

2 Top Quebec-Based Companies to Own for Decades

Description

One of the most remarkable things about the Quebec market is the fact that most Québécois are incredibly loyal to Quebec-based companies. In a way, there's a moat built around the province of Quebec that's insulating Quebec-based firms from other competitive forces.

You might think of Quebec as its own market within the Canadian market. While non-Quebec-based Canadian companies are still cherished in Quebec, it's the homegrown Quebec companies that I believe have the widest of moats and the most stable customer bases.

Many non-Quebec-based Canadian investors may be unaware of the brands that have been thriving in the province for decades. Whether it's due to their lack of understanding of the Quebec market, many Canadians may be unjustifiably shunning Quebec-based stocks due to their unfamiliarity or unwillingness to venture into what seems like a foreign market.

Without further ado, here are three top Quebec-based companies that have unbelievably wide moats around the province of Quebec:

Alimentation Couche-Tard (TSX:ATD.B)

Couche-Tard is a global convenience store giant and a king of extracting synergies through M&A activities.

Although Couche-Tard c-stores are wildly popular in the province of Quebec, it's the company's continued growth outside of Quebec that's resulted in the most remarkable growth over the last few years.

The management team knows how to find the unique needs and wants of the local markets it breaks into. They tailor their local stores such that each one can command the optimal level of sales for a given geography.

Over the last several years, the company has been rolling out its Circle K banner across the globe to consolidate its large number of banners. Circle K isn't coming to Quebec, however, as management knows how much the Québécois people cherish their homegrown Couche-Tard (meaning night owl) brand with the friendly winking owl. If Quebec-based Couche-Tard locations were to turn into Circle K's, there would undoubtedly be very strange things afoot at these Circle Ks!

Quebecor ([TSX:QBR.B](#))

If you've never been to Quebec, then odds are you've never heard of this company. It's a Quebec-based communications company behind Vidéotron, a cellular, cable TV and internet service provider.

While the Big Three telecoms are playing game theory with a new entrant threatening to disrupt their collusive efforts, Quebecor is continuing to build upon its already wide moat through continued

infrastructure upgrades across the province of Quebec.

To sum up Quebecor's unique growth prospects and why it's a superior telecom relative to the Big Three incumbents, consider the following commentary from my colleague here at the Motley Fool Canada, Mat Litalien:

"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." said Litalien. "Furthermore, Quebecor's growth has been accelerating, while the opposite is true of Canada's Big Three."

At today's levels, investors have the opportunity to get unmatched growth at just 15.6 times forward earnings. I think that's a steal, especially when you consider that most analysts would discount Quebecor's unique advantage of being a Quebec-based operator that's allowed the company to shut out the competition. When it comes to household penetration, nobody even comes close.

Foolish takeaway

There's a moat around Quebec and it's working in favour of the Quebec-based firms operating in the market.

While there's nobody stopping competitive forces from entering the hot Quebec market, prospective competitors know that it's going to take a heck of a lot of effort to get around the language barrier to get through to the Québécois people who are incredibly loyal to existing local brands. It's these Québécois people who will be reluctant to try a non-Quebec-based substitute product, even though it may be superior in some regard.

Simply put, expanding into the Quebec market is no easy task. Quebec-based companies expanding outside of Quebec will have an advantage in that their home turf will be relatively insulated as they pursue growth opportunities outside of the Quebec border.

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