



Why Investors Should Buy CCL Industries Inc.

Description

Every once in a while, as investors we come across a high-quality company that has all the right ingredients to make it an excellent candidate for long-term investing. **CCL Industries Inc.** ([TSX: CCL.B](#)) is one such company. While the business is not an overly exciting one, its track record of financial success is. Here are the reasons why investors should consider buying the stock at this time.

Strong global presence

CCL Industries is the world's largest manufacturer of pressure-sensitive labels. At this time, its client base consists largely of the world's leading multinational consumer products, pharmaceutical, and beverage companies. CCL employs about 10,250 people and operates 99 production facilities in 28 countries.

Consolidating a fragmented market

The label market is a highly fragmented market, with plenty of opportunities for consolidation, and CCL is in a good position to continue to be a consolidator. With one major acquisition under its belt (the \$500 million acquisition of Avery in 2013), and six smaller "tuck-in" acquisitions, the company is well along its way to expand geographically, as well as into different product markets.

History of dividend increases

The dividend has been raised regularly throughout the company's history. It raised the annual dividend per share from \$0.40 in 2005 to \$1.10 in 2014.

Strong free cash flow

Free cash flow generation in 2014 was \$217.9 million, up from \$52.3 million in 2009, for a five-year cumulative average growth rate of 33%.

Increasing profitability

ROE in 2014 was 19.4% and has increased steadily throughout the years. Margins have also been on the rise, with gross margin in 2014 hitting 26.8% versus 25.2% in 2013 and 21.3% in 2009.

Opportunities for future growth

The company is pursuing growth opportunities in new high value areas, such as “intelligent” packing and Radio-frequency identification labels, which use electromagnetic fields to transfer data and can store information. Labels featuring time/temperature, as well as track and trace, anti-counterfeiting, and tamper evident features are also growth areas.

The company is also expanding into durable goods markets like the automotive industry, and is entering and expanding into new geographic markets. A recent JV was completed in Southeast Asia with Taisei Kako Ltd. (a Japanese producer of specialty plastic containers for personal care and pharmaceutical markets), and in August 2014 the company acquired Switzerland-based Bandfix AG, a privately owned label company increasingly focused on European Specialty customers with 2014 sales of almost \$50 million. This serves as a solid base from which to grow CCL’s European healthcare and specialty label business.

Long-term investors should consider initiating positions in CCL Industries Inc. today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CCL.B (CCL Industries)

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