



Is Shaw Communications (TSX:SJR.B) a Buy Ahead of the Proposed Acquisition?

Description

In Canada, few sectors are as consolidated as telecom. In the Canadian telecom sector, three kings reign, controlling most of the business. From a market capitalization perspective, **BCE** leads the ranks, and **Telus** is second.

But the third major telecom company, **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)), is trying to consolidate more power by acquiring Calgary-based **Shaw Communication** ([TSX:SJR.B](#))([NYSE:SJR](#)), along with its 7.1 million subscribers.

The acquisition proposal

Shaw Communications is the fourth-largest telecom company in Canada, and if Rogers's \$26 billion acquisition of Shaw goes through, it is likely to move [up the hierarchy](#). Shaw's 2.1 million wireless subscribers will augment Rogers's 10.9 million. It will also add a hefty number of wireline consumers, both individual and business.

The deal is currently under review by the regulators. The Canadian Radio-television and Telecommunications Commission (CRTC) will determine if the deal has the potential to undermine healthy competition within the telecom sector that might negatively impact Canadian consumers.

Unsurprisingly, Both BCE and Telus are against the deal. BCE urges the commission to let the deal go through, while Telus predicts that if the acquisition is allowed, Rogers will evolve into the "programming gatekeeper," hurting healthy competition in that area.

Investor's perspective

As an investor, it's important to try and understand how the deal (if it goes through) might impact their telecom holdings. Rogers's own stock is currently moving downwards and has already slipped 12.75% from its 2021 peak. Shaw, however, offers a very different stock dynamic. The stock spiked upwards in March 2021, and it has only gone up (slightly) since then.

Both offer very similar yields. Shaw is currently offering 3.2%, while Rogers is at 3.4%. The valuation is also eerily similar, making both relatively attractive buys right now.

If the deal goes through, [Rogers might](#) emerge as the most powerful player in the telecom sector, and that position might come with a serious hike in the stock. So, if you think the CRTC is going to greenlight the proposed acquisition, you might consider buying Rogers right now, so you can lock in a good yield before the stock rises higher, pushing the yield down.

Foolish takeaway

The other two players in the Canadian telecom sector might suffer a financial blow from the increased competition. Rogers already has a strong presence in Canada, and this acquisition will extend its reach by a significant margin.

And if that has the potential to turn Rogers from a shaky stock to a consistently growing one, which, along with its decent yield, make it a much more attractive player than the other two giants in the country's telecom sector. It might also emerge as a powerful [5G stock](#).

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