Why Shaw Stock Looks Attractive Ahead of its Upcoming Merger

Description

Among the sectors many long-term investors are looking at right now for yield and long-term growth is the telecom space. With the rise of 5G technology and other secular catalysts, investors in **Shaw Communications** (TSX:SJR.B)(NYSE:SJR) stock have a lot to like about the future prospects of said company.

Of course, Shaw's upcoming acquisition by **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) is a big catalyst on the horizon as well. Ahead of this merger, let's take a look at why Shaw stock may be attractive relative to that of Rogers right now.

Investors in Shaw stock get a nice discount

One of the things many investors look for in acquisition announcements is the potential for an arbitrage opportunity. Now, markets tend to be efficient. Some discount can commonly get applied to companies, if it's thought that the deal might fall through. Such appears to be the case with Shaw stock.

Currently, investors can take a bite out of Shaw at a meaningful discount to the company's proposed acquisition price. For investors who want to speculate that the deal will go through, this could provide meaningful near-term upside.

With the deal set to close sometime in 2022, investors will need to be patient. However, those invested in Shaw stock will also pick up a 3.2% dividend to be patient. There's nothing wrong with that.

Merger progressing well

Reading between the lines with the deal, it appears both Rogers and Shaw are set on making this deal happen. Whether regulators agree that this deal is in the best interest of consumers remains to be seen. There remain hurdles.

However, all indications are that this deal is progressing well. Canadian regulators have been amenable to such takeovers in the past. Additionally, there are plans in place to divest certain key assets to satisfy regulators should this deal get to that point.

For now, many analysts and industry experts are assigning a high probability of this deal going through. For investors looking to take advantage of this valuation gap, Shaw stock certainly looks compelling at these levels.

Nothing's free. But the potential for a double-digit return in a year or less, should the deal go through, sounds pretty good. That's not even factoring in dividend income in the interim.

Bottom line

I've liked Shaw's positioning in the market for some time. The Rogers bid to acquire Shaw validates this thesis.

Indeed, investors who believe the deal will go through may be getting nice exposure to this sector at a discount via buying Shaw stock right now. Risks do exist. However, this is one arbitrage play that certainly looks compelling right now.

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2. NYSE:SJR (Shaw Communications Inc.)
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