10 Times Growth in 10 Years? Don't Miss Out on This TSX Tech Stock Pick

Description

As I've written in the past, **Shaw Communications Inc** (TSX: SJR.B)(NYSE: SJR) is, in my opinion, this Canadian telecommunications pick for growth investors. The company's potential to grow into prominence as a top three player in the Canadian telecom oligopoly has been a key reason many investors have built stakes in Shaw in recent years.

default watermark

Unfortunately, the company's stock price has not performed to the same degree as its peers. In this article, I'm going to discuss the bull and the bear case for owning Shaw today.

Bull case

There are a ton of reasons to own Shaw. Readers can reference number of my previous pieces for more information. I think the entire telecommunications sector is due to have a resurgence in the coming years. This is especially relevant as investors have flocked to defensive, safe cash-flow rich companies like Shaw.

The growth of the5G rollout will be the tide that lifts all boats. That said, from a pricing perspective, Shaw has positioned itself as one of the better carriers for those with concerns about the high price tags of many data plans today.

In that regard, Shaw has essentially pre-empted moves by the Canadian government to rein in the pricing of data plans in Canada, which continue to be among the most expensive in the world. The secular growth trend alone is very bullish for Shaw stock long term. This will be further highlighted as the company continues to take market share away from its peers.

Shaw's respectable dividend is greatly considered to be safe. This is another great reason to own the stock, particularly for those with income needs in the future. Shaw has been rumored for a while to also have some potential of being a takeover target.

Whether anything materializes remains to be seen. However, there is a solid case for why Shaw could be targeted as a hostile takeover target in the future.

Bear case

I do indeed like Shaw's growth potential relative to its peers. However, the company is much smaller than its rivals. This size disadvantage amplifies cost pressures and potential pain down the road from increased regulations.

Shaw is doing a great job, in my view, of trying to get ahead of these headwinds. However, the company could feel the pain of restrictions on pricing, should Shaw's growth trajectory flatten.

Additionally, many of the issues around legacy businesses, particularly cable, remain a serious long-term headwind the company will have to battle. Whether Shaw's growth in its mobile/cellular segment will be enough to offset losses in its legacy businesses due to court cord-cutting remains to be seen.

The fact that there are so many forces at play here means investors certainly have their work cut out for them. They must decide whether Shaw is a stock they want to have in their portfolio.

For now, however, Shaw does not make my cut. I'll be observing how the company does in its upcoming earnings reports from the sidelines.

default watermark

CATEGORY

1. Dividend Stocks
2. Tech Stocks

POST TAG

1. canada
2. tech
3. telecommunications

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Tech Stocks

Tags

1. canada
2. tech
3. telecommunications

Date
2025/08/14
Date Created
2020/07/11
Author
chrismacdonald

default watermark

default watermark