



Why You'd Be Smart to Buy Shaw (TSX:SJR.B) Stock for Your TFSA in 2020

Description

Shaw Communications ([TSX:SJR.B](#))([NYSE:SJR](#)) could be one of the biggest [value](#) opportunities to come out of the Canadian telecom market in recent memory.

The Big Three telecoms have enjoyed outsized gains in the past thanks to a low degree of competition in Canada's wireless scene. The days of absurdly high mobile carrier fees are slowly coming to an end thanks to Shaw's wireless business Freedom Mobile, which continues to gain momentum.

Shaw's forcing the competition to play in its arena

In prior pieces, I've highlighted the fact that Shaw was forcing its bigger brothers to play in an arena with lower fees, unlimited data plans, and attractive promos.

As the fourth major player in Canada's wireless market, Freedom Mobile has disrupted the status quo with its competitive pricing, and could transform a relatively uncompetitive triopolistic market into a fiercely competitive one that mirrors the wireless scene in the U.S., where red-hot promos, price undercutting, and all the sort are standard.

Shaw's wireless infrastructure isn't as stellar as its peers just yet, but Canadians have already shown with their wallets that they're willing to trade a bit of wireless speed or reliability for the extra monthly savings.

Rogers Communications suffered a significant [drop](#) after releasing its last round of quarterly results, which included a lowered forecast due to a higher demand for unlimited mobile data plans.

I referred to Rogers' weak results as "the first big hit to the chin of a Big Three telecom dealt by Shaw's wireless business" due to the "pressure" applied to the incumbents to "follow suit or face substantial wireless subscriber losses."

As Shaw continues investing heavily in its wireless business to get the network quality closer to its peers, I suspect Freedom Mobile will take considerable share until the Canadian wireless market

eventually reaches a Nash Equilibrium, whereby all four major carriers will share close to an equal slice of the wireless pie.

While execution risk could still prevent Shaw from hitting its goal of obtaining an equal 25% share of the Canadian wireless market, I do think there's enough evidence to suggest that Shaw already has what it takes to hit its ambitious target over the next five years.

Freedom gaining momentum

For the fourth quarter, wireless service revenue grew 12% year over year, while wireless EBITDA increased 30% in 2019, with margins that improved by 2.30%. In short, Freedom Mobile is firing on all cylinders and could pick up significant momentum as it looks to poach more subscribers from the Big Three carriers.

The momentum isn't stopping at just wireless, as Freedom recently launched fast, affordable home internet in Albert and BC, with 150 Mbps speeds for only \$55 per month when combined with Freedom's Big Gig Unlimited plans. The bundling opportunities are encouraging and could accelerate Shaw's relative growth further over the intermediate-term.

Foolish takeaway

Shaw is a high-growth player that could enjoy substantial double-digit growth numbers moving forward with Freedom. I think Shaw will continue to steal the lunch of its bigger brothers in 2020 and see significant margin expansion as investors finally realize the opportunity to have their cake (a high yield) and eat it too (above-average growth).

So, if you're looking for a stock to buy for your TFSA this January, look no further than Shaw.

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