



DIVIDEND STOCKS ROCK

PORTFOLIO CREATION USING DIVIDEND GROWTH STOCKS

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Thank you for reading our monthly premium newsletter that comes with your subscription to [Dividend Stocks Rock](#).

This is your exclusive member's newsletter. Feel free to send us an email at dividendustries@gmail.com to inquire about more information or to make a suggestion.

Market	Last 30	YTD
S&P 500	1.32%	11.54%
NASDAQ	1.78%	22.78%
DOW JONES	1.15%	12.6%
S&P TSX	0.51%	-0.73%

September Issue

We are back to school and we have done our homework. This is the new Buy List for the month. 4 Buys and 1 sell for each market.

DSR Premium

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About DSR Premium

The DSR Premium newsletter comes with an exclusive membership to [Dividend Stocks Rock](#).

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A Look at our Previous Buy List

Each month, we will keep track of our previous buy picks. Returns will be as of the first of each month to avoid confusion. For example, companies on our August buy list will show their return as of September 1st. This gives you around two weeks after the newsletter is being published in the month to buy shares.

Returns are as at September 14th:

Company	Ticker	Return
UPS	UPS	2.50%
Qualcomm	QCOM	-2.31%
Disney	DIS	-3.25%
Starbucks	SBUX	-0.47%
Alimentation Couche-Tard	ATD.B.TO	0.70%
Emera	EMA.TO	-3.23%
Lassonde Industries	LAS.A.TO	0.07%
Intact Financial	IFC.TO	-3.54%

We obviously can't comment much on a 2-week return. We will need some time to evaluate these picks. At the moment, the best one from this list is probably Disney. The latest comment from the CEO said the company will most likely show flat earnings growth for 2017 froze investors. As Irma forced DIS to close their theme park in Florida, you can guess there isn't much good news around the company lately. Even the shift of the movie director for Star Wars IX animated social medias negatively. Nonetheless, we are still looking at a very strong company that will generate billions in revenues coming from both Star Wars and Marvel's franchise. Plus, their decision of streaming their own content will complete Disney's entertainment offer and increase their revenues starting in 2020 (streaming services should start late 2019).

Now, let's take a look at which company is worth buying this month.

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Hormel Foods (HFC)



Business Model

You will rarely read about HRL in the news. Let's just say it's not a sexy company. This is probably the best example of how they built such a strong company over year. Instead of going mainstream with popular products, Hormel Foods has developed a strong expertise in producing foods in a very specific niche market. Its goal is to dominate that market and this makes it very difficult for other competitors to steal market shares.

Hormel Foods' main business is still related to the rich protein industry. This segment ensures a strong and continuous cash flow as the attraction for meat products is still very strong in North America. HRL has also developed an international division around Spam and Skippy brands.

The main strength of this business remains in its intangible assets as it shows a very strong brand portfolio. Since they operate through various niche markets, it makes it difficult for competitors to attack HRL products as a whole. Each niche is well studied and Hormel Foods continues to offer innovative products to keep their customer base. Through their main two brands, Spam & Skippy, HRL has international doors open to develop more products offshore. The management team also has a strong expertise in acquiring other brands and creates synergy through their distribution network.

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Why the company is undervalued?

The price of turkey has greatly affected one of HRL's most important brands. Jennie-O Turkey's business earnings decreased 29 percent as turkey prices remained at multi-year lows due to an oversupply of turkey and competition.

This situation brings HRL to reduce advertising and innovation spending to manage their cost and keep up their profitability. This short-term struggle pushed HRL down by roughly 15% over the past 12 months (as at September 14th).

How will dividend payment increase?

HRL's yield may not be impressive, but its dividend growth rate is. HRL's success relies on a clever balance between organic growth and acquisitions at fair prices. HRL benefits from a strong client base in a growing market; high protein food. As far as the dividend growth is concerned, it is obvious that with 50+ years of dividend increases, you can count on a payout raise this year again. With both cash payout ratio and payout ratios under 50%, the dividend payment will continue to rise higher.

What will change in the upcoming years?

HRL doesn't only sell packaged foods, it innovates with new products and acquires other segments for the sake of diversification. The company has identified a specific niche where it builds or acquires popular brands. As America is slowly shifting toward healthier food, the acquisition of Applegate Foods and Muscle Milk will help HRL to benefit from this opportunity

Through Skippy, HRL has a unique opportunity to expand its other products through international markets. By using the existing Skippy network,

Valuation upside +52%

Intrinsic Value	Discount Rate (Horizontal)		
	8.00%	9.00%	10.00%
Margin of Safety			
20% Premium	\$113.94	\$56.41	\$37.26
10% Premium	\$104.44	\$51.71	\$34.16
Intrinsic Value	\$94.95	\$47.01	\$31.05
10% Discount	\$85.45	\$42.31	\$27.95
20% Discount	\$75.96	\$37.61	\$24.84

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LAZARD (LAZ)



Business Model

Lazard, together with its subsidiaries, operates worldwide as a financial advisory and asset management firm. Financial Advisory segment offers services regarding mergers and acquisitions, strategic advisory matters, etc. LAZ was founded in 1840 and manages over \$189B.

Lazard is one of the financials showing an interesting profile, but continues to be ignored by many investors. The fear of market instability and higher risk in the mergers & acquisitions segment tends to scare investors away from LAZ. However, it is important to remember that LAZ has the largest geographic diversification among independent investment firms and its expertise in investment banking (M&A) has established a solid base of clients throughout the world.

The Financial Advisory segment offers services regarding mergers and acquisitions, strategic advisory matters, etc. LAZ was founded in 1840 and manages over \$189B. It is well known for its experience in asset management and in M&A.

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Why the company is undervalued?

LAZ beats Q2 expectations with EPS of \$0.98 (beats by \$0.19) and revenue of \$720M (beats by \$92.88M) on July 27th 2017. As at September 14th, the stock is down -13.05% creating a great buy opportunity. LAZ market cap is \$5.5 billion compared to \$67 billion for BlackRock (BLK). This creates a situation of vulnerability in the event of market fluctuation or deceiving economic news. However, the company has a great history of growth no matter where we are in the economic cycle.

How will dividend payment increase?

While the LAZ payout ratio seems high, its cash payout ratio is very low (44.04%). Therefore, you can expect LAZ to continue its 6-year streak with a dividend increase announcement. Management has also started to pay special dividend three years ago. While our calculations don't include these special payments, they surely please many shareholders.

Management explained it wished to return excess of capital to shareholders in a form of "additional share repurchases or dividends". This means they already have a plan for both, but will allow additional share repurchases or dividend when they make more money

What will change in the upcoming years?

LAZ is a relatively new dividend grower and is not even part of the Dividend Achievers list. Still, with a dividend yield of 3.72% on top of some special dividend payments, LAZ is an interesting stock to hold. Lazard has the largest geographic footprint in the mergers and acquisitions field. On top of its M&A business, LAZ is known for its restructuring financial advices services. Therefore, regardless if the market goes well (which encourages M&A) or if it slows down (which encourages restructuring), LAZ will find a profitable niche

Valuation upside +35%

Intrinsic Value	Discount Rate (Horizontal)		
	9.00%	10.00%	11.00%
Margin of Safety			
20% Premium	\$95.17	\$67.66	\$52.39
10% Premium	\$87.24	\$62.02	\$48.03
Intrinsic Value	\$79.31	\$56.38	\$43.66
10% Discount	\$71.38	\$50.75	\$39.29
20% Discount	\$63.45	\$45.11	\$34.93

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LOWE'S (LOW)



Business Model

Lowe's is the second-largest home-improvement retailer in the world with over \$59 billion in annual revenues. Strong from its position in the U.S., Lowe's benefits from the recent rebound of the world's largest economy. I think that after acquiring Rona in 2016, more acquisitions will come in the upcoming years.

Lowe's is also focusing on a seamless experience through the development of the "OMNI-CHANNEL PLATFORM". While both companies target the retail business in a similar way, I sense more interest from Lowe's to target the Pro customer (contractors).

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Why the company is undervalued?

The market never ceases to surprise me. You may think a drop of 6-7% within a few hours is reserved for techno's or companies announcing very bad news. You would not expect such treatment to a well-established company with years of consecutive dividend increases. Especially when the company posted revenues up by 6.8% and adjusted earnings per share up by 14.6%. Well, this is how it started for Lowe's (LOW) after they published their 2nd quarterly report on August 23rd. Lower growth than expected combined with the Amazon (AMZN) cloud over every retailer's head makes LOW a great buy opportunity.

How will dividend payment increase?

Lowe's is not only part of the Dividend Kings. it also has an annualized dividend growth rate of 26.68% over the past 5 years. Even better, the LOW payout ratio is at 41.62%. The company has a stellar dividend history as it went from \$0.08 quarterly to \$0.41 quarterly in 10 years. This is enough to forget its low dividend yield.

What will change in the upcoming years?

LOW is expecting to open 25 stores in 2017. This should support its revenue growth going forward in 2018. What is also interesting is that the renovation store shows more transactions but also stronger tickets per transaction. It seems LOW is developing a stronger expertise in selling high ticket which is not only a profitable sub-segment, but also a business that is "Amazon proof" due to the size/weight of many items.

The overall macro environment is fairly positive for LOW to continue surfing on this tailwind for the next few quarters. LOW is also aggressively targeting the professional segments with additional services and promotions. Contractors have been quite busy over the past 5 years as the home construction business has constantly been increasing year after year since 2012.

Valuation upside +45%

Intrinsic Value	Discount Rate (Horizontal)		
	8.00%	9.00%	10.00%
Margin of Safety			
20% Premium	\$274.79	\$136.06	\$89.87
10% Premium	\$251.89	\$124.72	\$82.38
Intrinsic Value	\$228.99	\$113.38	\$74.89
10% Discount	\$206.09	\$102.04	\$67.40
20% Discount	\$183.19	\$90.70	\$59.91

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CISCO (CSCO)



Business Model

Cisco is the reference for switches and routers across the world. The way we transfer data throughout networks has been a pillar for many industries over the past decade. While 2/3 of CSCO revenue comes from switches and routers, the rest of CSCO's sales are coming from faster growing adjacent market segments such as wireless, security, collaboration, unified communications, and data center products.

While the LAN/WAN equipment market is mature and doesn't show much growth opportunities, the Internet of Things (IoT) is opening the doors wide open to Cisco for another decade of strong growth. I believe this opportunity has not been completely factored in CSCO's price and you can still enter into a position in this tech.

As Cisco is the undisputed leader in its industry, it is also the player that sets the standards for others. In fact, Cisco is the gold standard in Ethernet switches and routers. This enables CSCO to benefit from a stronger premium on all its products and services. As many companies are dependent on their networking system to operate on a daily basis, their switching costs to ditch CSCO is enormous. The expertise gained by their network engineer across all type of businesses keeps CSCO one step ahead of its competitors. Cisco has built and protected a very strong niche here.

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Why the company is undervalued?

We are still hoping Cisco will transform its business model and will go on a strong growth uptrend like Microsoft did with the cloud business. While the plan is well known by investors, I don't think it is being accounted in the current stock value. There is obviously a risk of failure, but I think CSCO relationships with corporation will help them successfully switching their business model.

How will dividend payment increase?

CSCO shows an annualized Dividend Growth rate of 15.67% over the past 5 years. Don't be blinded by the stellar dividend growth start of Cisco. Management will definitely put the brakes on the double-digit growth rate at one point. Still, both payout and cash payout ratios are under control so you can expect strong single-digit growth rate for several years to come.

What will change in the upcoming years?

CSCO has set the gold standard in the way we transfer data throughout networks. This part of the business is mature, but will continue to generate strong cash flow. At the same time, Cisco is currently switching a part of its business model toward services around the Internet of Things and clouds services. It is well positioned to help its long list of clients moving forward in these new technologies.

Valuation upside +40%

Intrinsic Value	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$81.15	\$53.93	\$40.32
10% Premium	\$74.39	\$49.43	\$36.96
Intrinsic Value	\$67.63	\$44.94	\$33.60
10% Discount	\$60.86	\$40.44	\$30.24
20% Discount	\$54.10	\$35.95	\$26.88

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CINEPLEX (CGX.TO)



Business Model

Cineplex is Canada's largest movie theatre operator with huge market shares of 78%. With the DVD/Blu-ray and home theatre rise, the classic of going out on a date to the cinema is becoming outdated. Yet, Cineplex improved consumers experience with various combo offers, games and VIP treatments.

Cineplex's main strength is the fact it has the lion share of the movie theatre in Canada. Cineplex is also improving its services toward more media and gaming offering through The Rec Room.

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Why the company is undervalued?

The main downside I see with Cineplex is the fact they can't control how many great movies Hollywood would produce in the upcoming years. Therefore, the bulk of their business is subject to external variations. This is exactly what happened this summer when CGX declared their earnings. A poor movie line-up has been cited as the reason why it all went wrong. Combine this bad news along with many rumors of minimum wages going up to \$15/hour and you get some feelings the movie theatre industry may take another hit in 2018. I think the company will be able to increase their profit by increasing their VIP room, a very popular and profitable concept. However, we have reviewed our DDM calculation accordingly.

How will dividend payment increase?

Cineplex's latest catastrophic quarter hurt both cash payout and payout ratios. We have revised our dividend growth rate to 5% to reflect this situation. With stronger movies coming up this later this year (notably Thor: Ragnarok & Star Wars), I think CGX's dividend payment isn't in jeopardy. After all, management even increased their payouts earlier this year.

What will change in the upcoming years?

Cineplex knows the movie theatre is good business, but growth perspectives are limited. For this reason, management is growing outside the movie sector and seeks for other entertainments possibilities. Their recent [partnership with TopGolf](#) is an example of the kind of initiatives they are taking. The VIP Room concept will also contribute to boost CGX's profit.

Valuation upside +14%

Intrinsic Value	Discount Rate (Horizontal)		
	8.00%	9.00%	10.00%
Margin of Safety			
20% Premium	\$70.56	\$52.92	\$42.34
10% Premium	\$64.68	\$48.51	\$38.81
Intrinsic Value	\$58.80	\$44.10	\$35.28
10% Discount	\$52.92	\$39.69	\$31.75
20% Discount	\$47.04	\$35.28	\$28.22

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TELUS (T.TO)



Business Model

Telus is what is closest to being a pure play in the Canadian wireless industry. With 56% of its revenue coming from this segment, Telus has made a very good job at growing its business in the most profitable telecom & media segment.

Telus is very well aware of this situation and makes sure to keep very strong client service to keep everybody happy. I guess it works as the number of clients never stops increasing.

Telus has been showing a consistent and growing revenue trend. There is still room in the wireless industry as Canadian smartphone adoption rate is now at 76%. Over the past couple of years, Telus has also invested in their television and internet services to compete (and grab clients from) Shaw Communications.

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Why the company is undervalued?

While revenues and earnings have grown over the past 3 years, the stock price only went up by 10.37% (as at September 14th, excluding dividends). This tells me there is an opportunity here. The fear of having an international competitor such as Verizon (VZ) is also weighting on any Canadian telecom's shoulders. The DDM calculation shows a substantial upside potential. However, I do not think T.TO could surge by that much. It clearly tells you Telus has a strong dividend growth power.

How will dividend payment increase?

Telus is by far the Industry-best dividend payer and recently declared another increase of 7.1% to \$0.4925 cents per share. This is the 13th dividend increase since 2011. Do I have to mention Telus is part of the Canadian Dividend Aristocrats? The company is showing a very high cash payout ratio as it invested more money than usual into investments and capital expenditure. Capital expenditures increased by \$106 million in 2017 due to massive investment in broadband infrastructure and network enhancements. Such investments are crucial in this kind of business. Telus is basically filling the cash flow gap through financing for now. I'm not worried about this situation since management continued to raise its dividend and keep a payout ratio of 85%.

What will change in the upcoming years?

Telus has made the most profitable telecom segment its priority and main business model. Telus has proven its client service quality over the years and demonstrated its ability to retain its customers. Such a business model provides Telus with consistent cash flow incoming. While this business requires continuous investment to maintain and upgrade their network, Telus is in a solid position to continue its growth.

Valuation upside +42%

Intrinsic Value	Discount Rate (Horizontal)		
	9.00%	10.00%	11.00%
Margin of Safety			
20% Premium	\$105.06	\$74.92	\$58.19
10% Premium	\$96.31	\$68.68	\$53.34
Intrinsic Value	\$87.55	\$62.44	\$48.49
10% Discount	\$78.80	\$56.19	\$43.64
20% Discount	\$70.04	\$49.95	\$38.79

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CANADIAN NATIONAL RAILWAYS (CNR.TO)



Business Model

CNI owns and operates one of the largest and most efficient railroads systems in North America. Railroad transportation is one of the best ways to move commodities and other goods across such a large continent. Since it is virtually impossible for a new company to build railways these days, CNI will continue to generate cash flow year after year.

Canadian National Railway will offer great entry points from time to time as it evolves within a cyclical industry. However, CNI will not show incredible stock price growth over time. This is a steady earning company that will show more dividend growth than anything else.

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Why the company is undervalued?

CNR, like all other railroads operators, has suffered since the oil bust. Not only the oil price went down, but most commodities followed. Truck transportation increased on lower fuel prices pushing all railroads companies lower. The wind is changing since the end of 2016 but there is still room for additional capital appreciation.

How will dividend payment increase?

While CNR's dividend yield isn't impressive, its dividend growth history is. It shows a dividend growth streak of 22 consecutive years. If it were an American company, it would even be part of the Dividend Achievers. On top of that, CNR's annualized growth rate for the past 5 years is 17.08%. The company has more than doubled its payouts during this period, going from \$0.188/share to \$0.415/share (Canadian dollar). After this impressive dividend growth period, you would expect the company to show a relatively high payout ratio. Well, think otherwise. Both CNR's payout and cash payout ratios are under 40%. The company has already been known for its stellar operating ratio in its industry, and this reflects on earnings and cash flow.

What will change in the upcoming years?

Canadian National Railway is the most productive railroad company with the best operating ratio in the industry (55.1%). At a 1.64% yield, we can't talk about a "strong" dividend payer. However, after digging further, I realized how strong the company's fundamentals are. CNR has a very strong economic model, since railways are virtually impossible to replicate. Therefore, you can count on increasing cash flow coming in each year. Plus, there isn't any better way to transport most commodities than by train.

Valuation upside +16%

Intrinsic Value	Discount Rate (Horizontal)		
	8.00%	9.00%	10.00%
Margin of Safety			
20% Premium	\$276.46	\$136.89	\$90.42
10% Premium	\$253.42	\$125.48	\$82.89
Intrinsic Value	\$230.39	\$114.07	\$75.35
10% Discount	\$207.35	\$102.66	\$67.82
20% Discount	\$184.31	\$91.26	\$60.28

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ROYAL BANK (RY.TO)



Business Model

The largest bank by market cap started the earnings report party on August 23rd. Net income was down 3% from a year ago, but this was due to the sale of their home and auto insurance manufacturing business in 2016. Adjusted net income is up 5%, EPS up 8% compared to Q3 2016.

Back in 2015, RY made a bold move and bought City National, a Los Angeles based bank focused on high net worth client, for \$5.4 billion (USD). Management believed back then that one of their best growth vectors for the upcoming years would be through wealth management. I agreed with their logic back then; wealthy individuals usually have a complex financial situation and requires more than a basic ETFs portfolio to manage their wealth. Those people seek sound advice and proactive follow-up. They seek a high-quality adviser and RBC has been going toward this direction for many years now. I guess its not any fluke Royal Bank has been ranked highest in overall customer satisfaction for the second year in a row and their wealth management division posted a net income growth of 25% from a year ago.

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DIVIDEND STOCKS ROCK

PORTFOLIO CREATION USING DIVIDEND GROWTH STOCKS

Why the company is undervalued?

The market expected the Canadian economy to slow down following the oil bust. It never happened. The market expected banks to suffer from a potential slowdown (read bubble burst) in the housing market. It didn't happen either. While I think the threat of a housing bubble burst is real, Royal Bank revenues are well diversified and it will count on wealth management and capital markets to compensate potential losses.

How will dividend payment increase?

Royal bank raised their dividend for the second time this year, a nice tradition for shareholders. RBC halted their dividend growth policy during the financial crisis (between 2008 and 2010) and came back with the double dividend growth tradition in 2012. Even considering the crisis, the bank has sustained a distribution growth of 8% CAGR since 2006. This is what we call a dividend growth stock. We used a dividend growth rate of 5% for the next 10 years and 6% as a terminal rate for our DDM calculations.

What will change in the upcoming years?

RY will continue its dominance in throughout Canada for several years. It will definitely battle for the 1st Canadian bank with TD, but I will put my \$2 on Royal. TD is a more classic bank with higher exposure to the mortgage market while RY is already turning toward diversification in order to ensure its future growth.

Valuation upside +23%

Intrinsic Value	Discount Rate (Horizontal)		
Margin of Safety	8.00%	9.00%	10.00%
20% Premium	\$202.87	\$135.72	\$102.12
10% Premium	\$185.97	\$124.41	\$93.61
Intrinsic Value	\$169.06	\$113.10	\$85.10
10% Discount	\$152.16	\$101.79	\$76.59
20% Discount	\$135.25	\$90.48	\$68.08

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The Sell Side: TARGET (TGT)



Business Model

Target is a well-known U.S. retail giant and the second largest domestic retailer behind Wal-Mart (WMT). The company sells goods in various sub-sectors as detailed in their financial statement:

- Food, beverage, and pet supplies: 24% of first quarter sales
- Household essentials: 23% of first quarter sales
- Apparel and accessories: 21% of first quarter sales
- Home furnishings and décor: 17% of first quarter sales
- Hardlines: 15% of first quarter sales

I'm going all-in to destroy this company and show you how bad it is. I do it this way because sometimes we need a good slap in the face to wake up from our fantasy.

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What is Wrong?

There are several things wrong with Target. The first one is the absence of revenue growth for the past decade... unless you call revenue growth rate of 0.96% "growth". The second reason is that Target has virtually no strong growth vector in their strategy. A few years ago, it tried to enter the Canadian market with an unpolished strategy. What a failure. Management is proud to present strong growth in their online segment. This business represents only 4.4% of their total sales. Online sales growth barely compensate for the lack of revenue from their brick & mortar stores. As competition intensifies in the U.S., margins are under pressure. Both Wal-Mart (WMT) and Amazon (AMZN) are entering into a blood war. During each price war, the weak survive and the strong get weaker. I guess you know where I put TGT.

How will dividend payment increase?

The company shows a cash payout ratio of 27.99%. There is no doubt the company is a cash making machine... for now. Seeing management increasing the dividend by 3% this year is enough to tell me that "winter is coming".

If you are a TGT shareholder, you will most likely cash an increasing dividend for the next 10 years. However, the increase will be minimal (probably to keep their Aristocrat name) and it will be done at the expense of a declining stock price. Assuming a 4% dividend growth, TGT is still overvalued by 28%.

Valuation downside -28%

Intrinsic Value	Discount Rate (Horizontal)		
	9.00%	10.00%	11.00%
Margin of Safety			
20% Premium	\$61.90	\$51.58	\$44.21
10% Premium	\$56.74	\$47.29	\$40.53
Intrinsic Value	\$51.58	\$42.99	\$36.85
10% Discount	\$46.43	\$38.69	\$33.16
20% Discount	\$41.27	\$34.39	\$29.48

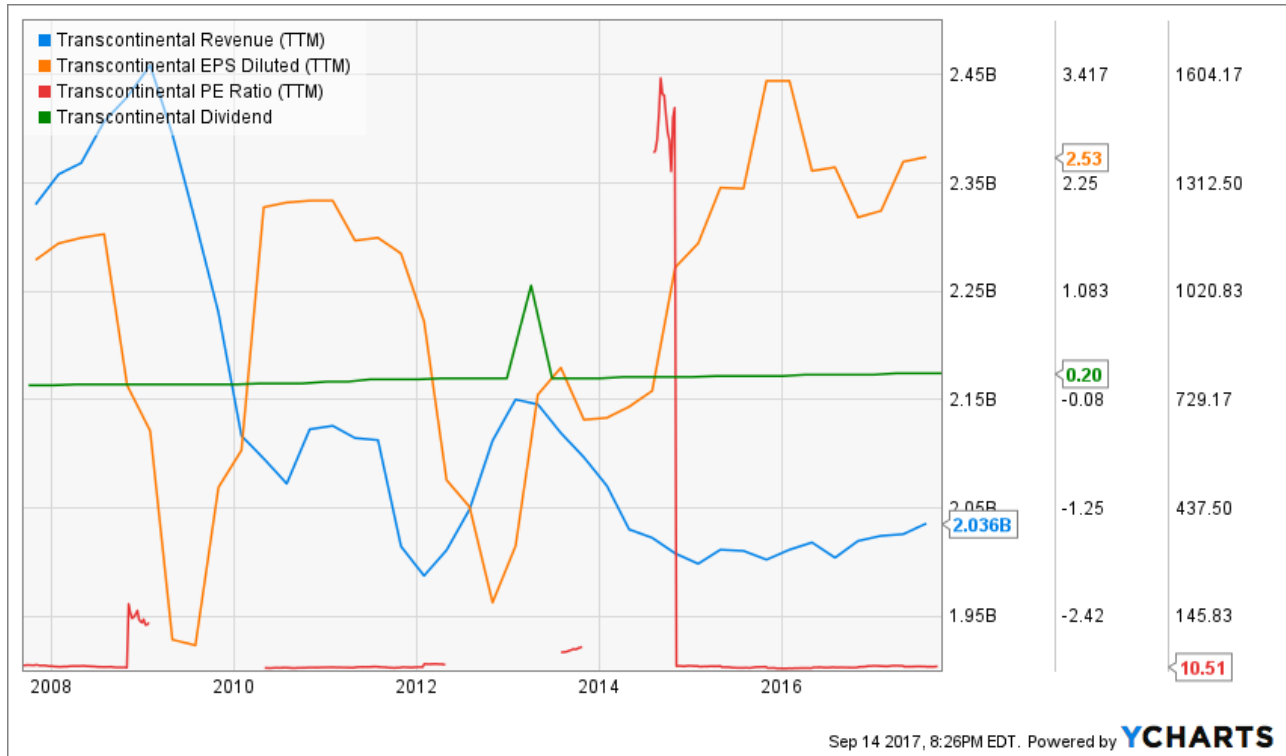
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DIVIDEND STOCKS ROCK

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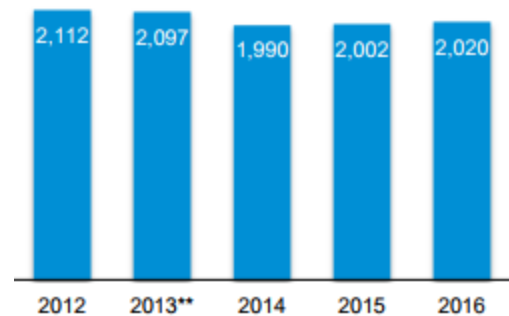
The Sell Side: TRANSCONTINENTAL (TCL.A.TO)



Business Model

Transcontinental is one of North America’s largest commercial printers (#1 in Canada) with operations primarily in Canada and, to a lesser extent, in the U.S. The company is a leading publisher of weekly newspapers & door-to-door flyer distribution. It acquired U.S.-based Capri Packaging on 5/5/14, and, to add a third leg to its platform, Ultra Flex Packaging on 9/30/15, Robbie Manufacturing on 6/30/16, and Flexstar Packaging on 10/17/16. Packaging is ~16% of PF revenues. In 2016, TCL revenues were coming from printing (74%), media (15%) and packaging (11%).

REVENUES (\$M)



* 2013 financial information has been restated to reflect the impact of the adoption of IFRS 11 "Joint Arrangements" and amended IAS 19 "Employee benefits" and other elements

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What is Wrong?

Well... it seems that Transcontinental is so....stuck in the 1990's? In their latest investor presentation, the first thing you see to present the printing business is... flyers. I do understand many people still use them. But we will all agree this is the beginning of the end for this kind of business. Therefore, management is condemned to manage a slowing down (reading *dying*) business. After flyers, there are... Oh! Magazines, books and newspaper... I'm actually the type of guy who enjoys reading "real" books, but I admit this is also a dying trend. I haven't opened a newspaper in years, have you? Retail and newspapers are 56% of the printing business (so 41% of TCL total business).

Management is trying to survive by acquiring smaller players and diversify their activities toward packaging. TCL does have the infrastructure and network to serve the whole country with packaging products. This could be an interesting exit option. However, they have a long way to go before this segment of business brings in billions of dollars in sales.

How will dividend payment increase?

One may argue that TCL's dividend profile looks solid by the numbers right now. Both cash payout and payout ratios are around 30% and the dividend is continuously increasing. TCL's business model was once great and this is how the business benefits from a solid money making machine today. However, I'm concerned about the future. Over the past three years, free cash flow has decreased by 19% and revenue stagnated (total growth of 1.37%). My guess is you can keep TCL as a bond for the next decade, but chances are you will wake-up one day and it will feel like Yellow Pages (Y.TO).

Valuation downside -32%

Intrinsic Value	Discount Rate (Horizontal)		
	9.00%	10.00%	11.00%
Margin of Safety			
20% Premium	\$27.32	\$21.79	\$18.11
10% Premium	\$25.05	\$19.98	\$16.60
Intrinsic Value	\$22.77	\$18.16	\$15.09
10% Discount	\$20.49	\$16.35	\$13.58
20% Discount	\$18.22	\$14.53	\$12.07

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Overall Portfolio Performances

Each month, we will publish our different portfolio returns along with transactions that occurred during the month. Portfolios were created on October 1st, 2013. We usually post our performance at the end of our newsletter. But for our portfolio review, we'd rather start with the good news. Returns are as at September 15th 2017:

Portfolios	Return	Benchmark	Added Value	YTD
CAD Starter	53.78%	32.95%	20.83%	9.58%
USD Starter	51.28%	44.22%	7.06%	16.69%
USD 25K Conservative	48.82%	44.22%	4.60%	11.92%
CAD 25K Conservative	33.18%	32.95%	0.23%	7.70%
CAD 25K Growth	41.55%	32.95%	8.60%	8.50%
USD 25K Growth	58.48%	44.22%	14.26%	10.21%
USD 100K Conservative	59.57%	44.22%	15.35%	7.75%
USD 100K Growth	61.96%	44.22%	17.74%	11.27%
CAD 100K Conservative	34.21%	32.95%	1.26%	6.12%
CAD 100K Growth	50.14%	32.95%	17.19%	8.12%
USD 500K	24.79%	29.25%	-4.45%	11.10%
CAD 500K	28.60%	18.65%	9.95%	7.96%

**Canadian portfolios added value is calculated based on 50% of VIG and 50% of XDV as half of portfolios are US stocks. Currency hasn't been taken into consideration.*

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