



Will These Telecoms Be Acquired?

Description

Montreal-based **Quebecor** ([TSX: QBR.B](#)), through its subsidiary Videotron, aims to become Canada's fourth national wireless carrier. This may trigger the next wave of consolidation in the telecom industry. A strategic acquisition of either Wind Mobile or Mobilicity, or even both would serve as a foothold outside of Quebec. How would the other players consolidate in response?

Tit-for-tat

Ontario has 38.5% of the overall Canadian population, more than Quebec and British Columbia combined. Investors may expect Videotron to aggressively expand in Ontario as it tries to scale and penetrate this market.

Montreal-based **Cogeco Inc** ([TSX: CGO](#)) and **Cogeco Cable** ([TSX: CCA](#)) may provide Toronto-based **Rogers Communications** ([TSX: RCI.B](#))([NYSE: RCI](#)) the ammunition it needs to defend itself against Quebecor. Cogeco has a significant presence in Quebec and Rogers could leverage that in its home market by aggressively pursuing its residential customers.

Although Rogers owns an existing sizeable equity stake in Cogeco Inc and Cogeco Cable, it still needs to convince the Audet family to sell its controlling shares as more than 70% of voting rights belong to them through Gestion Audem Inc. In addition, the federal regulator, the Canadian Radio-Television and Telecommunications Commission, may require Rogers to divest some of Cogeco's assets in Ontario, out of competition concerns.

But in the end, Rogers' strategic acquisition of Cogeco would be about building a significant presence in Quebecor's home market — just in case Videotron gets too aggressive in Ontario.

Content is king

Toronto-based **Corus Entertainment** ([TSX: CJR.B](#)) could also provide Rogers the key assets to compete. With much uncertainty surrounding pick-and-pay TV, a Corus acquisition would allow Rogers to own prime media assets that focus on children and women while investing in compelling content to stem cord cutting.

Since **Bell's** ([TSX: BCE](#))([NYSE: BCE](#)) purchase of Astral Media in 2013, Bell Media has dominated the media landscape with industry-leading TV viewership and radio hours. Bell Media currently controls 29% of English language TV viewership and 38% of radio hours tuned in. A Rogers/Corus combination would bring competitive parity with Bell for a combined English language TV viewership of 25% and 35% in radio. Similar to Cogeco's shareholder structure, the Shaw family holds majority-voting shares in Corus and any acquisition would require their blessing.

In the past, Calgary-based **Shaw Communications** ([TSX: SJR.B](#))([NYSE: SJR](#)) has sold a few of its interests to Rogers including Hamilton-based Mountain Cablevision as well as spectrum licenses in British Columbia, Alberta, Saskatchewan, Manitoba, and Northern Ontario in order to better compete with Vancouver-based **Telus**.

Ultimately, with Videotron vying to become Canada's fourth national wireless carrier, investors may expect a shifting industry as new alliances are formed. While transformational mergers such as a Rogers and Shaw combination may be too big, bolt-on acquisitions may just be the right size in an ever changing environment.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:CCA (COGECO CABLE INC)
3. TSX:CJR.B (Corus Entertainment Inc.)
4. TSX:QBR.B (Quebecor Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:SJR.B (Shaw Communications)

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