



A Value Stock With a Stable Dividend and Growth Potential

Description

Here's another opportunity to buy **Intertape Polymer Group** ([TSX:ITP](#)). Fairly recently, [the stock traded at \\$18](#) before popping 11% to \$20 and then quickly coming back down.

As we near the end of the year, investors might review the stocks in their non-registered accounts that are underwater and sell them at a loss to offset taxes from capital gains. [Tax-loss selling](#) activities may go into December, and it may be an opportunity for you to buy depressed stocks at a value.

Intertape Polymer Group is a stock that is subject to tax-loss selling. Most investors who'd bought the stock in the last 12 months are sitting on unrealized losses.

The stock has declined about 20% in the last year. This is because the company lowered its guidance and doesn't know when the headwinds will subside.



Lowered guidance

In the second quarter, management lowered its guidance for its adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) by 6.4% based on the midpoints of the previous and current guidance.

The key reason was that there were “higher raw material costs resulting from a supply interruption and a difficult competitive environment that the company believes is driven mainly by one key competitor in the industry” as quoted from Intertape Polymer Group’s second-quarter press release.

The higher raw material cost should be a temporary issue, but even the management doesn’t know how long it will last. That said, management still estimates the company’s adjusted EBITDA will increase by 10-15% this year.

What does Intertape Polymer Group do?

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.

Dividend and valuation

At \$18 per share, Intertape Polymer Group offers a safe yield of nearly 3.8%, and it pays out about 45% of its earnings as dividends. At this price point, it trades at a price-to-earnings multiple of about 14.5.

The Street consensus from **Thomson Reuters** has a 12-month price target of US\$20 on the stock, which implies a target price of CAD\$25 based on a more conservative foreign exchange of US\$1 to CAD\$1.25. In other words, there’s a ~28% discount on the stock.

Investor takeaway

Investors with a long-term investment horizon and who are looking for value and a stable dividend can wait for Intertape Polymer Group’s share price to stabilize near year end before considering a position. The stock can be especially volatile as the company is expected to report its third-quarter results this month.

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Author

kayng

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