Which Is the Better Investment: Telus Corporation or Shaw Communications Inc.?

Description

Canada's telecoms have become increasingly competitive in recent years, offering aggressive pricing and services geared at both attracting and retaining customers. In fact, the telecoms have become so similar that investors are often left wondering which is the better investment option among the four biggest telecoms.

Let's look at both **Telus Corporation** (TSX:T)(NYSE:TU) and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) to determine which of these companies is the better fit for your portfolio.

The case for Telus

Telus is the largest of the two companies, with an impressive coverage area that rivals the largest telecoms in the country.

Telus is often noted as being a great investment opportunity, thanks to the impressive dividend. The current quarterly dividend has a payout of $0.5050 per share, which, at the current stock price, translates into a very attractive 4.23% yield.

The yield is not the only impressive aspect of Telus's dividend — the company has an established record of hiking the dividend, which, for long-term investors, may be reason enough to consider the stock. The most recent uptick was announced in the most recent quarter, representing a respectable 7.1% growth for the year.

That growth is also set to continue for the near future thanks to impressive results and growth prospects.

In the most recent quarter, Telus reported consolidated revenues of $3.4 billion, representing a 4% increase over the same quarter last year. That growth was primarily attributed to impressive numbers from the wireline and wireless segments, with the wireless segment alone gaining 124,000 new postpaid subscribers in the quarter.

Two key metrics for telecoms are the ARPU, which represents the average revenue per user, as well as the churn rate, or the ability to minimize customers flowing to competing telecoms. Telus is an industry leader in keeping churn low and, including the most recent quarter, has impressively recorded 20 consecutive quarters of ARPU growth.

The case for Shaw

Shaw may be the smallest of Canada's major telecoms, but the Calgary-based company has an intriguing strategy which could see the company gain massive market share over the next few years.

Shaw has lacked a national wireless offering until recently. That changed when Shaw picked up former wireless player Wind Mobile and subsequently sold off its media arm to invest in growing Wind's network and coverage.

The logic in doing this is sound for two main reasons. First, mobile subscriber growth has lucrative opportunities, as data-hungry customers are now doubling their data consumption with each passing year.

Additionally, by offering a compelling solution to customers that is aggressively priced, Shaw could lure customers away from the other big three telecoms who are increasingly becoming frustrated with growing bills.

Shaw has found a sweet spot that could become a source of massive growth for the company, particularly over the long term.

In terms of results, Shaw's wireless venture is beginning to show some promise. In the most recent quarter, the company added 41,000 new subscribers, bringing the total for the entire year to 103,000. With Shaw rolling out new device offerings and the now complete LTE-advanced network, those numbers should continue to grow.

Like Telus, Shaw makes for a great dividend investment. Shaw offers a monthly distribution of $0.09875 per share, which, at the current price, translates into a very appetizing 4.09% yield.

Which is the better investment?

Both Shaw and Telus would be great additions to any portfolio. Both have established dividends, growing market share, and prospects for future growth. Ultimately, it may come down to your appetite for risk and overall investment time frame.

In my opinion, Telus represents the better opportunity, at least for the moment. The dividend-growth history, current yield, and impressive results all point to continued success over the long term. Additionally, the growing ARPU and industry-leading churn rate provide a growing moat around the company that is becoming too tempting to pass up.

Shaw's growth prospects are impressive, but the wireless vision may still be too far out out for some. That's not to say Shaw that isn't a great opportunity on its own, but investors might want to diversify and select another growth-oriented stock that is poised to explode in 2018.

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Author
dafxentiou