



CCL Industries (TSX:CCL.B): Profits Wrapped Up

Description

Packaging is everywhere from the wraps around all of the items we buy to the packaging around the tools dentists use. Labels helps companies advertise their products, allows governments to protect vital information (i.e., security measures on passports; security measures on currency), and ensures consumers get a product that hasn't been tampered with (i.e., the safety seals on over the counter drugs).

CCL Industries ([TSX:CCL.B](#)) is a Toronto-based label manufacturing company that produces labels and packaging. CCL Industries has a market capitalization of \$9.5 billion, pays an annual dividend of 1.27%, and has a five-year total return of 134.68%. The one-year total return is -0.52%. The company does have a high debt-to-equity ratio of 88.7%.

Despite the company's high debt, CCL Industries recorded sales of \$1.4 billion for Q2 2019 and experienced a consolidated growth rate of 1.9%. In the first six months of 2019, CCL Industries acquired Say It Personally Limited (UK), Colle à Moi Inc. (Québec), Hinsitsu Screen (Vietnam), and Olympic Holding B.V. (The Netherlands).

It's been a rocky few years in the packaging industry, with the industry as a whole having a -26.4% earnings growth. In contrast, CCL Industries had a -8.6% earnings growth. To me, it's always a good sign when a company can weather a storm better than the company's competitors.

Markets

If the numbers are so weak for the industry, why am I presenting this stock to you? Let me show you some market opportunities for CCL Industries and how they are well positioned to capitalize on them.

CCL Industries has a strong presence in Germany. The German label market is projected to have a CAGR of 4.1% between 2019 and 2024. The German packaging industry is highly fragmented, giving space for CCL Industries to expand the company's presence.

Growth opportunities are more significant in Asia, where the packaging industry is projected to have a

CAGR of 8.5% through to 2021. One of the primary drivers of the need for more packaging is the growth of e-commerce in the Asia Pacific region. Consumers who purchase online said they preferred smaller and more durable packaging and attributed less importance on the aesthetics of the packaging.

CCL Industries is well positioned to take advantage of growing demand for online shopping. CCL Industries has a service line called Checkpoint Service. Checkpoint Service handles the logistics, labels, inventory controls, and loss-prevention for customers.

The stacking of labelling and logistical services allows for CCL Industries to develop deeper ties with the company's customers.

Wrapping up the discussion on packaging, let's look at the security aspects of CCL Industries's products. The company invented the Canadian polymer banknote. The company manufactures 80 denominations of currency in 24 countries. It's not just governments and lotteries that require security measures on packaging. Security packaging implants defensive tools that enable user verification to ensure the product is intact. Such methods include RFID, bar codes, and holographic implants. The food and pharmaceutical industries are big consumers of security labels. The global security label market is projected to grow by 5.3% CAGR through 2023.

I've thrown a lot of numbers at you in this article. I wanted to demonstrate the growth rates of packaging and labelling across global markets. For me, the key thing about this company is how CCL Industries weathered a storm that battered the rest of the industry. Another essential element is the company's global presence. If one market sags, the company can pursue a more aggressive strategy somewhere else.

If I had to put a label on [CCL Industries](#), the words *stable*, *profitable*, and *global* would be on it. I promise that was the last of the packaging puns ... for this article.

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