Will You Go for Growth or Value?

Description

Both **CCL Industries** (TSX:CCL.B) and **Intertape Polymer Group** (TSX:ITP) operate in the packaging industry. In the last six months, the stocks have fallen meaningfully by about 9%, which indicates certain factors are affecting the industry — namely higher input costs (e.g., resin) and a slowing economy. A slowing economy would imply a slowdown in e-commerce sales.

The businesses

CCL Industries is the largest label company in the world. It makes and sells packaging-related products and 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 168 manufacturing facilities in 40 countries across North America, Latin America, Europe, Asia, Australia, and Africa, so it can more efficiently supply products to its end markets.

In the last few years, CCL Industries has made a number of key acquisitions, including Innovia and Checkpoint, which expanded its offerings, respectively, in polymer banknotes and technology-driven, loss prevention, and inventory management labeling solutions for the retail and apparel industry.

Intertape is the second-largest tape manufacturer in North America. About two-thirds of the sales of its products have a market leadership position in North America.

Performance

CCL Industries has achieved returns on equity (ROE) of more than 10% every year since 2011 and more than 19% every year since 2014. Intertape has achieved ROE of more than 15% every yearsince 2012 and more than 22% every year since 2015. This shows that both companies have beenexcellent capital allocators and have been making smart acquisitions that were accretive. Their recentreturns on assets were also decent at about 8% and 9%, respectively.

CCL Industries's recent operating and net margins were about 14.9% and 10.5%, respectively. What about for Intertape? Its recent operating and net margins were about 9.1% and 6.9%, respectively.

Will you go for growth or value?

At about $57 per share as of writing, CCL Industries trades at a 2018 estimated P/E of about 20, while it's forecasted to grow its earnings per share by +10% per year on average for the next three to five years. The company offers a tiny yield of 0.91%, but it has increased its dividend per share by 17% per year on average in the past 10 years.

Intertape is more of a value stock and offers a bigger yield than CCL Industries. At roughly $18 per share as of writing, Intertape trades at a 2018 estimated P/E of about 13. The company offers a nice, sustainable yield of about 4%.

Investors can potentially get returns of +20% from both companies over the next 12 months according to the analyst consensus. However, CCL Industries has been a more consistent performer and a growth story, while Intertape is discounted and more of a turnaround story.

CATEGORY

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TICKERS GLOBAL

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2. TSX:ITP (Intertape Polymer Group)

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