



## TFSA Investors: Hold This Regional Leader for 10% Upside in 2020

### Description

There are some companies that are fly under the radar despite strong fundamentals.

**Quebecor** (TSX:QRB.B) is one such firm. It is a [Montreal-based holding company](#) with three primary business segments including telecommunications, sports & entertainment and media.

While Quebecor is the fifth-largest wireless company in Canada after **Rogers, Bell, Telus, and Shaw**, it is the undisputed leader in Quebec.

### Staying on top

Quebecor knows that it has to stay on as market leader in Quebec or face a huge risk from the major players. The company goes all out to maintain its leadership in the region.

The company launched its new IPTV (internet protocol television) platform Helix on August 27, 2019. After only five weeks, Quebecor claims to have reached over 30,000 customers.

The importance of Videotron was summed Quebecor President and Chief Executive Office Pierre Karl Péladeau, who stated, "Videotron remains our main growth driver and we are particularly proud of its excellent performance this quarter since we successfully launched our new Helix technological platform at the end of August 2019. Based on our partner Comcast Corporation's Xfinity X1 platform, Helix already had more than 30,000 subscribers barely five weeks after launch."

He added, "It is a concrete example of Quebecor's vision, commitment to investing in forward-looking projects and ability to skillfully execute on its business strategies, while maintaining sound management of its balance sheet."

On the wireless operations front, Quebecor added 57,000 net new subscribers, 37% more than in the same quarter last year. In the wireline segment, the company recorded a growth of 17,000 broadband customers during the quarter.

The company's bet on Fizz, a new low-cost wireless offering launched a year back, might be starting to pay off. Fizz was unprofitable until the start of the third quarter this year when it started making money for Quebecor. As the segment starts generating more profits, the EBITDA for Quebecor will continue to increase.

## Third-quarter numbers

Quebecor's revenues were up 2% in the quarter, to \$1.07 billion. Revenues from Videotron grew 3% to \$877 million. Quebecor's EBITDA was up more than 7%, at \$509 million.

Revenues increased in telecommunications by \$21.9 million or 2.6% and in sports and entertainment by \$1.3 million or 2.4% while revenues decreased in media by \$3.7 million or 2.2%.

Quebecor has consistently grown its revenues and earnings year-on-year, from \$3.89 billion in revenues and \$151.8 million in earnings in 2015 to \$4.18 billion (revenues) and \$401.5 million (earnings) in 2018.

Quebecor looks set to continue this trend in 2019 as well. As of September 30, 2019, Quebecor's revenues for the year stand at \$3.16 billion, which is on course to beat 2018 figures.

While Quebecor has significant debt, its net debt to EBITDA ratio at the end of September 2019 was 2.9 times, down from 3.2 times reported at the end of the third quarter last year. Quebecor has a conservative dividend payout of 16%. The company has delivered a 25% dividend growth every year for the last 10 years and currently has a yield of 1.34%.

It's figures like these that make Quebecor a solid stock. Five out of 15 analysts recommend a "strong buy" for the company while 10 recommend a "buy."

The average target price for Quebecor is \$36.54 with a high target of \$39. You can expect your investment to go up anywhere between 10.5% to 18%, which makes this stock a good pick for 2020.

## CATEGORY

1. Investing
2. Tech Stocks

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**Date**

2025/07/07

**Date Created**

2019/12/16

**Author**

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