A Look at Packaging Stocks for Growth or Value

Description

Both **CCL Industries Inc.** (TSX:CCL.B) and **Intertape Polymer Group** (TSX:ITP) sell products related to packaging. They are in the consumer discretionary sector, which makes up less than 6% of the Canadian stock market. So, they are rare companies. Which is the better buy today?

First, let's compare the two companies.

CCL

CCL is the world's largest label company. 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 manufacturing facilities in 39 countries across North America, Latin America, Europe, Asia, Australia, and Africa. In 2017, it generated revenue of ~$4.7 billion and net income of ~$474 million. So, it had a net margin of ~10%.

Intertape

Intertape operates in the specialty packaging industry. It develops, manufactures, and sells a variety of paper and film-based pressure-sensitive and water-activated tapes, specialized films, and woven coated fabrics for industrial and retail use.

With its core market in North America, Intertape has 13 manufacturing facilities in North America and one each in Europe and Asia. Last year, it generated revenue of ~US$898 million and net income of nearly US$64 million. So, it had a net margin of ~7.1%.

Dividend

CCL offers a small ~0.8% yield. However, it has been growing its dividend per share every year since 2002. Its five-year dividend-growth rate of 24.1% is very impressive. Its strong double-digit growth explains the outperformance of the stock. It has delivered ~38% per year on average in the last five years.

CCL's payout ratio is estimated to be ~17% this year, which is at the low end of its historical range. The company has the ability to continue growing its dividend at north of 10% next year.

Intertape offers a 3.8% yield. Notably, the company pays a U.S. dollar-denominated dividend, which will fluctuate with the strength of the U.S. dollar against the Canadian dollar. Intertape's payout ratio is estimated to be ~50% this year. Therefore, its dividend should be intact.

Valuation and near-term returns potential

At ~$62.40 per share, CCL trades at a price-to-earnings ratio (P/E) of ~22.4, while it's estimated to grow its earnings per share (EPS) by +10%. The **Bank of Nova Scotia** analyst has a 12-month target of $71 per share for CCL, which implies ~13% upside potential.

At ~$19.20 per share, Intertape trades at a P/E of ~13.4, while it's estimated to grow its EPS by 6% this year. Longer term, the company has double-digit growth potential. At **Thomson Reuters Corp.**, the 12-month consensus target on Intertape is US$20.60 per share, which represents nearly 37% upside potential.

Investor takeaway

CCL is more of a growth stock, while Intertape is more of a value stock. Both stocks look reasonably valued. CCL will probably be the more stable performer in the long haul. However, an investment in Intertape can deliver higher total returns if investors aim to buy low and sell high. Interested investors can consider buying the companies on meaningful dips.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CCL.B (CCL Industries)
2. TSX:ITP (Intertape Polymer Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/09/07
Date Created
2018/05/09
Author
kayng