

Is Shaw Communications Inc. a Buy After Its Transformative Q3?

Description

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)), one of Canada's largest communications companies, announced its third-quarter earnings results on Friday, July 15th, and its stock responded by making a slight move lower. Let's break down the results and the progress of its transformation into a pure-play connectivity provider to determine if we should consider using this weakness as a long-term buying opportunity, or if we should wait for a better entry point in the trading sessions ahead.

Breaking down Shaw's third-quarter performance

Here's a breakdown of 10 of the most notable statistics from Shaw's third-quarter earnings report compared with its results in the same period a year ago:

Metric	Q3 2016	Q3 2015	Change
Net income from continuing operations	\$58 million	\$136 million	(57.3%)
Earnings Per Share From Continuing Operations	\$0.11	\$0.28	(60.7%)
Revenues: consumer segment	\$935 million	\$949 million	(1.5%)
Revenues: business network services segment	\$136 million	\$131 million	3.8%
Revenues: business infrastructure services segment	\$86 million	\$63 million	36.5%
Revenues: wireless segment (recently acquired)	\$132 million	—	N/A
Total revenues	\$1.28 billion	\$1.14 billion	13%
Operating income before restructuring costs and amortization	\$555 million	\$527 million	5.3%
Funds flow from continuing operations	\$403 million	\$416 million	(3.1%)

Free cash flow from continuing operations	\$152 million	\$186 million	(17.8%)
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What should you do with Shaw's stock today?

Shaw's third-quarter earnings results were good, not great, but investors need to remember that it was in the midst of a massive transformation during the quarter, going from a media and connectivity provider to a pure-play connectivity provider. It completed its sale of Shaw Media Inc. on April 1 and significantly upgraded its wireless network during the quarter, and it stated that its path towards an LTE network is underway and should be completed by the end of fiscal 2017.

I think Shaw's transformation was a genius and necessary move to get it back on the path of growth, so I think its stock represents a great investment opportunity for the long term. And, its dividend will pay investors while they wait for the company to complete the build-out of its network. It pays a monthly of \$0.09875 per share, or \$1.185 per share annually, which gives its stock a high yield of about 4.8%. It's also important to note that its 7.7% dividend hike in March 2015 has it on pace for 2016 to mark the 13th consecutive year in which it has raised its annual dividend payment, making it a high dividend with growth potential.

With all of the information provided above in mind, I think Foolish investors should strongly consider beginning to scale in to a long-term position in Shaw Communications today.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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

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