Why It's Finally Time to Bet on Shaw Communications' (TSX:SJR.B) Wireless Initiative

Description

When **Shaw Communications** (TSX:SJR.B)(NYSE:SJR) announced that it would bring to market a wireless network to rival the Big Three telecoms, few people took the Calgary-based telecom seriously, noting that the incredible costs in building out a network to even come close to the other telecoms would take billions in investment and years, if not a decade or more to bring to fruition. The Big Three, which control approximately 90% of the market, was dismissive of the move by Shaw.

Following that announcement, Shaw spun off its media segment and purchased the assets of the former Wind Mobile. Wind's network footprint was tiny – limited to parts of Ontario, a smaller chunk of B.C and an even smaller slice of Alberta, but Shaw pledged to build that network out over time, and upgrade it to the latest LTE network.

Perhaps equally as important, Shaw pledged to keep the elements of what made Wind wildly popular: superb customer service, no contract pricing, and monthly rates that were well below what the other telecoms were offering.

That is perhaps when the other carriers awoke to Shaw's potential, and it has mostly been a fairy tale ever since for Shaw and investors. More important, if you haven't already considered a small position in Shaw, now might be an opportune moment to do so.

Why Shaw?

Critics of Shaw's wireless play often note the immense uphill battle that Shaw has to even become a relevant player in the Canadian wireless market. To answer that, let's revisit the network size of the now aptly-named Freedom mobile.

Shaw's network is still only focused on the metro areas of B.C and Alberta, as well as the corridor extending from Ottawa toward the golden horseshoe around Toronto and smaller pockets near London and Windsor.

Existing roaming agreements extend that coverage to areas between towns across several provinces, but for the most part, Shaw's home network is still fairly small, which is the point that critics latch onto.

Fortunately, as a wireless provider that is still relatively new to the market, that extended coverage falls secondary to a strong home market. As long as Shaw can continue to garner subscribers within its growing home network, the size of its overall coverage network (which is still growing) shouldn't be a primary concern. Still, that current smaller network size still covers nearly 16 million Canadian homes.

As for growth, Shaw's wireless sector continues to see strong growth, with 86,000 new subscribers added to the company in the most recent quarter. Also noteworthy is that not only is Shaw attracting subscribers to its new network, but the company is increasingly able to keep those customers from leaving.

In the most recent quarter, churn saw an impressive reduction to just 1.28% following what the company noted due to enhancements to both Shaw's network as well as customer service improvements.

In terms of results, the wireless segment contributed $273 million, or one-fifth of the $1,355 million in revenue earned, reflecting a solid gain over the $171 million in revenue earned in the same period last year.

Should you buy?

Everything mentioned so far points to strong growth for Shaw, but potential investors considering Shaw should also take into consideration the income-producing potential of the company. In short, Shaw offers investors a monthly dividend that currently provides an appetizing 4.28% yield, which is comparable to the yield offered by Shaw's peers.

Shaw has stated that the focus of the company will be on expanding its wireless service, which means that dividend hikes may be further apart than in previous years. However, given the incredible long-term potential of Freedom Mobile and the already handsome payout on offer, it seems like a fair compromise.

In my opinion, Shaw remains an excellent long-term option for investors looking for growth and income.

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dafxentiou