



2 Top Quebec Stocks to Buy and Hold

Description

Today, it's Quebec's National Day. For this occasion, I suggest to you two Quebec-based companies that are outperforming the market: **Quebecor Inc.** ([TSX:QBR.B](#)) and **Lassonde Industries Inc.** ([TSX:LAS.A](#)).

Quebecor Inc.

Quebecor is one of the largest media conglomerates in Canada. The company has three key business segments: telecommunications, including its core asset Videotron; media, which includes TVA Group; and sports and entertainment, its smallest segment.

Quebecor's first-quarter results showed a strong increase in profit. Indeed, net income attributable to shareholders amounted to \$56.7 million (\$0.24 per share) in the first quarter of 2018 compared with \$3.9 million (\$0.02 per share) in the same period of 2017. Adjusted operating income was up 9.5% to \$407.4 million.

The telecommunications segment was the [main profitability driver](#) in the quarter.

The telecommunications company has reached an agreement to repurchase the Caisse de dépôt et placement du Québec's 18.5% stake in Quebecor Media Inc. The transaction — valued at \$1.69 billion — will improve the stock's valuation, removing Quebecor's holding company discount.

Last month, Quebecor announced a 100% dividend hike, increasing the dividend to \$0.055 per share from \$0.0275 per share for a current yield of 0.6%.

While this is a strong hike, you can expect the dividend to keep increasing fast over the coming years as Quebecor has set a dividend target of 30-50% of the company's annual free cash flows to be achieved gradually by the end of a four-year period. The stock shows a 10-year average annual dividend-growth rate of 16%.

Quebecor's earnings are estimated to grow by 25.5% this year and by 11% next year. The company's return on equity is very high, reaching almost 70%, so the company is very profitable.

The stock is trading at a discount with a P/E of 15.8, which is much lower than its five-year average of 94.3.

Year to date, the stock has outperformed its telecom peers, rallying over 13%. In comparison, the share price of **Rogers Communications Inc.** is down 1.5%, **BCE Inc.** is down 8%, and **Telus Corporation** is down 0.2%.

Quebecor's stock has a 15-year compound annual growth rate of return (CAGR) of 14%.

Lassonde Industries Inc.

Lassonde Industries develops, manufactures, and markets a wide range of fruit and vegetable juices and beverages, including Oasis and Rougement brands as well as specialty food products and wine.

The juice and beverage producer posted a net profit attributable to shareholders of \$14.5 million (\$2.08 per share) for its 2018 first quarter, an increase of 11.2% compared to the same quarter a year earlier. The company benefited from the tax reform in the United States.

Lassonde continues its [expansion](#) in the United States and is now making 58% of its sales in this country. At the end of last month, Lassonde acquired Old Orchard Brands for US\$148.9 million. This juice and beverage producer based in Michigan employs nearly 100 people and had sales of US\$103.3 million last year.

In addition to producing ready-to-drink juices, Old Orchard Brands is the second-largest player in the United States in the frozen concentrated juice sector, which will allow Lassonde to enhance its brand portfolio in this market segment.

For Lassonde, this is a third acquisition in the United States since 2011. The company first bought Clement Pappas for US\$414 million, and in 2014 it acquired Apple & Eve for US\$150 million.

Lassonde's earnings are estimated to grow by 18.1% this year and by 10.6% next year.

The juice producer recently increased its quarterly dividend by 32.8% from \$0.61 to \$0.81. The current dividend yield is around 1%, and the 10-year average annual dividend-growth rate is 14.2%.

The stock is up 13% year to date and has a 15-year CAGR of 20%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:LAS.A (Lassonde Industries Inc.)
2. TSX:QBR.B (Quebecor Inc.)

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Author

sbchateauneuf

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