



Is Now the Time to Buy Shaw Communications Inc.?

Description

Shaw Communications Inc. ([TSX: SJR.B](#))([NYSE: SJR](#)), one of the largest telecommunications and media companies in Canada, announced first-quarter earnings before the market opened this morning and its stock has responded by falling more than 3%. Let's take a closer look at the quarterly results to determine if we should consider using this weakness as a long-term buying opportunity or a warning sign to avoid the stock for the time being.

Breaking down the lackluster results

Here's a summary of Shaw Communication's first-quarter earnings compared to what analysts had expected and its results in the same period a year ago.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$0.46	\$0.52	\$0.51
Revenue	\$1.39 billion	\$1.42 billion	\$1.36 billion

Source: *Financial Times*

Shaw Communication's earnings per share decreased 9.8% and its revenue increased 2% compared to the first-quarter of fiscal 2014. The weak earnings per share results can be attributed to net income decreasing 7.3% to \$227 million, primarily due to higher amortization and an equity loss of a joint venture, and its slight revenue growth can be attributed its recent acquisition of ViaWest Inc., as well as a 6.7% increase in revenue in its Business Network Services segment.

Here's a breakdown of seven other important statistics and updates from the report:

1. Cable video subscribers decreased by 15,591 from the fourth quarter to 1,942,038.
2. Satellite video subscribers decreased by 17,980 from the fourth quarter to 862,643.
3. Internet subscribers increased by 14,048 from the fourth quarter to 1,944,449.
4. Digital phone line subscribers decreased by 599 from the fourth quarter to 1,374,735.
5. Operating income before amortization decreased 0.3% to \$606 million compared to the year-ago

period.

6. Operating margin contracted 100 basis points to 43.6% compared to the year-ago period.
7. Generated \$193 million of free cash flow, an increase of 22.9% from the year-ago period.

Lastly, Shaw Communications announced an 8% increase to its annual dividend to \$1.185 per share, which will be paid in monthly installments of \$0.09875, and this increase will commence on March 30.

Should you buy shares of Shaw Communications today?

Shaw Communications is one of the leading telecommunication and media companies in Canada, but a slight decrease in the total number of subscribers and increased expenses led it to a disappointing first-quarter performance. The company reported year-over-year declines in net income, earnings per share, and operating profit, as its margins contracted, and its stock has responded to this news by falling over 3%.

Even though I think the decline in Shaw Communications stock is warranted, I also think it represents a great long-term investment opportunity. I think this because the stock trades at favorable forward valuations, including just 16 times fiscal 2015's estimated earnings per share of \$1.88 and just 15.1 times fiscal 2016's estimated earnings per share of \$1.99.

Furthermore, the company now pays an annual dividend of \$1.185 per share, which gives its stock a bountiful 3.95% yield at current levels and makes it both a value and dividend play. With all of this information in mind, I think Shaw Communications represents one of the best long-term investment opportunities in the market today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing

Date

2025/09/10

Date Created

2015/01/14

Author

jsolitro

default watermark