Shaw Communications Inc. Falls Over 5%: Buy the Dip?

Description

Shares of **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) plunged over 5% on Thursday following the release of its Q3 2017 earnings. The results were underwhelming, but they weren't as bad as the decline would suggest. Shaw is on the verge of becoming a major disruptor in the Canadian telecom scene, and many short-term thinkers who'd bought the stock with unrealistic expectations were left disappointed.

As I've mentioned in previous pieces, Shaw is a undergoing a major transformation and will have many long-term catalysts, but investors are going to have to be patient with Shaw's wireless segment. Freedom Mobile won't suddenly steal meaningful market share away from the Big Three incumbents overnight, and it's important to realize that Shaw isn't really firing on all cylinders when it comes to subscriber-growth initiatives right now.

Third-quarter results really weren't that bad

Shaw reported earnings per share of $0.33 for the quarter, which met analyst expectations. Revenues for the quarter were $1.31 billion, which barely missed analyst expectations of $1.32 billion. The results were pretty much aligned with the street consensus, so why did such a massive single-day sell-off happen?

Overall, the results were quite solid, but investors were really not impressed with wireless subscriber growth for the quarter, which missed analysts' targets by a landslide. Shaw added 20,000 new subscribers — substantially less than the 28,000 that was expected.

Many investors don't realize the fact that Shaw isn't going all-in with its marketing initiatives to capture market share right now. The management team is focusing most of its efforts on improving its wireless infrastructure to catch up to with its Big Three peers.

Shaw is going to ramp up marketing initiatives when everything's in place and when it's the right time. The management team is making strategic moves and is willing to take short-term pain for long-term gain. When Shaw decides to ramp up marketing, wireless subscribers will go through the roof at the expense of the Big Three incumbents. Freedom Mobile is going to be the affordable and more attractive carrier in the eyes of the average Canadian wireless user.

Bottom line

Freedom Mobile is still in its early stages, so investors shouldn't think too much of the sub-par wireless subscriber growth numbers for the quarter. Shaw is concentrating all of its efforts in initiatives that will drive wireless subscriber growth by a much larger amount over the long term. The management team is taking a smart and strategic long-term approach to seize the opportunity to become the fourth major wireless carrier. For this reason, I believe Shaw is by far the best Canadian telecom stock to own over the next few years.

If you're a patient investor in search of an income stock with a major long-term catalyst, then look no further than Shaw. I believe the post-earnings dip is completely unwarranted and that investors should load up on shares, which currently yield a bountiful 4.14%.

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Date
2025/09/08
Date Created
2017/06/30
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