



Intertape Polymer Group (TSX:ITP) and Supremex Inc. (TSX:SXP): 2 Canadian Packaging Companies That Pay Excellent Dividends

Description

With online shopping growing each year, it only makes sense that more packaging will be used for years to come. Think of all those piles of **Amazon.com Inc.** boxes that are cluttering your basement after your late-night shopping binges. Those boxes need to come from somewhere and don't tape themselves shut. Canada is fortunate to have a few great companies in the packaging space that are worth a look.

Intertape Polymer Group ([TSX:ITP](#))

Intertape is involved in creating tapes and films for use in a variety of industries. Its products are used in automotive, aerospace, and packaging. The company currently operates primarily in North America, but it's beginning to [expand its operations](#) further abroad and now has sites in Europe and Asia.

The company had respectable full-year 2017 results. Total revenue increased 11% over the course of the year, net earnings increased 25%, and gross profit increased 5%. Revenue growth continued in Q1 2018, increasing 14%, driven strongly by its acquisition of Ontario-based Cantech Services. The same acquisition had a negative effect on earnings, down over 15%, as employee and administrative costs also increased.

Intertape's strong results have driven dividend growth over the past few years. The company has been paying dividends since 2012. The stock currently yields 4%, and its generally strong results suggest the yield is safe. The biggest downside to the stock is the debt it has amassed through its acquisitions.

Supremex Inc. ([TSX:SXP](#))

Supremex is a small Canadian company that constructs and sells packaging materials and boxes. While the biggest headwind facing this company is the decline of its envelope business, it is attempting to rectify that fear by growing the packaging business to capitalize on the growth of the online shopping industry.

In Q1 2018, the company reported an 8.4% increase in total revenue. The increase in revenue was

primarily due to the acquisition of Stuart Packaging in 2017. However, net earnings decreased by 18%, in part due to the secular decline in its envelopes business. Inflationary pressures on paper prices also affected margins.

At present, Supremex has a dividend of almost 7%. This dividend was [increased last year by 8.3%](#). The company had been growing its dividend since 2011. Trading at a P/E of seven and a P/B of one, this company seems remarkably cheap. However, this is a small company, and you must always approach those with caution.

Wrapping it all up

Each of these companies could be added to your dividend portfolio, although they each have different risk profiles. Supremex, as the smaller company of the two, is probably the riskiest. However, this company also has the biggest initial dividend at 7%, making this a potential long-term hold.

Intertape is more diversified by business and by geography, but the stock is trading at a more expensive price point than Supremex. Depending on your risk profile and your desire for bigger upfront dividend payments, either of these companies could be added to your portfolio. Exercise caution and continue to monitor these companies, though, to ensure that their debt levels from acquisitions don't get out of hand and that earnings don't slip further.

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Date

2025/07/01

Date Created

2018/06/28

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