Why Now Is the Time to Consider These 2 “Unsexy” Companies!

Description

The packaging space is one which is decidedly unglamorous. Investors interested in such sectors are largely looking for ways of playing long-term growth within packaged goods — a strategy I wholeheartedly endorse.

Companies operating in the packaging segment stand to benefit from increasing global demand for packaged goods, both in terms of consumer packaged goods as well as increased transportation needs via an e-commerce trend which many, including me, believe is just getting off the ground.

Within the packaging sub-sector are a couple of Canadian value names that I believe represent relatively decent value at current levels and could present excellent long-term buying opportunities on any dips moving forward.

CCL Industries

First up is a company that has done extremely well over the past decade for investors who have invested in this sector: **CCL Industries** (TSX:CCL.B). CCL has a great reputation within Canada and abroad, working with high-profile clients mainly on the packaging side of consumer-facing businesses.

CCL has posted consistently increasing revenue and free cash flow. The company’s high debt load and large size should, in theory, provide for slow, but stable growth over time, making this company a play more attuned to the long-term investor looking for levered opportunities.

One downside to CCL is the current share structure of the firm — investors buying shares in CCL are buying non-voting shares, which, as I’ve discussed in the past, could be a concern for long-term shareholders. This company’s small dividend yield of less than 1% also makes this company less attractive from the perspective of an income investor.

Intertape Polymer

Another excellent option for investors looking for growth within this sector is **Intertape Polymer Group** (TSX:ITP). This company is well positioned to take advantage of an e-commerce revolution, which is beginning to take off, as **Amazon.com, Inc.** is the company's largest customer. Interlope Polymer's fundamentals reflect the growth prospects that many investors have placed on this business compared to CCL.

The company carries an excellent dividend yield of more than 4.1% and an impressive return on equity of nearly 26%, providing for stable margins and operating cash flow, which has remained somewhat stable around $100 million per year, meaning this company currently trades at around 10 times operating cash flow — a metric which is on the high side, but reasonable considering the valuations anything e-commerce related have garnered in recent years.

The company has invested significantly more in capital spending, upgrading equipment and providing for greater flexibility in handling increased volume, making this a higher-risk, but higher-reward play compared to CCL.

Bottom line

These two packaging companies represent unique opportunities within the tertiary businesses supporting key growth sectors such as consumer packaged goods and e-commerce. For investors looking at sneaky ways of playing economic growth in these areas, I would recommend both as part of a well-balanced portfolio.

Stay Foolish, my friends.

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