



A Good Business Trading at a Good Valuation

Description

Intertape Polymer Group ([TSX:ITP](#)) stock is about 25% lower than its 52-week high. It may be a good time to pick up some shares on this meaningful pullback.

Here's an overview of its business.

The business

Intertape 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, Intertape has 13 manufacturing facilities in North America and one each in Europe and Asia. Last year, it generated revenue of ~US\$898 million and net income of nearly US\$64 million, achieving a net margin of ~7.1%.



Recent results

Intertape released its first-quarter results last week. Its revenue increased 14.5% to US\$237.2 million

primarily due to the Cantech acquisition and an increase in average selling price. Its gross margin decreased 2.4% to 21.3%. However, excluding the impact of a non-recurring expense, it would have only decreased 1%.

The company's adjusted earnings before interest, taxes, depreciation, and amortization were essentially flat. They would have increased 7% if not for the impact of the non-recurring item.

Profitability

Intertape's return on asset (ROA) and return on equity (ROE) have been +5% and +15%, respectively, since 2012. For the trailing 12 months, its ROA and ROE were +9% and +25%, respectively. So, management has been investing in the right places.

Dividend

Intertape offers a 3.8% yield. Its payout ratio is estimated to be ~50% this year. So, its dividend is intact. Investors should note that the company pays a U.S. dollar-denominated dividend, which will fluctuate with the strength of the U.S. dollar against the Canadian dollar. However, its dividends are still designated as eligible dividends for favourable taxation (compared to your job's [income](#)).

Valuation and returns potential

At ~\$18.75 per share, Intertape trades at a P/E of ~13.3, while the company is estimated to grow its earnings per share by +7% on average through 2019. At **Thomson Reuters Corp.**, the 12-month consensus target on Intertape is US\$19.70 per share, which represents ~39% near-term upside potential.

Additionally, Intertape has long-term double-digit growth potential. So, an investment in Intertape today can deliver some nice price appreciation in the next few years while offering a ~3.8% yield.

Investor takeaway

Intertape is [a good business trading at a good valuation](#). Instead of thinking that it'll deliver ~39% upside in the next 12 months, it's more conservative to think that it can deliver an annualized rate of return of ~13% over the next three years, assuming ~9.5% upside potential each year and a ~3.8% dividend yield.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:ITP (Intertape Polymer Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/20

Date Created

2018/05/17

Author

kayng

default watermark

default watermark