



## Better Buy: Rogers/Shaw or Air Canada/Air Transat?

### Description

After a [turbulent 2020](#), companies appear to be keen on acquisitions this year. Indeed, picking up companies on the cheap should be the goal of every company (and investor). Buy low, sell high is still a thing talented investors do. Accordingly, those looking at **Air Canada** ([TSX:AC](#)) or **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) following the news of their massive acquisitions may be wondering:

*Which is the better buy?*

Let's take a look at both deals and assess.

## Rogers/Shaw deal set to reinvigorate the 5G discussion

Despite today's uncertainty, Rogers has announced a \$16 billion acquisition of **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)). This deal appears to be the transformative one the company has looked for. Indeed, Rogers' management team seems to be bullish on consolidation right now.

Rogers is in a unique position in that the company has the ability to consolidate this sector. Roger's has the bond rating and balance sheet room to engage in such large deals. As the country's largest provider of [5G technology](#), Rogers is also keen on expanding its customer base. For those as bullish as Rogers is on the transformative impact 5G could have on this sector, more M&A deals could be better than less for investors.

Rogers argues that the deal is essential for scaling its 5G rollout. This goes double in a vast country like Canada.

As per reports, this merged firm will spend \$2.5 billion to support a 5G network in western Canada, a region that was predominantly operated by Shaw. They will also invest \$3 billion in web, service, and technology and another \$1 billion for high-speed internet in sub-urban regions.

However, Rogers is quick to point out that the deal will be accretive to earnings and cash flow in the first year. Expected cost savings from the deal should top \$1 billion within two years of the deal completing.

## High expectations for Air Canada/Air Transat deal with post-pandemic backdrop

Air Canada's recent \$190 million acquisition of the leisure airline **Air Transat** cemented its position as a market leader. This deal is exceptionally bullish for investors, as Air Canada reportedly completed the transaction at a more than 70% discount than the initial price offered in May 2019.

Air Transat heavily focuses on leisure air travel, offering attractive packages on critical routes to vacation destinations. Following the stringent lockdown protocols that devalued these stock prices, analysts expect significant growth in the next couple of years.

Air Canada's acquisition into a potentially long-term lucrative [growth sector](#) at dirt-cheap prices is a big win for investors. If vacation travel booms post-pandemic as many expect, Air Canada could be a big winner in the quarters to come.

## Bottom line

While Rogers will get a significant market share boost via this acquisition, Air Canada is the winner in terms of big deals this year. With the vaccine rollout expected to accelerate in Canada, there's significant reason for optimism in the airline sector. Accordingly, Air Canada probably has a bit more upside than Rogers right now.

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### POST TAG

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### TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:AC (Air Canada)

4. TSX:RCI.B (Rogers Communications Inc.)
5. TSX:SJR.B (Shaw Communications)

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