TFSA Investors: 1 Canadian Dividend Aristrocrat That Can Shoot Up in 2020

Description

When a dividend aristocrat gets battered unreasonably in the stock market, you want to keep an eye on it, waiting for the perfect time to snap up shares at a cheap valuation. **Transcontinental** (TSX:TCL.A) is slowly making a comeback from its 52-week low, and it looks like the worst is behind it.

Transcontinental (TC) is a leader in flexible packaging in North America and Canada's largest printer. The company also operates in specialty media segments. The company has increased dividends for the last 17 consecutive years but the market battered it to below $16 a share from a high of $22.91 in February this year.

Investors were unhappy with the stock on account of the hurt in the printing business. TC began to transform itself a couple of years back by focusing on expanding its packaging and media businesses.

Fiscal 2019 results

The company just reported its results for the fiscal year 2019 (ending in October) and the numbers look good. Revenues are up 15.8% in 2019 at $3.03 billion.

TC has grown its revenues by 50% in the last two years. Its revenues are more or less assured, as is evidenced by the company's figures between 2015 and 2017.

TC clocked revenues of around $2 billion before they zoomed up to $2.62 billion in 2018 and over $3 billion this year. A major reason for this growth rate is the acquisitions that TC has made, particularly that of Coveris Americas, which contributed $643.4 million to revenues.

Adjusted operating earnings before depreciation and amortization are at $475.8 million, up 3.6% compared to 2018. Adjusted net earnings came in at $220.2 million ($2.52 per share) for fiscal 2019 compared to $239.4 million ($2.91 per share) for 2018.

The company recorded cash flows from operating activities of $431.6 million, up 38.1% that was primarily used to pay off debt. At the end of the last quarter, TC reported a debt balance of $1.38 billion.

TC sold the Fremont, California building to Hearst for $ USD 75 million (approximately $100 million). It also sold specialty media assets and event planning activities to Contex Group Inc. and Newcom Media Inc.

On November 27, 2019, TC announced it entered into a definitive agreement to sell its paper and woven polypropylene packaging operations to Hood Packaging Corporation for a price of USD $180 million (approximately $239 million) subject to working capital adjustments and regulatory approvals.

The cherry on the cake when it comes to TC is its dividend payout. The company's forward dividend payout is a juicy 5.8%. When one takes into account the company's dividend history, you can be assured that a lot of passive income will be added to investors' bank accounts.

TC is in one of the most stable and predictable businesses around. However, analysts expect revenue decline of 9.8% in 2020 and 2.9% in 2021.

This will also result in an earnings decline of 5.6% in 2020 and 0.8% in 2021. The recent decline in TC's stock price has meant that it is trading at a forward price to earnings multiple of 6.5.

The eight analysts tracking the stock have given it an average target price of $20.44 in the next 12 months — an upside of over 35%. Add the dividend payout and you are looking at a gain of almost 43% in a year.

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