



Is Quebecor Inc. Your Best Bet to See Growth in the Telecom Industry?

Description

When it comes to Canada's telecom sector, investors are finding that many of the top companies are running out of room for growth. This has led companies to seek out alternative revenue streams, such as launching streaming services available only to subscribers (now banned by the CRTC). But these endeavors have done little to boost revenues and have left investors to wonder if the good times are over in Canada's telecom market.

The current state of the market is the reason why many are beginning to take a deeper look at **Quebecor Inc.** ([TSX:QBR.B](#)) and its growing telecom ambitions. Through its subsidiary Videotron, Quebecor has been a major player in the cable TV and Internet market in Quebec. The company is so entrenched in the province that for the 10th year in a row it has been recognized for having the best reputation among telecom companies in Quebec according to Leger's annual corporate reputation survey.

With continued rumours that Quebecor is quietly preparing itself to be the fourth national carrier, should investors begin to look at this company as a viable investment option?

Wireless ambitions

Since launching its wireless network in Quebec, Videotron has grown to 630,000 subscribers, which represents 12% of the province's market share. In the past quarter alone, Videotron managed to add 42,400 new subscribers, and for all of 2014, the company added 125,500 subscribers. These numbers show that it is making significant headway against its national competitors, with its average monthly prices around \$12.00 lower than the competition.

In the most recent spectrum auction, Videotron managed to acquire the LTE friendly 30 MHz spectrum across all of Quebec and Ottawa at a discounted "entry-level-player" price of \$33 million. Some were hoping that the company would try and pick up an additional spectrum license outside of Quebec as a way of showing the market that it is serious about becoming a national player.

Quebecor is taking the slow and steady approach to the situation, as its largest concern about entering the national market remains. The issue has to do with how much the other national telecoms can charge in roaming rates. This has led to Quebecor lobbying the Canadian government and the CRTC

to change the regulations.

The government appears to be listening to Quebecor's concerns and all parties are currently waiting for a ruling from the CRTC. Going by its recent string of announcements, the CRTC may lean in favour of "more choice" and remove the last major hurdle that is holding Quebecor back.

Buying and selling

While the wireless and telecom segment of Quebecor is garnering all the attention, the company was once also known for its print media empire. In 2014, we saw the sale of its English-language arm Sun Media and 74 weekly papers in Quebec. Many have seen these deals as turning points for the company, as it can focus more resources towards its telecom ambitions.

Quebecor also made several acquisitions that are more in line with the new direction of the company. The acquisitions include a film production house, a data centre in Quebec City, and the naming rights to the new hockey arena in Quebec City. This furthers Quebecor's ambitions to relocate an NHL team, such as the Carolina Hurricanes or Florida Panthers, to Quebec City. If so, Quebecor would be looking to enjoy the same control over content that **BCE Inc.** and **Rogers Communications Inc.** currently have over the Toronto Maple Leafs, Toronto Raptors, and Toronto FC.

Stock growth vs. market growth

Investing in Quebecor can seem like a gamble at times, especially if it never emerges as the fourth national carrier, either on its own or through a partnership with **Wind Mobile**. Analysts have mostly positive opinions on the stock, with the vast majority setting a buy recommendation. There are some signs that some investors have lost patience, as fund management firm Beutel Goodman & Co. has reduced its holdings in the stock from 22.8% to 9.97% in the past year.

Quebecor closed Friday at \$33.74 near the top of its 52-week range of \$25.15-34.70, while carrying an average price target of \$36.80, with the most bullish target being set at \$41.00.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/08/25

Date Created

2015/03/16

Author

cameronconway

default watermark