



## Yawn All the Way to the Bank With Shaw Communications Inc.

### Description

There are certain activities that should be exciting. Investing is not one of them.

Very few investors find a way to trade their way to success. Sure, there are exceptions to the rule, but investors with a short-term focus generally expend a lot of effort for results that don't even beat passive investing.

Instead, just about every successful investor I know follows a common theme. They buy shares of great companies and hold them over the long term. It's not sexy, and it likely won't win you many admirers during a cocktail party, but it's a strategy that delivers great results.

Plus, it leaves you plenty of time for activities that are supposed to be exciting. Let your portfolio be the equivalent of watching paint dry and get your adrenaline rush somewhere else.

**Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) is the perfect boring stock. All it does is slowly go up and raise its dividend annually. But with cable TV facing threats from companies like **Netflix**, is Shaw the kind of stock you can count on going forward?

### Still growing

In Shaw's fiscal year 2015, it reported that it lost approximately 4% of its television subscribers, partially because of a trend away from cable television—especially from millennials—and partly because **Telus** is aggressively expanding its television service.

This seems like terrible news on the surface, but in reality it isn't so bad. That's because Shaw is able to push through a price increase to its customers each year. So even though it lost a bunch of cable subscribers and also some home phone customers, it still managed to increase revenue from \$5.24 billion in 2014 to \$5.49 billion in 2015. A 4.8% increase in revenue isn't bad for a company that is facing pressure from seemingly all sides.

Shaw realizes the future is in providing Internet service to watch those streaming shows and is aggressively investing in expanding its network, making it faster in the process. It also has more than

70,000 Go WiFi locations, which allow customers to access fast, secure Internet when they're on the go. Shaw's management believes these hotspots will help it succeed in the Internet wars.

### Acquisition potential

It makes all the sense in the world for Shaw to look at bringing **Corus Entertainment Inc.** ([TSX:CJR.B](#)) back into the fold. It originally spun off Corus back in 2000 to concentrate on its cable business.

But that changed when Shaw acquired Canwest Global out of bankruptcy back in 2010. Shaw currently owns stations like Global, Food, Showcase, History, and other specialty channels. If it acquired Corus, it could generate immediate synergies and offer advertisers a greater selection of channels for their ads.

Corus shares are very cheap right now as well. It's hovering right around book value, which is almost unheard of for a media company. And its price-to-free cash flow ratio is at just five times. Plus, the Shaw family controls Corus via multiple-voting shares.

### Return potential

In the last decade, Shaw has raised its dividend from \$0.017 monthly to the current level of 0.09875. That's growth of more than 19% annually.

Investors can't expect it to continue growing that fast, but I think it's safe to assume the dividend will be hiked by an average of 5% per year going forward. Based on a current yield of 4.5% and 5% growth, investors can expect a yield on cost of 7.3% in a decade.

Shaw currently trades at 14.7 times earnings. Assuming 5% earnings growth going forward, it can be expected to earn \$2.92 per share in a decade. If it trades at the same valuation as today, shares will be worth \$43 each in 2026. Add on approximately \$15 per share in dividends, and we can expect the stock to return about 8.5% annually.

Now, 8.5% isn't the kind of return that gets anyone excited. But it's not bad, especially in a low-inflation world. Shaw is the ultimate turtle stock. You just tuck it away and it slowly gains value while spitting out great dividends. It's boring, but it works.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:CJR.B (Corus Entertainment Inc.)
3. TSX:SJR.B (Shaw Communications)

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**Author**

nelsonpsmith

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