4 Reasons to Buy Shaw Communications Inc.

Description

The Canadian government is causing some headaches for **Shaw Communications Inc.** (TSX: SJR.B) (NYSE:SJR) and I think the situation offers a good opportunity to discuss why investors should take a look at the stock.

Shaw Communications Inc. is a diversified Canadian media and communications company providing broadband cable, Internet, phone, satellite, and content to 3.3 million customers. Based in Calgary, the company has a stronghold in Western Canada, but its products and services reach customers right across the country.

Here are four reasons to add Shaw Communications to your portfolio.

1. No wireless telephone business

Back in 2008, Shaw paid $189.5 million for a block of advanced wireless spectrum but decided in 2011 to scuttle its plan to build a wireless network.

Balking at the expected cost of more than $1 billion to build the wireless network, Shaw decided to focus its capital on other projects. Instead, the company is expanding its WiFi network in Western Canada and recently beefed up its presence in the Internet storage sector by spending $1.2 billion on Colorado-based data center company ViaWest, Inc.

CEO Brad Shaw said in a company statement that the ViaWest purchase is an important step for Shaw as it expands its technology offerings for mid-market enterprises.

Some people have a negative view of the fact that Shaw is not a player in the mobile phone business. I believe it is a good differentiator for the company in the Canadian communications space where any negative news about mobile phone competition tends to hit the shares of its larger competitors.

Conservative investors don’t like volatility, and Shaw should be more stable than the others.

Shaw is trying to sell the block of wireless spectrum to **Rogers Communications Inc.** for an estimated

$300 million but the Canadian government is thinking about blocking the deal.

Ottawa is determined see a fourth national telecommunications player in Canada and does not want the spectrum to go to Rogers, **BCE Inc.**, or **Telus Corporation**.

Considering the size of the ViaWest deal I believe Shaw will continue to avoid the competitive mobile phone market, even if the spectrum sale to Rogers is blocked.

2. Great media assets

Shaw started out as a cable company but has grown to become a powerful player as both the owner and distributor of great content. The media division owns the Global Television network as well as 19 specialty channels including Canadian favourites HGTV Canada, Food Network Canada, History Television and Showcase.

Shaw spun off **Corus Entertainment Inc.** (TSX:CJR.B) back in 1999 and the Shaw family still controls the majority of voting shares in the company. Corus produces and distributes a variety of television content, including the world-renowned children's animated programming created in its Nelvana subsidiary. Corus also owns 39 radio stations.

Shaw is one of Corus' largest customers and at some point, I expect Shaw will re-acquire Corus Entertainment.

3. Satellite and broadcast services

Shaw's direct-to-home digital satellite services reach roughly 900,000 customers across Canada. Shaw also provides satellite-based services to broadcast-distribution clients. The company manages one of the largest full-service commercial signal-distribution networks in North America and delivers more TV and radio signals to redistributors than any other single-source satellite supplier.

4. Growing dividend

Shaw Communications increases its dividend every year. The current distribution of $1.10 yields about 4%. The dividend payout ratio is 46.5% meaning the company has lots of room for further increases or share buybacks.

The stock price is up more than 45% in the past five years.

The bottom line

With all the concerns in the Canadian communications market surrounding the government's push for a fourth national wireless competitor, I think investors will find Shaw to be a safe place to invest. The dividend is secure and the share price is not as vulnerable to the mobile competition shocks that could hurt BCE, Rogers, and Telus.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:SJR (Shaw Communications Inc.)
4. NYSE:TU (TELUS)
5. TSX:BCE (BCE Inc.)
6. TSX:CJR.B (Corus Entertainment Inc.)
7. TSX:RCI.B (Rogers Communications Inc.)
8. TSX:SJR.B (Shaw Communications)
9. TSX:T (TELUS)

Category

1. Investing

Date
2025/08/27
Date Created
2014/08/19
Author
aswalker