



Is Quebecor Inc. Trading Its Print Division for Wireless Ambitions?

Description

A lot has changed over the past decade thanks to the Internet, and one sector feeling it the most is the newsprint industry. News was once the mainstay of people's front doors but it has since been steadily replaced by online options, including us here at Fool Canada.

Quebecor has been feeling this cultural push, and company has steadily been offloading its print division. For example, **Transcontinental Inc.** bought Quebecor's lineup of community newspapers in Quebec for \$75 million.

Now in a \$316 million deal, Quebecor is selling its English-language Sun Media Corp. assets to Postmedia. Quebecor has stated publicly that the deal is in response to a "drive for consolidation" in the print industry, but many think that this is the company's latest chess move in its bid to launch its own national wireless service. Quebecor has said that it is a healthy company financially "with easy access to credit" and that it doesn't need extra money to finance its projects.

While this may be true, it can be a tad misleading as the price for Quebecor to go national would cost between \$1 billion and \$2 billion. This could also be less about the funds needed and more about a consolidated focus.

Roaming runaround

The biggest hurdle facing Quebecor's ambitions continues to be the current environment of roaming rates in Canada, which it has lobbied the federal government several times over to change. Quebecor has stated several times publicly that if the government and the CRTC won't lower the wholesale rates that incumbent players such as **Rogers Communications Inc.** and **BCE Inc.** charge competitors to tap into their networks, it won't expand outside of Quebec.

Potential partners

Even if Quebecor gets its way with roaming regulations, however, it still would require some help to go national. The two most likely options have always been Wind Mobile and Mobilicity. Together, the three companies make up a sizable market share, with Mobilicity having 155,000 wireless subscribers,

Quebecor with 550,000, and Wind Mobile with 741,000.

But things are a little less cut and dry than they were over the summer, now that Wind Mobile is off the sales block as its original founder Tony Lacavera and a group of private equity firms have relieved the company from VimpelCom Ltd. The \$135 million cash (and \$150 million debt) deal ends a rocky period for Wind Mobile. Now under the “new” regime, there is already talk about buying new spectrum, expanding into Edmonton, Abbotsford, and Kelowna and \$400 million worth of network development.

This makes a buyout by Quebecor less likely in the short term but some form of partnership could be in the cards, as before the deal Quebecor was “open to joining forces with Wind Mobile.”

One the other hand, you have Mobilicity, which is still under bankruptcy protection and desperate for a viable financial savior. While it may have the smallest subscription base of the three, it does have alluring territory in B.C., Alberta, and Ontario.

So a potential strategy here could be a buyout of Mobilicity and a partnership with Wind Mobile, which would give Quebecor a solid footing on both sides of the country. If it wanted to fill the gap between the two regions, it could look into buying **Allstream Inc.** from Manitoba Telecom Services.

This is another “desperate for a buyer” company as its previous suitor was rejected by the federal government over “national security” concerns. Adding Allstream into a consortium of Quebecor, Wind Mobile, and Mobilicity would create a true coast-to-coast fourth national carrier that would be easy for investors to latch onto.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:QBR.B (Quebecor Inc.)

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