This Stock Hitting a 52-Week Low Has a Strong Sell Rating Right Now

Description

With a strong sell signal indicating a stock that has finally gone into freefall after months of undervaluation, let's take a deep dive through the data for **Transcontinental** (TSX:TCL.A) and weigh the options are for investors or would-be shareholders in this hitherto desirable ticker. Indeed, there is much to recommend Transcontinental, from a dividend yield of 5.07% to a 5% expected annual growth in earnings.

The case for selling

Down to $17.02 a share, this stock has touched its 52-week low, after six months of freefall. It dropped sharply last September around the time of an earnings report, which was followed later in the month by a change in CFO; a buyback plan was authorized a short while afterwards.

Dropping 0.46% for the day and falling, Transcontinental now has a strong consensus sell rating after its gradually recovering share price once again fell sharply at the end of last month, though not to the extent that it did last year.

Despite the strong sell signal, the data today shows that this stock is actually up 0.17% in the last five days. A tough 2018 that saw many a strong stock produce a negative one-year earnings rate (this stock included) nevertheless leaves Transcontinental with a five-year average past earnings growth of 24.7%.

The case for holding

So how safe is it to carry on holding this stock? A company with a large market share, Transcontinental is a leader in flexible packaging and print media, with a market cap of $1.681 billion, and an employee pool in the thousands. According to *The Globe and Mail*, the most lucrative sources of revenue for Transcontinental are its printing and packaging assets, making it one of the most important such operators in the country.

As such, it doesn't look as though Transcontinental is going anywhere, and on this basis alone the stock may make a bold contrarian pick, offering the largest potential margin for upside if it's bought right now. By this logic, an investor may want to hold onto this stock and stay invested rather than sell it and continue the bloodbath. However, let's keep combing hrough the data to see what the stock can offer a newcomer.

The case for buying

Scouring the data of Transcontinental, the only real red flag would seem to be a fairly high comparative level of debt at 89.4% of the company's net worth. Given its moderate track record, deep undervaluation (see a P/E of 8 times earnings and P/B of 0.9 times book), good-enough passive income, and positive (if unremarkable) outlook, the stock comes out looking solid.

Add to this the company's market share, its defensive stats, and its comparative value (while a P/B of 0.9 is low by TSX index standards, this ratio merely represents that Transcontinental is trading barely below its actual per-asset value, after all), and an alternative signal for this stock emerge counter to the consensus rating.

The bottom line

With just a few days until it trades ex-dividend, a bold contrarian might feel like snapping up shares in this market leading stock right while it's valued at its lowest. While a general lack of momentum seems to be affecting some sections of the TSX index at the moment, some investors may see opportunities in unloved tickers that may well come back stronger further down the line.

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