Why Disney+ Could Be Very Bad News for Shaw Communications (TSX:SJR.B)

Description

One of the biggest stories in the financial media over the past few weeks has been the upcoming release of **Walt Disney's** (NYSE:DIS) streaming service, Disney+.

Disney+ is generating all sorts of hype, and it's easy to see why. Viewers will have access to Disney's vast content library, which includes many of the Disney classic movies, Pixar's animated collection, Star Wars movies, and everything in the Marvel comics universe as well. Disney+ will also feature shows from Fox, which it recently acquired. This writer is especially excited about being able to watch all 30 seasons of *The Simpsons*.

Disney will also produce exclusive content for Disney Plus, and American-based subscribers to the service will be able to watch ESPN and Hulu. The price for Canadian subscribers is just $8.99 per month or $89.99 per year.

Simply put, this is a great value proposition for customers, especially for folks with a family. And, unfortunately for investors in one of Canada's largest companies, it's bad news for the stock.

Bad news for Shaw

Shaw Communications (TSX:SJR.B)(NYSE:SJR) has been dealing with a steady decline of its cable TV business for years now, as many Canadians choose to save $50-$100 per month by cutting the cable cord.

This trend has continued uninterrupted for a few years now, and, unfortunately for investors, it's starting to accelerate. Through the first three quarters of Shaw's fiscal 2019, the company lost more than 77,000 cable customers and an additional 35,000 satellite television customers. The official total decline was 112,410 customers compared to 67,795 customers in the same period last year.

Shaw still has 2.2 million cable and satellite subscribers left, and it has been successful raising prices to existing customers. But that trend of steadily losing customers is not an investor's friend.

I think the subscriber loss could get even worse once Disney+ launches in Canada in November.

Every family I know with young children has cable. It's a lifesaver to plunk the kids down in front of the television to give mom and dad a little quiet time. Television also gives the parents something to do once the kids go to bed.

But this advantage is starting to erode. Kids love consuming content on **Netflix** and YouTube, and they're less tolerant of commercials than most adults. They also don't see the point of having to wait a whole week to watch another episode of their favourite shows.

I see the arrival of Disney+ as something that will encourage many parents to finally cut the cable cord for good and stick with a Disney+ and Netflix subscription.

A Disney Plus and Netflix subscription will cost a family under $30 per month. Cable can easily surpass $100 per month if you get a good variety of channels. Additionally, many networks in Canada are starting to embrace a digital model and offer ad-supported versions of the shows for free online. This is another death knell for the cable industry.

Finally, let's not forget Shaw's main rival out west, **Telus**. Thanks to a combination of clever marketing and a good value proposition, the company is actually gaining television subscribers. It added 33,000 television subscribers over the first six months of 2019.

Foolish takeaway

Put all this together, and I see the trend of Shaw's cable customers leaving accelerating. While overall results are still good enough that investors don't have to worry about a dividend cut or anything drastic like that, it's still enough for this analyst to be pretty bearish on the Calgary-based company.

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