



This Wide-Moat Telecom Blows Away the Competition

Description

Quebecor Inc. ([TSX:QBR.B](#)) is a great long-term momentum stock that has consistently beaten the TSX. The stock has more than doubled over the past five years, and given the company's solid track record for growth and consistency, I don't think the general public gives the firm the respect it deserves.

A major reason why I think Quebecor has flown under the radar, despite its rock-solid fundamentals, is the fact that most Canadians have never heard of the company or its underlying media and communications assets.

TVA Group and Vidéotron are Quebecor subsidiaries; they probably aren't household names, unless you're actually from Quebec. As a result, most investors probably scratched the stock off their radars just because they're not familiar with the quality of services offered by the firm.

Warren Buffett thinks that investors should invest in what they know, so in the case of Quebecor, you're really going to need to do the extra homework to be able to understand how valuable the company's underlying assets really are. And if that's too much additional work, then there's no shame in avoiding Quebecor stock, since it would lie outside of your circle of competence; however, it's also important to remember that non-francophones located outside Quebec can still capitalize on what could be one of the most compelling telecom opportunities on the entire TSX.

If you're willing to go the extra mile to increase the area of your circle of competence, I'm sure you'll find that there are more opportunities for you to take advantage of at any given instance in time. Quebecor is one such opportunity; it's a worthwhile, but overlooked stock that could offer investors with a low-risk means to beat the TSX on a long-term basis.

The great Quebecor moat

Over the years, Quebecor has built its moat around the Quebec market with its wireless and cable businesses, which continue to enjoy impressive growth. The company operates in a similar fashion to how the Big Three telecom players operate, but the only difference is Quebecor remains within Quebec and has no interest in expanding outside the boundaries of its own circle of competence.

By building its moat around Quebec, the company has been able to improve the quality of its services without worrying too much about overlapping across select markets with competitors. This allows Quebecor to deliver above-average customer satisfaction, maintain a strong wireless network (comparable to that of the Big Three), and have substantial saving opportunities passed on to consumers via bundling or other promos.

Vidéotron, Quebecor's cable business, accounts for ~80% of Quebecor's total sales and possesses the highest household penetration rate in the entire country. While many non-Quebecois Canadian customers probably have several cable providers that they could choose from, Vidéotron is usually the go-to provider in Quebec with its loyal customer base.

Bottom line

It's not a mystery that the Big Three telecoms are about to enter a ridiculously competitive telecom scene thanks in part to the entrance of a fourth major wireless provider: Freedom Mobile of [Shaw Communications Inc. \(TSX:SJR.B\)\(NYSE:SJR\)](#). While the Big Three players scramble to retain their subscribers, Quebecor appears poised to continue to grow its moat around the Quebec market, making it even harder for new entrants to pressure its top and bottom lines.

If you're interested in exceptional total returns over the next five years, Quebecor is a great bet, as long as you don't mind the below-average dividend yield, which currently stands at 0.45%. It's not an income stock, but I think it's one of the best Canadian communication firms to buy today whether or not you're from Quebec.

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