



## Is Quebecor Inc.'s Share Price Going to Drop Soon?

### Description

**Quebecor Inc.** ([TSX:QBR.B](#)) is a Canadian leader in telecommunications, entertainment, news media and culture.

Its share price has risen steadily over the last few years, reaching an impressive 19.07% return over five years. The stock has gained 16.83% year to date and is not slowing down. Let's see what makes this telecommunications stock such a great buy.

### Domination of Quebec's cable market

Videotron, Quebecor's cable subsidiary, is highly profitable, contributing about 80% of sales. As over half of its customers take three or more services, Videotron's bundling strategy is particularly effective in retaining customers while maintaining pricing.

**BCE Inc.** is Videotron's main competitor in the fixed-line market of Quebec. By relying on DOCSIS 3.1 technology, Videotron is able to offer faster speeds without heavy network investment. BCE doesn't have this advantage since it has to keep investing heavily in fibre build-out.

The decline of traditional TV remains a potential threat to Quebecor, and it may need to sacrifice profitability to retain customers. However, it could offset the negative impacts by effectively bundling its internet services and pushing its over-the-top video service known as Club illico.

### 2017 Q1 revenue growth led by telecommunications

For 2017 first quarter, revenue was \$996.4 million — up 2.2% from last year. Analysts estimated revenue of \$1 billion.

Revenue growth was led mostly by telecommunications, which include Videotron's mobile, cable, and internet services. Videotron had a 5.7% increase in monthly revenue per user compared with the first quarter of 2016.

The company showed a net loss of \$200,000 mostly due to unfavourable movements in the market

value of financial derivatives. Analysts expected a profit of \$0.46 per share. A year ago, Quebecor's net income was \$69.9 million, or \$0.57 per share.

The Montreal-based company increased its dividend by 22.2% to \$0.055 per share. Its strong balance sheet and capacity to generate cash from its diverse holdings, which include the growing Videotron mobile phone business, made that rise possible.

On the business development front, Quebecor's Media Group, a Quebecor's subsidiary, formed a partnership with Tuango Inc., Quebec's largest online promotional network.

Under the agreement, Quebecor's Media Group will be able to sell advertising space in its media properties in exchange for goods and services, from which it will be able to derive revenues by reselling them on Tuango.

Quebecor's Media Group announced on June 13 that it will sell outside Quebec seven 2,500 MHz and 700 MHz wireless spectrum licences held by Videotron to **Shaw Communications Inc.** for \$430 million.

Videotron also recently sold its advanced wireless services spectrum licence in the Greater Toronto Area to **Rogers Communications Inc.** for about \$184 million, which means it has sold all of its spectrum outside Quebec.

The Montreal-based cable and telecommunications company will use money from the sales of its spectrum licences to upgrade and expand its high-speed wireless network in Quebec and eastern Ontario.

Despite a first quarter that fell short of estimates, I would say Quebecor is still a great buy, and I expect its share price to keep rising in the next few months.

Videotron is a leader in Quebec's cable market, and the mobile phone business offers more growth opportunities for the telecommunications company. Its return on equity of 32.36% and its forward P/E of 16.18 also contribute to my buy rating.

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