



Where to Hide in Canada's Telco Space if Verizon Comes North

Description

One of the big pieces of news to roll through last week was that U.S. telecom giant **Verizon** ([NYSE:VZ](#)) is considering setting up a wireless operation here in Canada. [And while we noted](#) the probability of this occurring is pretty low, the company did indeed admit to at least sniffing around.

Even though this is not great news for Canada's wireless incumbents, the shares of the Big 3, namely, **Rogers** ([TSX:RCI.B](#)), **Telus** ([TSX:T](#)), and **BCE** ([TSX:BCE](#)) have held in relatively well in the face of this competitive threat. Clearly, Mr. Market agrees that the probability of Verizon entering our market is a long shot.

And while the market might be ignoring this scenario, the sell-side is not. Regardless of the probability, Verizon's possible entry makes for a compelling story.

The analyst at Desjardin Securities put out a piece today that runs through the scenario and the potential impacts a competitor like Verizon might have on the wireless industry. The disruption that Verizon is sure to bring to our market will have a sizeable impact on both the incumbent's current market share, as well as margins.

The names in Canada's telecom space that appear to be least exposed to this issue are **Shaw Communications** ([TSX:SJR.B](#)) and **Bell Aliant** (TSX:BA). Neither have any material exposure to wireless. Beyond these names, the Desjardins analyst also expects that **Quebecor** ([TSX:QBR.B](#)) and BCE will come out relatively unscathed. Quebecor has a strong regional presence in Quebec and is currently growing its wireless share, and BCE has a relatively low exposure to wireless as part of its business mix. At least compared to Rogers and Telus, who would be most negatively impacted by the Verizon scenario.

Foolish Takeaway

Stocks in this space are down since the VZ news broke but this has more to do with the broad market's performance and what's going on with interest rates. Stay tuned however as should it become more likely that Verizon is going to indeed make a move into Canada, it won't be a good thing for the likes of Rogers and Telus especially.

Canada's telecom space is a haven for investors that are looking for yield. To add some diversity to your income-producing portfolio, simply [click here](#) to download our **FREE** report "**13 High Yielding Stocks to Buy Today**".

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Fool contributor Iain Butler does not own any of the companies mentioned in this report. The Motley Fool has no position in any stocks mentioned at this time

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2. TSX:RCI.B (Rogers Communications Inc.)
3. TSX:SJR.B (Shaw Communications)
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Date

2025/07/28

Date Created

2013/06/24

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