



## TFSA Investors: My Top Dividend Pick for 2018

### Description

The new year means another \$5,500 to contribute to your TFSA! If you have the cash handy, you should probably make the contribution as soon as you can, so you can put your money to work sooner rather than later.

**Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) is my top pick for dividend investors for next year thanks to the company's recent growth initiatives that have the potential to disrupt the Canadian telecom industry with the help of regulators. Shaw has spent a great deal on its wireless business, Freedom Mobile, in 2017; next year, the company will finally see its efforts pay off.

With recent upgrades to Freedom's LTE network, a beefed-up lineup of phones, and aggressive promotions, I believe Freedom will be a huge driver of Shaw's stock in 2018. Many analysts were surprised by Freedom's recent [promo ramp-ups](#), but I called the late 2017 promo ramp-up earlier in the year.

Analysts were puzzled as to why Freedom wasn't more aggressive with its subscriber-growth initiatives earlier in the year. The answer was simple, Freedom wasn't ready. There were no **Apple Inc.** iPhones in the lineup and the imminent LTE network upgrades hadn't yet been finished. It's clear that promo ramp-ups earlier in the year wouldn't have gotten the return on investment.

Late 2017 made perfect sense for Freedom to go all-in with its promotions, such as the Big Gig 10 GB data plans. The LTE roll-outs were finishing up in select markets such as Vancouver, Edmonton, Calgary, Ottawa, with Greater Toronto Area (GTA) upgrades being slated for spring 2018. The recently acquired 2,500 MHz spectrum, which allows for high-bandwidth functions like streaming, is being deployed with AWS-1 spectrum upgrades that will open LTE compatibility to a wider range of devices.

Shaw was looking to get the best return on its marketing efforts, and its timing is impeccable. Freedom currently controls less than 4% of the Canadian wireless market, leaving a tonne of room to grow as it goes after the Big Three incumbents.

It's important to note that Freedom's network is still weaker than those of its bigger brothers; however, in select markets like Vancouver and the GTA, the network performance has become more than

acceptable, especially for the lower price point versus the competition.

Freedom is a compelling value option for Canadians, and as the network continues to improve, I suspect we'll witness more wireless users switching to Freedom as the word of mouth spreads.

### **Aggressive wireless promos could fuel major earnings beats in 2018**

Freedom is a disruptive force which is going after the wireless subscribers of the Big Three. While the network won't cater to high-end users yet, I believe the recent \$0 down offerings will reel in a huge number of subscribers away from the Big Three incumbents.

Where else can you get the incredible new iPhone X for \$0 upfront for \$100/month on a 10 GB data plan?

For budget-savvy Canadians, that's a deal that's just too good to pass up, even if the network isn't the best in the world.

At first, I was skeptical of Freedom's inferior network, but after hearing from some folks who've had minimal issues with the LTE network in our area, I rushed to make the switch as soon as iPhones hit the shelves last week.

At this point, it looks like Freedom is riding the hype surrounding the incredible new iPhone X, which is arguably the biggest upgrade ever. To many, the iPhone X is just too expensive to purchase, especially with hefty upfront costs, but with Freedom's plans, many folks can grab the iPhone X for \$0 upfront with MyTab Boost financing, which is [substantially cheaper](#) than anything the Big Three incumbents can offer.

### **Bottom line**

I think analysts are underestimating the disruptive power behind Freedom Mobile. Recent promo ramp-ups could trigger the stock to pop once the company's fourth-quarter results are reported next year. Subscriber growth could be off the charts, so I'd strongly urge investors to consider adding a position in Shaw today. In the meantime, there's a juicy ~4% dividend yield to collect.

Stay hungry. Stay Foolish.

### **CATEGORY**

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