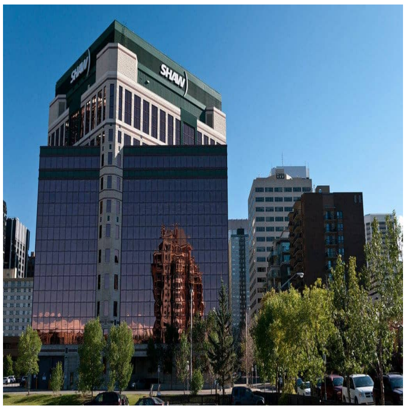

Shaw Communications Inc. (TSX:SJR.B): Is This Stock a Buy?

Description

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR) is making good progress on a major strategy shift, and investors are wondering if the time has come to add the stock to their portfolios.

Let's take a look at the cable and mobile player to see if it deserves to be on your buy list.

Move to mobile

Shaw shocked investors when it bought Wind Mobile for $1.6 billion in 2016. For years, the company had fiercely defended its decision to avoid entering the Canadian mobile wars and had even sold spectrum not long before the purchase.

In the end, management came to the realization that having a strong mobile business was important if Shaw wanted to compete with its competitors, which offer bundled packages for internet and TV customers. The division was re-branded as Freedom Mobile, and Shaw continues to invest in network upgrades to make the group a strong player in the Canadian mobile market.

Financials

Shaw reported solid fiscal Q3 2018 results. Revenue from continuing operations rose 6.9% on a year-over-year basis, and operating income increased 7%, driven by strong wireless and business results.

The company added 54,000 net new wireless customers in the quarter and generated average revenue per user (ARPU) growth of 8%. Mobile customers are attracted to Shaw's data-centric service plans.

Investors should see the mobile business continue to grow, as Shaw has entered two key retail agreements. Freedom Mobile will eventually be available in 100 **Loblaw** Mobile Shop kiosks, and Shaw recently announced a distribution agreement with **Wal-Mart** that will see the wireless products made available in 140 Wal-Mart locations.

These initiatives combined with Shaw's corporate and dealer store network should close the retail gap between Shaw and its peers. In total, Shaw says Freedom Mobile will be available in about 600 retail locations by early 2019.

Corus situation

As part of the transition, Shaw sold its media operations to **Corus Entertainment Inc.** (TSX:CJR.B). Some pundits questioned the decision, but the timing might have been ideal. Corus is struggling with falling ad revenue amid the broader challenges faced by TV and radio station owners, as they scramble to adjust in a world where more people are using the internet to get their news and entertainment.

Shaw still holds a large stake in Corus, but it has recently indicated it would be willing to sell the position. The company took an impairment charge of $284 million on the Corus investment in the most recent quarter.

Shaw's willingness to cut the cord with Corus provides clarity for investors, who might have been concerned Shaw would consider bringing the media assets back into the portfolio. **Telus** has thrived without a media division, and it appears Shaw is happy following that model.

Dividends

Shaw's monthly dividend has not increased for some time primarily due to the large capital expenses associated with building the mobile operations. Once the heavy investments are complete, investors should see a return to dividend growth.

At the time of writing, the stock provides a yield of 4.3%.

Should you buy?

The mobile expansion is gaining traction, and Shaw is making improvements in its TV and internet offerings, including the recently launched Internet 300 plan, which doubles the company's fastest residential speed and enables customers to consume unlimited data through multiple devices in their homes.

If you are looking for a buy-and-hold dividend stock with some nice upside potential, Shaw appears attractive today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:CJR.B (Corus Entertainment Inc.)
3. TSX:SJR.B (Shaw Communications)

PARTNER-FEEDS

1. Msn

2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/07/19
Date Created
2018/07/17
Author
aswalker