



## Why You Should Swap Your Big 3 Telecoms for Shaw Communications Inc.

### Description

The Big Three Canadian telecoms have been market darlings for dividend investors for many years now. So, as an income investor, you may think it's a safe strategy to buy every dip you can, since the Big Three essentially form a triopoly in the Canadian telecom market.

Due to the lack of competition, the Big Three firms had cartel-like pricing, resulting in sky-high wireless rates that are among the highest in the world. Dividend investors profited big time over the last decade, as they were rewarded with huge gains and generous dividend hikes, but going forward, the Canadian telecom scene is changing forever with Freedom Mobile of **Shaw Communication Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) jumping into the mix.

Over the last decade, the Big Three telecoms have been magnificent holdings, but going forward, investors will need to readjust their expectations as the Big Three players deal with a rising interest rate environment and the introduction of Freedom Mobile, which I believe will gradually poach subscribers away from the Big Three providers, as heavily indebted Canadians gravitate towards a more affordable carrier.

I think Shaw's wireless business will experience an acceleration in subscriber growth in the latter part of the year, but I think the longer-term trajectory is something that's even more exciting. Right now, Freedom Mobile is a substantially cheaper option; however, its network is vastly inferior to its competitors — for now. This will change once we shift towards the next generation in wireless tech, 5G, which will essentially give Shaw a clean slate to catch up and even pull ahead of the Big Three with their superior but soon to be legacy infrastructure.

### What exactly is 5G?

It's the fifth-generation mobile network that's going to be the new standard over the next few years. It's profoundly faster than the currently available 4G LTE data network, and it has a greater capacity to support tonnes of devices that are simultaneously connected, essentially eliminating bottlenecks.

5G is unlikely to become available to Canadians before 2020, just to give you an idea of how long of an investment horizon you'll need to fully reap the rewards from Shaw's opportunity.

### **Why does Shaw have the advantage over the Big Three once 5G is rolled out nationwide?**

Regulators have been pushing for more competition in the wireless market for a long time now, and it's in the best interest of Canadians to have a new entrant in order to lower high wireless prices and set a new standard that Canadians deserve. That means Shaw will likely get [first dibs on new spectra](#) that are being auctioned off, and many other breaks the government may grant to give Shaw's wireless business a boost over the incumbents.

### **Bottom line**

Over the next five years, I believe the Canadian telecom scene will transform and become more like the U.S. telecom market, where fierce competition has sparked higher-quality service at a lower cost with ample promos available. In addition, the days of [lacklustre customer service and customer mistreatment](#) will also be coming to an end.

In short, Shaw is getting a clean slate when it's time to roll out 5G infrastructure and various advantages from regulators to break the triopoly and their associated cartel-like pricing practices.

I'm extremely bullish on Shaw, especially after the market recent sell-off. The company is both a growth and an income play that I think is hiding in plain sight! Medium-term investors will be rewarded by picking up shares today, but ultimately, it'll be the longer-term investors that'll profit the most profoundly as Shaw takes on the Big Three.

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**Author**

joefrenette

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