



## Could Freedom Mobile's \$0 Apple Inc. iPhone X Cause a Big 3 Crash in 2018?

### Description

The wireless business of **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)), Freedom Mobile, recently announced its plans to offer the latest line of **Apple Inc.** ([NASDAQ:AAPL](#)) iPhones (8, 8 plus, and X) for \$0 with select two-year contracts. Starting Black Friday, Canadians will be able to get a jaw-dropping deal on the hottest smartphones on the market with Freedom's affordable 10 GB data plan for far less than they'd pay with the Big Three incumbents.

### Make 'em an offer they can't refuse

In many of my previous pieces, I've predicted that Freedom Mobile would [eventually get the latest line of iPhones](#), and once it did, the company would ramp up its promotions, which it indeed has with its latest big gig (10 GB for \$50) plans on Freedom Mobile's newly upgraded LTE network.

A major reason for Freedom Mobile's slow start was due to the lack of iPhone offerings and the sub-par network. Starting next year, the LTE network will be vastly improved, and the availability of the iPhone X could cause many Big Three subscribers to jump ship over Freedom Mobile, since the offer is really too good to refuse! The delayed shipment in the iPhone X opens a huge door for Freedom Mobile to steal a tonne of subscribers away from the Big Three incumbents, which have been enjoying lower levels of churn of late thanks to cartel-like cost structures.

Freedom Mobile is one of the biggest disruptors in Canada today. The telecom industry is going to receive a huge shake up, and I believe it's not a matter of if Freedom Mobile will become the fourth major player; it's a matter of when. With \$0 iPhones offerings and an AWS-3 (band 66) spectrum, which offers blazing-fast LTE speeds, in place, I believe 2018 is the year that the Big Three telecoms finally feel the pain from Freedom Mobile's entry into the Canadian wireless space.

In a previous piece, I'd predicted that Freedom Mobile would start making [aggressive promotions at some point in the autumn](#) once the iPhone upgrade cycle had begun. The upgrade cycle has started; however, many analysts were surprised at how aggressive Freedom Mobile has been of late.

Freedom Mobile's iPhone X promotional pricing is "more aggressive than what we would have anticipated at this time," said Drew McReynolds, analyst at RBC Dominion Securities.

For many investors who've been following my pieces on Shaw and Freedom Mobile over the past year, this aggressive move should come as no surprise. This is an incredibly smart strategic move that will allow for the carrier to get the biggest bang for its buck as wireless subscriber contracts gradually end with the Big Three incumbents.

It's a gigantic opportunity to make up for lost time, and I believe Freedom Mobile will eventually achieve its goal of having 25% of the Canadian wireless market share. In fact, I think Freedom Mobile could potentially become a market leader many years down the road, since management has emphasized its plans to remain a lower-cost carrier in spite of vast network improvements over the years.

McReynolds believes that profit margins of the Big Three incumbents will be affected; however, he thinks that the overall impact will be "manageable."

I don't think this will be the case. In fact, I think the Big Three incumbents could be in for some deep trouble for 2018, as the pressures from Freedom Mobile begin to mount. I believe a mild correction in the Big Three stocks could be in the cards, so investors should prepare for such a scenario over the coming year.

### **Bottom line**

Even with the latest announcements, I still think the general public is underestimating the true potential behind Freedom Mobile. At this point, it looks like investors will start switching stocks once wireless users start to switch, but by then, it'll probably already be too late to cash in on what I believe is an opportunity to own shares of a business with a major catalyst that's trading at a significant discount to its intrinsic value.

I'd strongly urge investors to pick up shares of Shaw before the telecoms release their quarterly reports over the next year, which I believe will finally begin to show the effects of Freedom Mobile's disruption.

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2. NYSE:SJR (Shaw Communications Inc.)

3. TSX:SJR.B (Shaw Communications)

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