Shaw Communications Inc. Completes Media Sale and Looks to Future Growth

Description

Calgary-based **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) is one of the largest media and communications companies in Canada. It's on the verge of becoming even bigger and more focused.

The company made headlines recently with two separate pieces of news: the sale of the company's media subsidiary and the purchase of Wind Mobile.

Here's a review of what those announcements mean for the company and investors.

Shaw exits the media business

Shaw's broadcasting subsidiary Shaw Media Inc. was sold off this past January to **Corus Entertainment Inc.** in a cash and stock deal worth $2.65 billion. The deal was just approved by the CRTC on March 23, which cited that a stronger competitor in the Canadian market would be created as a result of the deal.

Included in the media sale are 19 well-known television stations including Global TV, HGTV, Food Network Canada, History Television, and Showcase.

For Corus, the deal strengthens the number of TV holdings that it has to 45 specialty channels, 15 general channels, and 49 radio stations. This effectively puts Corus nearly on par with media behemoth **BCE Inc.** in terms of English language TV stations.

For Shaw, the deal represents an opportunity to exit the media market and focus on where significant growth will come from: the wireless market.

Shaw doubles down on telecommunications

Proceeds from the deal are slated to go into financing the purchase of Wind Mobile Corp. a wireless carrier that Shaw purchased for $1.6 billion.

Shaw has arguably lagged behind the larger telecommunications players in the country, and a national offering in the wireless sector may be enough to entice subscribers from the Big Three who are looking for a better alternative and price.

Shaw is spearheading the creation of a full nationwide wireless network from the Wind acquisition. Wind's coverage is focused on pockets in Ontario, British Columbia, and Alberta. Despite this limited coverage, Wind has a fairly attractive pricing model that really set it apart from the other Big Three carriers in Canada, making it an alternative option for consumers looking for lower bills.

This is the sweet spot that Shaw is targeting. The company plans to build a national network and has already been vocal about keeping Wind's attractive pricing and business model available. Prior to being acquired, Wind had secured $425 million for the purposes of upgrading the current 3G network to LTE. That upgrade should be complete within the next year and will expand coverage to the rest of the country.

Over the short term, none of Canada's Big Three will lose sleep over Shaw's impending national wireless network, but once the Wind network is expanded and upgraded, things may start to change. That's when consumers will take notice and start moving over to the best carrier.

Given the popularity of Wind's pricing, this could usher in a major change to the Canadian wireless market, akin to how **T-Mobile Us Inc.** shook things up with new pricing structures in the U.S. that forced the other large carriers to follow suit.

In my opinion, Shaw remains a great option for investors looking for long-term growth.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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