Income Investors: Should You Own Shaw Communications Inc.?

Description

Interest rates have fallen so low that GICs and savings accounts no longer pay enough to meet the needs of many income investors.

As a result, Canadians are turning to dividend stocks to help them reach their income and savings goals.

Let’s take a look at **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) to see if it deserves to be in your portfolio.

Transition

Shaw is working through a major transformation of its business, and it looks like things are moving along quite well.

What’s the scoop?

Last year, Shaw decided it finally had to get into the mobile game and purchased Wind Mobile. The business was renamed Freedom Mobile, and Shaw is working through the technical challenges of migrating the business from 3G to LTE.

Once that is complete, things should improve for the division.

In order to help pay for the Wind acquisition, Shaw sold its media assets to **Corus Entertainment**. The move surprised some pundits, but it might prove to be a wise one as content owners try to figure out how to navigate the challenges of the new pick-and-pay system for Canadian TV subscriptions.

Solid numbers

Shaw reported steady numbers for fiscal Q2 2017, which wrapped up at the end of February.

On a comparable basis, revenue rose 1.1% and operating income increased 1.8% on a year-over-year basis.

The company said its subscriber trends are improving. This is important for investors as concerns over cord cutting have hindered the stock in recent years.

The business still lost 5,000 cable subscribers in the quarter, but the exodus is slowing, and management actually expects to see the bleeding end in the coming quarters as more customers sign up for the company's high-speed internet and TV package.

Free cash flow came in at $147 million — up from $119 million in the same quarter last year.

One item to watch on that front is the contribution coming from Corus, as Shaw received $22 million in dividends from Corus in the quarter.

Dividends

Shaw pays out its dividend on a monthly basis, which is attractive for investors who are looking for a steady stream of income. The current distribution offers an annualized yield of 4.1%.

Should you buy?

Shaw's dividend should be safe, and investors might actually see the payout start to increase once all the dust settles on the transition process with the mobile division.

If you like the communications companies and want a monthly distribution, Shaw is a reasonable option in a low-rate environment.

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