



Income Investors: Why Shaw Communications Inc. Is the Best Telecom to Own

Description

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)) reported a mixed Q4 2016 report, but the company got a big boost in revenue thanks to its new wireless business. There's no question that the Canadian telecom market is dominated by three major players, but Shaw is an undervalued telecom that's very well positioned to steal some market share from its competitors.

WIND Mobile rebranding to Freedom Mobile: a smart move by Shaw

Shaw's wireless division WIND Mobile has been rebranded to Freedom Mobile, which I believe is the right move Shaw's management. WIND Mobile didn't have the best reputation regarding its network; it was known as a discount carrier with a very poor signal. This rebranding to Freedom Mobile is necessary to replenish the reputation and represents big changes that Shaw may be rolling out for the wireless carrier.

Despite this rebranding, the CEO of Freedom Mobile stated that he "won't do anything silly" with prices. What will be a game-changer is the fact that Shaw will be investing heavily in improving the existing wireless network to include LTE service in dense areas like Vancouver and Toronto.

While Freedom Mobile won't have a comparable network to the Big Three anytime soon, I believe that the company will introduce pricing pressure and could steal customers from the three incumbents.

It's no mystery that Canadian wireless rates are among the highest in the world, and Freedom Mobile could be the answer for Canadians who don't want to pay so much for their mobile service but want a network that's good enough for their everyday tasks. This means a signal that is relatively strong in urban areas, and a data network that is reliable as well as affordable.

Finding the balance between affordability and reliability

While Freedom Mobile isn't going to outperform the Big Three in terms of network performance, I believe the company could find that sweet spot between pricing and performance that could trigger a huge chunk of Canadian customers to switch from their existing provider to Shaw's Freedom Mobile.

There's one big roadblock in the way of Freedom Mobile, and it's the inability to support **Apple Inc.** iPhones. This needs to be addressed if Freedom Mobile is going to make serious noise in the Canadian telecom scene.

Currently, the wireless band on iPhones doesn't support the protocol of LTE that is going to be offered by Freedom Mobile. It's going to be a tough sell to get iPhone fans to switch over to another device, but it is quite possible that the iPhone 8 may support Freedom's wireless protocol, and this could mean big problems for Freedom's competitors.

Shaw Communications also has fantastic internet and cable assets that it may bundle with wireless services in the future, and this could see wireless revenues soar.

Shaw has the green light to compete with the Big Three, and I believe it'll slowly eat away at their market share over time. Now may be the time to buy Shaw if you're a long-term investor that is bullish on this disruption to the Canadian telecom market.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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