Is Shaw Communications Inc. a Smart Buy?

Description

It has been a very interesting year for **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR). When the year started, Shaw was a media and connectivity provider. It sold internet, television, and landline service to its customers. Plus, it owned the Global Television Network, which broadcasts across the country on 13 stations, and it owned a slew of specialty channels.

But on April 1, everything changed. It completed the sale of Shaw Media Inc. to **Corus Entertainment Inc**., another company owned by the Shaw family, for $2.65 billion. Suddenly, the company went from being a diversified telecommunications company to a pure-play telecom. That's quite shocking and could take a little getting used to; however, I believe Shaw could be a solid position to grow going forward.

Shaw decided to enter the wireless business by purchasing Wind Mobile for $1.6 billion. Historically, Shaw felt that trying to compete with the three other major wireless providers in Canada was a dangerous move. But it recognized a trend with its customers that forced it to get into the space, whether it wanted to or not.

Customers want to pay one bill for their internet, television, and phone service. So, the only way to ensure it didn't lose customers to other companies was to get into the wireless business.

When Shaw bought Wind Mobile, Wind Mobile had 940,000 subscribers, which is really not all that significant if you consider that **Telus Corporation** has 8.43 million. But it is a step in the right direction, and it was a move that Shaw had to make. Once Shaw can roll out nationwide wireless coverage to all of its subscribers, I expect that it will take a larger percentage of the market share.

Going forward, Shaw is going to be forced to invest heavily to strengthen its network. The company believes that it will complete the roll out of its LTE network by the end of fiscal 2017. Once that happens, we'll have a better idea of how smart of an acquisition this was for the company.

But for those who are considering investing, it's important to recognize that it's going to take time. Analysts see potential earnings of $1.35 per share in 2016 with a forward P/E of 19.5 and $1.43 per share for 2017 with a forward P/E of 18.4. While this is in line with its competitors, there's one big difference: dividends.

Shaw pays a monthly dividend of $0.09875 per share. This is a 4.5% yield, which is incredibly significant, but it hasn't changed since March 2015. The previous decade saw the dividend grow from $0.0116 per month to $0.09875, so the company has historically increased the dividend. But with this new acquisition, it needs to push as much cash as possible into building the business.

Should you buy?

Shaw is going to be benefit from the mobile business. It will take some customers from the other competitors, and it will take the regional Wind Mobile national. But that's going to take time. The difference is, there are other telecommunications companies that are already at scale and continue to increase their dividends. Shaw isn't a bad investment, but there are likely better ones if income is your focus.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date
2025/08/24
Date Created
2016/08/31
Author
jaycodon