



TFSA Investors: Shaw Communications (TSX:SJR-B) Top 2019 Buy

Description

Shaw Communications ([TSX: SJR-B](#))([NYSE: BCE](#)) announced new *Big Gig Unlimited Data* plans in Nanaimo and Medicine Hat, Alberta.

The move comes as telecommunications companies prepare for 2020's 5G rollout. The lower prices and improved service will give Shaw a competitive edge post-5G.

Nevertheless, the company will see competition from major competitors such as **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), **Cogeco Communications** ([TSX:CCA](#)), and **Rogers Communications** ([TSX:RCI-B](#))([NYSE:RCI](#)).

Tax-free savings accounts (TFSA) and registered retirement savings plans (RRSP) will benefit from owning telecommunications stocks heading into the 2020 rollout. Shaw Communications offers great value at a relatively low share price below \$30.

Meanwhile, investors with more cash on hand to save should look closely at Cogeco Communications, as it offers substantial earnings per share price value to investors.

Shaw Communications

Founded in 1966 in Calgary, Shaw Communications is one of Canada's oldest communications companies. Shaw provides broadband internet access, WiFi, video, and digital phone services to residential and business customers.

Last month, Shaw announced earnings at \$0.33 per share – 32% more than analyst forecasts of \$0.25 per share. In one year, Shaw has almost quadrupled its cash balance and increased its net receivables by 16% since last year.

The company offers investors a price-to-book (P/B) ratio of 2.24, which is 80% of the industry average.

Given the company's current market price and shares outstanding, the company could easily soar 25%

over the course of next year. In addition, shareholders can expect a dividend yield of 4.6% at the current share price of \$25.89.

Cogeco Communications

Founded in 1972, Cogeco Communications ([TSX:CCA](#)) is a profitable, Montreal-based telecommunications corporation. The company offers broadband internet and digital video programming services.

The company also offers business customers managed cloud services, session initiation protocols, and software efficiency services.

Cogeco boasts a strong international presence in the United States and Europe in the quickly growing cloud hosting and data colocation segment.

As part of the enterprise movement toward [Infrastructure as a Service](#) (IaaS), demand for colocation data storage and cloud services are quickly outpacing supply.

On July 10, Cogeco announced earnings per share of \$1.96 for Q3 2019 – 11% more than analyst forecasts of \$1.77 per share. The company offers investors strong earnings at 7.6% of the current share price of \$104.24. Cogeco's cash balance grew to five times its value last year.

The downside is a low dividend yield of 2% that struggles to compete with competitors like Shaw Communications.

Foolish takeaway

In general, telecommunications companies are the best industry pick for 2019. Given the excess demand for data storage, processing, and cloud hosting services, almost all the major telecommunications corporations will offer TFSA and RRSP investors strong returns over the next year.

For investors looking for the most undervalued telecom stocks, Cogeco and Shaw are the best buys right now with the potential for the strongest stock price performance.

Dividend investors may prefer Shaw communications for the larger dividend yield, while those investors willing to bet on alpha returns may enjoy adding Cogeco to their portfolio.

CATEGORY

1. Investing
2. Tech Stocks

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1. NYSE:SJR (Shaw Communications Inc.)
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3. TSX:SJR.B (Shaw Communications)

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