2 Special Stocks to Spice Up Your Portfolio

Description

Callidus Capital Corp. (TSX:CBL) and **Quebecor, Inc.** (TSX:QBR.A)(TSX:QBR.B) are two stocks in special situations from which investors can earn double-digit returns.

The privatization of Callidus

You may not know of **Callidus Capital Corp.** (TSX:CBL), as it only had its initial public offering in 2014, but it was actually established in 2003.

Callidus offers financing solutions for companies that can't obtain adequate financing from conventional lending institutions. Instead of focusing on cash flows and projections, like conventional lending institutions do, Callidus focuses on assets and the enterprise values of its potential clients.

The Catalyst Capital Group Inc., Canada's second-largest private equity firm, owns roughly 67% of Callidus Capital and provides management services to Callidus.

Believing that company shares were absurdly undervalued, Callidus began buying back its shares — a big reason its share price has more than doubled since 2016.

Investors can capitalize on the fact that Callidus is in the process of being privatized. In mid-February, the company revealed there were 17 interested parties that participated in the initial stage of the privatization process. The company expects the process to complete by the end of the second quarter.

Since Callidus is willing to buy back shares up to $20.50 per share, it implies the company is worth more than that. So, the takeout price will likely be higher than $20.50 per share.

This implies there could be an upside of at least 12% for an investment today bought at about $18.20 per share. In the meantime, the company offers an attractive monthly dividend, which yields 6.6%. So, an investment today can return at least 14% within the next few months, which is pretty good.

Quebecor: a fast-growing telecom

In the last two years, under the leadership of Pierre Dion, Quebecor has grown its earnings per share at an annualized rate of nearly 21%! As a result, since Dion took on the leading role, the shares have returned impressive annualized returns of about 14%.

With increased uncertainty from the recent return of Pierre Karl Péladeau as the president and CEO of the company, the shares have been hovering below the $38 level.

However, the market shouldn’t worry too much about the change because Péladeau previously served as the president and CEO of the company for 14 years. He knows his stuff.

In fact, some analysts expect Quebecor to continue growing faster than the industry at an annualized rate of roughly 15%. Adding that the shares trade at an attractive multiple of about 15.3, there’s plenty of room for the company to run.

Quebecor is already a telecommunications leader in Quebec. Its non-Quebec spectrum assets can propel the company to the next level.

In May 2015, the company acquired 18 spectrum licences in the 2,500 MHz band, covering all of Quebec and the major urban centres in the rest of Canada, including Toronto, Ottawa, Calgary, Edmonton, and Vancouver. They allow the company to reach about 65% of Canada’s population and can help Quebecor to grow at a double-digit rate.

Although Quebecor only yields 0.5%, it has hiked its dividend tremendously in the last two years. It increased its quarterly dividend by 40% and 29%, respectively, in 2015 and 2016. Since its payout ratio is less than 8%, the company could easily hike its dividend at a high rate come May.

Investor takeaway

Callidus and Quebecor are exciting stocks that can deliver double-digit returns.

Callidus offers a rich dividend yield of 6.6% and has the potential to close a takeout deal at a premium price by the end of June.

Quebecor offers longer-term growth potential and has lots of room to grow its dividend.

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