The 1 Defensive Stock to Collect Monthly Income While Waiting on Future Growth

Description

There's no denying the fact that telecoms make for some of the best defensive investments on the market. Everything from their monthly recurring billing cycle, strong subscriber numbers, and aggressive marketing tactics all lend themselves to why every portfolio should contain at least one of Canada's Big Telecoms.

Shaw Communications (TSX:SJR.B)(NYSE:SJR) is Canada's fourth largest telecom and is often excluded from the list of those Big Telecoms. That's an unfortunate exclusion for investors, as Shaw has several compelling reasons that investors may want to consider now more than ever.

Apart from the typical wireline, internet, and TV segments, Shaw has until fairly recently lacked a wireless segment. That new segment, which the company has named Freedom Mobile, currently has a much smaller footprint than any of the Big Three and is focused entirely on the metro areas of Toronto, Ottawa, Calgary, Edmonton, and Vancouver. Interestingly, those five areas compose nearly half of the population of the country, thereby allowing Shaw to compete with its peers in the larger markets while it continues to build out its network to additional markets around the country.

Speaking of additional markets, an existing agreement with prominent retailers announced last year will begin to see Freedom Mobile devices for sale and on display in over 600 locations across the country starting next month. Given that Shaw has so far captured 5% of the market with little to no fanfare apart from within its branded stores, this latest effort could finally see Freedom Mobile become more of the market disruptor that investors have been waiting for.

Collect income now and growth will follow

Like its larger peers, Shaw offers an attractive dividend to investors in the form of a monthly distribution with an impressive 4.79% yield. Shaw's dividend has also been subject to over 7% CAGR over the past decade, making the company an ideal long-term holding. Despite that strong yield, Shaw hasn't hiked its dividend in nearly four years, but that shouldn't exclude the company from being a strong candidate for income-seekers today.

Shaw is continuing to grow its wireless network. When coupled with increasingly attractive wireless plans and device offerings, the company's current coverage footprint has allowed Shaw to quickly establish a base of loyal customers representative of 5% of the overall market from its larger peers. By example, in the most recent quarter, Shaw added an impressive 85,000 new subscribers to its still limited network. With numbers for the next quarter still a week out, investors can expect a similarly positive uptick in subscribership to follow over at least the next two quarters.

Shaw's move toward becoming a pure-play telecom was a bold, but necessary move. Smartphones have moved on from being status symbols for easy communication to necessities of our everyday modern society, replacing hundreds of previously owned single-purpose devices that are no longer necessary. As the provider of that data service that makes our devices that much more useful, Shaw is in some ways also becoming a necessity.

In my opinion, Shaw represents an excellent long-term opportunity for growth and income-seeking investors. Buy it now and watch it grow.

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