



Why You Should Own Shaw Communications Inc.

Description

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)) is an underrated dividend-growth king that is set to be a huge disruptor in the Canadian telecom industry. I believe the stock is the best long-term play for income investors looking for value, growth, and a high yield.

The stock is still down 12% from its December 2014 high, and many investors have passed on the stock because they weren't fans of the acquisition of Wind Mobile, which has since been renamed Freedom Mobile. Sure, it was a pricey acquisition, and it won't make a huge impact on earnings in the short term, but in the long run, the wireless segment will be a huge driver of free cash flow that will be a catalyst for generous annual dividend increases. This short-term thinking created a very attractive entry point for long-term investors.

Shaw is taking things slow and steady with Freedom Mobile

Phillip Huang, a **Barclays** analyst, stated, "We are somewhat surprised that Freedom has not turned more aggressive in driving subscriber growth given its inherent advantage with pricing and market share." I believe the company will ramp up marketing when the time is right. The management team is focused on improving its network for now, but later down the line, we'll see Freedom get serious about growing its subscriber base.

The company wants to win over Canadian wireless users by attempting to find the perfect balance between affordability and reliability. Shaw has been investing heavily in improving its LTE network, which won't increase short-term earnings, but it will drive subscriber growth in the long run.

When will subscriber growth start soaring? It probably will sometime in the next three years once Freedom's network is improved. But don't expect subscriber growth to soar sharply over a given quarter. It's likely that subscriber growth will pick up momentum once the network is up to speed and the management team gets more aggressive with subscriber growth initiatives.

Terrific long-term growth prospects and a fat dividend yield

Freedom currently has the lowest average revenue per user because its phones and plans are miles

cheaper than those of the Big Three. Freedom's market share is in the single digits, so there's a ton of room to gain subscribers. It's the Big Three incumbent's subscriber base to lose, and I think it will be interesting to see how much of a disruptor Freedom will be over the next few years.

If you're an investor with a time horizon of five years or more, then pick up shares of Shaw Communications Inc. and collect the fat 4.26% dividend yield while Freedom Mobile becomes a major disruptor in the Canadian telecom scene.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/09/08

Date Created

2017/04/05

Author

joefrenette

default watermark

default watermark