Opportunity of a Lifetime to Buy This Canadian Disruptor While You Short Sell These 2 Disruptees!

Description

The long/short play I'm about to present to you involves going long an "underrated" disruptor and going short on disruptees that I believe will suffer at the hands of the disruptor.

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As you may have heard, **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) has broken into the Canadian wireless scene by storm. Freedom Mobile, Shaw's wireless business, has taken a huge leap since it was acquired as WIND Mobile over a year ago.

Shaw has invested a great deal in improving its newfound assets without raising its wireless rates. Actually, ridiculously aggressive promos have actually caused an apparent inflection point in subscriber-growth momentum. I believe this subscriber-growth momentum is going to accelerate, and it's going to come at the expense of the Big Three incumbents.

Moreover, Shaw is really stepping into the turf of **Telus Corporation** (TSX:T)(NYSE:TU) on the west coast in wireline and now wireless. One can only expect Shaw's aggressive promos to involve bundling and massive discounts on both wireline and wireless products, and that's going to leave a major dent in Telus's top-line growth numbers.

Many analysts have downplayed Shaw's potential effects on the Big Three players; however, I believe this is a huge mistake. Sure, Telus's wireless network is far superior than Freedom's will ever be over the next decade; however, it's Telus that's getting pressured, as it simply can't lower rates to Freedom's level without an abysmal return on invested capital.

Telus is all about delivering the best service, which may seem like a great strategy on the surface to retain subscribers, but I think many value-conscious Canadians would rather save big with a "good enough" network than continue paying some of the highest wireless rates on the planet to a "top-tier" wireless provider.

As Shaw continues to reach and surpass this “good enough” network level, that’s when I think we’ll witness a profound movement of subscribers from the Big Three to Freedom Mobile.

When will Shaw surpass the “good enough” level?

Over the next four years, after 5G networks are rolled out. All the telecoms will get a fresh slate, and the only difference is the Big Three players will have a tonne of “premium” rapidly depreciating network assets on their hands.

What else could accelerate the movement of subscribers from the Big Three to Freedom?

In the event of a recession, I believe we’ll see a profound number of subscribers flock over to Shaw from a Big Three provider like Telus or **BCE Inc.** (TSX:BCE)(NYSE:BCE). In this day and age, everybody needs a phone, and one way to cut costs with a minimal degree of pain is to go with a cheaper provider.

Canadians are already heavily indebted, and with the recent underwhelming jobs report, it’s clear that Canadians can’t afford to keep paying absurd monthly costs for wireless services to go with their “unfair” overage expenses that are enough to make any Canadian cringe with disgust.

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Bottom line

Both Shaw and Telus have similar dividend yields at the time of writing (~4.6%). By having a look at the long-term chart, you’ll see that Telus shares have flat-lined, whereas Shaw shares have taken a pretty nasty ~25% fall from 2014 highs.

Given that Shaw is the disruptor with huge growth potential in a challenging environment, and that Telus and BCE are poised to spend a boatload of cash just to maintain the wide performance gap to retain subscribers, I think going long Shaw and going short Telus (and/or) BCE is a terrific strategy to profit off one of the biggest Canadian industry shake-ups in recent memory.

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2018/05/24
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