successful rollout of free WiFi services for its customers.

Shaw currently trades at a hefty 22.96 price-to-earnings, but its price-to-book is at a ridiculously cheap 2.1, which is lower than its five-year historical average price-to-book value of 2.7. When considering the huge market share that is Shaw's to grab over the next few years, I believe it is one of the best value and growth plays on the TSX today.

Dividend investors will be very happy collecting the bountiful 4.5% yield, while collecting impressive capital gains and dividend raises over the next few years.

CATEGORY

1. Investing

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1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:SJR (Shaw Communications Inc.)
4. NYSE:TU (TELUS)
5. TSX:BCE (BCE Inc.)
6. TSX:RCI.B (Rogers Communications Inc.)
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