Shaw Communications Inc. Is Serious About Wireless

Description

When **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) proposed entering the wireless space as an alternative to the incumbent trio of large Canadian telecoms, most people shrugged off the statement.

When Shaw sold off its media holdings and bought Wind Mobile, some people started to look at the company as a potential alternative over the long term.

When Shaw proposed turning the rebranded Wind Mobile into a national carrier with the coverage to match under the name Freedom Mobile, people acknowledged the company's vision.

With the latest announcements this month, few will dispute that Shaw is serious about its mobile play, and the trio of telecoms should finally start to look at how Freedom Mobile is going to evolve.

Shaw beefs up Freedom Mobile's network

Shaw recently completed two separate deals that, together, reaffirm that the company's vision of making Freedom Mobile a national competitor is one step closer to reality.

Shaw started the month by announcing it had sold its data centre business ViaWest in a deal reportedly worth $2.3 billion. Shaw purchased those assets just under three years ago for $1.3 billion, so the deal will net the company a cool billion.

Shaw's second announcement is where things begin to get interesting.

The second announcement was a $430 million deal for purchasing spectrum in Ontario, Alberta, and British Columbia from **Quebecor Inc**. The spectrum that is being acquired runs on the 700 MHz and 2,500 MHz frequency ranges, which will add to the legacy AWS bands inherited through the Wind deal.

In short, Shaw is boosting the coverage of its existing network and laying the groundwork for future updates, but Shaw still has a way to go before competing with the trio of other carriers; somebandwidth tests show that Shaw's network lags behind the other three by a factor of 10.

Is Shaw a good investment?

Most investors point to the fact that Shaw lacks a truly national wireless offering, and that it has a smaller footprint over the other carriers as a reason to bypass the company as an investment.

To counter that, here are three reasons why you should consider Shaw.

First, the mobile network that Shaw is building has potential from both a customer and technical standpoint. While the company may be over a year away from being a true national player, the network that Shaw will build will be newer and up to par with the other carriers, so that slowness factor will no longer be relevant.

Additionally, there's what I refer to as the "good guy" factor. The other three carriers are notorious for their customer service and billing issues. Any new entrant to the market that puts an emphasis on lower prices and better customer service will no doubt draw customers from all three carriers. This was a reputation that Wind had, and despite the small network, the company managed to lure customers away from the other carriers. Shaw has made a commitment to keeping that close attention to detail and aggressive pricing with the Freedom Mobile brand, so it will be interesting to see how it pans out.

Finally, from a results standpoint, Shaw remains a great investment. Shaw offers investors a monthly dividend of $0.09875, which, at the current stock price, provides a respectable 3.92% yield.

In the most recent quarter, Shaw reported a 13.3% increase in revenue over the same quarter last year, coming in at $1.3 billion. Free cash flow also increased in the quarter to $147 million, an increase of 23.5% over the same quarter last year.

Shaw added 33,000 new mobile subscribers in the quarter, highlighting both the value proposition and good-guy factor I mentioned above. In the same quarter last year, Shaw managed just 10,000 new subscribers.

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