TFSA Wealth: A Top Dividend Stock to Back Up the Truck on by 2020

Description

Shaw Communications (TSX:SJR.B)(NYSE:SJR) is growing its wireless business at such a rapid rate that it poses a threat to the Big Three incumbents, who've enjoyed the benefits that come with being a member of a triopoly.

Freedom Mobile, Shaw's up-and-coming wireless carrier, is picking up traction. With new telecom tech acting as a clean slate for the new entrant, we could see subscriber growth momentum fuel gains in Shaw stock over the next three years, as the Big Three slowly but inevitably becomes the Big Four.

In the meantime, a fierce price war is likely, with aggressive American-style promos until a Nash equilibrium can form with four players sharing approximately 25% of Canada's wireless market share. While the road to the equilibrium is subject to how Shaw fares in its infrastructure rollout, one thing is for sure: federal regulators who desire lower cellphone bills for Canadians will be on the Shaw's side.

More recently, Shaw pulled the curtain on its fourth-quarter results, which sparked a 9% rally off $25 lows, just days after the broader basket of Canadian telecom stocks tumbled on weak results from **Rogers Communications**.

After Shaw fell over 4% in a single trading session in response to Rogers's 8% single-day decline just over a week ago, I'd urged investors to buy the dip in Shaw because it was "one of the authors of Rogers's pain" and the fact that telecoms were trading together was a sign that there were opportunities to be had for those who took the effort to do the homework.

"As the economy grinds to a slowdown, look to wireless subscribers to gravitate towards the lower-cost option in Freedom Mobile as the two-year contracts of many Canadians finally reach their expiry date." I said in a prior piece. "Shaw has an unfair advantage and will be forcing its bigger brothers to play in its arena, with unlimited data, no overages, and much lower fees."

Given that Rogers hasn't been handling the high demand for unlimited mobile data plans very well for the quarter, it seems as though the Big Three incumbents may be due to face more such bumps in the road in future quarters.

Back to Shaw's rally-inducing third quarter. The company missed reported average revenue and EBITDA numbers, beating analyst expectations by just a cent. While the overall top- and bottom-line numbers themselves were nothing to write home about, the growth posted in the wireless business was something to be excited about.

For Q4, wireless service revenue jumped 12% year over year, EBITDA soared 30%, and margins also improved by 230 bps. The company posted 72,000 postpaid customers, which is impressive considering Rogers, a much larger company with a superior network, posted just north of 100,000 for its quarter.

Shaw's price undercutting strategy is working. As its infrastructure improves, with prices remaining below average, I see Freedom Mobile taking even more share from the incumbents, which will be aided by an economic slowdown (cheaper mobile plans will reign supreme in such an environment) and a transition to new telecom tech.

Shaw sports a 4.4% yield at the time of writing and is positioned for above-average growth going into 2020. Add the promising reverse head-and-shoulders (H&S) pattern that could form, and I see the name as one of the TSX's timeliest bets today.

I'd buy the stock for my TFSA here before it has the opportunity to jump to $31.

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Date
2025/08/24
Date Created
2019/11/07

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