Shaw Communications Inc. (TSX:SJR.B) Is a Discounted Long-Term Defensive Play

Description

There are plenty of lessons to take from the market fluctuations of the past week. While the markets did see some of their worst days in years, there are still plenty of opportunities to invest in some great long-term stocks right now, such as **Shaw Communications** (TSX:SJR.B)(NYSE:SJR).

Along with nearly every other stock on the market, Shaw dropped as much as 4% last week, but has since erased those gains. Here's what you should contemplate when considering an investment in Canada's fourth-biggest telecom.

Why Shaw?

Shaw is a great investment choice that is perfect for the current climate for a few reasons.

First, the nature of Shaw's core business is only poised to grow. While consumers are trying to pull away from the traditional telecom services such as Cable TV and wireline phone service, internet connectivity and mobile phone plans are moving away from being luxury or nice-to-have services to necessities of our modern world.

By way of example, just consider the growing list of devices that our mobile phones are replacing at an accelerating rate. Everything from alarm clocks and notepads to cameras and calendars is now on our mobile devices using data that the telecoms are charging us for.

Incredibly, Shaw didn't have a wireless network until recently. The company acquired the assets of former carrier Wind a few years ago, divesting its media arm to become a pure-play telecom and pledging to Wind's former customers that Shaw would continue to offer service at an affordable rate, which was contrary to the higher rates but better coverage than that charged by the Big Three.

The idea is that Shaw can appeal to disgruntled customers of the Big Three in the markets it has coverage in with its preferential pricing and service, while concurrently building out its national network to counter the Big Three on a national basis.

The tactic must have worked because Shaw has already captured more than 5% of the market in a short period of time.

Finally, there's the network itself to consider. Most investors realize that Shaw is a defensive stock, thanks to that recurring and increasingly necessary business model that will remain intact irrespective of which way the market turns. To capture a small portion of the mobile market, Shaw had to offload its media arm and invest billions on a multi-year plan of infrastructure construction on top of Wind's prior network, as well as setting a retail model that drew customers in. The chances of another competitor emerging to disrupt the segment further are incredibly unlikely.

Why now?

One interesting point to make a note of is that Shaw's stock has been edging lower over the course of the past few months. Over the course of the past year, Shaw has retreated over 10%, making it an interesting option for long-term investors seeking a discounted addition to their portfolio. The opportunity also grows further given that Shaw offers an impressive monthly distribution that currently provides a 4.85% yield.

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