Dividend Investors: Is it Time to Buy Shaw Communications Inc.?

Description

The rush to high-quality stocks has wiped out most of the deals investors saw earlier this year in the Canadian market.

As a result, finding good yield at a reasonable price is getting difficult, but there are still a few names out there that offer a shot at some upside gains while paying an attractive dividend.

Let's take a look at **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) to see why it should be on your radar.

Strategic shift

Shaw is in the middle of a major transition, and investors are avoiding the stock.

What's going on?

The company recently purchased Wind Mobile in a bid to compete in the wireless game. The move is a surprise to many followers of the stock because Shaw had long maintained it wasn't interested in being a mobile player. The company even sold off some valuable spectrum just months before it announced the Wind Mobile purchase.

In order to pay for the Wind Mobile acquisition, Shaw unloaded its media assets to **Corus Entertainment**. The deal included Global TV, the specialty channels, and all of the radio stations.

All the commotion has Shaw's stock stuck in the mud as investors wait to see how things pan out. I think that is providing investors with a good opportunity to buy.

Competitive threats

Adding a mobile business is as much about saving TV and internet revenue as it is about targeting smartphone users.

Canadians like to get their communications services in discounted bundles from one supplier. Shaw has been at a disadvantage because it doesn't offer a wireless service, and that has led to lost opportunities for the TV and internet segments.

By adding Wind Mobile to the mix, Shaw should be able to slow the exodus from its cable operations and even start to win back some of the lost customers.

Changing times

Selling the media business might also turn out to be a smart move as Canada shifts to a pick-and-pay system for TV subscriptions.

The new program is still in its first few months, so we haven't seen the full effects, but there is a risk that content owners could take a big revenue hit.

Dividend safety

Shaw's dividend currently offers a yield of 4.7%. The distribution looks safe, and investors should see the payout resume its upward trend once the transition process is complete.

Should you buy?

Shaw currently trades at a discount to its peers. Once all the dust settles and the mobile business is running at full tilt, I suspect investors will begin to move back into the stock.

If you have some patience and are looking for good yield with decent upside potential, Shaw could be a solid pick.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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