
# Now Is the Time to Buy This Growth Stock on the Dip!

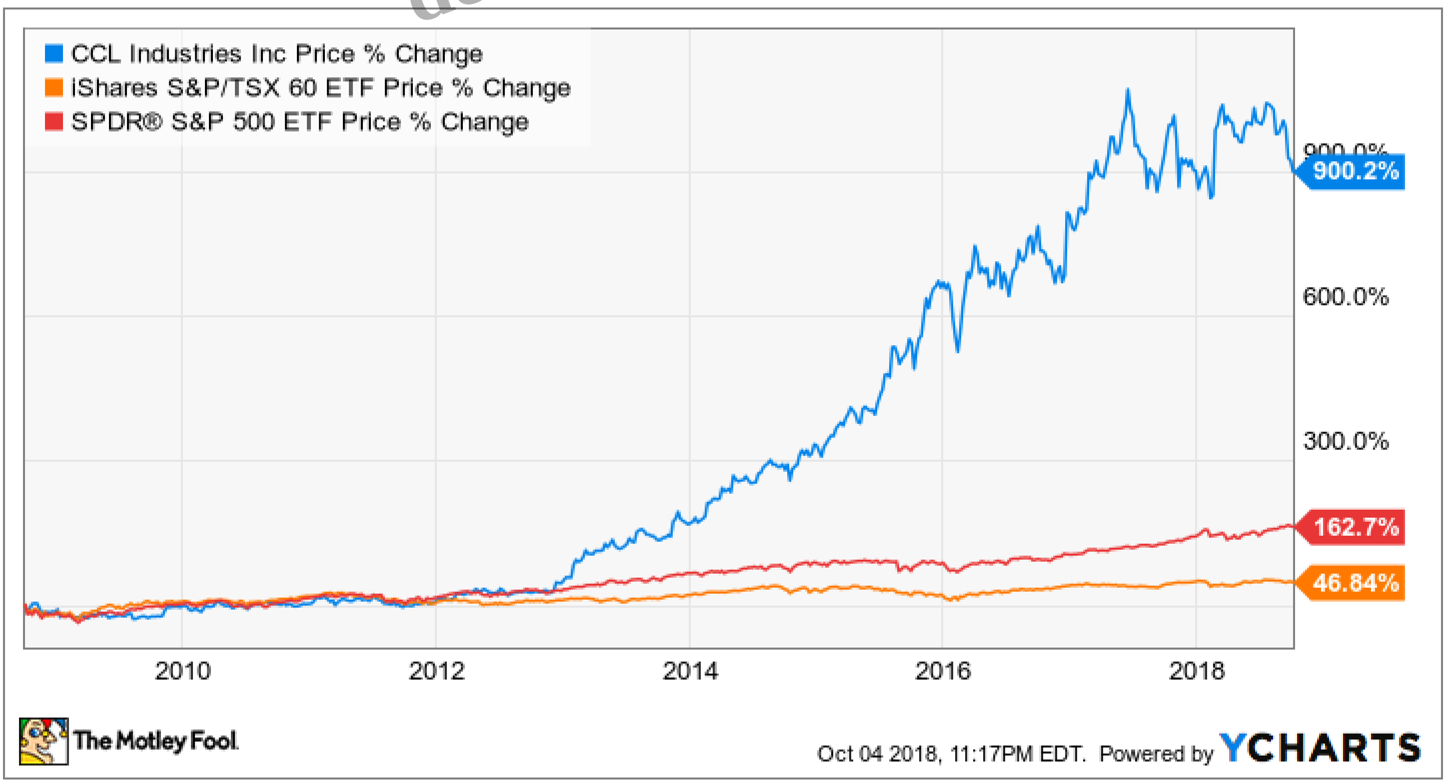
## Description

Quality companies seldom go on sale. I believe now’s a rare opportunity to buy **CCL Industries** ( TSX:CCL.B) on the dip. The well-managed growth company is trading at the low end of its five-year valuation range based on its blended price-to-earnings multiple of about 20.4.



### Outperforms with strong returns

CCL Industries tends to outperform the North American markets.




*CCL.B data by YCharts. 10-year price returns of CCL.B, the Canadian market (represented by TSX:XIU), and the U.S. market (represented by NYSE:SPY).*

CCL Industries's three-, five-, and 10-year annualized returns are about 34%, 40%, and 26%, respectively. The U.S. market returns for these time frames are roughly 11.8%, 14.9%, and 7.2%. The Canadian market returns are about 6.1%, 7%, and 7.5%.

Through its successful acquisition strategy, the quality management has allowed CCL Industries to generate high double-digit returns on equity (ROE) of at least 10% every year since 2011. A positive sign is that since 2014, the company's ROE has been 19% or higher. CCL Industries's recent return on asset was decent at about 8%.

**The business**

CCL Industries 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.

CCL Industries operates 168 manufacturing facilities in 40 countries across North America, Latin America, Europe, Asia, Australia, and Africa. In 2017, it generated revenue of about $4.7 billion and net income of about $474 million with a net margin of roughly 10%.



**Recent sales and profitability**

In the first half of this year, CCL Industries experienced sales growth at three of its four businesses, but there was only organic growth at two of its businesses. It increased its total sales of $2,491.5 million by 7.7%.

In the same period, it achieved earnings before interest, taxes, depreciation, and amortization (EBITDA) of $504.3 million, which increased by 9.6% compared to the same period in 2017. This resulted in a nice EBITDA margin of 20.2%.

On a per-share basis, CCL Industries's earnings grew 19.6% from $1.12 to $1.34.

**Don’t mind the small yield**

CCL Industries offers a small yield of about 0.9%. However, it has increased its dividend per share for 16 consecutive years with an impressive five-year dividend-growth rate of 24.1%!

With a payout ratio of about 18% this year, which is at the low end of its historical range, shareholders can expect the company to continue growing its dividend per share at a rate of +10%.

With CCL Industries, investors should not mind the small yield, but focus on the company’s and its dividend’s growth potential.

**Investor takeaway**

This year, CCL Industries has made four acquisitions, including two bolt-on acquisitions. Based on the well-managed company’s strong track record of driving value from its acquisitions, the recent dip of about 13% is a great opportunity to pick up shares of this long-term outperformer.

**CATEGORY**

1. Dividend Stocks
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**TICKERS GLOBAL**

1. TSX:CCL.B (CCL Industries)



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