



TFSA Investors: Here Is a Name With a Steady Dividend and Huge Growth Prospects!

Description

The past three months have not been kind to **Intertape Polymer Group** ([TSX:ITP](#)). At the end of the summer, shares of the adhesive maker began losing a substantial amount of value, as investors realized that the share price had gotten ahead of itself.

At a current price of \$19 per share, the dividend yield works out to be more than 3.5%, as investors are now paying a reasonable price for shares of the company. The reason for the large appreciation in the share price over the past five years was the stabilizing of the company and the continued increase in dividends. From 2013 to 2016, the compounded annual growth rate (CAGR) of cash flow from operations (CFO) was 11.2%, as the dividends paid to investors grew at a rate of 29.3%.

The opportunity currently presented to investors is that of a lower share price due to a major selloff. At the present time, shares trade at no more than 18 times earnings (P/E), as the company continues to increase the amount of free cash flow available to shareholders. In each of the past four years, the company has spent an average of \$43 million in long-term capital expenditures, which have far outweighed the total amount of depreciation, which averaged approximately \$29 million per year over the same period. Given that the company has expanded over the past four years, investors can now expect more dividend increases to come.

The technical indicators

Over the short term, it has been said many times: "Never catch a falling knife." As a result of the recent selloff, shares of Intertape Polymer Group are clearly on a downtrend when evaluating the current share price in comparison to the simple moving averages (SMA). Shares have moved back and forth over the 10-day SMA, while the 50-day SMA is still trying to catch up following the summer decline, as shares have fallen far from their 200-day SMA.

Although investments are not made based on technical indicators, many investors continue to take them under consideration, as the market sentiment can oftentimes be found in technical indicators. As the other old saying goes: "The trend is your friend."

Bottom line

After a five-year bull run, which saw many dividend increases and considerable share buybacks, shares of Intertape Polymer Group did what many before it have already done: it sold off.

In many cases, the selloff happens as a result of overestimating the growth potential of a company, which is what led to the incredible run up in the first place. The good news for current long-term investors and new shareholders alike will be the potential that lies ahead. With a considerable amount of top- and bottom-line revenue growth in the future, Intertape Polymer Group is in a position to continue returning cash to shareholders, as this defensive security continues to play the role of the tortoise.

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