



## Patience Might Pay Off for Quebecor Inc. Investors

### Description

**Quebecor Inc.** ([TSX:QBR.B](#)) is often the odd man out when investors discuss Canada's telecommunications sector, mostly due to its focus on the province of Quebec. But the telecommunications company has strongly hinted it would like to become Canada's fourth national wireless carrier, and this week's earnings report suggests that Quebecor is heading in the right direction to reach its goal.

On Wednesday, Quebecor reported \$50.3 million of adjusted income in the fourth quarter, or \$0.41 per share, up 3.5% from a year earlier. Revenue for the Montreal-based company rose 2.9% to \$989.4 million. Analysts expected net income of \$0.52 per share on revenue of \$1.09 billion.

Despite missing projections, the report contained plenty of positive nuggets for eagle-eyed investors. Quebecor's telecommunications segment grew its revenue by \$104.5 million (3.7%). Mobile telephone revenue was up \$67 million (30.4%) and Internet access revenue grew \$49.9 million (6.1%).

Videotron, Quebecor's cable and wireless subsidiary, added a total of 42,400 new wireless subscribers in the quarter, just ahead of analyst projections of 41,000, according to Bloomberg data. Average revenue per user, a key industry measurement, grew 12.5% to \$45.48 per month. On a conference call, Quebecor management said it expects ARPU to continue tracking higher as customers purchase more expensive mobile plans.

"The gains reflect the success of our optimal selection of mobile devices, combined with the immense capacity of our new LTE network, one of the most advanced in the industry," said Manon Brouillette, president and CEO of Videotron. "Consumer response to our offering has been very positive: we added 128,500 subscriber connections in 2014, the largest annual increase since 2011."

Brouillette also noted Videotron's acquisition of a 30 MHz spectrum in March 2015 for \$31.8 million, which will help ensure the sustainability of the company's mobile services in Quebec and the Ottawa area.

Barclays Capital analyst Phillip Huang said the growth in Videotron's wireless business, with about 630,000 subscribers in total, was partly due to its still low share of the Quebec market at about 12%, as

well as its LTE network and ability to offer the iPhone.

Although Quebecor has expressed interest in the past about Videotron becoming a national wireless carrier, its plans remain uncertain, with the company recently stating that it will wait for a decision from the CRTC on roaming rates before making a final decision.

In a statement, Pierre Dion, president and CEO of Quebecor, made no mention of the company's national wireless ambitions, but said Quebecor is refocusing its activities on its main growth businesses, selling its English-language newspaper business, and closing the sale of its Quebec-weeklies business. Quebecor also shuttered the money-losing Sun News television channel last month.

"The corporation completed a number of strategic business sales and acquisitions during the year," Dion said. "There is no question that it is now very well positioned to achieve its business development objectives and its earnings growth targets in 2015 and beyond."

Greg MacDonald, a telecom analyst at Macquarie Capital Markets, believes Quebecor is the most attractive telecommunications stock in the country, even without the added bonus of national carrier status. "This stock works for me without any of that," he told the *Financial Post*. "This is just the best-looking stock in the sector. I think it's got years of upside."

No one likes playing a waiting game, and the sooner Quebecor follows through with its plans to go national with its wireless service, the better. But it's still a stock worth watching for investors looking to add an ambitious telecom company with a strong performance (it's up more than 30% over the past year) to their portfolio.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:QBR.B (Quebecor Inc.)

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