2 Top Telecom Stocks You Should Buy Together This Spring

Description

The Canadian telecoms have been a tough place to be of late. Interest rates are rising, and that's a clear negative for the capital-intensive telecom industry. In addition, the cartel-like price controls of the Big Three stand to be shaken up by Freedom Mobile of **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR), as the disruptor continues to double-down on both infrastructure upgrades and aggressive promos to poach subscribers away from the Big Three incumbents.

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For many retirees who rely on their monthly income, it can be a confusing time. The telecom scene is undergoing a huge change with a new entrant in a more challenging environment where the costs of borrowing will be increasing with time at what could be a more rapid rate than many of us are expecting.

A strategy to profit from the changing Canadian telecom landscape

While it may be tempting for retirees to throw in the towel on the telecom industry as a whole by choosing to load up on bonds instead, I think the better strategy moving forward would be to protect one's portfolio against the potential telecom industry shake-up by owning a position in the disruptor itself (Shaw) to complement a position in one Big Three firm — not just any company in the Big Three though, as there are remarkable differences in each of their underlying businesses; most notable is their ability to retain subscribers once the landscape becomes substantially more competitive.

At this point in time, the most attractive Big Three player, I believe, is **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI), which recently clocked in a blowout first quarter, sending class B shares surging ~6% in a single trading session. Rogers's management delivered tremendous cost improvements under CEO Joe Natale.

"He has already made a spectacular difference. Our company is stronger than it was, we are more competitive in every business that we're in," said Chairman Edward Rogers.

Furthermore, there appear to be no weak spots in Rogers's armour, as the company is not intending to lower prices in order to be more competitive with the lower-cost Freedom Mobile. As the lowest-yielding Big Three telecom, Rogers is focused on growth, which will be essential as the next generation

(5G) of wireless infrastructure is rolled out in the midst of what could be a break-up of the cartel-like practices previously implemented by the Big Three players.

With Rogers's incredibly talented management team, I think investors will be able to capitalize on above-average capital gains over the next three years, even with Freedom Mobile breathing down its neck.

Bottom line

At these levels, I'd recommend owning both sides of the story, the disruptor and a disrupted, in Shaw and Rogers. By playing both sides of the equation, you'll be able to capitalize on what I believe are the two highest-growth names in the Canadian telecom scene. Rogers and Shaw are both firing on all cylinders to get the next leg up on what could be a fiercely competitive environment over the next three to five years, as 5G wireless infrastructure starts getting rolled out.

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