



Quebecor Inc. Is Poised to Become a Dividend-Growth King

Description

Quebecor Inc. ([TSX:QBR.B](#)) is a communications company based out of Quebec that operates through many subsidiaries, such as Videotron, TVA Group, and Canoe Inc. The company has terrific growth prospects compared to its peers in the Big Three and could be a dividend-growth superstar in the making. Long-term free cash flow growth is expected to be very strong, and this could mean huge dividend increases over the next five years.

If you live outside Quebec, then you probably aren't too familiar with the company. Quebecor has no interest in growing outside the province of Quebec, and this is fine considering that there are still many opportunities to grow within the Quebec market. Quebecor has a ton of fantastic brands in Quebec that hold a huge chunk of market share. The company has a very nice moat around its leading market positions, and this is what enables Quebecor to have such a resilient cash flow stream.

Although the company has not had a history of raising its dividend, the stock has soared by leaps and bounds over the last few years. I believe the company will start to become a larger dividend payer as its investments in its LTE network finally translate into a stable stream of free cash flow.

The experienced management team is pushing for even more cash flow generation over the next years through video segment investments. I believe these investments will widen Quebecor's moat and allow for an even larger amount of free cash flow growth by the conclusion of 2018.

Quebecor's media segment is very strong and has a firm grasp of the Quebec market. The TVA Network subsidiary has a larger market share in conventional TV than all of its rivals combined. The subsidiary also has the strongest market share growth in specialty channels across Quebec. The newspaper, magazine, and website businesses also have a dominant position in their respective markets.

What about valuation?

The company is trading at a forward price-to-earnings multiple of 13 with a four price-to-cash flow multiple, both of which are cheaper than the company's historical average multiples. The company has a huge moat in Quebec and will continue to widen this moat through its growth initiatives. These

growth initiatives will be a catalyst that will drive the stock much higher over the medium term.

If you're a growth investor that wants to get in on this future dividend-growth king, then now is a great time to buy. Shares are attractively priced relative to the huge growth potential.

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Author

joefrenette

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