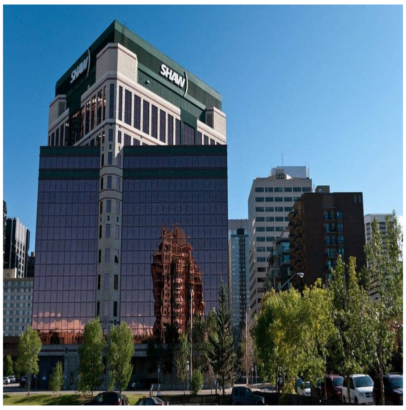

An Undervalued High-Yield Growth Stock Hidden in Plain Sight

Description

High yield and growth are seldom descriptions that are used to describe a single stock. When most think of high-yield dividend stocks, they think of boring, slow-growth stalwarts whose best days are already in the rear-view mirror. This is usually the case, but not always.

There are high-yield stocks out there that can cater to your income needs in addition to spicing up your portfolio with some growth. These stocks are perfect additions to your portfolio, regardless of whether you're a retiree who needs the dividend payments, or a young, growth-hungry investor who's looking for the next big disruptor.

While getting the best of both worlds (high dividend yield and a long growth runway) may seem like you may need to elevate your risk profile, in some cases, you may not to take on any additional risk when compared to your average blue-chip stock.

Consider **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR), a large telecom firm that's a household name for many Canadians. The company has been shying away from the wireless space, while the Big Three incumbents reaped the rewards from their virtual monopoly over the Canadian market for many years.

Freedom Mobile: A huge disruptive force that keeps getting stronger

Going forward, wireless competition is going to heat up as Shaw's wireless business Freedom Mobile starts to disrupt the Big Three's market dominance. Shaw has been investing heavily in Freedom Mobile and has been taking steps to make the wireless provider more attractive to the average Canadian wireless user. That means a solid quality network at an affordable price — an option that Canadians have lacked for far too long.

Although Freedom Mobile hasn't yet launched shares of SJR.B into the stratosphere, there are still many reasons to be bullish on Shaw and its wireless business. Freedom Mobile continues to improve its network, and its lineup of smartphones is expected to continue to grow. Over the next five years, I believe Shaw will gradually steal market share away from the Big Three incumbents, and that means Shaw's wireless segment will experience a huge amount of growth, which will spark very generous dividend increases.

BlueSky TV: Reinventing the TV viewing experience

It’s not just Shaw’s wireless business that’ll be hot over the next few years. Shaw has also beefed up its cable TV business with BlueSky TV, a game-changing technology which allows users to speak to their TVs through their remotes. When bundled with its attractive internet services, Shaw’s BlueSky TV packages are simply must-haves for many Canadians, both for the value and the innovation.

At a time when customers are cutting the cord, Shaw has turned things around with its BlueSky TV offering. Shaw isn’t shying away from tech, which has reinvigorated its cable business. Shaw’s peers continue to see continued weakness in the segment.

Bottom line

Shares of SJR.B currently offer a bountiful 4.14% dividend yield, which will likely grow by leaps and bounds over the next five years. The stock trades at a 26.15 price-to-earnings multiple, which may seem expensive for a telecom, but it’s important to remember that Shaw is a disruptor that will be stealing a tonne of business from its competitors. That’s a gigantic opportunity that I believe deserves an even larger premium, so, at current levels, I think Shaw is a growth stock with a dirt-cheap valuation and an attractive margin of safety.

Shaw is going to bring the pressure to the Big Three, and I believe they’ll be incredibly successful over the next few years. Shaw’s larger peers are already starting to feel the pressure, and I think investors will jump over to Shaw from their original wireless or cable providers because the value is just too good to pass up.

Stay smart. Stay hungry. Stay Foolish.

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Date
2025/09/08
Date Created
2017/10/11
Author
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