



Shaw Communications Inc.: A Dividend Stock With Growth Potential

Description

During the past week, investors have shown a rare enthusiasm for [Shaw Communications Inc.](#) ([TSX:SJR.B](#))([NYSE:SJR](#)) stock after the company showed a strong operational performance in its latest earnings report.

Its shares jumped about 10% after the company said it had a \$164 million loss in its latest quarter, mostly because of a previously announced restructuring that will affect one-quarter of its workforce.

Shaw, which is a smaller operator in Canada's telecom market, dominated by the Big Three, also allayed investors' concerns regarding the company's ability to function normally after a larger number of its workforce took the voluntary buyout offer.

In a response to the offer announced early this year, about a quarter of the staff decided to leave, creating an impression that Shaw won't be able to service its customers after this massive departure.

The Calgary-based company, which owns Canada's second-largest cable TV operation and the country's fourth-largest mobile phone service, had initially aimed the package at 6,500 employees and estimated about 10% would accept the deal.

The vast number of 3,300 planned departures over the next 18-24 months will be from the Calgary-based company's legacy wireline businesses — primarily cable and internet.

Chief executive Brad Shaw told analysts on a conference call that the restructuring, called the total business transformation program, is vital to future growth in both its legacy landline and new wireless businesses.

"We remain confident that through the next 18 months — extended to 24 months in some circumstances — we can manage the transition with limited disruption to our day-to-day business operations," Shaw said.

Strength in wireless segment

Shaw is a small operator in Canada, which is fast gaining the market share in the nation’s wireless market after it acquired Freedom Mobile. Many telecom analysts believe Shaw will play the [role of disruptor](#), as its management targets to capture at least a quarter of the Canadian wireless market through its Freedom Mobile network.

The latest quarterly numbers show that the company is succeeding in this battle.

During the quarter ended February 28, which included intense pre-Christmas discounting by most players in Freedom’s key markets, the company added a net 89,700 wireless customers. That included 93,500 additional post-paid subscribers.

That robust growth helped Shaw to register an overall increase in the quarter revenue to about \$1.36 billion, up from \$1.21 billion. Total wireless revenue was \$290 million, up 106% from last year, helped by the company’s first-time offering of Apple products at its stores.

The bottom line

Despite the recent strength in its stock price, Shaw stock still remains about 15% lower than the 52-week high. Trading at \$26.42 with an annual dividend yield of 4.49%, Shaw offers a good growth opportunity in Canada’s matured telecom market. The recent restructuring and the company’s increasing market share in the wireless segment signal better days are ahead for this telecom player.

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Author
hanwar

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