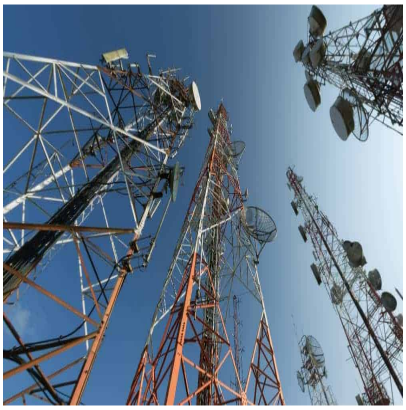

Here’s the Telecom Your Portfolio Needs

**Description**

Earlier this month, I’d compared two of Canada’s larger telecoms, attempting to determine which was the better option for investors. Today, let’s take a look at another telecom, **Shaw Communications** ( TSX:SJR.B)(NYSE:SJR), and see whether Shaw could be the telecom your portfolio needs.



One of the first things that prospective investors should take note of is that Shaw is somewhat different from its larger peers. That difference comes down to the three core areas: Shaw’s revenue stream, growth focus, and income-generating potential.

## Revenue: Shaw is not your typical telecom

Starting with Shaw’s revenue stream, the key difference to note here is that Shaw lacks a media segment. Shaw’s larger peers have established media segments that contain dozens of radio and TV stations. That media segment provides an additional revenue stream for Shaw’s peers.

While that may seem like Shaw is at a disadvantage, that’s not the case. As a pure-play telecom, Shaw is focused on growth and generating a handsome income. But do the results justify Shaw being the telecom your portfolio needs?

In the most recent quarter, Shaw reported consolidated revenue of $1.38 billion. When compared with the same quarter last year, Shaw’s consolidated revenue numbers saw a 4.8% increase. Adjusted EBITDA for the quarter of $642 million, reflecting a year-over-year improvement of 5.4%. Collectively, net income for the company came in at $354 million.

That’s not bad for a smaller, pure-play telecom that lacks a media segment, right?

## Shaw boasts immense growth potential

While Shaw does offer similar subscription services to its peers, its wireless segment is significantly smaller. Again, that smaller size actually puts Shaw at an advantage over its larger peers in some ways.

To understand that, let's circle back on Shaw's peers. They offer nationwide coverage and are alike in more ways than it may seem. Two of those areas in which they are incredibly similar are in higher costs, and, in many ways, not-so-happy customers.

Shaw has done a masterstroke in focusing on those weaknesses. The company continues to aggressively market to the customers of its larger peers, offering plenty of incentives. The fact that Shaw has a much smaller network also means costs are lower. By extension, this translates into Shaw offering better terms at a lower cost over its peers. The company's wireless segment is even named appropriately to further that mission: Freedom Mobile.

In addition to seeing solid growth and expanding its network, Shaw also launched another service last year, known as Shaw Mobile. This heavily discounted service is targeted aggressively at Shaw's existing internet and TV subscribers in Alberta and B.C.

Between Shaw's Freedom and Mobile offerings, the company is establishing a defensive foothold from which it can expand to counter its larger peers. That growth also helps Shaw continue to provide investors with a tasty dividend.

## Did someone say dividends?



One final difference that Shaw carries over its larger peers is its dividend. Unlike all of its telecom peers, Shaw doesn't offer a quarterly payout. Instead, the company has opted for the rarer, yet enticing monthly distribution.

Currently, that payout works out to an impressive 3.26% yield. To put that earnings potential into context, a $35,000 investment in Shaw will provide $95 each month in income. Investors not ready to draw on that income can reinvest those dividends, letting them grow further until needed.

## Final thoughts

Earlier this year, one of Shaw's larger peers made a multi-billion-dollar offer to acquire the company. That $26 billion deal was approved by Shaw and **Rogers**, but that deal still needs to pass a slew of regulatory approvals. That approval, if it does come, won't happen until sometime well into next year.

More importantly, Shaw's stock price is still far below the purchase price, making it an undervalued gem. This means that if the deal does go through, Shaw shareholders that hang on will be in for a double-digit windfall. If the deal doesn't go through, there's still Shaw's plan for growth and that juicy monthly dividend.

Either way, Shaw is a great investment and arguably the telecom your portfolio needs.

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