



Value Investors: Why I Think Shaw Is Likely to Be Acquired in 2021

Description

Still well off its pre-pandemic highs, shares of **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)) have disappointed investors greatly this past year. With the company's share price so depressed, one must ask the question, will others see the value here?

In this article, I'm going to explore the thesis that Shaw could be acquired in 2021. I think the table is being set for more acquisitions to take place, such as this potential one, for a few reasons.

Death of the founder

The primary reason I think Shaw could be acquired this year is the unfortunate passing of the company's founder J.R. Shaw in March of last year. This momentous event has already stirred some speculation among investors that the company's largest shareholders could be interested in putting their shares up for sale. Such a move would likely never have happened while Mr. Shaw was alive, so his unfortunate death opens up this possibility.

Stock as cheap as the financing needed to acquire

The reality is that Shaw's stock price looks extremely cheap at these levels. A larger player in the telecom space snapping up Shaw for access to the company's cash flows makes sense. Shaw's future cash flow potential has been increased of late with the possibility of acquiring discounted spectrum at auction this year. That said, Shaw is currently trading at only around seven times operating cash flow. This is absurdly cheap and would allow an acquirer to pay back this investment in fewer than 10 years.

Additionally, acquisition financing has become ultra-cheap with record-low interest rates. Any company looking to step in and acquire a player like Shaw at these levels could do so cheaply. Furthermore, with a potential payoff period so short, such a deal seems like a no-brainer to many in the financial community right now.

Other deals make this one look possible

The recent acquisition of **Brookfield Property Partners** by former parent **Brookfield Asset Management** could be a preview of what is to come. This acquisition came as a result of the value BAM saw with its subsidiary, as reflected by current market sentiment.

I think more deals like this one are on the horizon. There are too many factors that are lining up perfectly for acquisitions of undervalued companies to take place. Shaw is indeed one of these undervalued names and ought to be on investor watch lists right now. I think this is a stock that investors need to be patient with. That said, a [5.2% dividend yield](#) pays investors to wait. If such an acquisition does materialize, investors could be due for a nice payday.

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