



## Is Shaw Communications Still a Top Dividend Pick?

### Description

**Shaw Communications** ([TSX: SJR.B](#))([NYSE: SJR](#)) has just released its third-quarter results, and it may appear to be a mixed bag to investors. One executive at Shaw is calling it “the best fiscal third quarter since 2010.” What does this mean to investors who have remained faithful to a company with a low-growth price target while offering a dividend yield of 4%?

### Don't touch that dial

The biggest problem area for Shaw — and all cable providers — has been the growing trend of cord-cutting: people abandoning traditional TV in favour of internet streaming. During Q3 2013 Shaw lost 26,578 cable subscribers. In Q3 2014 those losses seem to have slowed with only 12,075 cable customers lost. The company ended the quarter with a total subscription base of 1.97 million.

These losses would have been much worse if it weren't for an addition of 6,000 new business customers adding cable services. Revenue from cable services managed to increase by 2%, totalling \$845 million. Shaw is also facing swift competition in the cable market from **Telus** ([TSX: T](#))([NYSE: TU](#)), which is offering bundled service discounts, a fibre optic network, and a free TV with contract.

### More work for those little robots

As people have been ditching their cable services, internet subscriptions at Shaw increased during the quarter, with 12,399 new internet subscribers added compared to only 4,157 during the same period last year. These increases contribute to a total subscription base of 1.91 million. This is a trend that is expected to increase as streaming becomes more popular. It will also become a way for Shaw to backstop some of the losses that will come when the CRTC implements its a-la-carte consumer choice cable packaging provisions.

### Shaw Go is a go

One initiative that is helping Shaw's internet subscription base has been its rollout of the Shaw Go WiFi hotspot network. Now with over 40,000 locations nationwide, Shaw is able to offer its subscribers free internet, keeping them off of their wireless data plans.

When Shaw first announced the Shaw Go network many analysts were less than impressed, hoping Shaw would instead enter the wireless market. Now the network continues to grow, adding 5,000 more locations in the past quarter, and is bringing in more customer loyalty. As a result, the tune is beginning to change concerning the service. Now, more than one million devices have been registered to use the service by over 25% of broadband subscribers.

### **Can revenue support the dividend?**

Total revenue in the quarter was \$1.34 billion, up from \$1.32 billion during the same period last year, with operating margins holding steady at 44%. Net income is a twofold story this quarter, dropping to \$228 million, or \$0.47 per share, from \$250 million, or \$0.52 per share. However, year-to-date net income is up, sitting at \$695 million compared to \$667 million during the first nine months of 2013.

The dividend should be sound and healthy as forecast 2014 cash flow is expected to be over \$650 million in free cash flow. This is good news for those currently receiving the \$0.47 monthly dividend with a yield of 4%. The downside of Shaw is the lack of short-term growth concerning its stock price, closing Friday at \$27.15, well above its average price target of \$26.60.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:SJR (Shaw Communications Inc.)
2. NYSE:TU (TELUS)
3. TSX:SJR.B (Shaw Communications)
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