



Why am I Bullish on Rogers Communications (TSX:RCI.B)?

Description

Rogers Communications ([TSX:RCI.B](#))([NYSE:RCI](#)) has been looking to get an upper hand in the [5G race](#). The fastest way to expand and get market share is through acquisitions. In August 2020, it tried to take advantage of the pandemic and raised a hostile bid for **Cogeco** but failed. In March 2021, it made an offer to **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)) that the latter could not refuse.

Rogers gave an offer Shaw could not refuse

Rogers is [offering](#) a price of \$40.5 per share of Shaw — a 70% premium from its last traded price before the bid. Shaw stock is trading at \$35.59, which is a 12% discount from the bid price. I recommend that if you hold Shaw stock, sell it now. Don't wait for the 12% premium, or you might lose the \$35 price. There is a risk that many shareholders undermine.

The merger of Rogers and Shaw will attract a lot of opposition from worker unions, customers, competitors, and regulators — especially under the competition law. The telecom market is highly concentrated, with three players commanding 90% of the share. The Shaw acquisition will concentrate the market further.

Will the Rogers and Shaw deal succeed or fall apart?

Many deals have fallen apart because of regulatory delays. The **Air Canada–Transat A.T.** deal fell [apart](#) because of unwillingness by European regulators. In most cases, the regulatory process is so cumbersome that companies get tired and give up.

Rogers and Shaw expect the competition review to take a year and the transaction to close in the first half of 2022. The review will be done by the same government that promotes competition in wireless services by setting aside a spectrum for companies other than the Big Three. If the regulatory proceeding takes longer than a year, Rogers might lose patience and call it quits.

If the deal falls apart, Shaw's stock price will fall back to \$20-\$22 and might not rise much, as the company would fall behind in the 5G race. In the meantime, Rogers might move ahead to another acquisition target.

Why am I bullish on Rogers?

Acquisition or no acquisition, Rogers is the third-largest telecom operator and offers a 3% dividend yield. The company is riding the 5G wave. 5G will unleash tremendous growth potential, as it will connect multiple devices to high-speed internet with low latency. It will make mission-critical applications like autonomous driving and artificial intelligence (AI) in healthcare a reality.

If Rogers succeeds in acquiring Shaw, it will get access to Western Canada. As a combined company, Rogers plans to invest \$2.5 billion in developing a 5G network in Western Canada and another \$1 billion to connect rural, remote, and Indigenous communities across Western Canada.

Given the vast lands of Canada, the one with market share and greater penetration will win. This acquisition will help Rogers overtake **Telus** and become the second-largest telecom provider. And with 5G coming, the infrastructural edge will lead to exponential growth. The Sprint-**T-Mobile** acquisition completed on April 1, 2020, and it drove T-Mobile stock up 77% in 15 months.

Final thoughts

A mega acquisition amid the 5G revolution could act as a catalyst for Roger. In addition, the growing acceptance of digital products is making 5G even more lucrative.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/15

Date Created

2021/06/29

Author

pujatayal

default watermark

default watermark