This 1 Highly Undervalued Canadian Dividend Stock Is a Screaming Buy Right Now

Description

After the Canadian stock market's recent correction, it's not very difficult to find some cheap stocks to buy for the long term. While most tech stocks after the recent crash look cheap, their high volatility makes these growth stocks highly unpredictable in the near term and risky to own right now. The recent market selloff has also affected the price movement of many fundamentally strong high-dividend-paying stocks, which look comparatively more stable and a better buy right now.

In this article, I'll highlight one of the most attractive Canadian dividend stocks you can buy today that I find to be highly undervalued. Let's take a closer look.

Transcontinental stock

Transcontinental (TSX:TCL.A) is a Montréal-based printing and packaging firm with a market cap of $1.5 billion. The company primarily focuses on flexible packaging and Canadian French-language educational publishing. While it has consistently been beating analysts' top-line estimates for the last six quarters in a row, Transcontinental stock currently trades at $17.21 per share with more than 15% year-to-date losses, underperforming the broader market. By comparison, the **TSX Composite Index** has seen a 9.3% value erosion so far in 2022. At the current market price, this top Canadian dividend stock has a high yield of around 5.5%.

In its fiscal year 2021 (ended in October 2021), Transcontinental made nearly 55% of its total revenue from the packaging segment, while the remaining came from printing and other segments. Geography-wise, North America accounted for nearly 46% of its total revenue for the same period.

Strong financial growth, despite macro challenges

Earlier this week, Transcontinental announced its financial results for the third quarter of its fiscal year 2022 (ended in July). During the quarter, its total revenue rose by 20.3% YoY (year over year) to $747.8 million, exceeding analysts' estimates. Despite a recent surge in raw material costs, the company's recent decision to pass through higher packaging raw material costs to its customers seemingly paid off well. Overall, higher pricing, increasing volume, and new acquisitions were the three key reasons for its strong revenue growth in the last quarter.

With the help of these positive factors, Transcontinental registered an 11.8% YoY jump in its adjusted earnings for the quarter to $0.57 per share, beating Street's estimates of around $0.51 per share. Overall, I find its recent financial growth performance very impressive, as it continues to report solid positive earnings growth, despite facing several industry-wide challenges, including inflationary pressures, supply chain challenges, and a tight labour market.

Top undervalued dividend stock to buy in Canada now

Transcontinental stock currently trades at eight times its earnings, which is much lower than the industry's average price-to-earnings multiple of 12.3, making its stock look undervalued. Apart from its attractive quarterly dividend payouts, its consistently improving fundamental outlook also makes this Canadian dividend stock look cheap.

After expanding its presence in the digital educational content segment by acquiring Scolab in March 2022, its recent acquisition of Éditions du renouveau pédagogique reflects Transcontinental's consistent efforts to expand its market presence and diversify revenue streams. Given all these positive factors, I expect Transcontinental's financial growth to improve further in the coming years, which should help it increase its dividend payouts further in the coming years.

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Date
2025/08/17
Date Created
2022/09/08
Author
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