This Growth Stock Just Increased its Dividend by 13%

Description

Given its global scale, outperformance, and the industry it's in, **CCL Industries Inc.** (TSX:CCL.B) is a rare find on the Toronto Stock Exchange, which is dominated by the financials and energy companies. Even before Thursday's +9% run-up, the stock had appreciated 650% since 2008. Is it too late to get in on the consumer discretionary growth stock?

First, here's an overview of the business.

The business

CCL Industries is the largest label company in the world. It also makes and sells other packaging-related products. It has a diversified customer base, as it serves global markets of home and personal care, food and beverage, healthcare and specialty, automotive, electronics and consumer durables, and retail and apparel.

It operates 167 state-of-the-art manufacturing facilities in 39 countries across North America, Latin America, Europe, Asia, Australia, and Africa.

Strong recent results

CCL Industries just released its fourth-quarter and 2017 results on Thursday. Let's take a look at the key metrics.

The company's sales in Q4 2017 were $1,234.5 million, which was 16.6% higher than in Q4 2016. It achieved record sales of $4755.7 million for 2017, which was a growth of 19.6% from the previous year.

Strong sales growth translated to high earnings-per-share (EPS) growth and cash generation. Specifically, the diluted EPS increased nearly 73% to $0.95 in Q4 2017 compared to Q4 2016. For 2017, CCL Industries's diluted EPS were $2.66, which was 36.4% higher than in 2016.

CCL Industries's cash generated from operating activities increased 12.6% to $286.3 million in Q4 2017 compared to Q4 2016. For 2017, CCL Industries's cash generated from operating activities was

$711.2 million, which was 26% higher than in 2016.

CCL Industries's success story continues

CCL Industries has made strategic acquisitions, including two business units from Avery Dennison in 2013, which significantly expanded the business. The company has been making acquisitions here and there since then with excellent success in aggregate.

Since 2011, CCL Industries has had return on equity of at least 10%. That has improved to roughly 20% since 2014. Its return on assets has improved, too. It was about 5% in 2011, and it was 7.5% in the trailing 12 months.

High dividend growth

CCL Industries offers a small yield of 0.82% at $63.38 per share. However, it has been growing its dividend at a high rate of 23% in the last five years. And it just increased its dividend by 13% with an estimated payout ratio of less than 20% this year. So, for the next few years, shareholders can expect its dividend to continue to grow at a rate of at least 10%.

Investor takeaway

CCL Industries is an excellent company. That's why it's rare to find it on sale. After the run-up, the stock looks pretty fully valued at a multiple of roughly 25.2 and may have little upside in the near term. It's probably safer for interested investors to scale in to a position on meaningful dips rather than chasing it here.

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