My Telecom Pick for 2021

Description

2020 is finally coming to an end this week. Unfortunately, the volatility we saw in 2020 will likely continue well into 2021. For investors, this means that adding one or more defensive stocks to your portfolio now could be a good idea. Utilities and telecoms are among the best defensive options to consider. Today, let's talk a bit about my telecom pick for 2021: **Shaw Communications** (TSX:SJR.B)(NYSE:SJR).

Shaw is different, with plenty to offer

Shaw is neither the largest or most well-known of Canada's telecoms. In fact, Shaw sits outside of the Big Three telecoms both in terms of revenue and coverage. So, where exactly does Shaw differ from its larger peers? Here are some of the points that investors should take into account.

First, Shaw is a pure-play telecom. The company sold off its media arm to finance its entry into the mobile space. Shaw's mobile offering now include both Freedom Mobile as well as Shaw Mobile. The latter was introduced this summer as a means for existing Shaw internet customers in Alberta and British Columbia to bundle into a wireless plan.

That wireless segment is the second point worth noting. Wireless connections have grown in importance in recent years. Smartphones are no longer seen as phones with data connections, but rather data-enabled devices that have a phone app. That also means that smartphones (and the data connections they provide) have become a necessity of our modern world.

As new devices and data-thirsty apps come to market, data consumption and, by extension, revenue will continue to grow. Keep in mind that while this happens, Shaw will continue to expand its coverage and aggressively target existing customers of the Big Three telecoms. That factor alone makes Shaw a compelling telecom pick for 2021 and beyond.

Results, growth, and income

Shaw is set to report results on the first fiscal of 2021 on January 13, 2021. Until that happens, we can look back to how the company fared in Q4. During that most recent quarter, Shaw reported consolidated revenue of $1.35 billion in the quarter, while adjusted EBITDA came in 11.2% higher than the same quarter last year to $594 million.

Turning to the ever-important wireless segment, in the fourth quarter, Shaw realized 60,000 net new subscribers. The drivers behind that bump included increased retail traffic (compared with the prior quarter where stores largely remained closed) as well as the impact of Shaw Mobile. ARPU growth of 4.2% to $39.65.

In terms of a dividend, Shaw offers investors an attractive 5.29% yield. That places Shaw on the upper side when compared with its larger peers, if not the entire market. Adding to that appeal is the fact that Shaw provides that dividend on a monthly cadence instead of the more common quarterly distribution. This makes Shaw's dividend an appealing option for income-seeking investors.

What makes Shaw a telecom pick for 2021?

There's no single factor that makes Shaw a superb investment. Instead, there are a variety of factors that make Shaw a top telecom pick for 2021. The defensive nature of the telecom business is appealing, as is the monthly dividend on offer. Finally, Shaw's growing mobile business provides an avenue for long-term growth.

In short, buy Shaw now and hold it for the long-term growth and income it can offer.

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