2 Unreasonably Battered Dividend Stocks I'd Buy Before They Correct to the Upside

Description

Here are two **TSX** dividend stocks that have been unfairly punished by the market in recent months, providing an enviable opportunity to make an investment before they correct to the upside.

Transcontinental Inc. (TSX:TCL.A) is one of Canada's leading companies in terms of providing vertically integrated solutions across print and packing to help businesses attract and retain the best customers.

TCL acquired Coveris Americas during the second quarter of 2018. One year later, the company says that it us impressed with the results and hopes to build on its recent momentum, which includes sequential increases in quarterly profit margins and 43% year-over-year growth in its revenues.

Meanwhile over the past five years, even prior to the Coveris acquisition, this is a company that enjoyed a steady upward trend of operating profits, which it was more than generous enough to dole out to shareholders in the form of annual increases to its dividend, which is currently yielding its shareholders a 5.85% yield annually.

TCL shares have fallen off over the past 12 months, however, as the market has had to adjust to it taking on close to $1 billion in debt to finance the Coveris purchase.

On the bright side, it would appear as though has the financial clout to service that debt and keep its creditors at bay.

However, on the downside, this is a stock that happens to resemble a bit of a "falling knife" at the moment, so while the opportunity very much looks to be there, this is one you'll certainly want to be approaching with a fair degree of caution.

Molson Coors Canada Inc. (TSX:TPX.B)(NYSE:TAP) is a company that also completed a fairly transformative acquisition not too long ago, acquiring the Miller Coors United States assets for $US12 billion.

And not unlike TCL, it appears that this is another situation where the market still isn't ready to accept that the "new" Molson, will be carrying a significantly higher debt burden going forward than what shareholders had been used to in the past.

Similar to TCL, this looks like another example where those fears are fairly overblown.

Despite facing short-term challenges generating sales growth in its key North American markets, management at TAP is still targeting free cash flows this year of close to $1.5 billion.

While it would certainly take quite some time to retire all of its currently $8 billion-plus of long-term interest-bearing debt, current cash flows appear more than sufficient to cover its near-term financial obligations with potentially a dividend increase coming later this year, which would mark the first increase to the company's payout since 2014 and could be a significant catalyst for the shares.

Making the world smarter, happier, and richer.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:TCL.A (Transcontinental Inc.)
3. TSX:TPX.B (Molson Coors Canada Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/14
Date Created
2019/06/23
Author
jphillips