



The Best 5G Play in Canada Just Got a Lot Bigger

Description

Given the travails the pandemic has provided investors, telecom stocks are among the top stocks investors should consider today. Why? Well, with [5G rolling out](#), these companies have an amazing secular growth catalyst unlike anything the industry's seen in a while. Indeed, telecom players now have the potential to be the conduits for data growth, with pricing power likely to grow over time.

There are four major names in the 5G industry, including **BCE** and **Telus**. However, a recent announcement just changed all that. If the **Rogers Communications's** ([TSX:RCI.B](#))([NYSE:RCI](#)) acquisition of **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)) goes through, that number will decrease by one. Indeed, this proposed \$26 billion acquisition could shift the power balance in Canada's telecom industry.

Here's why the [Rogers-Shaw](#) deal could be a great one for long-term shareholders in Rogers stock.

Consolidation is “attractive” for 5G investors

Rogers's acquisition of Shaw is one various analysts believe is a very beneficial one for Rogers shareholders. A recent research note on this deal from Desjardins Securities analyst Jerome Dubreuil highlighted this. He believes that the sector is cheap at the current levels due to the following reasons:

- He believes that the sector's current valuations do not accurately reflect the prevalent low-interest-rate environment. Accordingly, this favours capital-intensive companies with higher yields, like the telecom sector.
- Market regulators now have a more favourable opinion of companies in the sector. Indeed, this can potentially lead to better valuations in the sector. Thus, most of the pandemic-induced impact on this sector should be temporary, increasing the capital appreciation potential of these stocks.

Indeed, it's worth repeating: market regulators now have a more favourable opinion of companies in the sector. Additionally, given most of the pandemic-related downside this sector has seen has already been priced in, 5G stocks could be set up for impressive share price outperformance.

Rogers-Shaw behemoth is a force to be reckoned with

Following this acquisition, Rogers announced several investment plans to expand its 5G rollout in Canada. These allocate \$2.5 billion for western Canada, \$1 billion for indigenous communities in four western provinces, and \$3 billion for infrastructure support.

This combined entity now possesses the assets and infrastructure spending room required to support high-speed wired and wireless internet connectivity across the country. This combination makes Rogers a competitive behemoth with impressive competitive power in a consolidated sector. Importantly, I believe this deal also opens up the opportunity for much-needed innovation in Canada's telecommunication sector.

Bottom line

This transaction is set to create Canada's most robust 5G player. With enhanced spectrum holdings and capacity, investors can bet confidently on Rogers's 5G rollout. Indeed, I think this deal has the potential to serve investors well over the long term. Higher margins and improved market power are two key things investors will want to watch.

Thus, Rogers continues to be my top pick in the Canadian telecom space right now.

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2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:RCI.B (Rogers Communications Inc.)
4. TSX:SJR.B (Shaw Communications)

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Author

chrismacdonald

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