



Why Cogeco (TSX:CGO) Stock Is the Perfect Investment for Your TFSA

Description

As the second wave of the pandemic keeps people indoors, Canadians need to ensure that all their investments either make them money or save them money. The [Tax-Free Savings Account](#) is a perfect tool that can help investors save money on taxes. You can contribute up to a cumulative \$69,500 for tax saving purposes when you invest in Canadian financial instruments using the TFSA option.

Cogeco Inc ([TSX:CGO](#)) is one such top company for your TFSA. It operates in the communication and media space across Canada and the United States. **Cogeco Communications** ([TSX:CCA](#)), its subsidiary provides residential and business customers with internet, video, and telephony services in Quebec and Ontario, Canada. It does the same in the U.S. across 11 states under the Atlantic Broadband brand. Under its Cogeco Media subsidiary, it owns 23 radio stations that serve audiences mainly across Quebec, as well as Cogeco News, a news agency.

A strong Q4 for Cogeco

The company recently announced its results for the fourth quarter of fiscal 2020, ended August 31, 2020. Revenue increased to \$624.2 million, up 2.2% from the same period in 2019. Adjusted EBITDA increased to \$299.9 million, up 6.7%. Profit for the period was up to \$96.7 million compared to \$97.1 million in fiscal 2019.

In October, Cogeco announced the acquisition of DERYtelecom, Quebec's third-largest cable provider for \$405 million. The acquisition will be completed by the end of the second quarter of fiscal 2021, giving a boost to Cogeco's in areas adjacent to Quebec.

Rejection of takeover bid

Cogeco and its subsidiary Cogeco Communications [were the targets of a hostile takeover](#) bid from **Rogers Communications** and **Altice USA**. There were two bids made for the companies in the last three months. The proposals were rejected by Gestion Audem, the Audet family holding company that holds 69% of all voting rights of Cogeco Inc., which in turn controls 82.9% of all voting rights of Cogeco

Communications Inc.

Gestion Audem made its position very clear when it put out a statement. "As we did on September 2nd, 2020, following the announcement of their first unsolicited proposal, members of the Audet family unanimously reject this further proposal. Since this is apparently not registering with Rogers and Altice, we repeat today that this is not a negotiating strategy, but a definitive refusal. We are not interested in selling our shares," said Louis Audet, President of Gestion Audem.

Cogeco also claimed the performance of its stock price and operating results were easily outpacing that of Rogers or Altice. In a show of strength, Cogeco Connexion announced network expansion projects in Ontario and Quebec. The company expects low-single-digit percentage growth in revenue for fiscal 2021 and adjusted EBITDA to remain constant for the same period.

The Foolish takeaway

Cogeco stock is currently trading at \$79.68, and analysts have given it a 12-month target of \$110.5. The company holds a strong position in Canada and is likely to give investors solid returns over the next 12 months. The stock is a great option for TFSA accounts, as it has an upside of almost 40% from current levels which can be withdrawn tax-free.

CATEGORY

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