Should You Buy CCL Industries After it Released its Q1 Results?

Description

CCL Industries (TSX:CCL.B) is a Toronto-based company that is engaged in the manufacture and sale of labels. It also provides media and software solutions. The company has previously described itself as the world's leading label maker. Today, I want to discuss whether this Canadian stock is worth snatching up after its recent earnings release. Let's dive in.

Has this stock been worth owning over the past five years?

Shares of CCL Industries have dropped 20% in 2022 as of close on May 11. The stock is now down 23% in the year-over-year period. This is another Canadian stock that suffered steep losses during the March 2020 market pullback. The stock went on to more than double from that low to a 52-week high of $75.19 in the summer of 2021.

CCL Industries has proven to be a disappointing hold for investors who are hungry for capital growth. The stock was down 10% over a five-year span as of close on May 11. This stock does not pack the dividend punch required to justify this kind of middling growth. That said, the company may be worth a second look right now.

The global packaging market is in good shape in the spring of 2022. Technavio recently projected that the global packaging market would deliver a CAGR of 4% from 2020 through to 2025. That is not a rate to gawk at, but it is a solid trajectory.

How does CCL Industries look after its recent earnings release?

Back in December 2021, I'd discussed why CCL Industries was one of several stocks that were worth picking up at a discount. The company released its first-quarter 2022 earnings on May 11.

CCL Industries delivered sales growth of 12.8% in the quarter on 10.8% organic growth. It was bolstered by acquisitions while being weighed down in part by negative currency translation. The company saw operating income hit $228 million in Q1 2022 — up 2.5% from the previous year.

Meanwhile, net earnings increased 1.6% year over year to $150 million.

President and CEO Geoffrey T. Martin praised the company's performance in the face of "rising inflationary cost pressures" and "many supply chain challenges." CCL Industries was able to post organic sales growth in each segment, despite these headwinds. The company came out of the first quarter of 2022 with an excellent balance sheet. This is another reason for investors to consider this stock in the middle of the spring.

CCL Industries: Is it a buy today?

Shares of CCL Industries last possessed a favourable price-to-earnings ratio of 16. It currently has an RSI of 37, which puts it just outside of technically oversold territory. This Canadian stock is also trading in attractive value territory compared to its industry peers.

In its first-quarter report, CCL's board of directors approved a quarterly dividend of $0.24 per Class B share. That represents a modest 1.7% yield. There are many positives to glean from this company's recent earnings report. However, I'm not eager to jump on the stock in this volatile market. It has not delivered on the kind of capital growth or income that makes it worth the gamble right now.

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