



Transcontinental Inc. Doubles Profits and Raises its Dividend

Description

Publishing companies around the world are losing money, with many print-based newspapers and magazines struggling to survive. Despite this challenging environment, Canadian printer and publisher **Transcontinental Inc.** ([TSX:TCL.A](#)) continues to thrive, wheeling and dealing its way to a doubling of profits in its latest quarter. Does Transcontinental belong in your portfolio?

On Tuesday, the Montreal-based printing and publishing company said it earned \$38 million in its first quarter of fiscal 2015, up from \$17 million in the same period in fiscal 2014. Revenues for the quarter increased 1% to \$504.6 million, mostly due to contributions from acquisitions, such as Capri Packaging and a group of Quebec weekly newspapers picked up from Sun Media.

New printing and distribution agreements signed in 2014 also contributed to the increase in revenues, Transcontinental added, along with the appreciation of the U.S. dollar against the loonie.

“Our strategy aimed at consolidating the weekly newspaper market in Quebec and diversifying into flexible packaging has been fruitful,” said Transcontinental president and CEO Francois Olivier.

“Despite lower advertising revenues, our various initiatives allowed us to be profitable and to keep generating significant cash flows. We maintain an excellent financial position, which permits us, once again this year, to increase the dividend per participating share.”

The company is raising its dividend by 6% to \$0.17 per share quarterly, or \$0.68 on an annual basis.

As well as acquiring new assets in the quarter, Transcontinental also did some selling and offloaded 15 magazines to Quebecor’s TVA Group for \$55.5 million. The agreement, announced last November, includes magazines such as Canadian Living and the Hockey News, and a majority stake in Elle Canada and Elle Quebec. The Competition Bureau approved the sale earlier this month and the deal is expected to close in April.

Looking forward, Transcontinental said it will continue its efforts to maximize the profitability of its printing platform. “The impact of the new agreements to print newspapers and magazines, announced in 2014, should keep contributing to our operating earnings, and we will maintain our efforts to attract other Canadian newspaper publishers to our highly efficient print network.”

Transcontinental concedes that challenging conditions with respect to advertising revenues will likely continue to impact its weekly newspaper publishing activities, as well as its interactive marketing solutions. However, it believes those challenges will be offset by its recent acquisitions, as well as the continued development of its digital and interactive marketing products.

Transcontinental's continued focus on the printing and publishing side of its business is a concern for those who believe the future for the industry is online. That might be true. However, Transcontinental has continued to confound the naysayers with a knack for acquisitions, leading to solid results. Transcontinental shares jumped 5% following the release of the earnings report and the stock is up 6% year-to-date. There's little doubt that the online enthusiasts will have their day, but that day could be well down the road, making Transcontinental a stock to seriously consider.

CATEGORY

1. Dividend Stocks
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1. Editor's Choice

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