



3 Reasons Insiders Are Buying Shaw Communications

Description

Over the past 60 days, insiders at **Shaw Communications** ([TSX: SJR.B](#))([NYSE: SJR](#)) have been buying a lot of stock. According to INK Research, company officers and directors have been net buyers of nearly \$2.6 million in stock. In fact, there were only six companies that had more insider buying during this time period.

Shaw delivers broadband cable television, high-speed internet, home phone, telecommunications services, satellite direct-to-home services, and programming content to 3.3 million customers.

Let's take a look at three possible reasons why insiders are so bullish on Shaw Communications stock.

1. Strategy success

As a Shaw Communications customer, I am a believer in its Go Wi-Fi service, and it's definitely a feature that is keeping me from switching providers. It appears many other Shaw customers feel the same way.

For the second quarter, Shaw added 84 net new subscribers to its television, internet, and phone services. That may not sound impressive, but it is dramatically better than the nearly 9,000 net customers lost during the year earlier period. During the most recent quarter, Shaw added nearly 13,000 net internet subscribers, significantly better than the same quarter a year earlier.

Today, Shaw's Go Wi-Fi service can be accessed in over 30,000 hot spot locations across Canada, at no additional cost to customers, allowing them to easily access the internet from their mobile devices.

2. Healthy, growing dividend

Shaw's current annual dividend of \$1.10 per share equates to a dividend yield of 4.2%. With a payout ratio of around 75%, the dividend is reasonably well funded. And with so much of the stock owned by Shaw family members who appreciate dividend income as much as any other shareholders, it's likely the dividend will continue to grow.

3. Potential acquisition target

An acquisition of Shaw by Rogers Communications has been actively discussed, and debated over the past few years. The logic of such a tie-up seems indisputable – both would become stronger in their respective markets, though some degree of divestiture would be required to appease regulators.

The cable industry is rapidly maturing, and pricing power is disappearing. The name of the game will be becoming as large as possible through partnerships or mergers. It may not happen in the short term, but Shaw will eventually be integrated with a larger partner, and the price will likely be a significant premium over the current stock price.

Foolish bottom line

Company officers and directors often know a great deal more about the future prospects of a company than the average retail investor, so it is always a good idea to keep an eye on their purchase and sell decisions. Their actions are never a guarantee that a stock will move in the anticipated direction, but it does give investors a reason to take a closer look, and dig a bit deeper to evaluate a company's prospects.

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