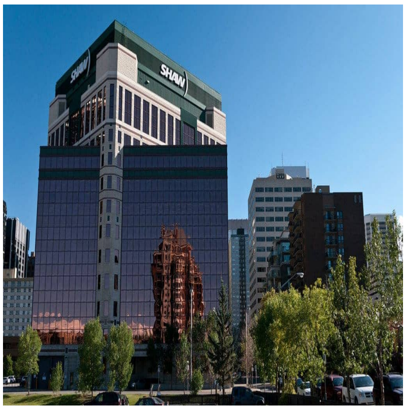

Shaw Communications Inc. (TSX:SJR.B) Stock Remains a Steal for Dividend Investors

Description

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR) shares fell 4% after clocking in a $91 million loss for Q3 2018 thanks to its free-falling **Corus Entertainment Inc.** (TSX:CJR.B) investment, which management wants to sell at some point in the near future.

The devaluation of Corus is a one-off event that I believe is nothing more than noise that's distracting investors from the real long-term story: wireless growth.

Shaw continues to pick up traction with its wireless business Freedom Mobile, and with no signs of slowing down, it appears that it'll just be a matter of time before the company grabs a 25% share of the Canadian wireless market. The company added 54,200 new wireless customers for the quarter, which was what the Street was expecting. Unfortunately, after clocking in record Q2 wireless growth numbers, the in-line Q3 wireless growth wasn't anything to write home about.

During the conference call, management stated that it expects sequential average revenue per user (ARPU) growth, as it continues to move forward with aggressive promos designed to poach subscribers away from the Big Three incumbents.

Phillip Huang, an analyst at Barclays Capital, noted that Shaw is "improving its distribution footprint," which will play a significant role in wireless subscriber growth going forward. Shaw stated that it intends to have Freedom Mobile at over 600 retail locations by early 2019.

Wireline numbers were underwhelming for the third- quarter, but management was quick to note that it expects additions to return in the fourth quarter, citing a seasonal pattern of deactivations caused by university students.

Huge value for income-oriented investors

The stock currently trades at a 20 forward P/E, a 2.3 P/B, a 2.6 P/S, and a 10.5 P/CF, all of which are relatively in line with the company's five-year historical average multiples of 18.6, 2.5, 2.4, and 8, respectively. Although shares appear fairly valued at current levels, I believe investors are heavily discounting the high growth ceiling of Shaw's wireless business.

Over the long term, I'm confident that the wireless business will continue to surge at the expense of its rivals thanks to a combination of aggressive promos, price undercutting, continuously network improvement, and a competitive advantage that's likely to be granted by federal regulators.

As such, the recent Q3 post-earnings dip is nothing more than an opportunity for long-term dividend investors to back up the truck.

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