Here's an Undervalued Dividend Stock That Just Had a Great Q2

Description

Hot on the heels of an outstanding Q2, **Transcontinental Inc.** (TSX:TCL.A) is a pretty much flawless dividend stock that is still not only undervalued, but that also seems to be getting overlooked by some Canadian stock commentators.

However, that may be about to change following a superb Q2 that's only served to make its multiples look all the more enticing.

A rare gem of a dividend stock, but how long will it stay discounted?

If you don't know Transcontinental, it's a print and packaging commercial services company, also dealing in publishing and digital media, with its main operations in the U.S. and Canada. Transcontinental is Canada's biggest printer and a North American leader in flexible packaging. It's not what you'd call a very interesting stock, but if you understand investment, you'll be aware by now that boring is good.

With a 2.73% yield, Transcontinental isn't just deeply discounted; it's also very healthy dividend payer. It's got a five-year beta of 0.78, making it potentially one of the most stable stocks on the TSX, and its P/E is a friendly 9.5 times. If you want to make money trading stocks on the TSX, this is possibly one of the best stocks to start investing in. For value investors, it should already be on your radar, and, yes, it's a strong buy.

The big story here, though, is how deeply this stock is discounted. With a current share price of $31.52, its comparison to its future cash flow value of $66.85 is around 47%. Again, following close on the heels of a very promising Q2, this may be about to change, so grab this stock before that discount dwindles.

Now, let's see what else Transcontinental has got going for it.

A growth stock to knock your socks off

All right, its actual projected growth in earnings doesn't make it the strongest of Canadian growth stocks, with a projected annual increase of 3.1%, but it *is* still a growth stock. This, combined with its heavily discounted share price and the fact that it offers a sturdy dividend, makes Transcontinental one of the healthier growth stocks on the TSX.

Growth is the right word, because Transcontinental is definitely going places.

Just take a look at that Q2 report, for starters. Among the successes are a 7.2% increase in revenue, a 46% leap in operating earnings, and a 48.5% increase in net earnings. Transcontinental also sold off 33 publications, making it more asset-light, while acquiring a strategic U.S. flexible packaging supplier to keep up with market opportunities. It also made a number of other acquisitions around the world, expanding its global presence in terms of production facilities.

The bottom line

If you want a deeply discounted dividend stock in a very stable sector (the commercial services sector's five-year beta is a low 0.57) and steady growth ahead of it, Transcontinental is one for you. Put it straight in your TFSA or RRSP and watch the income trickle in. But get it now, because the news of its undervaluation is out, and with its favourable Q2 report also doing the rounds, that 47% discount will begin to evaporate.

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