Buy This TSX Stock While it Is Still Down

Description

The equity markets around the world have shown strong resilience over the past several days. Despite the continued increase in COVID-19 cases, stock markets have rebounded strongly. While many fear that a bigger fall is in the offing, I have an opposite view. I believe this is the time to buy stocks that are still down or else it will be too late. One such stock on my radar is **Shaw Communications** (TSX:SJR.B)(NYSE:SJR).

Shaw Communications stock is still down by more than 13% so far this year. Further, it is trading about 18% lower than its 52-week high of $27.91. Meanwhile, Shaw Communications provides critical and essential services, which makes its business resilient to the current environment. Further, the company continues to add new customers and pay consistent dividends.

Why buy Shaw Communications stock?

Shaw Communications is one of Canada's leading telecom companies. Though it is smaller than the Big Three telecom giants, it is steadily growing its customer base in the wireless segment. Shaw's Freedom Mobile has emerged as a disruptive market competitor, thanks to its innovative pricing and packaging. Freedom Mobile, through its Big Gig Unlimited plans, offers greater value to customers by providing more data and no overage fees. Meanwhile, through its Absolute Zero offerings, customers can afford premium phones without any upfront fees or extra monthly charges.

In the most recent quarter, Shaw Communications added 54,000 net postpaid subscribers. The company now has a wireless customer base of about 1.8 million. The strong growth in the customer base reflects continued demand for its innovative Big Gig Unlimited plans and Absolute Zero pricing and packaging options.

The wireless segment's key operating metrics remain solid. The segment's average billing per subscriber per month (ABPU) and average revenue per subscriber unit (ARPU) is witnessing steady growth, despite the increased competitive activity. The wireless segment's ABPU came in at $43.84, implying an increase of 6.8%. The ABPU continues to benefit from net new customer additions and increased number of customers subscribing for its higher-value service plans. ARPU stood at $38.45 in the second quarter, up 3.1% year over year.

Investors should note that the company's dividend has been steady over the years, despite the company's increased investments in growth initiatives. Shaw Communications currently offers a dividend yield of 5.2%, which looks lucrative. Further, the company expects to generate substantial free cash flows in 2020, despite challenges related to the COVID-19 outbreak, which is likely to support its strategic initiatives and dividend payout. Shaw's steady business and consistent dividends make it a perfect income stock.

Shaw Communications maintains a strong liquidity position and expects to deliver a year-over-year growth in EBITDA and free cash flows in 2020.

Bottom line

I believe that the coronavirus will have a severe impact on the economy in the coming months. However, people with a long-term view shouldn't worry much and continue to buy fundamentally strong stocks. Shaw's steady growth in the revenue-generating units and healthy dividend payout make it an attractive long-term investment option.

The company will continue to add new customers, thanks to its affordable and innovative pricing. Moreover, expansion to new regions augurs well for future growth.

CATEGORY

1. Coronavirus
2. Investing

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