Time to Consider a Different Telecom Investment?

Description

Canadian telecoms, particularly the Big Three, are often mentioned as being some of the best investments in the market. Part of the reason for that rationale stems from the fact that they offer compelling services that their customers need (more on that in a moment), which, in turn, allows them to provide handsome dividends for investors.

One telecom outside of the Big Three that is worthy of a fresh look is **Shaw Communications** (TSX:SJR.B)(NYSE:SJR).

Much like its peers, Shaw offers a similar array of subscription services to its customers, with the exception of its wireless unit — Freedom Mobile. Freedom Mobile is a recent addition to Shaw's portfolio; it was formed through the purchase of and buildout of the former Wind network. To facilitate the purchase and setup of Freedom Mobile, Shaw sold its media arm, becoming a pure-play telecom.

While Freedom Mobile currently has a much smaller coverage area than its larger telecom peers, it offers a few compelling cases for investors to consider.

Shaw is a disruptor, and its peers know it

One of the primary criticisms of Shaw's peers is that they lack any noticeable differences from the perspective of their customers. All of the other telecoms offer similar service and price levels, and, in the case of the wireless segment, have some of the highest fees and least-competitive offerings in the western world.

By way of comparison, Shaw inherited the momentum of Wind, which offered off-contract pricing, lower fees, and higher-quality service aimed at luring customers from other carriers to the aptly named Freedom Mobile.

To say that the measure has been a success so far would be an understatement.

Despite only having a fraction of the coverage area of its peers, Shaw continues to grow its mobile sector at an impressive rate, which has already laid claim to 5% of the Canadian mobile market.

The importance of having access to mobile data is increasing with each passing quarter. Less than a decade ago, the thought that a mobile device would be responsible for over 100 distinct uses, and the phone function itself no longer serving as the primary function of the device would be unthinkable. That potential is set to expand even further, as the advent of 5G networks and devices prepares to roll out over the next year.

Telecoms are well known for offering handsome dividends, and Shaw is no exception. The company currently offers a handsome 4.70% yield, but unlike its peers, Shaw's distribution is on a monthly schedule, which is an added bonus for income-seeking investors.

Turning to stock growth, the stock has been relatively flat over the past two years, and year to date the stock has dropped over 10%. Much of that drop was attributed to a dismal loss reported earlier in the year, which was actually attributed to a charge made on its holdings in a media investment.

In my opinion, Shaw remains an excellent long-term option for growth and income-seeking investors, and it is currently trading at a discounted level.

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dafxentiou