There's a Massive Opportunity to Get Rich off the Wireless Sector Right Now

Description

Canada's telecoms have long been viewed as superb additions to nearly any portfolio. While that view hasn't changed recently, what has changed is the increasingly competitive landscape in the wireless market, and how both **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) and **Shaw Communications** (TSX:SJR.B)(NYSE:SJR) are approaching the incredible opportunity.

Wireless is fast becoming the new battleground for telecoms. We are using our devices more often for a greater number of uses — trend that is only going to grow as the proliferation of IoT devices and the upcoming 5G roll-out bring forth a new wave of subscribers and devices.

Rogers goes on the defense

Rogers is a true behemoth. The company not only has one of the largest networks in the country but also has an impressive media portfolio comprising TV and radio stations, as well as an interest in professional sports teams.

In the most recent quarter, Rogers added 122,000 new subscribers to its wireless segment, far surpassing the 90,000 that analysts were expecting, registering the best growth numbers in the segment that Rogers has seen in a decade.

Keep in mind, however, that that was *last* quarter. The following quarters are likely to be even stronger considering that they include the busy back-to-school and holiday periods.

The renewed growth from Rogers is part of an initiative by the company to improve upon service and get churn rates down and stem the flow of customers to competitors like Shaw.

Shaw goes on the offense

Shaw has until very recently lacked a mobile offering. When the company brilliantly realized what it was lacking and the potential it held over the long term, Shaw moved on purchasing the former Wind network with the aim of upgrading and expanding the network out in order to rival the other three big telecoms. It was a bold move by the company that even saw it sell its media arm in a multi-billion dollar deal to finance the Wind purchase.

One of the appeals of the Wind network was the favourable customer-first approach that made it a disruptor in the industry. This made the company feverishly popular with contract-cutting customers seeking a true alternative.

Shaw has pledged to keep that same spirit alive within its aptly named Freedom Mobile offering, and so far the company has garnered an impressive number of subscribers, taking 5% of the market in the first year.

Where should you invest?

Both Rogers and Shaw make compelling cases for a long-term investor to contemplate. On the one hand, Rogers already has a massive network that is already built out and a large, but not incredibly loyal base of subscribers with multiple inroads to cross-sell to other parts of the business.

On the other hand, Shaw is slowly building out its own network, but can use its favourable perception in the market to continue to siphon out customers from Rogers and other competitors.

If I were to choose one as an investment, at this juncture my choice would be to invest in Shaw, which I can attribute for two reasons. First, the company is riding on a high sentiment at the moment, having captured a small but still significant portion of the wireless market. Ironically, Shaw's strength at drawing in customers from its competitors plays into its still limited coverage umbrella brilliantly.

The second point worth noting is that Shaw's stock price is trading at a discount, mainly as a result of the loss reported in the most recent quarter. That loss was attributed to Shaw's 37% interest in **Corus Entertainment**, which coincidentally posted a dismal $935.9 million loss that resulted in Shaw's $284 million impairment charge and subsequent $91 million loss.

Finally, there's Shaw's dividend to consider. Shaw offers an appetizing monthly dividend with a 4.71% yield that far outpaces the quarterly 2.82% yield that Rogers offers.

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Author
dafxentiou