



Income Investors: Be Patient With Shaw Communications Inc.

Description

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)) reported less than impressive earnings this week thanks to the loss of the video-streaming service Shomi. Many investors may be tempted to sell Shaw right now, but this is a huge mistake considering that the company is turning a huge corner by entering the wireless space which has been ruled by the Big Three telecoms for far too long.

The profit drop was expected because Shaw intentionally shut Shomi down, so it could put more of its focus on its wireless carrier Freedom Mobile. Freedom Mobile won't contribute much to the company's earnings for the next few quarterly reports because the company has not invested a lot in marketing initiatives to grow its subscriber base.

Shaw wants to ensure that the network of Freedom Mobile is improved enough, so customers will flock over from the Big Three incumbents when things are finally ready. I believe Shaw's patient strategy of focusing on network enhancements is the way to go and will pay off in the long run.

Freedom Mobile will be a long-term catalyst that will drive Shaw higher

Shaw gained 9,470 new wireless subscribers in the last quarter, which is a lot lower than the 40,000 subscribers gained in the quarter prior. This is no reason to be alarmed because CEO Brad Shaw made it clear that the company didn't want to sign a tonne of new customers right before it finishes rolling out its LTE network, which will be complete later this year.

It's clear that the management team has a long-term focus and is willing to sacrifice short-term performance for long-term gains. The management team also has the customer's best interests in mind, and it will need to earn its reputation with wireless customers in order to take significant market share away from its peers in the Big Three.

Shaw will not see quick profits from its new wireless carrier overnight. It's a long-term play that will be propelled higher by Freedom Mobile over the next few years. Freedom Mobile is a fantastic long-term catalyst that will fuel many dividend raises as well as capital gains over the decade. I believe Shaw will inevitably become the fourth major telecom player and the Big Three will become the Big Four in five years from now.

Shaw BlueSky TV to boost long-term earnings

Shaw also launched its IPTV product called Shaw BlueSky TV, which uses the X1 platform from **Comcast Corporation**. BlueSky TV is a premium TV product that comes with voice controls and advanced search functionality. Shaw will be the first Canadian company to use this new technology, and I believe it will be a huge driver of earnings on the TV side of the business.

There's no question that Shaw has some very impressive growth prospects heading into the latter part of 2017. Investors should be aware that these growth initiatives will not boost earnings in the short term, but they will gradually boost earnings over the next few years.

If you're a patient income investor, then collect Shaw's 4.3% dividend yield and wait for the company to make its mark in the Canadian telecom scene.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Investing

Date

2025/09/07

Date Created

2017/01/13

Author

joefrenette

default watermark