



## 2013 Has Been Especially Good For These Three Companies

### Description

It's hard to pick up a newspaper or click a business related link that doesn't mention that the Dow Jones Industrial Average has climbed to an all-time high. With a 6.6% return thus far in 2013, it has been a great start to the year.

The S&P/TSX Composite remains about 10% below its all-time high as resource related stocks have been a drag, however, the Index is still up 2.3% on the year. Could be worse.

These three companies have had the biggest absolute gains in the Canadian market thus far in 2013:

#### **CCL Industries** ([TSX:CCL.B](#)) **+44.2%**

CCL is a specialty packaging company that makes labels, containers, and tubes. Boring? Yup. Lucrative? Yup. The company has a strong competitive position in its industry and shares have benefitted from the recently announced acquisition of Avery Dennison's Label Converting business.

The stock carries a 1.4% yield and dividend growth has been steady, averaging 12.5% per year over the past five years. The recent acquisition is expected to help this trend continue, as well as add to bottom line growth. CCL is a consistent generator of free cash, has a clean balance sheet, and is an all-around solid company. For an outsider looking in, the only problem is that valuation multiples are starting to appear a tad stretched.

#### **Macdonald, Dettwiler** ([TSX:MDA](#)) **+30.4%**

We go from a relatively low tech business to a very high-tech one. Macdonald, Dettwiler makes things that go into space. Much of its activity is satellite related and historically tied to government programs. The company is perhaps best known for developing the space shuttle's famed Canadarm.

This was a company that the market had been waiting for something "strategic" to occur for some time. The trigger was pulled on a \$875 million deal part way through last year and the shares have been on a tear ever since. The deal to buy SS/L, the leading global provider of commercial communications satellites, has been well received as it changes the company's business mix away

from its reliance on government spending.

MDA has many leading technologies in its stable that help to create a competitive advantage. Debt was used to complete the SS/L transaction but the company just announced a \$250 million equity offering that ensures financial risk is low. In addition, now that results are more tied to commercial programs, government budgetary constraints are no longer such a concern. This is a great Canadian company to be up to speed on.

### **CP Rail (TSX:CP,NYSE:CP) +28.6%**

CP Rail's stock keeps ticking higher, helping hedge fund mogul Bill Ackman offset the drubbing he is taking on his JC Penney position. With miracle worker Hunter Harrison at the helm, CP's operating performance is sure to show significant improvement in the coming years. The problem is, much of this expected improvement has already been reflected by the stock. The forward P/E multiple of 21.2 towers over CP's closest peer CN Rail, which trades at 16.9 times next year's expected earnings.

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*Fool contributor Iain Butler owns shares in JC Penney at this time. Ouch. David Gardner owns shares of Canadian National Railway.*

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CCL.B (CCL Industries)
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