



## A 4th Wireless Carrier Could Lower Cellphone Bills

### Description

The proposed **Rogers-Shaw** combination in the telecom industry isn't a done deal, unless it results in lower cellphone bills. Regulatory reviews of the US\$16 billion [mega-merger](#) are ongoing, although the federal government has made known its position through Industry Minister François-Philippe Champagne.

Champagne said, "The wholesale transfer of Shaw's wireless licenses to Rogers is fundamentally incompatible with our government's policies for spectrum and mobile service competition, and I will simply not permit it." Industry analysts knew at the onset that Rogers can't have its way and must agree to certain conditions.

A report from the industry and technology committee of the Canadian House of Commons recommends the sale of Shaw's wireless business to ensure healthy competition. There's a strong possibility that **Quebecor** ([TSX:QBR.B](#)) will be the fourth wireless service provider if Rogers agrees to the spin-off. Its stock could also be an excellent [buying opportunity](#) for investors.

### A step in the right direction

Pierre Karl Péladeau, Quebecor's president and CEO, said, "As it stands, the proposed Rogers-Shaw transaction is contrary to the public interest." The \$6.7 billion telecommunications, media, and sports & entertainment company calls the government's decision a step in the right direction.

Péladeau added, "As **Bell**, Rogers, and **Telus** already control 90% of Canada's wireless market, it is imperative that we create the necessary conditions for real competition in order to give consumers more choice, better prices, better services and more innovation."

Rogers and Shaw commit to continue to working constructively with the government and regulators. According to Dwayne Winseck, a communication professor at Carleton University, the future partners have always recognized the sale of Shaw's wireless licences was a very likely a possibility. Both companies are prepared to deal with that, according to Winseck.

Three different federal regulators, led by the Canadian Radio-television and Telecommunications Commission, are reviewing the proposed merger. The Competition Bureau and spectrum regulator Innovation, Science and Economic Development Canada (ISED) are the two other reviewers.

## Business performance

As of March 4, 2022, the top telco stocks are up year to date except for Quebecor (-2.49%). Rogers (+13.33%) outperformed Telus (+12.45%), BCE (+8.11%), and Shaw (+0.47%). However, Quebecor could rally if it gets a big chunk of Shaw's wireless assets.

In the full year 2021, total revenue grew 5.5% to \$4.55 billion versus the full-year 2020. Quebecor also posted 5.3% and 1.1% increases in adjusted cash flows from operations and adjusted EBITDA compared to the prior year. Net income, however, fell 4.7% year over year to \$588.4 million.

Quebecor's telecommunications segment contributed 82% to total revenue. On year-end 2021, the company had \$1.57 billion in net available liquidity. According to management, Quebecor has a solid foundation to pursue its strategic priorities. It should also enable them to offer the most innovative technology at the best price to its growing customer base.

Mr. Péladeau said, "We are excited about our successful 5G roll-out in Montréal and Québec City." Quebecor boasts increased speed, expanded connectivity, and minimal latency. 5G should open up a world of possibilities for customers. Management will continue invest in the [emergent technology](#) in the years ahead.

## Income plus capital gain

Quebecor trades at \$27.84 per share and pays an attractive 4.31% dividend. Based on market analysts' price forecasts, the upside potential in 12 months is between 15.9% and 47.3%.

### CATEGORY

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2. Investing

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