



Shaw Communications Inc. to Beef Up Freedom Mobile: It's Time to Buy

Description

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)) soared over 3% in a single trading session following the news that the company is set to sell its data centre ViaWest Inc. to Peak 10 Holdings Corp. in a deal worth US\$1.675 billion (about CAD\$2.3 billion).

Shaw also stated that it is acquiring the 700 MHz and 2,500 MHz wireless spectrum licences for \$430 million from Quebecor Media Inc., which is a subsidiary of **Quebecor Inc.** ([TSX:QBR.B](#)).

Brad Shaw, CEO of Shaw, stated, "We believe this incremental investment in our wireless business, particularly with the addition of the 700 MHz spectrum, will materially improve our long-term wireless customer experience, and will further enable our ability to offer converged network solutions."

It appears that the management team is doubling down on its wireless carrier Freedom Mobile, which I believe is expected to be a major disruptor in the Canadian telecom scene. The spectrum licence deal is expected to close this summer and will allow Freedom Mobile to be a serious competitor of the Big Three incumbents as we head into the fall season, when many wireless users will have contracts finishing.

Jeff Fan, a telecom analyst, stated that the low-band spectrum will not allow Freedom Mobile to be on "equal footing" with the Big Three incumbents, but it would "narrow the network quality gap quite significantly."

There's still a lot of work to be done on Shaw's part to get Freedom Mobile to the same level as its Big Three peers, but I don't think the Freedom Mobile needs to be at such a high-performance level to become a major threat. The management team made it clear that Freedom Mobile is expected to remain a low-cost carrier.

Shaw hopes that Freedom Mobile will find a balance between network quality and affordability, such that Canadians will consider moving from one of the Big Three incumbents into Freedom Mobile.

Canadians pay some of the highest wireless rates out there, and I believe Freedom Mobile will be successful in becoming the fourth major wireless carrier over the next few years. The Big Three

telecoms will inevitably feel the pressure as Freedom Mobile goes after their subscribers going forward.

Mr. Fan believes that Shaw got a “good price” for ViaWest and that the Quebecor spectrum was at the “high end” of his range.

I think the rally that followed the deals is warranted. If you’re an income investor looking for major growth, then now is the time to buy Shaw, because it’s likely that the stock is going to get expensive once Freedom Mobile takes on the Big Three incumbents later this year.

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