



3 Reasons to Buy Shaw Communications Inc. Today

Description

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)), one of the largest telecommunications and media companies in Canada, has been one of the market's most disappointing stocks in 2015, falling more than 17%, but I think it could pare these losses and head significantly higher going forward. Let's take a look at three of the primary reasons why I think this will happen and why you should make it a core holding in your portfolio today.

1. Its strong fourth-quarter earnings results could support a quick rebound

On the morning of October 22, Shaw released very strong fourth-quarter earnings results, and I think they could help kick-start a rally within the next few weeks. Here's a summary of eight of the most notable statistics from the report compared with the year-ago period:

1. Net income increased 43.8% to \$276 million
2. Earnings per share increased 42.5% to \$0.57
3. Total revenues increased 6.3% to \$1.34 billion
4. Revenue increased 0.2% to \$938 million in its consumer segment
5. Revenue increased 0.4% to \$232 million in its media segment
6. Revenue increased 7.3% to \$133 million in its business network services segment
7. Operating income before restructuring costs and amortization increased 9.1% to \$573 million
8. Operating margin expanded 110 basis points to 42.7%

2. Its stock is trading at inexpensive valuations

At today's levels, Shaw's stock trades at just 14.3 times fiscal 2015's earnings per share of \$1.80 and only 13.9 times fiscal 2016's estimated earnings per share of \$1.86, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.9, its trailing 12-month multiple of 14.4, and the industry average multiple of 20.7.

I think Shaw's stock could consistently command a fair multiple of at least 18, which would place its shares upwards of \$33 by the conclusion of fiscal 2016, representing upside of about 28% from current levels. This projection is also very reasonable when you consider that it is just 3.3% above its current

52-week high of \$31.93, which it reached back on December 29, 2014.

3. It has a high dividend and is a dividend-growth play

Shaw pays a monthly dividend of \$0.09875, or \$1.185 per share annually, which gives its stock a 4.6% yield, and this is significantly higher than the industry average yield of 3.1%. The company has also increased its dividend for 12 consecutive years, making it both a high dividend and a dividend-growth play.

Its ample free cash flow generation, including \$698 million in fiscal 2014 and \$653 million in fiscal 2015, should allow this streak to continue for the next several years.

Is there a place for Shaw in your portfolio?

I think Shaw Communications could pare its year-to-date losses and be one of the market's top returners over the next several years, because its strong earnings results in fiscal 2015 could support a quick rebound, because its stock is trading at very inexpensive valuations, and because it is both a high dividend and a dividend-growth play. All Foolish investors should take a closer look and strongly consider making it a core holding.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. TSX:SJR.B (Shaw Communications)

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