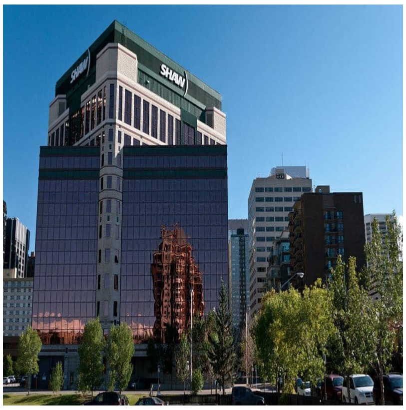

Shaw Communications Inc. Is Making Big Moves in Canada's Telecom Space

Description

Shares of **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) were up by as much as 10.9% at one point in Thursday's trading, closing up a very impressive 9.8% for the Thursday session.

The "pop" in Shaw stock came after a strong earnings beat of $0.50 adjusted earnings per share (EPS) versus the $0.28 that was expected by Bay Street as well as the announcement of the company's $0.985 monthly dividend.

Shaw has been undergoing a serious transformation of its operations

While the "headline" earnings (EPS) number for Shaw's second quarter was reported as $0.50, technically speaking, Shaw's earnings as defined by Generally Accepted Accounting Principles (GAAP) were -$0.33 EPS.

The difference arose from some substantial restructuring charges the company took in the second quarter as part of its Total Business Transformation (TBT) initiative and related Voluntary Departure Program (VDP), which saw Shaw offer select employees the option of leaving the company and accepting a severance package.

That VDP program, however, shouldn't be expected to have much of an impact on the company's front-line operations, as the majority of customer-facing employees were exempt from the offer, and those employees that did participate largely came from functional departments, with Shaw overseeing an orderly transition of its workforce over the next 18 months.

A string of M&A deals positions the company as a formidable wireless carrier

In addition to the TBT initiative, Shaw has made several additional moves in recent years to help transition the company from being a traditional cable TV provider, while making a critical pivot towards a growing wireless business.

In the fourth quarter of 2017, Shaw completed the sale of its ViaWest business to Peak 10 Holdings Corporation for proceeds of US$1.675 billion, which helped offset the cost of the company's purchase of WIND Mobile (since renamed Freedom Mobile) in 2016 and the acquisition of 700 MHz and 2,500 MHz wireless spectrum licences from **Quebecor, Inc.** during 2017.

Shaw's investments are paying off

The good news for Shaw shareholders is that the aggressive shift towards becoming a more formidable player in Canada's wireless market are starting to bear fruit.

In Q2 Shaw saw consolidated revenues grow by 12.4%, largely driven by gains in its wireless business.

During the second quarter, Shaw added 89,700 wireless customers — an improvement of 2.5x the gains it experienced in the second quarter of the year-ago period.

In reporting its performance, the company attributed strong growth in its customer base to demand for its recently introduced iPhone lineup in combination with attractive pricing and packaging options that were in high demand during the period.

Can Shaw continue its momentum?

Wireless markets are notoriously competitive. While Shaw's recent quarterly performance is certainly noteworthy, it may be so noteworthy that it warrants some kind of counter-attack by competitors **Rogers Communications Inc.**, **BCE Inc.**, and **Telus Corporation**, which are all coming off somewhat sluggish performances in 2017.

This will certainly be a story to keep following as the year plays out, but for now, at least, it looks as though Shaw has gained the upper hand on the competition.

CATEGORY

1. Dividend Stocks
2. Investing

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. Dividend Stocks
2. Investing

Date
2025/07/08

Date Created
2018/04/22
Author
jphillips