



Takeover Target: Is Cogeco Stock a Buy Today?

Description

Takeover targets make for interesting discussions when it comes to **TSX** stocks. The last really big story was the potential acquisition of **Cineplex** by **Cineworld**. Since the pandemic hit, takeovers – like the shelved Cineplex bid – have been thin on the ground. However, the scene is definitely set for some major mergers, especially in crowded sectors bristling with beaten-up businesses.

A takeover bid to keep an eye on

The telecoms space has been one of the most thoroughly chewed up sectors during the pandemic. These businesses have suffered from a combination of shrunken advertising revenues and the drying up of roaming fees. Some names have been better positioned to cope than others, though. Consider **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)), one of the Big Three telcos, but also the [market leader](#) in Canadian sports media.

The latest takeover news targets **Cogeco** ([TSX:CGO](#)) and **Cogeco Communications** (CCA) and comes via an unsolicited bid from U.S. cable outfit **Altice**. But where the proposal gets interesting is in the side deal Altice made with Rogers. The pincer move has so far been rebuffed by Cogeco's controlling shareholder, as well as Quebec Premier François Legault. It's certainly no small matter – the offer on the table amounts to \$10.3 billion.

Telecoms stocks could get a shake-up

The move would effectively split Cogeco's assets on either side of the U.S.-Canada border, with Altice pocketing the former and Rogers the latter. This is going to be a major story for Canadian telco investors to keep an eye on. Cogeco Communications stock is up more than 10% for the week, though it dropped 1.5% Thursday. Investors should expect this name to be frothy while the story develops.

Meanwhile, CGO was up 1.5% Thursday, with a five-day boost of 15%. There's a clear favourite for investors, here. The parent company is garnering more attention than the offshoot, making it a stronger buy for upside potential. However, both names have been affected by the takeover bid, making this an

intriguing space to watch. Going forwards, investors may want to watch the broader telecoms space.

Conversely, Rogers, a long-time shareholder of Cogeco, has seen its share price remain fairly flat for the week, however. This suggests that investors are clearly intrigued by Cogeco's position as a takeover target, but less interested in the prospect of a Rogers expansion. This could change, though, with a lot of the [telco market share](#) up for grabs.

This is no straightforward matter, though. Almost 70% of Cogeco's voting rights are held by Gestion Audem Inc., and the company doesn't support the deal. Legault isn't a fan, either. With both industrial and political opposition, the takeover bid could fizzle out. However, the bid has certainly started a conversation, and investors could now be on the lookout for other potential takeover targets on the market.

Investors may want to wait for the dust to settle before going long on any of the above mentioned stocks. However, the Canadian telcos space is potentially on the precipice of some big changes, meaning that additional disruptive momentum could be forthcoming.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:CCA (COGECO CABLE INC)
3. TSX:CGO (Cogeco Inc.)
4. TSX:RCI.B (Rogers Communications Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/16

Date Created

2020/09/04

Author

vhetherington

default watermark