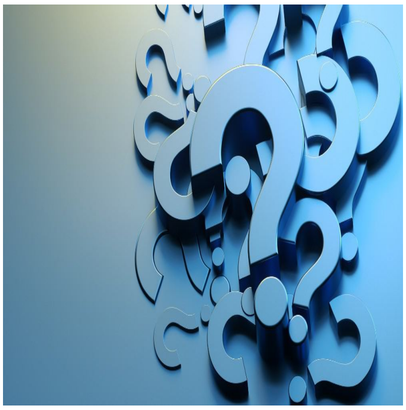

Could the Rogers-Shaw Merger Have More Hair on it Than Previously Thought?

Description

The 5G space is certainly an exciting one. This excitement continues to build of late, among two of Canada's biggest players. Indeed, the fact **Shaw Communications** (TSX:SJR.B)(NYSE:SJR) accepted a takeover bid worth $20.4 billion from **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) is noteworthy. This consolidation could create a behemoth in the 5G space investors will certainly want to own.

It appears bother companies are bullish on this deal. They believe consolidation will provide increased long-term growth potential. Indeed, this merger has some serious synergy potential, if everything goes through.

That said, there's a regulatory review on the table. Accordingly, there are concerns.

Cogeco CEO is worried about the acquisition deal

The CEO of **Cogeco Communications** (TSX:CGO), Philippe Jetté, expressed his concern regarding this deal. He believes the consolidation of power of the Big Three telecommunication companies in Canada could be detrimental to the industry. Thus, he's calling for a regulatory framework that will provide support to the small carriers. Such a framework would also help maintain competition at the same time.

Cogeco conducts its operations in Ontario and Quebec, providing services like home phone and internet. Last year, the company rejected a $11.1 billion takeover deal from Rogers. Previously, it had expressed its desire to enter the wireless market. However, this company said that it can only enter the sector if the CRTC makes it mandatory for national carriers to provide network access to smaller players.

Cogeco and Competition Bureau have suggested a hybrid model

Both Cogeco and the Competition Bureau have proposed that only companies that are willing to spend on infrastructure will gain access to national wireless networks. Jetté has further stated that entering the Canadian mobile market is extremely challenging, as a substantial amount of capital is required. Hence, it’s essential for small competitors to have access to wireless networks so that they can grow and expand their operations.

The Shaw and Rogers deal is not a done deal yet. Indeed, there are still some concerns related to competition. It’s expected the completion of this takeover could eliminate the country’s fourth-largest wireless carrier, Freedom Mobile.

Canada’s government has been pushing for more competition in the market to help lower Canadian’s telecom bills. Hence, many analysts believe that Rogers may have to sell Shaw-owned wireless assets (spectrum) to get regulatory approval. The CEO of Rogers Communications, Joe Natale, said that he’s confident that the company can reach an agreement with the governing bodies and complete the takeover.

Bottom line

Yes, the acquisition deal is far from being over, even though there’s a lot of excitement surrounding this takeover. Hence, we have to wait and see if it gets regulatory approval amid the concerns. For investors who remain optimistic that this deal will get approved, I believe this stock is definitely worth investing in right now.

That said, for those with a weak stomach, there could be volatility on the horizon.

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2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:CGO (Cogeco Inc.)

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

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Date
2025/08/17
Date Created
2021/03/30
Author
chrismacdonald