



Another Get-Rich-Slow Scheme: Intertape Polymer Group

Description

Searching far and wide for stocks which fit the get-rich-slow mould, shares of **Intertape Polymer Group** ([TSX:ITP](#)) make the cut. There has been a strong growth in the dividend, strong share-price appreciation, and a series of other moves which have put the company in a much better position to deliver solid long-term results for shareholders. As a defensive company, there may still be a significant upside in spite of a current P/E of almost 25 times.

Background

In 2012, the company began the year trading at a price of just over \$3 per share. It seemed that selling tape was incredibly “unsexy” in the aftermath of the financial crisis. With a dominant market share, however, the company had a lot to offer investors. Fast forward to 2016, and the shares have recently closed at a price of almost \$25. At a current price near its 52-week high, the shares have been consistent performers for their owners.

Back in 2012, the earnings per share (EPS) were \$0.65 based on 59.63 million shares outstanding, and dividends totaled \$0.08 per share. In 2015, the EPS increased to \$1.01 per share based on 58.67 million shares outstanding. As of the end of the third quarter, there were 58.65 million shares outstanding. The share-buyback machine is well engaged, ensuring the pie continues to be split evenly among investors.

The dividend

The company initiated the dividend in 2012 at a rate of \$0.08 for the year; the dividend has become quarterly in the amount of \$0.14 in 2016—currently offering investors a yield of approximately 2.25%. Given that the payout ratios for 2013, 2014, and 2015 were 16.9%, 57.1%, and 49.5%, it would seem an increase in the 2016 dividend is well founded and sustainable. Management has kept their eyes on the bottom line for quite some time now.

Several years ago, the defined-benefit pension plan open to almost all employees was shut down and replaced with a defined contribution plan. After the 2008 financial crisis, the company was one of many to realize the risks associated with making future promises. They decided not to bear the risk and

instead transferred it back to the employees where it belongs. Further, over the past several years the management has opened bigger, more efficient manufacturing facilities and closed smaller, less productive ones in the process.

Looking forward

As we know, stock prices are forward looking, not backwards looking. With so many great things in the rear-view mirror, it seems the company is riding a great wave.

In late 2016, the company purchased 74% of Powerband Industries Private Limited located in Daman, India. Management has realized the higher organic growth may be in the past, forcing them to look elsewhere in order to increase earnings.

Two thumbs up for management!

Conclusion

Long-term investors of Intertape Polymer Group have had the benefit of watching management right the ship and have reaped the rewards. With several dividend increases behind it and a payout ratio approaching 50%, it will be key to keep a close eye on this security for the right entry point.

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