



## Is it Time to Buy Intertape Polymer Group?

### Description

**Intertape Polymer Group** ([TSX:ITP](#)) stock has dipped meaningfully (about 25%) from its recent high of \$25 to ~\$18.70 per share. The stock is close to its 52-week low. Is it time to buy the dip, or should you avoid it altogether?

First, let's see if it's the kind of business you'll be interested in owning.

#### A business overview

Intertape Polymer Group operates in the specialty packaging industry. It develops, manufactures, and sells a variety of paper- and film-based pressure-sensitive and water-activated tapes, specialized films, and woven coated fabrics for industrial and retail use. With its core market in North America, the company has 14 manufacturing facilities: eight in the U.S., four in Canada, and one each in Portugal and India.

In 2016, the company reported sales of US\$808.8 million, of which 67% was from tapes, 19% was from films, and 14% was from woven products and others. Notably, it had about 63% of its sales from products, which had a top two market position in North America. These include various carton-sealing tapes, industrial and specialty tapes, and different woven products for agro-environmental and building and construction use.



Intertape Polymer Group requires three key raw materials for its products, including resin (which was ~37% of the raw material it purchased in 2016), paper (~23%), and adhesive (~17%).

Any major price increase in these materials can increase the company's costs and reduce its profitability, though the company could offset the cost increase to some extent by storing up some raw materials when they are on sale.

### **Profitability**

From 2014 to 2016, Intertape Polymer Group improved its gross margin from 20.1% to 23.7%. As well, the company generated strong operating cash flow of nearly US\$300 million in that period. Each year, it spent, at most, ~46% of the cash flow on capital spending.

Management consistently put capital to good use with multiple acquisitions and shared wealth with shareholders with a decent dividend. In 2014, Intertape Polymer Group had a return on equity of 15.6%, followed by even better ratios of 25.5% and 22.6%, respectively, in 2015 and 2016.

### **Dividend**

Intertape Polymer Group has increased its dividend since 2014. Its three-year dividend-growth rate is nearly 11.9%. The company offers a U.S. dollar-denominated dividend. So, its yield will fluctuate as the strength of the U.S. dollar changes against the Canadian dollar — the stronger the greenback, the higher the yield. Based on the recent quotation of ~\$18.70 per share, the company offers a yield of 3.6%.

### **Should you buy today?**

The Street consensus from **Thomson Reuters** has a mean 12-month price target of US\$21.40 per share on the stock, which represents upside potential of 37% based on a foreign exchange of US\$1 to CAD\$1.20.

The stock seems to be discounted for its growth potential. So, interested investors can consider buying some shares at the \$18 level for above-average returns potential.

### **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:ITP (Intertape Polymer Group)

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## **Author**

kayng

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