CCL Industries Inc. Just Announced 3 Big Deals to Fuel Future Growth

Description

Founded in 1951, **CCL Industries Inc.** (TSX:CCL.B) provides packaging products to the home, personal care, food, beverage, and healthcare markets. Today it's one of the largest label producers in the world. This long-term growth is still going. After beating the market by over 500% in the past four years alone, the management team at CCL still sees plenty of opportunity for growth.

Three deals set the stage

This month CCL made three key transactions that should help solidify future growth opportunities. First, it paid $27 million for German-labeling company **Woelco AG,** which included a state-of-the-art manufacturing facility. Second, it paid $15 million for two private companies based out of Ireland that serve the healthcare and specialty segment of the labeling industry. Last, it paid $6 million to boost its interest in its Thailand joint venture to 75%.

All of these sales are important for multiple reasons, but the biggest is international growth. In 2005 when its share price was only $30, a vast majority of sales stemmed from the domestic North American market. Today only 54% comes from the U.S. or Canada with the rest split up between Europe, Asia, Australia, and Latin America.

CCL's outsized growth is largely due to its aggressive international expansion. All of the transactions listed above provide the company with existing, modern facilities that it can then connect to its extensive global supply chain. This will allow for lower costs and ample cross-selling opportunities. In many ways, these acquisitions are worth much more to CCL than they are as standalone businesses.

Smart acquisitions aren't new

These three deals represent only a fraction of CCL's acquisitions in the past few years. Last November the company splurged, paying $252 million for privately owned **Worldmarket Ltd.**,
adding approximately $210 million in sales. Worldmarket is entirely focused on customers in the technology sector, including smart phones, personal computers and tablets, servers, routers, and more.

There's reason to believe CCL got an impressive deal. The acquisition should add roughly $40 million in EBITDA this year, implying a transaction price of only 6.3 times EBITDA. CCL trades at almost double that. If the company can streamline and integrate the business fully, it looks like yet another savvy move by CCL management.

Still, shares are a bit heated

The market has started to catch on to CCL's success. Shares are up considerably over the past few years with the valuation following suit. The stock currently trades at 27.2 times earnings and 16.7 times cash flow compared with its five-year averages of 20.6 times and 11.8 times, respectively. Even based on next year's estimates, shares still trade at about 20 times earnings.

While CCL is a well-run company with plenty of global opportunities left, it might be best to simply add it to your watch list.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CCL.B (CCL Industries)

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rvanzo