



Verizon/Vodafone Potential Deal a Big Positive For Canadian Telcos

Description

As [we discussed yesterday](#), the early summer news that U.S. giant **Verizon** ([NYSE:VZ](#)) potentially has its eyes on the Canadian wireless market sent the share prices of this country's big 3 wireless providers, **Rogers** ([TSX:RCI.B](#)), **Telus** ([TSX:T](#)) and **BCE** ([TSX:BCE](#)), spiralling.

This potential however has seemingly been dialed back with today's news. Marking today's headlines are rumours that Verizon and **Vodafone** may be in the process of negotiating a deal that would see Verizon acquire the 45% of **Verizon Wireless** that it doesn't own. The potential price tag – a mere \$130 billion! This amount makes the \$3 billion or so some estimate it might cost Verizon to get up and running in Canada look like jelly bean money.

Implications

Given the reaction that Canadian telco stocks have had to this news, this has been a welcomed development by Mr. Market. All 3 are flashing green, with Rogers and Telus leading the way with 3% gains each thus far today.

The market is assuming that a potential VZ/VOD deal may limit Verizon's capacity to pursue the Canadian market. Music to the ears of the Canadian telcos who have waged a PR war against this possible competitive threat all summer long.

As indicated however, if a company has the financial where-with-all to pull off a \$130 billion deal, would it really even think twice about taking on another \$3 billion opportunity?

Even though the market seemingly disagrees, in this Fool's opinion, today's announcement hasn't really altered Verizon's (potential) stance on Canada. If the opportunity here fits their eye, it's likely they'll come up with the money to make a go of it.

Foolish Takeaway

If nothing else, the PR campaign that the Canadian telcos' have waged has stirred the emotions of Canadians. Time will tell however if this has an impact on the Canadian government which stands as

the gatekeeper to this whole ordeal. If the Government stands by its desire to have a significant 4th player in this country's wireless sphere, and the business case makes sense, Verizon is unlikely to let this potential deal with Vodafone get in the way.

Telcos are a great source of dividend income for your portfolio. To help you diversify your dividend cheques however, the Motley Fool has created a special **FREE** report, "**13 High-Yielding Stocks to Buy Today**". [Click here now](#) and we'll send you this report at no charge. [This report](#) will have you rolling in dividend cheques before you know it!

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Fool contributor Iain Butler does not own shares of any companies mentioned at this time. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:VZ (Verizon Communications Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:RCI.B (Rogers Communications Inc.)
4. TSX:T (TELUS)

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