



## Thanks, But No Thanks Canada – Verizon Moves On

### Description

Last week was a relatively good one for Canadian telecom shares. While the S&P/TSX Composite experienced a decline of 0.8%, **Rogers** ([TSX:RCI.B](#)), **Telus** ([TSX:T](#)), and **BCE** ([TSX:BCE](#)) managed to post gains of 0.8%, 1.6%, and 1.2% respectively.

A big reason for this lurch forward was the proposed deal for **Verizon Wireless** between **Verizon** ([NYSE:VZ](#)) and **Vodafone** – a deal that was of course consummated over the weekend. Prior to it becoming official however, many assumed the deal would serve as a distraction for Verizon and given the deal's size, \$130 billion(!), limit their ability to pursue a Canadian strategy. This line of thinking helped drive last week's gains for the big 3 Canadian telco's. No Verizon was (and is) good news for the group.

### Never about the money

Amidst the speculation and rising stock prices last week, [we indicated in a post](#) that if there was an attractive business opportunity here in Canada for Verizon, the additional \$3 billion or so of capital required to get up and running was nothing for this U.S. giant.

[But as we had speculated](#) from the get go, it turns out, the opportunity here just wasn't very interesting.

With the deal between VZ and VOD in place, Verizon's CEO also put the final nail into the coffin of this Canadian pursuit. "Verizon is not going to Canada" and speculation over this possible entry was "way overblown" said the company's CEO in a Bloomberg interview.

Now more than ever, given Verizon's full ownership stake in Verizon Wireless, the Canadian market simply isn't big enough to move the needle for this company. Plus, there are 3 firmly entrenched wireless players that were set to wage an all-out war against this significant competitive threat. From Verizon's perspective, all pain for no gain does not make for an overly appealing business case.

### Foolish Takeaway

We don't have any insight into the backroom meetings that took place during this whole ordeal or how

serious this “threat” ever really was. We do know that the Canadian telecoms were taking it very seriously, given the PR blitz that they put on, and during the slow summer months, the story certainly provided the media with something to get readers/viewers whipped up about.

We also know that the market handled this scenario very rationally. Though the Canadian telcos sold off, they [didn't ever become super cheap](#), even though one of their [primary growth drivers](#) was potentially under attack. It was never obvious that Verizon coming north was a sure bet, and the market treated it that way.

While the Canadian telco's are a great source of dividend yield, this Verizon episode has demonstrated why portfolio diversification is so important. We've created a special **FREE** report that will have you rolling in dividend cheques from a variety of sources before you know it. [Click here now](#) to download “**13 High Yielding Stocks to Buy Today**” at no charge!

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*Fool contributor Iain Butler doesn't own shares of any companies mentioned. The Motley Fool doesn't own shares in any of the companies mentioned.*

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

## Category

1. Investing

## Date

2025/07/28

## Date Created

2013/09/03

## Author

tmfohcanada

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