



1 Underdog That Could Be a Future Dividend King

Description

Quebecor ([TSX:QBR.B](#)) is a telecom underdog that truly doesn't get the [respect](#) it rightfully deserves. Heck, many non-Quebec-based Canadian investors have probably never heard of the company. The firm, better known for its Vidéotron brand, is a Quebec-based telecom that's not a member of the exclusive Big Three telecom club.

The 3.6%-yielding dividend play is hardly a Dividend King. But as it takes its [growth](#) to the next level with an expansion beyond its home turf, I think it would be a mistake to rule out the name as a Dividend King in the making.

Quebecor has excelled on its home turf

Undoubtedly, Quebecor has (mostly) stayed within its home court in the Quebec market over the years. The strategy of staying within its "circle of competence" has paid ample dividends. Indeed, the Quebec market was large enough for the firm to grow while maintaining a respectable ROIC (return on invested capital).

While the firm hasn't grown nearly as fast as some of its growthier peers, Quebecor has still done well for its investors over the long run, easily outpacing the **TSX Index** over the last decade. In the investment world, though, it's less about historical returns and more about "what have you done for me lately?" And in the case of Quebecor, the answer to the question is, not much.

Quebecor stock is stuck in a rut

The stock has gone nowhere since the start of 2019. With the recent 14% pullback off its April 2021 highs (a failed breakout), shares now find themselves right back in that nearly three-year channel of consolidation.

After flatlining for years, the dividend, which has typically been far lower than its Big Three peers, has swollen considerably. The 3.6% yield still pales in comparison to the heavy-hitting Big Three. That said,

the yield is still heavily tilted on the higher end of the 1-2% historical range. As the yield flirts with a level that's more in line with its peers (4-5%), I think the stock ought to fly on the radars of investors who are looking for a bit of a growth edge alongside their handsome payouts.

A Dividend King in the making?

In prior pieces, I've stated that Quebecor was a great buy, even if it stayed within the Quebec market. I was a huge fan of management and their track record of achieving exceptional operating performance. As the company looks to expand into new markets to potentially become that fourth major telecom player, I think investors would be wise to give management the benefit of the doubt.

Expanding into the west coast will not be easy, especially for a company playing in the arenas of its competitors for the first time.

Before being acquired by **Rogers Communications**, **Shaw Communications** had a tough uphill battle with its wireless business Freedom Mobile. Although investors are unenthused by Quebecor's push to become Canada's fourth major wireless player, I think it's a mistake to sleep on Quebecor's potential, as it looks to carve out an equal quarter of the Canadian telecom pie for itself over the next decade and beyond.

Recently, Quebecor brought the fight to its bigger brothers with US\$666 million in wireless spectrum spend. It's a big move, and it comes with "strategic risks," as BMO Capital Markets analyst Tim Casey astutely pointed out.

As you may know, higher investment risk comes the potential for higher reward.

With a potential Freedom Mobile acquisition thrown into the cards, I think Quebecor could finish what Shaw started, as the company looks to challenge the Canadian telecom triopoly.

The bottom line on the future Dividend King

Investors aren't fans of Quebecor's ambitious plans. I think contrarians would be wise to step in here now that shares are fresh off a correction. With shares trading at 14.2 times earnings, Quebecor is a glimmer of value in an otherwise pricey market. Could the company become Canada's next Dividend King? Who knows? The odds look good in my books, though.

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