Shaw Communications Inc.'s Quarterly Results: Good or Bad?

Description

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR) provided quarterly results last week for the Q1 2017 period this week, and while the results included one particularly shocking figure, overall, the results seemed positive, particularly when factoring in what the company has in store for the coming quarters.

Here's a look at the figures from the quarterly report.

Quarterly results

Shaw reported consolidated revenue of $1.3 billion for the quarter, an impressive 14.9% increase over the same quarter last year. Net income for the quarter, however, came in at just $89 million, representing a decrease of $129 million over the same quarter last year. Approximately $107 million of that decrease can be attributed primarily to the winding down of the Shomi streaming service.

Free cash flow also came in 8.7% lower than the same quarter last year at $153 million. The decrease is largely attributed to the loss of cash flow from the former media division which was sold last year. Additionally, higher expenditures were seen in the quarter as a result of adding the new wireless division.

The wireless division, which is essentially Wind Mobile re-branded as Freedom Mobile, is where Shaw is focusing its efforts, along with internet and Shaw's new premium IPTV subscription services.

Freedom Mobile

Shaw purchased Freedom Mobile last year. At the time of the purchase, Shaw noted that the no-contract and lower-price-point advantages of Wind Mobile would be carried on by Shaw, and that over time Shaw would expand coverage beyond the few metro areas where Wind had coverage to rival the Big Three carriers in Canada.

Shaw's potential in the mobile market is huge. All three of the big telecom players in the Canadian market are renowned for their capacity to charge significantly higher prices than comparable services offered elsewhere. Consumers reluctantly pay those rates because of a lack of true options.

That will all change as Shaw continues to roll out a network that could in time rival the Big Three in the wireless segment.

The expansion of Freedom Mobile to other markets is key—in the most recent quarter, the company only added 9,500 new customers to the new wireless segment whereas analysts were calling for approximately 30,000 new customers. That expansion will take time as Shaw builds coverage for the new 4G-LTE service.

Enter BlueSky TV

Another announcement coming last week from Shaw relates to the launch of the first voice-controlled premium TV technology product in the country. Shaw unveiled what the company has dubbed Shaw BlueSkyTV, which allows users to voices their query into the remote; they can search by actor, genre, or, even by movie quote.

The technology is based off and powered by the X1 platform from **Comcast** which has been wildly successful in the U.S. The technology has helped Comcast draw in more customers at the expense of other cable providers that don't offer the service and is likely to continue do so as it rolls out to additional markets in the coming months.

In my opinion, Shaw represents a unique opportunity for investors. As Shaw expands its services for both BlueSky and Freedom Mobile, subscribers will migrate from the Big Three to Shaw. Additionally, Shaw's monthly dividend of $0.10 per share can provide investors with an impressive 4.28% yield while they wait for the wireless and premium TV segments to take off.

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