



Will Rogers Stock Soar if the Merger With Shaw Happens?

Description

“So near, yet so far,” is what market observers are saying today about the proposed merger between **Rogers Communications** ([TSX:RCI.B](#)) and **Shaw Communications**. On December 29, 2022, Canada’s Competition Tribunal cleared the way for the \$20 billion marriage of two telecom rivals.

Executives from Rogers and Shaw welcomed the tribunal’s decision, including **Quebecor’s** acquisition of Freedom Mobile by its subsidiary. The news was positive, especially for the shares of the buyer. RCI.B rose nearly 4% to \$63.37 on December 30, 2022, the last trading day of the year.

The percentage advance is minimal because the Competition Bureau filed an appeal with and secured a stay order from the Federal Court of Appeal. Based on market analysts’ forecasts, the telco stock could climb to as high as \$80 (+25.3%). A more considerable gain is possible if the merger happens soon.

Appeal and stay order

If not for the objection, the much-delayed transaction would have moved to the Innovation, Science, and Economic Development Canada (ISED), the final regulatory hurdle. The Competition Tribunal said that selling Shaw’s Freedom Mobile assets to Quebecor would result in four strong players in major markets.

However, the Competition Bureau asserts that the tribunal made a mistake in assessing the deal. Commissioner Matthew Boswell said, “I am very disappointed that the tribunal is dismissing our application to block the merger between Rogers and Shaw.”

Boswell maintains the position that the deal will negatively impact competition in Canada’s telecom sector and lead to higher mobile bills for consumers. A definitive agreement between Rogers, Shaw, and Quebecor is in place regarding the sale of Freedom Mobile to Videotron. The trio believes it will bring a strong fourth national wireless services provider.

[Large-cap stocks](#) **BCE**, **TELUS**, and Rogers combine to corner about 87% of wireless subscribers in

Canada. The decision of Shaw to let go of Freedom Mobile, the fourth-largest mobile provider, is a way to appease the antitrust bureau and address its concerns.

Deadline extension

Rogers and Shaw have no other option but to extend the merger's deadline to January 31, 2023, although it could mean additional payments to bondholders. Drew McReynolds, an analyst at **RBC** Capital Markets, thinks a reversal of the tribunal's decision is unlikely. Also, the chances of the deal pushing through remain high. However, a decision might come by mid-2023.

Published reports say the Federal Court of Appeal will hear the Competition Bureau's appeal on January 24, 2023. Meanwhile, ISED minister Francois-Philippe Champagne said he needs clarity in the ongoing legal tussle before rendering a decision. McReynolds isn't 100% sure that the ISED will approve the merger.

Second-largest telco soon

Rogers's market capitalization stands at \$32.27 billion, but the merger with Shaw will unseat TELUS as Canada's second-largest telco. According to Rogers and Shaw, after obtaining the approval, the plan is to invest \$2.5 billion in building [5G networks](#) across Western Canada in the next five years.

Pending the takeover of Shaw, Rogers expects between 6% and 8% service revenue growth in 2022. Also, free cash flow for the year, excluding the Shaw financing, should be around \$1.9 billion to \$2.1 billion compared to \$1.67 billion. The 3.6% dividend is safe and decent if you're a dividend investor.

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