



Is Intertape Polymer Group (TSX:ITP) Really a Bargain?

Description

Intertape Polymer Group ([TSX:ITP](#)) stock is trading a good 26% lower than its 52-week high and near its 52-week low. So, bargain hunters might be interested in the stock right now.

Is the stock really a bargain?

At about \$18.24 per share, Intertape trades at a P/E of about 12.8, while the company is estimated to grow its earnings per share by more than 7% on average through 2019.

At **Thomson Reuters Corp.**, the 12-month consensus target on Intertape is US\$19.40 per share, which represents roughly 38% near-term upside potential (based on a currency exchange of US\$1 to CAD\$1.30).

Additionally, Intertape has long-term [double-digit growth potential](#). So, an investment in Intertape today can deliver some impressive price appreciation in the next few years while offering a 4% yield.



Technically

Intertape has some support at the \$17-per-share mark. If the stock falls below that point, investors

should wait for the stock to show a bottom or consolidate before buying.

What does Intertape do?

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.

Its core market is in North America. So, it's not surprising that most of its manufacturing facilities are in North America, while it has one each in Europe and Asia. Last year, it generated revenue of about US\$898 million and net income of nearly US\$64 million, leading to a net margin of roughly 7.1%.

Recent results

In the first quarter, Intertape increased its revenue by 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 declined 1%.

The company's adjusted earnings before interest, taxes, depreciation, and amortization were essentially flat. It 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 more than 5% and 15%, respectively, since 2012. For the trailing 12 months, its ROA and ROE were +9% and +25%, respectively. So, it looks like management has been investing in the right places.

Dividend

Intertape offers a 4% yield. Its payout ratio is estimated to be about 50% this year. So, its dividend is safe. Notably, 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.

Investor takeaway

Intertape [looks like a bargain](#) for a long-term investment (think three or more years). Instead of thinking that it'll deliver 38% upside in the next 12 months, it's more conservative to think that it can deliver an annualized rate of return of about 13% over the next three years, plus or minus 2% as a margin for error and to account for currency exchange fluctuations.

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