Why CCL Industries Inc. Fell 4.4% on Wednesday

Description

CCL Industries Inc. (TSX:CCL.B), a world leader in specialty label, security, and packaging solutions, announced its second-quarter earnings results after the market closed on Tuesday, and its stock responded by falling 4.4% in Wednesday's trading session. Let's take a closer look at the results and the fundamentals of its stock to determine if we should use this weakness as a long-term buying opportunity or wait for an even better entry point in the trading sessions ahead.

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Breaking down CCL's second-quarter performance

Here's a quick breakdown of 12 of the most notable statistics from CCL's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Sales – CCL segment	$728.8 million	$604.0 million	20.7%
Sales – Avery segment	$209.1 million	$207.4 million	0.8%
Sales – Checkpoint segment	$171.0 million	$92.6 million	84.7%
Sales – Innovia segment	$91.7 million	–	N/A
Sales – Container segment	$52.3 million	$56.2 million	(6.9%)
Total sales	$1,252.9 million	$960.2 million	30.5%
Gross profit	$378.0 million	$281.4 million	34.3%
EBITDA	$248.4 million	$194.1 million	28%
Operating income	$188.3 million	$143.1 million	31.6%
Net earnings	$109.9 million	$72.2 million	52.2%
Adjusted basic earnings per share (EPS)	$0.68	$0.56	21.4%

Cash provided by operating activities	$177.3 million	$89.5 million	98.1%

Should you buy CCL's stock on the dip?

It was a fantastic quarter overall for CCL, and it capped off a very strong first half of the year, in which its sales increased 26.7% to $2.31 billion and its adjusted EPS increased 14.7% to $1.25. However, the second-quarter results came up short of the consensus estimates of analysts polled by **Thomson Reuters**, which called for adjusted EPS of $0.69 on revenue of $1.29 billion, so I think that's the reason its stock fell by 4.4% on Wednesday.

With all of this being said, I think the 4.4% decline in CCL's stock represents an attractive entry point for long-term investors for two primary reasons.

First, it's undervalued. CCL's stock now trades at just 21.3 times fiscal 2017's estimated EPS of $2.67 and only 18.7 times fiscal 2018's estimated EPS of $3.05, both of which are inexpensive compared with its five-year average price-to-earnings multiples of 24.5. These multiples are also inexpensive given its current earnings-growth rate, including its aforementioned 14.7% growth in the first half of 2017, its projected 17.1% growth in the full year of 2017, and its projected 14.2% growth in 2018.

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Second, it's a dividend-growth superstar. CCL pays a quarterly dividend of $0.115 per share, equal to $0.46 per share annually, which gives it a yield of about 0.8%. A 0.8% yield is far from high, but what CCL lacks in yield it makes up for in growth; it has raised its annual dividend payment for 14 consecutive years, and its 15% hike in February has it on track for 2017 to mark the 15th consecutive year with an increase. It's also important to note that the company has a dividend-payout target of 25% of its adjusted net earnings, so I think its consistently strong earnings growth will allow its streak of annual dividend increases to continue into the late 2020s.

With all of the information provided above in mind, I think all Foolish investors should strongly consider using the post-earnings weakness in CCL Industries to begin scaling in to long-term positions.

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