



## Telecom Stocks: Shaw (TSX:SJR.B) vs. Telus (TSX:T). Which Is the Better Buy?

### Description

Telecom stocks are some of the most important businesses to own on the **TSX**. The telecom industry is crucial to our economy, making the industry a must-own for any well-diversified investor.

When telecommunications were first invented, the industry was more of a luxury industry. Even up until a few decades ago, owning a cell phone wasn't necessary.

Today, however, things are much different. Telecom is a staple of the economy, making it a highly defensive industry. Having access to communications and an internet connection is a must in this day and age.

This is what makes these TSX telecom stocks such great investments. Because they are defensive, they are top businesses to own through a recession. And even during the pandemic, which is unlike any normal financial crisis, telecom companies continue to show impressive resilience.

In Western Canada, the industry is dominated by two main players, **Telus** ([TSX:T](#))([NYSE:TU](#)) and **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)), but which is the better buy for investors today?

### Long-term growth stock

Shaw is an exciting stock with an established wireline business and a rapidly growing wireless business.

The company may be one of the best options for [dividend-growth investors](#). In addition to being a major telecom and having a relatively defensive business, Shaw has tremendous long-term upside with the growth potential of its wireless segment.

Its current business has been impressive so far through the pandemic, seeing only minimal exposure. This has given management the confidence to reiterate its guidance for free cash flow this year. Also, management believes that the balance sheet is in good shape, and the dividend can remain intact.

The dividend currently yields more than 5.25% — a very attractive quality for a high-potential growth stock like Shaw.

One last factor that makes Shaw a buy today is its relative value compared to the other TSX telecom stocks.

This made sense that it was discounted, as the market was selling off. However, now that the market is rallying, and investors have been rotating into value and growth stocks, Shaw should start to see some major gains in its share price.

## Highly resilient TSX stock

Telus doesn't have as much growth potential as Shaw. However, what Telus lacks in growth opportunities, it makes up with the stability of its business.

In late February and early March, when the market was crashing, Telus stock outperformed Shaw. By the time the market bottomed on March 23, Shaw had lost roughly 30% of its value vs. Telus, which lost just 23%. This is exactly the benefit of owning Telus.

Investors know the telecom stock is strong and resilient. Furthermore, in comparison to Shaw, Telus has lower risks; therefore, the stock performed better during the bear market.

One reason why investors would favour Telus in this environment is because its business is already essentially fully established. Shaw, however, has opportunities it still has to execute.

With Telus, you know what you're getting. A great long-term diversified telecom business. Its business has taken a minor hit from coronavirus, but management believes it may still be able to hit its free cash flow guidance, as long as it can execute on a \$250 million cost-cutting initiative.

Nonetheless, this is all short-term noise and really doesn't affect a robust business like Telus long term. The one noteworthy impact is, management deferring a regularly scheduled dividend increase. However, this is likely just out of an abundance of caution.

Plus, the dividend still offers a 5% yield at these prices. So, it's no wonder why Telus is one of the [top stocks](#) on the TSX, especially for long-term investors.

## Bottom line

In my view, both TSX telecom stocks could be considered buys today. It all comes down to personal preference. For those investors who want slightly higher risk but the potential for more long-term capital appreciation, Shaw is the better choice.

However, if you just want to own a great long-term business that you don't have to worry about, Telus is the stock for you.

## CATEGORY

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:SJR (Shaw Communications Inc.)
2. NYSE:TU (TELUS)
3. TSX:SJR.B (Shaw Communications)
4. TSX:T (TELUS)

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