

March 25, 2020

### ***CCL Industries Inc. (CCL/B)***

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We increased our position in CCL Industries Inc. CCL is the largest label company in the world, serving customers in the consumer packaging, apparel, healthcare & chemicals, consumer electronic device and automotive markets. The company has grown over the last decade through a combination of organic growth and accretive acquisitions.

We added CCL in October of last year - following an earnings miss that we deemed a momentary blip in an otherwise steadily performing company. The valuation was cheaper than we had seen in quite some time.

*We wrote at that time, "...recent economic data showing increased potential for an economic slowdown, adding a defensive name that has held up well in previous economic downturns makes this a sound portfolio addition. CCL's diversified customer base includes large consumer staple companies like Proctor & Gamble and Unilever providing stability in all stages of the economic cycle. Should we encounter a global recession, CCL's size should allow them to acquire smaller competitors if they desire."*

Well here we are just five months later – a global pandemic has caused a certain recession and store shelves are barren of consumer staples goods produced by some of CCL's top customers. CCL was one of the first stocks to get hit during the COVID-19 outbreak as manufacturing in China was hampered by draconian measures implemented in January to curb the spread of the virus.

Much has changed since; a recent interview by CEO Geoff Martin revealed that global operations are running with more than 95% of employees in China back to work and demand being bolstered by strength in the home & personal care segment. This defensive name, which remained profitable in 2008-2009, would seem to fit the bill as a proverbial "baby thrown out with the bath water" candidate.

Given CCL's strong balance sheet in relation to its smaller competitors, accretive acquisition opportunities at discounted multiples should materialize and provide a meaningful catalyst over the coming year.

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*Canada*