This Telecom Has Outperformed the Big 3 and Has 20% Upside!

Description

The Feds have long been clamouring for more wireless competition. After decades of dominance by Canada's Big Three — **Telus, BCE**, and **Rogers Communications** — in 2017, **Shaw Communications** emerged as viable fourth option. We could also get a fifth.

There are significant barriers to entry in the telecommunications sector. Notably, the cost of building infrastructure can prove to be unwieldy for smaller players. Shaw has plenty of access to capital and, as such, it has a better chance of succeeding where others have failed.

The same can be said for **Quebecor** (TSX:QBR.B), a potential fifth major player in the industry. Last Thursday, the company announced it was launching discount wireless brand Fizz.

The details

Quebecor's discount brand is being launched by Videotron, the Quebecor-owned telecom provider. The service will be available on its own network and will be made available to residents of Ontario and Quebec.

It is important to note that Videotron has proven successful at launching its own wireless business. Launched in 2010, Videotron's business has captured about 16% of the Quebec mobile market.

The move follows a similar path by Canada's Big Three, which have launched their own discount brands in recent years. The prepaid market is the largest untapped market in the Canadian mobile industry.

Performance

When interest rates rise, income stocks such as telecoms tend to underperform. This is not so for Quebecor. Year to date, the company has returned 11%, which is the best return in the industry. On average, Canada's Big Three have lost approximately 1% thus far this year, while Shaw has seen a 12% decline in its share price.

The outperformance is similar over the past two- and five-year time frames. Over the past five years, Quebecor's performance has been more than double its closest competitor, returning on average 23% yearly.

Why has Quebecor succeeded while others have struggled?

Growth prospects

The biggest issue for Canada's Big Three is increased competition in a saturated market. These massive telecoms don't have nearly the same growth rate and opportunities as the smaller, more nimble competitors such as Quebecor.

Quebecor has been growing earnings by a compound annual growth rate (CAGR) of 35% over the past five years. In certain cases, some of the Big Three have been posting negative earnings growth. Furthermore, Quebecor's growth has been accelerating, while the opposite is true of Canada's Big Three.

Analysts expect the company's long-term growth rate to average 18% annually. In comparison, the Big Three are only expected to grow in the single digits. Likewise, analyst have an average price target of $31.43 and 13 out of the 14 covering the company rate it a "buy." This implies 20% upside from today's share price.

As of today, Quebecor is the best option for investors looking for growth in the telecom industry. Likewise, it is becoming a more attractive income play, having raised dividends by a CAGR of 28% over the past three years.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:QBR.B (Quebecor Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/07/04
Date Created
2018/09/18
Author
mlitalien