Shaw Communications Inc.'s Q4 Results Show Many Opportunities for Growth

Description

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR) released its fourth-quarter results on Thursday, which saw the company post an earnings per share of $0.96 for the quarter, up from $0.31 a year ago. Revenues were up 2%, while profits were more than triple the prior year's tally.

I'll take a closer look behind the results to see whether Shaw is a good buy today.

Consumer segment sees an increase in subscribers from last year as cord cutting slows

Shaw saw an improvement in consumer subscriptions with the full year showing a net addition of over 25,000 subscribers compared to a loss of 170,000 that the company posted a year ago.

The biggest reason for the improved consumer performance has been an increase in the video cable segment, where the company added net 218 subscribers in the last year, while in 2016 it lost over 93,000.

Like other companies in the industry, Shaw continues to battle the cord-cutting trend, but it looks like that has slowed drastically. I've mentioned before why I think that the cord-cutting fad will likely not make a serious dent to cable companies over the long term.

Although we've seen the bleeding in cable subscribers appear to stop (although satellite subscribers are still down 2%), it'll be interesting to see if we some of those lost customers return in future years.

Internet subscribers drive overall increase in consumer subscriptions

The company also had a net increase in internet subscribers of over 73,000 this fiscal year, and that is almost five times the amount it added a year ago. Increased internet subscriptions were the main reason that consumer subscriptions showed any increase this year, as the total for the segment showed net additions of just 25,321.

Consumer segment sees revenues flat, while costs continue to rise

Consumer-related revenues failed to increase this year, and increased programming costs coupled with greater promotional activity saw the segment's operating income (before restructuring and amortization) decrease by 5% (and over 10% for the quarter).

Business services grow as phone subscriptions increase

Shaw's business services saw declines in video and internet, and, interestingly enough, only phone services had a big jump with net additions of over 25,000 for the year. However, this was enough for business-related revenues to rise 7%.

Wireless subscribers will be key going forward

The company's greatest opportunities will be in its wireless segment, and it's here where Shaw saw the most growth among subscribers, with a 10% increase in total subscriptions. Postpaid wireless subscriptions increased 14%, while prepaid saw an improvement of less than 2%. These improvements led to wireless revenues increasing over 116% for the full year, and we should expect more of that to come as Shaw continues to build its Freedom Mobile brand.

ViaWest sale gives profits a boost

In Q4, Shaw sold its subsidiary, ViaWest, which resulted in a gain of $330 million. The company's income from continuing operations was up just $4 million for the quarter and, before taxes, showed a $1 million decline.

Is Shaw a good buy today?

Although Shaw's quarter is less impressive than it looked at first glance, the company has a lot of strong growth potential, and despite a tough competitive environment, I believe it compares well against others in the industry.

Over the long term, I would expect to see the share price rise as Freedom Mobile becomes a more prominent player in the wireless industry and starts to accumulate market share.

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Date
2025/08/19
Date Created
2017/10/27
Author
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