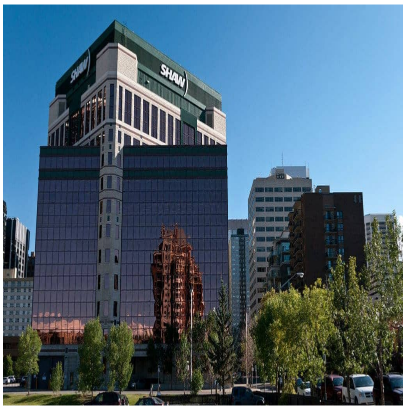

Is Shaw Communications Inc. a Buy Following Strong Q2 Earnings?

Description

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR) is coming off a week where its stock gained 7.9% on the back of an impressive earnings beat and the announcement of its monthly $0.985 dividend.

Today, Shaw stock yields investors 4.42%, which is considerably above the average dividend yield of the broader market, but is the stock still a buy at these levels?

A market-beating quarter

Shaw easily surpassed analyst expectations in the second quarter, reporting 12.4% growth in revenues and adjusted earnings per share (EPS) of $0.50 versus expectations of $0.28.

The company's outperformance was driven largely by gains in its wireless business, recording 93,000 post-paid subscribers in the quarter — a new record for the company.

In 2017, Shaw acquired 700 MHz and 2,500 MHz wireless spectrum licences from **Quebecor, Inc.**, and in 2018 the company is adding to its push towards building a more competitive wireless for Canadians by adding approximately 100 mobile sales outlets in **Loblaw Companies Ltd.** locations across the country.

Moving away from television and towards wireless and data

Recent outperformance in the company's wireless business won't come as too much of a shock to those who have been following the company.

Last year, Shaw exited its IT business, ViaWest, for proceeds of US$1.675 billion, and prior to that it sold its media assets to **Corus Entertainment Inc.** in 2016 for $2.65 billion.

The result is a leaner, meaner operation with a more concentrated focus on wireless and data — a market the company sees as offering the best potential for its shareholders.

Is too late to make your move?

Shaw's stock has a 52-week low of $23.90 and a 52-week high of $30.44.

During the company's 2017 fiscal year, Shaw stock traded between $25.70 and $30.44, and during fiscal 2016 Shaw stock traded between $20.47 and $25.22.

This tells us a couple of things.

One is that Shaw's stock price typically doesn't tend to experience a lot of volatility or price swings.

It also tells us that the time to initiate a position in the company was probably before it reported second-quarter earnings last week, when shares traded just above $24, rather than after the fact and now that shares are approaching $27.

For current investors, the shares are probably a hold, as Shaw's second quarter demonstrated strong performance in its wireless business thanks to some aggressive deal making in recent years and the recent introduction of **Apple Inc.** iPhone into its product line-up.

But the sad truth of the matter is that those who aren't already in the company may be better off finding a more timely opportunity elsewhere.

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