



## Considering Canada's Other 2 Telecoms as Investments

### Description

Canada's telecoms are often mentioned as great defensive investments that also pay investors a handsome dividend. That statement is, for the most part, true, with the two biggest telecoms [posting solid earnings](#) and growth figures during earnings season. But what can we say of Canada's other two less-mentioned telecoms, **Telus** ([TSX:T](#))([NYSE:TU](#)) and **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#))?

Let's take a look at them both and determine which of these two should command a spot in your portfolio.

### The case for Shaw

Shaw is often excluded from conversations pertaining to the Big Telecoms in Canada, owing to the fact that the company has a smaller coverage footprint and, until recently, did not have a mobile offering to counter the other carriers.

That all changed when Shaw divested its media arm to become a pure-play telecom and bought the assets of former telecom, Wind Mobile. Wind was a true disruptor to the mobile market in the country, offering non-contract service and competitive prices years before the other three wireless telecoms even attempted to offer a similar service. Wind also put an emphasis on customer service, which, when compared with the often negatively perceived service provided by the other carriers, allowed it to absorb a large number of disgruntled customers from the other carriers.

The fact that Shaw is now offering that mobile service, appropriately named "Freedom Mobile," is perhaps the greatest reason that investors should reconsider the stock. Shaw has pledged to continue to the service and pricing models that Wind offered, and Shaw's vastly deeper pockets should ensure that the company continues to expand the tiny network that Wind had.

Another key point to consider is Shaw's stock price. The company reported a loss earlier this year that was due to its stake in **Corus Entertainment**, which posted a dismal loss and slashed its dividend. While not directly linked to Shaw, the damage was done, and, as a result, the stock is down 8% this year, representing a unique opportunity for [value-minded investors](#).

As a dividend investment, Shaw offers a monthly distribution with a yield of 4.79%.

### **The case for Telus**

Telus is the third-largest telecom in the nation, which also coincidentally happens to be trading near its 52-week low. The downward trend can be attributed to a variety of factors, but the two worth noting now are interest rates and spending. Telecoms are great defensive stocks, but they typically have plenty of debt, which is fine when interest rates are low but begins to become an issue as rates begin to creep up, as they are in the current environment.

That being said, rates will need to come up a lot more before investors should really be concerned, which leads me to the second point.

Telus has been spending on both upgrading its network and investing in various programs, such as the \$120 million donation announced this week towards establishing a foundation to help troubled youth, and Telus's "Health for Good" mobile program.

With respect to its network, Telus's investment in maintaining high-speed access with good coverage was one of several reasons why the company has seen consecutive ARPU growth during earnings season, lower customer churn, and higher-data-speed access than its peers.

In terms of a dividend, Telus offers an attractive 4.64% yield.

### **The better investment is...**

Both Shaw and Telus provide a handsome opportunity for investors. Telus's history as a great dividend investment with strong growth as well as its continued ARPU growth and low churn rate continue to be the envy of the industry. That being said, the opportunity poised by Shaw's disruptive entry into the mobile space as well as the discounted opportunity provided by the stock at the moment are too hard to pass on.

In my opinion, Shaw represents a better opportunity for long-term investors at the moment.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:SJR (Shaw Communications Inc.)
2. NYSE:TU (TELUS)
3. TSX:SJR.B (Shaw Communications)
4. TSX:T (TELUS)

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