



Why I've Flipped My Recommendation on Shaw Communications Inc. (TSX:SJR.B)

Description

There is (perhaps, was) a lot to love about **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) and the growth story the company portrayed.

This growth story I've previously touted – one of a smaller once-regional competitor of major national Canadian oligopolistic brands, emerging from the fray as the leader in cost-effective high-quality cellular service (at scale nonetheless), appears to be in question.

The cost of cellular plans is a point of pain with most Canadians, and as I've [pointed out](#), is among the highest in the world. With Shaw seemingly looking to compete on price in this sector, hope for a reasonably priced cellular plan may not be lost for the average Joe.

This has been my main investing thesis for Shaw in recent years, though it appears the competitive landscape has shifted, making picking a telecommunications giant a trickier proposition in this market.

For Shaw investors, the fact that **Telus Corporation** has not decided to play along and ruin the story Shaw was providing has dimmed hope that the smaller regional player can usurp the big dogs, at least from a growth perspective.

Telus has recently announced sweeping changes to its pricing strategy, becoming yet another telecom to offer attractive wireless plans with unlimited amounts of data for a fixed price.

These plans have forced other large players such as **Rogers Communications Inc.** to compete on price — a scenario that doesn't bode well for the industry at large.

With margin growth likely to remain muted in the sector because of high fixed and variable costs relating to infrastructure, investors seeking any sort of growth story in this sector will be hard-pressed, leaving only the most devoted long-term investors interested in yield.

For such investors, a dividend yield of 4.8% in a company like Shaw is nothing to sneeze at, and in our low interest rate environment makes investing in such a company an interesting option given the low

bond rates and fixed income yields.

That said, Telus' current yield of 4.9% is superior to that of Shaw, making the investment decision for someone looking to put fresh cash to work in this market one which still leans toward Telus.

Bottom line

In this current market, I tend to agree with fellow Fool contributor Nelson Smith on this one, preferring [Telus over Shaw](#), and I believe the fundamentals for Telus at this point in time remain more solid than those of Shaw.

For investors seeking telecom exposure today over a long investing time horizon, I would encourage taking a deeper dive into Telus' long-term outlook and compare to its peers.

Stay Foolish, my friends.

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