3 Reasons I'll Never Sell Shaw Communications (TSX:SJR.B)

Description

Are you invested in **Shaw Communications** (TSX:SJR.B)(NYSE:SJR)? If not, you may want to revisit that decision. Shaw is one of Canada's largest telecoms with plenty to offer investors, both now and over the longer term. Here are just a few of the many reasons why Shaw is part of my portfolio, and really should belong in your portfolio too.

Shaw is a defensive play

The COVID-19 pandemic taught us the importance of including one or more defensive stocks in your portfolio. The pandemic also reminded us that not all investments are immune to the massive changes in the economy we saw this past spring.

Fortunately, Shaw remains a stellar defensive option for any portfolio.

Over the past decade, no single segment has gained as much importance in our daily lives as the need for a connected mobile device. We now use our mobile devices for hundreds of purposes, which have eliminated standalone devices we once used. In fact, the calling functionality that our smartphones offer now ranks as one of the least-used capabilities. Instead, it's device connectivity that is now the most important and sought-after feature.

That growing reliance on connectivity isn't just limited to mobile connections, however. Shaw's internet offerings have proven to be a key element of the work-from-home movement that has maintained the economy during the pandemic.

By example, in the most recent quarter, Shaw reported wireless service revenue came in at $206 million. When compared with the same period last year, Shaw reported an impressive 17% gain. The company also saw ARPU jump by 2.6% in the quarter to $38.94.

In other words, Shaw is good for your portfolio for long-term growth.

Shaw is innovating on the Big Three

Mobile connectivity is the largest growth segment for telecoms. In the case of Shaw, the company has until fairly recently lagged behind its larger peers.

When Shaw rolled out Freedom Mobile, the company introduced service offerings that customers wanted. More importantly, these were features that the Big Three were not providing. Freedom Mobile is available in selected areas around major metro areas. Outside of those areas, Freedom Mobile customers rely on nationwide roaming agreements.

In those limited areas, Freedom Mobile competes for customers with the Big Three, having established itself as the fourth national player. As Freedom's coverage area continues to grow, Shaw can offer aggressively priced and generous plans to more subscribers.

While that plan is impressive, it's not a game changer. Until Freedom's coverage is on par with Shaw's peers, there's little Shaw can do to retain those customers it has taken from the Big Three.

Enter Shaw Mobile.

Last month the company announced Shaw Moblie as a new offering to customers in Alberta and B.C. Rather than competing with Freedom Mobile, Shaw Mobile will complement Freedom's existing network.

The new service makes use of Shaw's LTE service, but also leverages Shaw's massive network of WiFi hotspots across the western parts of Canada. The stitched-together hotspot network runs on Shaw's fibre optic backbone, meaning that speeds will be fast.

To sweeten the pot, Shaw is offering promotional prices to existing internet subscribers.

I would be remiss if I didn't mention this isn't the first time a carrier used a WiFi network to bolster cell service. A similar stopgap was used by **T-Mobile** in the US market a decade ago while it was building out its own network. Coincidentally, that gamble paid off and today TMO's coverage is among the best in the U.S. market.

Shaw is a great income stock

Like its telecom peers, Shaw offers a tasty dividend backed up by the defensive revenue stream I mentioned above. There's one key difference with Shaw's dividend over the Big Three: frequency. Shaw's dividend is distributed on a monthly cadence which makes it a superb choice for both income-seeking and growth-focused investors.

The current yield amounts to an impressive 4.41%.

To put some context around that dividend, a $25,000 investment would provide near $100/month in income. In the event you don't need that income, reinvesting that dividend will provide gains on a monthly basis.

Final thoughts

Shaw is a unique investment with plenty of long-term potential. Investors looking to diversify their portfolio will not be disappointed with this buy-and-forget gem.

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