



## Quebecor Inc.: An Underrated Stock Investors Should Consider

### Description

If you don't live in Quebec, then you probably aren't too familiar with **Quebecor Inc.** ([TSX:QBR.B](#)). Quebecor is a communications company that operates through many subsidiaries, including Videotron, TVA Group, Canoe Inc., and Quebecor Media Book Group. The company is a one-stop shop for investors looking to gain exposure to diversified media, publishing or broadcasting.

Quebecor's portfolio of brands dominates the Quebec market, and it can be considered a nice moat that will keep new entrants out. This moat allows Quebecor to have a predictable long-term stream of free cash flow, and I think the company is well positioned to become Canada's next big dividend-growth king.

Over the last decade, Quebecor hasn't given frequent dividend raises because the management team was solely focused on growth. More recently, the company has started raising its dividend by a substantial amount each year, and it's expected that the dividend will continue to grow in the years ahead thanks to surging amounts of free cash flow brought forth by smart investment initiatives.

The company is set to reap the rewards of an increased stream of stable free cash flow, but the management team won't stop there. They're determined to drive the free cash flow generation stream even higher through a pipeline of investment initiatives across its various segments. Quebecor is investing heavily in its LTE network, which will result in another stable source of free cash flow for many years to come.

The stock currently trades at a 28 price-to-earnings multiple and has a tiny 0.44% dividend yield. Although the dividend looks small today, it's going to increase by a substantial amount over the next five years as the company continues the trend of increasing its dividend annually by a generous amount. Sure, there won't be much income for now, but if you're a long-term investor that is willing to wait a few years, then you'll be rewarded with huge amounts of income later on, once the dividend is much higher down the road.

The company has a huge moat in Quebec, and the management team is determined to drive free cash flow through the roof. The management team has no interest in expanding outside Quebec, so you can be sure the company will be pursuing investment initiatives in an area that it's very familiar with. The

management team knows its “circle of competence,” and they’re staying in it. This is a huge reason why the company’s ROE has been ridiculously high over the past few years.

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