



Richards Packaging Income Fund (RPKIF)

Updated May 22nd, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$20.96	5 Year Annual Expected Total Return:	3.4%	Market Cap:	\$235 M
Fair Value Price:	\$16.87	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	05/30/2025
% Fair Value:	124%	5 Year Valuation Multiple Estimate:	-4.2%	Dividend Payment Date:	06/13/2025
Dividend Yield:	4.5%	5 Year Price Target	\$19.56	Years Of Dividend Growth:	0
Dividend Risk Score:	D	Sector:	Consumer Discretionary	Rating:	Sell

Overview & Current Events

Richards Packaging Income Fund is a Canada-based distributor of specialty packaging solutions. The company has more than 18,000 customers across the healthcare, food & beverage, and cosmetics sectors. It sources over 8,000 packaging SKUs from over 900 suppliers globally and operates three manufacturing facilities, which account for a small portion of total revenue. Richards Packaging is the largest packaging distributor in Canada and the third largest in North America, with operations concentrated in major logistics hubs across Canada and the U.S. Its healthcare vertical makes up over half of its revenue, supported by growing demand for medical, vision, and surgical packaging supplies. Food & beverage and cosmetics make up the balance. Its model emphasizes distribution scale, diversified end-markets, and stable cash generation, underpinned by a conservative balance sheet and strong insider ownership now standing at 15%. Richards has a market cap of about \$235 million and pays distributions monthly. The Fund reports its financials in CAD, but all figured in this report have been converted to USD unless otherwise noted.

On May 2nd, 2025, Richards Packaging released its first quarter results for the period ending March 31st, 2025. Revenue rose 2.9% to \$72.5 million, breaking the recent trend of declines. Growth was driven by stronger demand in food & beverage (+5.1%) and cosmetics (+3.0%), while healthcare contracted 2.7% due to ongoing softness in hospital capital and the lingering impact of the Parata business loss.

Net income fell to \$3.7 million, or \$0.26 per unit. The decrease was due to higher lease and administrative expenses, and \$2.8 million in exceptional items including acquisition costs, a legal settlement, and a wire fraud loss. Gross margin also fell slightly due to increased fixed costs, while mark-to-market gains on exchangeable shares (a non-cash item related to unit price movements linked to units owned but the Richards family) partially offset the decline. For FY2025, we forecast EPS of \$2.41.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.70	\$0.54	\$1.22	\$1.62	\$1.52	\$3.51	\$0.14	\$2.43	\$2.35	\$2.08	\$2.41	\$2.79
DPS	\$0.64	\$0.81	\$1.02	\$0.97	\$1.02	\$1.04	\$1.04	\$0.97	\$1.00	\$0.92	\$0.95	\$1.10
Units¹	10.8	10.8	10.9	10.9	11.0	11.2	11.6	11.4	11.4	11.4	11.4	11.5

From 2015 to 2018, Richards Packaging posted steady EPU growth, driven by organic growth, modest margin expansion, and cost control. The business benefited from its defensive exposure to healthcare and food packaging, which provided stability even as broader economic conditions fluctuated.

In 2019, EPU remained strong, supported by steady demand and margin resilience. The breakout came in 2020, with EPU surging as COVID-19 drove an exceptional spike in healthcare-related packaging volumes and margin expansion. This momentum reversed sharply in 2021, with EPU dropping to just \$0.14 due to a one-time \$48 million contingent consideration related to the Clarion acquisition. Excluding that, core profitability was more stable.

¹ Share count is in millions.

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EPU rebounded in 2022 and 2023, as demand normalized but remained elevated relative to pre-COVID levels. However, in 2024, EPU declined due to volume softness across all verticals and reduced mark-to-market gains. Moving forward, we expect EPU growth CAGR of 3%, which we expect to be driven by modest volume recovery in healthcare packaging, gradual margin normalization, and disciplined cost management, with upside tied to potential tuck-in acquisitions and stable end-market demand across food, pharma, and personal care. We have applied the same rate to our distribution growth estimates, which the company can easily afford after paying down its debt recently, even though the distribution per share level has remained stable since 2018.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.1	33.3	19.7	17.9	20.4	12.3	---	15.2	13.2	11.5	8.7	7.0
Avg. Yld.	5.3%	4.5%	4.3%	3.3%	3.3%	2.4%	2.1%	2.6%	3.2%	3.8%	4.5%	5.6%

Richards Packaging's valuation has normalized post-pandemic, with recent P/E multiples in the low teens reflecting its stable, but slower earnings growth. Today, the valuation appears reasonable given the company's defensive profile and consistent cash flow. Nevertheless, only due to the fact that we demand and higher dividend yield in the current market environment, we have set our fair multiple at 7 times earnings. We view Richards as overvalued at today's share price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	91%	150%	84%	60%	67%	30%	---	40%	43%	44%	39%	39%

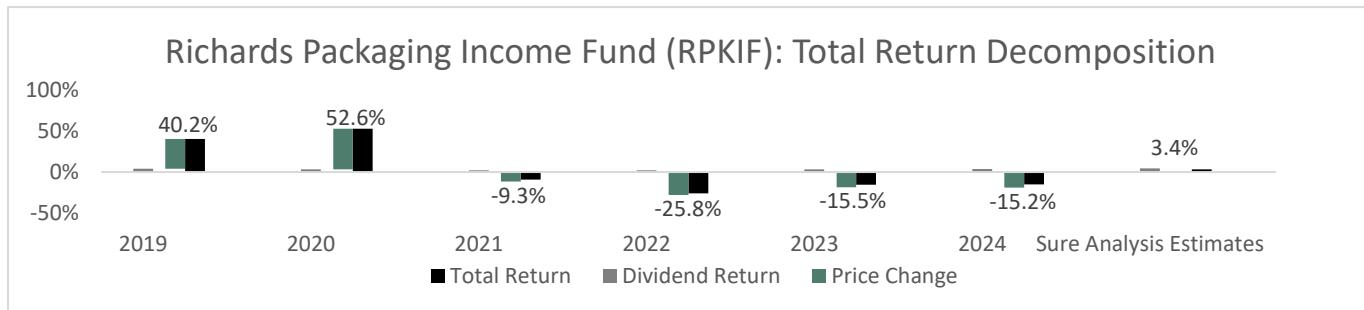
Richards Packaging benefits from a stable, low-risk model built on recurring demand from healthcare, personal care, and food end-markets. It maintains a conservative balance sheet, consistently low payout ratio, and prudent cost structure, contributing to steady free cash flow. Also, its strong insider ownership further supports long-term capital discipline and alignment with unit holders. Its competitive edge lies in its scale as Canada's largest packaging distributor and its broad supplier and customer base, which reduces concentration risk.

Note that during the COVID-19 pandemic, Richards saw record earnings due to a surge in healthcare packaging demand. However, during the 2008 financial crisis, revenues softened, showing that while the business is relatively insulated, it is not immune to downturns. Overall, its essential end-market mix and asset-light model offer a high degree of stability through economic cycles.

Final Thoughts & Recommendation

Richards Packaging offers stable cash flow, low leverage, and defensive end-market exposure, powered by strong insider alignment and a consistent distribution. Still, given its modest growth outlook and current valuation, we would require a higher yield to be attracted to the stock despite its multiple strengths. Given the lack of dividend growth in recent times and the lack of a meaningful dividend yield at today's valuation, we rate Richards Packaging as a sell.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	195	217	229	245	252	365	360	343	315	297
Gross Profit	30	34	38	43	43	84	71	61	58	57
Gross Margin	15.4%	15.9%	16.7%	17.4%	17.2%	23.0%	19.6%	17.7%	18.3%	19.2%
SG&A Exp.	9	9	10	10	10	15	17	17	17	20
D&A Exp.	2	3	3	3	7	9	10	10	9	10
Operating Profit	21	26	29	33	33	70	53	44	41	38
Operating Margin	10.8%	11.8%	12.5%	13.5%	13.2%	19.1%	14.8%	12.9%	13.1%	12.6%
Net Profit	8	6	13	19	16	37	2	35	29	26
Net Margin	4.2%	2.8%	5.6%	7.6%	6.5%	10.2%	0.5%	10.1%	9.1%	8.8%
Free Cash Flow	10	25	23	18	29	54	43	30	60	36
Income Tax	6	8	9	9	9	17	14	11	11	10

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	148	152	153	156	190	277	280	258	240	231
Cash & Equivalents	1	10	5	5	6	6	7	4	6	4
Accounts Receivable	21	24	23	25	25	39	39	41	41	37
Inventories	43	35	39	45	45	69	79	72	54	54
Goodwill & Int. Ass.	78	77	78	74	74	112	110	104	105	101
Total Liabilities	76	83	79	76	93	151	177	139	104	89
Accounts Payable	18	22	20	23	21	37	45	29	33	31
Long-Term Debt	45	31	27	20	11	18	18	48	14	-
Shareholder's Equity	72	69	73	80	97	126	103	119	136	142
LTD/E Ratio	0.63	0.45	0.36	0.25	0.12	0.15	0.17	0.40	0.10	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.8%	4.0%	8.4%	12.1%	9.5%	16.0%	0.6%	12.9%	11.6%	11.1%
Return on Equity	11.5%	8.4%	18.0%	24.3%	18.5%	33.6%	1.4%	31.3%	22.6%	18.8%
ROIC	7.2%	5.5%	12.8%	18.6%	15.7%	29.6%	1.2%	24.2%	18.2%	17.9%
Shares Out.	10.8	10.8	10.9	10.9	11.0	11.2	11.6	11.4	11.4	11.4
Revenue/Share	16.68	19.98	19.57	20.99	21.53	31.23	30.96	30.08	27.63	26.05
FCF/Share	0.87	2.30	1.95	1.50	2.46	4.58	3.74	2.61	5.22	3.14

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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