Should You Buy Transcontinental Inc. Today?

Description

Transcontinental Inc. (TSX: TCL.A), Canada's largest printer, with operations in print and digital media, publishing, and flexible packaging, released fourth-quarter earnings on December 9 and the results came in mixed compared to analysts' expectations. The company's stock has responded to the release by rallying more than 5% higher in the trading sessions since, so let's take a closer look at the results to determine if we should consider initiating long-term positions today.

The mixed fourth-quarter results

Here's a summary of Transcontinental's fourth-quarter earnings compared to what analysts had expected and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	$0.87	$0.72	$0.71
Revenue	$571.9 million	$583.0 million	$562.6 million

Source: Financial Times

Transcontinental's earnings per share increased 22.5% and its revenue increased 1.7% compared to the fourth-quarter of fiscal 2013. These results were driven by the company's recent acquisitions of Capri Packaging and Quebec weekly newspapers from Sun Media Corporation, as well as numerous new printing and distribution agreements. However, the growth was partially offset by lower advertising revenues in both of its segments.

Here's a quick breakdown of seven other highly important statistics and updates from the report:

1. Adjusted net income increased 20.6% to $67.4 million.
2. Adjusted EBITDA increased 13% to $124.3 million.
3. Adjusted EBITDA margin expanded 210 basis points to 21.7%.
4. Operating profit increased 16.4% to $97.1 million.
5. Operating margin expanded 220 basis points to 17.0%.

6. Net indebtedness ratio of 1.23 compared to 0.95 in the year ago period.
7. Declared a quarterly dividend of $0.16 per share, an increase of 10.3% from the $0.145 paid in the year ago period.

Is now the time to buy shares of Transcontinental?

Transcontinental Inc. is the largest printer in Canada and the third largest in North America, and increased demand for its services led it to a strong fourth-quarter performance. The company reported year-over-year increases in net income, earnings per share, revenue, EBITDA, and operating profit, and its stock has reacted by rising more than 5% in the trading sessions since.

Even after the post-earnings rally in Transcontinental's stock, I think it represents an intriguing long-term investment opportunity, because it trades at inexpensive valuations, including just 7.2 times fiscal 2015's estimated earnings per share of $2.19 and just 6.9 times fiscal 2016's estimated earnings per share of $2.28. Furthermore, the stock currently pays an annual dividend of $0.64 per share, which gives it a bountiful 4.05% yield at current levels.

With the inexpensive valuations and high dividend in mind, I think investors should strongly consider initiating long-term positions in Transcontinental today and adding to them on any weakness provided by the market.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TCL.A (Transcontinental Inc.)

Category

1. Dividend Stocks
2. Investing

Date
2025/08/24
Date Created
2014/12/17
Author
jsolitro