1 Unfairly Corrected Top Canadian Stock to Buy on the Dip

Description

Buy the dip has been a market-crushing strategy amid this incredible bull run. With numerous top Canadian stocks now fresh off plunging into correction territory, I think now is as good a time as any to punch your ticket into some bargains before their next leg higher.

Rate hikes, inflation jitters, and coronavirus variants are all real risks to the bull market. That said, investors should not feel compelled to invest in a way that overreacts to high-impact events with a low probability of occurring. Do be cautious or mildly bearish, but be an invested bear because nobody knows where the puck will be headed next in this profoundly uncertain environment that could be full of surprises, both negative and positive.

Without further ado, let's have a look at one unfairly corrected high-yield Canadian stock that looks to have a great risk/reward trade-off heading into year's end.

Quebecor: Unfairly corrected and undervalued

Quebecor (TSX:QBR.B) is probably the most underrated Canadian telecom on the **TSX**. The firm behind Vidéotron, a staple in the Quebec market, does telecom differently than the Big Three behemoths we all know and love. Instead of trying to grow across the nation and cutting in on the turf of other incumbent players, Quebecor is fine with staying within its circle of competence in the province of Quebec.

Although the company does serve non-Quebec communities, the firm is all about having home-court advantage. By building upon its moat in the province of Quebec, where Vidéotron is already well-known and respected, the firm can improve upon its already sizeable moat. It's not just the brand recognition and the deep penetration across the province, but the language barrier that's to Quebecor's advantage.

I see few reasons why Quebecor should expand beyond the confines of Quebec like some of its more dominant peers. There's more than enough room to grow in Quebec as the next generation of telecom tech becomes the norm. Moreover, Quebec's a huge province, and to deviate away from its home court would probably be a detriment to its impressive double-digit return on invested capital, which is best-in-class as far as Canadian telecoms are concerned.

The Canadian stock sports a 3.4%, which is less than the likes of a **BCE**. That said, by surrendering some yield, you'll get so much more in long-term earnings growth. Quebecor knows its market, and it knows it well. So, if you're looking for the perfect blend of growth and income, look no further than the name, which it's fresh off its 10% correction.

What about valuation on the top Canadian stock?

At the time of writing, Quebecor stock trades at 12.5 times next year's expected earnings, 1.8 times sales, and 5.9 times cash flow, all of which are lower than the telecom industry average multiples of 25.5 times, 2.7 times, and 8.1 times, respectively.

Quebecor is a slow and steady performer with an average of 2.25% in annual revenue growth over the past three years. Despite COVID-19 headwinds, Quebecor kept its TTM ROIC numbers at a respectable 11.3%, well above the five-year historical average of 8.9%.

With a 5G boom and the roaring 20s underway, I'd say the top Canadian stock is an absolute bargain at current prices for those willing to hold for the next 18 months. Moreover, the growing dividend payout should be more than enough of an incentive to hang in there through what could be another rough patch of volatility.

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