Shaw Communications (TSX:SJR.B) Is a Great Investment

Description

Buying into one or more of Canada's telecoms is always a great investment. There are plenty of reasons for that view, ranging from offering handsome dividends to their stable and defensive business models. But which of Canada's telecoms should you invest in?

Today, let's take a look at why **Shaw Communications** (TSX:SJR.B)(NYSE:SJR) could be a great investment for your portfolio.

All about Shaw

Shaw is not the largest or most renowned of Canada's telecoms, but it does have significant potential. Like its larger peers, Shaw offers the typical slew of subscription services. This includes wireline, TV, internet, and, most importantly, wireless segments.

That wireless segment is steadily growing in importance. A little over a decade ago, wireless devices were primarily seen as communications devices. Today, wireless devices are seen as digital companions for our daily lives. In fact, few people may realize the number of standalone devices that smartphones have eliminated in the past few years.

That was part of the rationale behind Shaw jettisoning its media segment to purchase the defunct Wind Mobile network. The company has invested heavily in growing that network since then, and Shaw has established itself as the fourth-largest carrier in Canada.

The move also established Shaw as an alternative to the traditional big three telecoms. Shaw marketed itself as that true alternative with generous data allowances and contract-free plans that lured in customers.

Is Shaw still a great investment?

There's another interesting reason why Shaw is a great investment. The telecom made news recently when it was announced that **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) made a $26 billion offer to buy Shaw.

Part of that offer included Rogers purchasing all issued and outstanding Class A and Class B shares at a price of $40.50. This represents a solid gain over both the pre-announcement and current price. As of the time of writing, Shaw trades at just over $35 per share.

What does that mean for investors? There are several key points for current and prospective investors to make a note of.

First, as appetizing as the deal sounds, it still needs regulatory approval. Ironically, approval of this deal translates into a complete reversal of the prior decision to invite more competition into Canada's wireless market. In other words, there are many who see that there's a chance that this deal won't complete as planned.

Second, if we assume that the deal does go through, existing shareholders will get a premium price for their shares. That price is well above the current stock price, and let's keep in mind that Shaw still pays a monthly dividend. In other words, until that final decision on the Rogers deal (which could be a year or longer out still) is made, investors can still scoop Shaw at a discounted rate and benefit from its dividend.

The bottom line

Shaw reported earnings for the latest fiscal earlier this month. In that most recent quarter, Shaw reported revenue of $1.387 billion. This represents an increase of $167 million over the same period last year. EBITDA for the quarter came in at $637 million, which was fueled by strong wireless revenue.

Overall, the wireless segment saw revenues surge to $218 million, reflecting an 8.5% increase. The company added 82,300 subscribers to the segment during the quarter. The results paint a clear picture that Shaw continues to grow, generate revenue, and provide investors with handsome gains.

In my opinion, Shaw remains a great investment option for any portfolio.

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Date
2025/08/24
Date Created
2021/04/27
Author
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