



## Could Rogers (TSX:RCI.B) Outperform Telus (TSX:T) When it Becomes the 2nd-Largest Telco?

### Description

The merger of **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) and **Shaw Communications** isn't a done deal yet, but the chances of it coming true are high. In May 2021, Shaw's shareholders overwhelmingly approved the proposed \$26 billion deal.

Meanwhile, **Telus** ([TSX:T](#))([NYSE:TU](#)) is watching on the sidelines, because Rogers could unseat the company as the second-largest telecom in a near-monopoly industry. Shaw's executive chairman and CEO, Brad Shaw, said the combination would create a truly national network provider. The result would be far-reaching and multigenerational benefits for all Canadians.

### The hurdles

The Rogers-Shaw merger isn't without obstacles. First, the deal has additional conditions before consummation. As the buyer, Rogers must obtain approvals from Canadian regulators such as the Competition Bureau. The CRTC and Innovation, Science and Economic Development Canada are also going over the agreement.

Consumer groups, including telecoms advocacy group OpenMedia, want the federal government to block Rogers from pursuing the buyout of Shaw. Rogers promises to invest \$2.5 million in [5G networks](#) over the next five years. Also, the new company plans to establish a \$1 billion Rural and Indigenous Connectivity Fund.

The goal is to connect rural, remote, and Indigenous communities across Western Canada to high-speed internet. In Q1 2021 (quarter ended March 31, 2021), revenue and net income grew slightly by 2% and 3% versus Q1 2020. Joe Natale, president and CEO, said the quarterly results reflect Rogers's disciplined execution in each of its business units.

### Grand plans

Telus (+12.64%) has underperformed on the stock market compared to Rogers (+14.4%) thus far in 2021. [Industry leader BCE](#) tops both with its +16.44%. Telus has grand plans, too, that should cement its footprint in Canada. The \$37.6 billion company will invest \$2 billion to connect more than 90% of homes and businesses in Calgary to its PureFibre network.

The network is the largest 100% pure fibre-to-the-home network in Western Canada. Darren Entwistle, Telus's president and CEO, said, "Through this generational investment in Calgary, TELUS is proudly providing the technology to bridge geographic and socio-economic divides." He added that it will connect citizens to the people, resources, and information to better their lives.

In Q1 2021, operating revenues increased 8.9% compared to Q1 2020, although net income fell 5.7%. Doug French, Telus's executive vice-president and CFO, said the quarterly results demonstrate business resiliency. The company continues to provide world-leading broadband experiences along with superior bundled solutions.

Last month, New York-based *PCMag* named Telus as the fastest internet service provider in Canada for the second consecutive year. Telus invested \$1 million to support small businesses through the #StandWithOwners initiative.

The telecom industry is capital intensive with stiff barriers to entry. Telus has invested around \$51 billion across Alberta since 2000. It will invest \$14.5 billion more in the province through 2024. The objective is to create important and tangible social outcomes for all Albertans.

## Excellent dividend stocks

There's no definite date when Rogers will complete the Shaw transaction. It leads in 5G network coverage, although Telus, along with BCE, boasts the best network coverage footprint. Both are [excellent dividend stocks](#) with Telus's 4.56% dividend and Rogers's 3.01%. If you're price conscious, Rogers (\$66.55) is more expensive than Telus (\$27.75). Telus appears to have the edge if the considerations are dividend yield and share price.

### CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:TU (TELUS)
3. TSX:RCI.B (Rogers Communications Inc.)
4. TSX:T (TELUS)

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