1 Top Defensive Dividend Stock to Buy Now

Description

Singling out a good investment in a volatile market can be daunting. This week that volatility pushed the market to a new grim milestone. As a result, that volatility has pushed the market back to 2017 levels.

As investors navigate this volatile new reality, many are turning to defensive stocks that can offer a dividend. Fortunately, many of those investments now trade at exceptional discounts at the moment.

Meet the new defensive Shaw

Shaw Communications (TSX:SJR.B)(NYSE:SJB) has developed a reputation in recent years as the underdog of Canada's telecoms. Telecoms are well-known as being great defensive investments. But why opt for an underdog?

The reason for that designation stems from Shaw's wireless segment, Freedom Mobile. The aptly named Freedom Mobile was designed to be a true alternative to the Big Three.

In short, Freedom offers generous data allowances and very competitive (if not better rates) when compared to its peers. Where Freedom falls short is on coverage. Freedom's network coverage is largely based on the now-defunct Wind mobile network.

Shaw has also added to that network through spectrum auctions at a considerable expense. In order to finance its mobile business, Shaw even sold off its lucrative media arm, becoming a defensive pure-play telecom.

To be fair, building out a national wireless network is both expensive and time-consuming. The Big Three don't expect Shaw to compete across all markets in Canada yet, which works fine for Shaw and allows the company to offer a lower price in focused markets to disgruntled customers of its peers.

Why such a huge investment in mobile? Wireless connections have overtaken landlines. Additionally, smartphones have already replaced scores of standalone devices and countless more are added each year. Smartphones have become an expression of our digital self, and the next greatest upgrade is always months away.

For Shaw, that insatiable demand and reliance on those devices come with the promise of additional recurring (and growing) revenue. That growing necessity is one key reason why Shaw is a stellar defensive stock to own.

Should you buy?

The biggest questions on investors' minds at the moment are when to buy (and never, ever consider selling now!). Nobody is expecting the current market volatility to end anytime soon. As well, trying to predict when exactly is best to buy is almost impossible.

Rather than focusing on trying to catching a falling knife, prospective investors should look at how discounted a company is. Again, Shaw's defensive reputation is a key consideration for prospective investors.

Currently, that discount amounts to a whopping 25% year-to-date. Furthermore, Shaw's current P/E of 14.45 is lower than all but one of its peers.

In terms of results, Shaw's first-quarter results from January showed growth on a number of fronts. Freedom Mobile's added 67,000 new customers in the quarter, which helped bump segment revenue up by 18% year-over-year.

In a similar vein, adjusted EBITDA saw impressive gains of 8.1% to $588 million when compared to last year. Finally, consolidated revenue gains of 2.1% in the quarter showed long-term promise.

Turning to dividends, Shaw offers investors a monthly dividend that carries an appetizing 4.94% yield. Furthermore, Shaw's dividend is both well covered and competitive despite lacking the annual bumps that its peers offer.

In summary, Shaw remains a stellar long-term investment option for nearly any portfolio. Between the handsome monthly dividend and significant growth prospects, Shaw has something to offer any investor seeking a defensive stock.

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