



Why Shaw Communications Inc. Is Down Over 3%

Description

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)), one of Canada's leading providers of enhanced connectivity solutions, announced its fiscal 2018 first-quarter earnings results this morning, and its stock has responded by falling over 3% in early trading. Let's break down the quarterly results and the fundamentals of its stock to determine if we should consider using this weakness as a long-term buying opportunity.

The quarterly breakdown

Here's a breakdown of eight of the most notable financial statistics from Shaw's three-month period ended November 30, 2017, compared with the same period in 2016:

Metric	Q1 2018	Q1 2017	Change
Wireline revenues	\$1,075 million	\$1,079 million	(0.4%)
Wireless revenues	\$175 million	\$138 million	26.8%
Total revenues	\$1,249 million	\$1,216 million	2.7%
Operating income before restructuring costs and amortization	\$481 million	\$504 million	(4.6%)
Operating margin	38.5%	41.4%	(290 basis points)
Net income from continuing operations	\$120 million	\$93 million	29.0%
Diluted earnings per share (EPS)	\$0.22	\$0.18	22.2%
Free cash flow	\$51 million	\$158 million	(67.7%)

What should you do now?

It was a great quarter overall for Shaw, driven by very strong growth in its wireless segment thanks to its addition of approximately 130,000 subscribers over the last year to bring its total to approximately 1.18 million at the end of the period; this performance also showed that [its positive momentum](#) has carried over from the fourth quarter of fiscal 2017, which makes me very bullish on the rest of fiscal 2018.

With all of this being said, I think the market should have responded by sending Shaw's stock higher today, and I think the 3% drop represents an attractive entry point for long-term investors for two fundamental reasons.

First, it's undervalued. Shaw's stock now trades at just 21.4 times fiscal 2018's estimated EPS of \$1.26 and only 19.6 times fiscal 2019's estimated EPS of \$1.38, both of which are inexpensive given its current earnings-growth rate and its [long-term growth potential](#).

Second, it has a great dividend. Shaw pays a monthly dividend of \$0.09875 per share, representing \$1.185 per share annually, which gives it a juicy 4.4% yield, and I think its strong cash flow generating ability will allow it to continue to pay dividends for the foreseeable future.

With all of the information provided above in mind, I think Foolish investors should strongly consider using the post-earnings weakness in Shaw's stock to begin scaling in to long-term positions.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/08/27

Date Created

2018/01/11

Author

jsolitro

default watermark

default watermark