A Telecom Stock Offering the Best Growth Potential in 2019

Description

Telecom utilities offer one of the best avenues for income investors to earn steady income. In Canada, they operate in a very favourable regulatory environment, where competition is not too fierce, as it is in the U.S.

The other attraction of owning telecom stocks is that they pay handsome dividends that grow over time and rewards the buy-and-hold investors. Canada's telecom market is dominated by four players — **BCE Inc.** (TSX:BCE)(NYSE:BCE), **Rogers Communications Inc**. (TSX:RCI.B)(NYSE:RCI), **Telus Corp.** (TSX:T)(NYSE:TU), and **Shaw Communications Inc**. (TSX:SJR.B) (NYSE:SJR).

If you're looking to buy one of these dividend stocks, the main challenge for you is to pick a player with the best potential to offer both capital gains and growth in the payout. After analyzing these stocks performance over the past one year, I believe Shaw Communications is well-positioned to outperform other players. Let's take a deeper look at this stock.

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Emerging stronger after restructuring

Shaw, the smallest operator among the big four, has been a laggard in 2018. The Calgary-based company, which owns the Freedom Mobile and the country's second-largest cable TV operation, underwent a major restructuring that included cost-cutting and massive investments to improve its wireless network.

These measures, in my view, have positioned the company for the future growth despite its stock's dismal performance in the past one year. Early signs suggest that the company is well on track to increase its wireless subscriber base and improve its profitability.

In the fiscal year that ended in August, Shaw's Freedom Mobile had a 22% jump in subscribers to more than 1.4 million. The division's average revenue per user increased by 9% to $41. During the fourth quarter, Shaw added 85,000 new wireless customers, beating analyst expectations for about 63,000 additions.

During the quarter, Freedom Mobile's average monthly billing also rose 9% as the company was able to fetch a better pricing on its data plans. Even after this improvement, the company still has a lot of room to improve its revenue as its wireless network improves and covers more of the Canadian population. Other carriers report average billings per user of more than $60 a month.

Bottom line

Trading at $25.13 at the time of writing, Shaw offers 4.7% forward annual dividend yield and pays $1.19 a share payout annually. After a 12% drop in its share value over the past 12 months, I see the stock is attractively valued and ready to surprise in 2019.

Shaw offers a good growth opportunity in Canada's matured telecom market. The recent restructuring and the company's increasing market share in the wireless segment signal better days are ahead for this telecom player.

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