



## Mega-Merger: Is Rogers (TSX:RCI.B) 1 Condition Away from Winning?

### Description

High drama continues in the competitive telco landscape as a [mega-merger](#) hangs in the balance. **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) could unseat **TELUS** as the second-largest telco if it obtains regulatory approval to merge with **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)).

Industry peers **BCE** and TELUS oppose the business combination outright, while other parties are vehemently against it. The Independent Broadcast Group and Canadian Media Producers Association want the Canadian Radio-television and Telecommunications Commission (CRTC) to reject the merger.

### Condition for approval

The main beef against the proposed \$26 billion merger is that it will hurt consumers and competition in the country. Meanwhile, the recommendation of the industry and technology committee at the Canadian House of Commons is to withhold approval of Shaw's takeover by Rogers.

According to the *Globe and Mail*, some sources familiar with the report say the condition is the disposition or sale of Shaw's wireless business, including Freedom Mobile. The committee calls for Industry Minister Francois-Philippe Champagne to reject the deal if Rogers will not agree.

Champagne's spokesperson said the minister can't comment on the committee report since he's one of the regulators tasked to review the proposed merger. Investors will have to wait and see how things will turn out. Performance-wise, Rogers (+8.73%) is doing better on the stock market year-to-date compared to Shaw (-0.47%).

### Tumultuous year

Last year was [tumultuous for Rogers](#) because of infighting in the board room among members of the Rogers family. The drama is over, but the shake up at the top continues. On January 10, 2022, Tony Staffieri became permanent president and CEO after holding the position on an interim capacity. He replaced resigned Joe Natale. Glenn Brandt is the new CFO effective January 31, 2022.

In 2021, Rogers posted 5% revenue growth versus 2020, although net income and cash provided by operating activities declined 2% and 4% year-over-year, respectively. Staffieri said, "We delivered strong results in our fourth quarter, led by accelerating revenue growth and solid net subscriber additions in our Wireless business."

For 2022 and minus the Shaw deal, management projects total service revenue growth of 4%-6% and adjusted EBITDA to grow between 6% and 8%. As mentioned, the [5G stock](#) is up year to date. The share price is \$65.49, while the dividend yield is 3.04%.

## Looking forward to the merger

Shaw outperformed last year and delivered an overall return of 78.5%. However, the current share price (\$37.58) is down from year-end 2021. The dividend yield is 3.15%. In Q1 fiscal 2022 (quarter ended November 30, 2021), revenue, adjusted EBITDA, and net income grew 1.2%, 4.3%, and 4.9% versus Q1 fiscal 2021.

Executive Chairman and CEO Brad Shaw said the \$18.99 billion telco commits to deliver exceptional customer experiences and invest in the strength of the networks. He adds that the Rogers-Shaw combination can build a national next-generation network that should offer robust and effective competition over the long-term.

According to Brad Shaw, the merger should likewise bridge Canada's digital divide to benefit rural, remote, and indigenous communities. Moreover, the combined resources and network will help accelerate the digital economy and stimulate greater economic diversification in Western Canada.

## Positive outcome

The timetable for the official merger is unknown, although Rogers is hopeful. Management said the deal remains on track to close in the first half of 2022.

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2. NYSE:SJR (Shaw Communications Inc.)
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