Don’t Overlook This Behind-the-Scenes Hidden Gem

Description

When it comes to consumer stocks or retail companies, it is easy to get caught up in the big brand names, like **Johnson & Johnson** or **Coca-Cola**. But many of the companies behind the production of these great brands go unnoticed.

Not long ago I wrote about a company called **Cascades** (TSX: CAS), and showed how a humble box manufacturer can be a successful company. It’s not a household name, but it manufactures the boxes that help your favorite goods get to your home.

Now let us take a look at similar company: **CCL Industries** (TSX: CCL.B), a home grown company that is making great inroads in the consumer goods market, not through branding but through labelling and packaging. Based in Willowdale, Ontario, this company has grown to 10,000 employees spread over 95 production facilities in 27 countries.

CCL is divided into three production divisions, CCL Label, CCL Container (aluminum cans), and CCL Tube (plastic containers). The company uses these divisions to target companies in the home and personal care, food and beverage, and the health care markets

Let’s take a quick look at the sales percentages and customers of these three divisions:

- CCL Label makes up 83% of total sales and provides product for brands such as Nivea, Nestle, Bacardi, Coca-Cola, and Panasonic
- CCL Container makes up 12% of total sales and provides aluminum containers for brands such as L’Oreal, Pantene, Coppertone, STP, and Febreeze.
- CCL Tube is the smallest division with 5% of total sales. It crafts custom plastic containers for brands such as Hawaiian Tropic, Dove, Gold Bond, and Clinique.

Putting its label on acquisitions

A big key for the CCL’s growth has been acquiring companies from around the world. Recently CCL announced a U.S. $71 million deal to purchase four labeling and packaging plants from Sancoa and TubDec. Last year, these four plants produced $82.5 million worth of goods, with a U.S. $10.1 million

EBITA.

The growth is not limited to North America alone. CCL purchased outright its license holder in Turkey, and will use the new facilities as an entry point for further expansion into the region. It recently acquired Japanese “pressure sensitive” label manufacturer Kadomise, and purchased a portion of the client list of Australian firm Labelcraft Pty Ltd.

These recent acquisitions are not the only avenue of growth for CCL as it also has a number of joint ventures on the books, including new operations in Saudi Arabia, Russia and Thailand.

Foolish bottom line

The stock has been steadily climbing since the end of 2012 when it was averaging about $36. Today the stock is sitting at $100. The past year has been a very good one for CCL’s stock with a 52-week range of $60.20 to $101.75. Despite the year-long surge in the stock price, analysts are still predicting room for further growth. Industrial Alliance recently bumped its price target from $102.50 to $122.00.

This adjusted price target is in line with the company’s recent year-end performance, which saw revenues reach $1.8 billion in 2013, up from $1.3 billion in 2012. Net earnings came in at $103 million in 2013, up from $97 million in 2012. This is a real hidden gem for investors looking for something outside of the brand name companies, plus it also offers a healthy — and recently increased — dividend of $0.03 per quarter.

Just because the company’s containers are empty doesn’t mean its financials are. So take a step back and make sure you don’t overlook the potential of this stock.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CAS (Cascades Inc.)
2. TSX:CCL.B (CCL Industries)

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