Tired of Your Telecom Investment? Here’s a Different Option to Consider

Description

Canada’s telecoms, along with the big banks, have frequently been viewed as great investment opportunities.

That opportunity is based on the idea that Canada’s telecoms are ideally suited as defensive stocks that can provide income for decades through their handsome dividend payouts, strong subscriber base, and an arguably stable revenue stream.

There is, however, a different option over the traditional Big Three telecoms that is worthy of consideration: **Shaw Communications** (TSX:SJR.B)(NYSE:SJR).

Why you should seriously consider Shaw

Despite being the fourth-largest telecom in the country, Shaw has, at least until very recently, lacked a wireless option that could compete with the other three.

That changed when Shaw acquired the assets of Wind Mobile. Wind Mobile had a wild following of subscribers and was seen as a disruptor in an otherwise restricted industry. Wind was innovating far beyond anything that the other three carriers could offer. Contract-free plans, lower price points, and true device portability were prime examples of how Wind absorbed a sizable market share, despite having such a small coverage footprint.

Shaw pledged to keep that same spirit going with its aptly named Freedom Mobile, even divesting its own media holdings to finance the purchase and expansion of Wind’s former network.

To say that the venture has been successful so far would be an understatement.

As of the most recent quarter, Shaw has managed to cut out a 5% share of the wireless market in Canada, which is amazing considering that the carrier is still aggressively expanding its network.

This is an interesting point to take into consideration, as the Big Three telecoms have offerings, coverage areas, and price points that are so similar, they may as well be viewed by consumers as one company.

As Freedom Mobile grows in size and becomes more of a disruptor, expect big costly changes to manifest over to the traditional carriers, not unlike what retailers went through when internet commerce began taking a chunk of their traditional revenue models.

Wait! Didn't Shaw post a loss last quarter?

In the most recent quarter, Shaw posted a loss of $91 million, but that was mostly attributed to a $284 million impairment charge that Shaw took because of the company's stake in **Corus Entertainment**, which had a dismal quarterly loss of $935.9 million and slashed its dividend by 80%.

Fortunately, that was a one-time event, but it did drive the stock down. Over the past three-month period, Shaw has shed 8% of its value, which, for long-term investors, screams "buying opportunity."

Results for the fourth fiscal quarter are expected next month.

Final thoughts

Shaw represents a great investment, which comes down to opportunity, growth, and income.

Shaw has a massive opportunity to continue to capitalize on the almost glacial pace of change at the other carriers. Freedom Mobile is the first real option that offers something different for subscribers to turn to apart from the Big Three.

From a growth standpoint, Shaw is expected to continue expanding its network, and with that expansion comes a larger portion of subscribers that Freedom Mobile can attract from the other carriers.

Finally, there's Shaw's dividend. Shaw offers a very attractive payout that currently translates into a yield of 4.74%, which is significantly higher than some of its peers and distributed monthly.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/07
Date Created
2018/09/27
Author
dafxentiou