



Is Quebecor, Inc. Overvalued?

Description

Quebecor, Inc. ([TSX:QBR.B](#)) has a broad range of operations which include running two junior hockey teams, newspapers, telecommunications, and media content. The downside of all these different revenue streams, however, is they involve a lot of moving parts and make the company more complex to manage as a whole. However, Quebecor has shown so far that it has the capabilities to successfully integrate all these operations effectively.

One new venture for the company was the new Videotron Centre, which opened in 2016 for its first full year, had over one million visitors, and has hosted many big concerts and events. The company hopes the venue will be the future home of an NHL team. Although Quebecor submitted an official bid, the NHL ultimately did not pursue expansion into Quebec. However, with a suitable venue in place, the potential remains for the Videotron Centre to one day host an NHL team.

Another example of the company's innovation was the partnership with Taxelco to offer taxi customers news and entertainment via a tablet. In addition, Quebecor is able to advertise on charging stations for the electric taxis, on tablets, and on roof-mounted signs. This will allow the company to reach more people in more diverse ways instead of just through conventional advertising approaches.

Despite the innovation the company has shown, Quebecor has only grown revenues by a total of 8% over the last two years. However, if you compare it to 2013, revenue is actually down by \$200 million and down \$300 million compared to 2012. Despite the lack of strong growth, the stock has increased by over 137% in the past five years.

Currently, the stock is trading 43 times its earnings and at a whopping 12.5 times its book value. At those multiples and combined with the company's lack of strong sales growth and the fact it is trading near its 52-week high, the stock is less than ideal for value investors. Growth investors, however, may see an opportunity, especially if Quebecor were to secure an NHL team. The revenue and profit that would come with owning a Canadian NHL team would do wonders for the company's financials. However, investors might prefer a younger company with more potential upside in its price.

DHX Media Ltd. ([TSX:DHX.B](#))([NASDAQ:DHXM](#)) is a content provider that Quebecor acquired

children's content from in 2016. The company is known for titles such as *Teletubbies*, *Inspector Gadget*, and the *Degrassi* franchise. Earlier this year, DHX Media added to its children's titles when it acquired 80% of *Peanuts*, known for its Charlie Brown character. The company also owns some television channels as well — the most well known being the Family Channel.

The company has seen explosive revenue growth with a compounded annual growth rate of over 45% for the past three years. Profits have also grown \$26 million during that period. The stock price, however, has declined almost 15% year to date, and although it had a bump due to the *Peanuts* acquisition, it fell quickly afterward.

DHX Media's stock is currently trading around 35 times its earnings and 2.3 times its book. Although price to earnings is a bit high, the growth can justify it, especially if the company follows up with another strong quarter.

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