3 Packaging Stocks to Buy as E-Commerce Sales Continue to Grow

The packaging industry has achieved significant growth during the pandemic on the back of the e-commerce boom. And with consumers expected to continue to lean on e-commerce this year, the packaging industry should keep benefiting. Thus, packaging stocks Packaging Corporation of America (PKG), WestRock (WRK), and Sealed Air Corporation (SEE) could be solid bets now, given their fundamental strength. Read on.

The United States is one of the fastest-growing packaging markets, with the industry expected to grow at a 3.5% CAGR through 2026. The industry has gained significant traction amid the COVID-19 pandemic as businesses have expanded their digital outlets, which require packaging for delivery. Although the jump in online spending decelerated in 2021, due to rapid progress on the vaccination front and the easing of restrictions, online sales were up 50.5% compared to the 2019 pre-pandemic period. The rise in e-commerce sales led to an increased demand for packaging solutions.

The industry is evolving with significant technology investments to address the growing demand for smart, sustainable, and durable packaging solutions in the food and beverage, cosmetics, and healthcare sectors. The global smart packaging market size is expected to grow at a 12% CAGR to more than $33.00 billion by 2028. Furthermore, analysts expect U.S. e-commerce sales to cross the $1 trillion mark for the first time in 2022, which should continue to bolster the growth of the packaging industry. The e-commerce packaging

market is expected to reach $61.55 billion by 2026, growing at a 14.6% CAGR.

Given this backdrop, we think packaging stocks Packaging Corporation of America (PKG), WestRock Company (WRK), and Sealed Air Corporation (SEE) could be solid additions to one's portfolio now.

Packaging Corporation of America (PKG)

PKG manufactures and sells containerboard and corrugated packaging products in the United States. The Lake Forest, Ill.-based company operates through Packaging and Paper segments.

PKG's net sales increased 19.2% year-over-year to $2.04 billion in its fiscal fourth quarter, ended Dec. 31, 2021. Its income from operations grew 87.9% year-over-year to $355.70 million, while its net income came in at $216.50 million, representing a 75.3% year-over-year increase. The company's EPS increased 75.4% year-over-year to $2.28.

The $2.53 consensus EPS estimate for the current quarter, ending March 31, 2022, represents a 42.90% improvement year-over-year. The $2.04 billion consensus revenue estimate for the current quarter represents a 19% increase from the same period last year. Also, it surpassed the consensus EPS estimates in each of the trailing four quarters.

PKG shares have gained 11.9% over the past year and 9.1% year-to-date to close the last trading session at $148.47.

PKG's strong fundamentals are reflected in its POWR Ratings. The stock has an overall B rating, which equates to Buy in our proprietary rating system. The POWR Ratings are calculated by considering 118 distinct factors, with each factor weighted to an optimal degree.

PKG also has a B grade for Stability and Quality. Among the 23

stocks in the A-rated Industrial-Packaging industry, it is ranked #7.

Click here to view PKG's Growth, Value, Sentiment, and Momentum ratings.

WestRock Company (WRK)

Norcross, Ga.-based WRK provides fiber-based paper and packaging solutions in North America, South America, Europe, Asia, and Australia. It operates through two segments, Corrugated Packaging, and Consumer Packaging.

On February 1, WRK announced plans to build a new corrugated box plant in Longview, Wash., to meet the growing demand from regional customers in the Pacific Northwest. The company expects this new facility to improve its capabilities and enable its regional team to better serve customers.

Last month, Grupo Modelo announced that in partnership with WRK and Grupo Gondi, it is investing roughly $4 million in the sustainable, fiber-based CanCollar® Eco solution in Quintana Roo, a Mexican state on the Yucatan Peninsula. "At WestRock, we are driving greater sustainability by working with our customers to develop and implement new, eco-friendly packaging solutions," said Patrick Kivits, president of Consumer Packaging at WestRock. "The introduction of CanCollar Eco to the Mexican market, in partnership with Grupo Gondi, is an exciting example of this work," he added.

For its fiscal first quarter, ended Dec. 31, 2021, WRK's net sales increased 12.5% year-over-year to $4.95 billion. Its gross profit stood at $796.60 million, up 5.8% from the year-ago value. Its net income attributable to common stockholders came in at $182.30 million, indicating a 19,9% increase year-over-year. Its EPS improved 19.3% year-over-year to $0.68.

Analysts expect WRK's revenues to come in at $20.63 billion, indicating a 10.1% increase year-over-year in the current

fiscal year. Also, its EPS is expected to increase 38.1% year-over-year to $4.68 in the same period. In addition, WRK beat the consensus EPS estimates in three out of the trailing four quarters.

The stock has gained 5.2% in price year-to-date. Over the past five days, WRK shares have gained 1.9% to close the last trading session at $46.65.

It is no surprise WRK has an overall B rating, which equates to Buy in our POWR Ratings system. WRK also has a B grade for Value and Sentiment. The stock is ranked #4 in the A-rated Industrial-Packaging industry.

To see additional WRK ratings for Stability, Growth, Quality, and Momentum, click here.

Sealed Air Corporation (SEE)

SEE provides food safety and security and product protection solutions and equipment in North America, South America, Europe, the Middle East, Africa, and the Asia Pacific. It operates in two segments, Food and Protective. SEE is headquartered in Charlotte, N. C.

Earlier this month, SEE announced the acquisition of Foxpak Flexibles Ltd., a privately-owned Irish packaging solutions company, a pioneer in developing digital printing on flexible packaging. This acquisition should boost SEE’s digital packaging solutions and enable innovations in smart packaging.

In November 2021, SEE announced the completion of the sale of its Reflectix® business to an affiliate of Balcan Innovations. The company aims to become a leading digitally-driven company automating sustainable packaging solutions, and the divestiture of Reflectix is part of the company’s strategic realignment of its business portfolio.

In the fourth quarter, ended Dec. 31, 2021, SEE’s net sales

increased 14.2% year-over-year to $1.53 billion. Its gross profit rose 12% from the year-ago value to $475.40 million, while its operating profit improved 36% year-over-year to $300.20 million. The company's EPS increased 31.9% from the prior-year quarter to $1.20.

The $0.93 consensus EPS estimate for the quarter ended March 2022, represents a 19.2% improvement year-over-year. The Street expects the company's revenue to come in at $1.37 billion, indicating an 8.4% increase from the prior-year quarter. Furthermore, SEE has topped the consensus EPS estimates in three out of the trailing four quarters.

The stock has gained 61.8% in price over the past year and 17% over the past six months to close the last trading session at $69.31.

SEE's POWR Ratings reflect this promising outlook. The company has an overall rating of B, which translates to buy in our proprietary rating system. SEE is also rated B in Quality. It is ranked #10 in the Industrial-Packaging industry.

In addition to the POWR Ratings grades highlighted, one can see the SEE's Growth, Momentum, Stability, Value, and Sentiment ratings here.

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PKG shares were unchanged in premarket trading Tuesday. Year-to-date, PKG has gained 9.05%, versus a -8.58% rise in the benchmark S&P 500 index during the same period.

Subhasree’s keen interest in financial instruments led her to pursue a career as an investment analyst. After earning a Master’s degree in Economics, she gained knowledge of equity research and portfolio management at Finlatics.

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