



TFSA Investors: Why This 4.7% Yield Small-Cap Stock Is Up 6.58% Today and Could Double in Value Over the Next Five Years

Description

Montreal-based adhesives manufacturer **Intertape Polymer Group** ([TSX:ITP](#)) reported second-quarter earnings before the market opened today that impressed investors – promptly [sending the company's shares soaring](#) – up by more than 7% at one point in Monday's trading session.

But the latest report may not be a “one-off” event – far from it in fact.

Some are suggesting that there is very good reason to believe that this Canadian small-cap could be about to break out on a run that lead to its share price doubling – or more – over the next five years.

Intertape Polymer has been on an absolute tear as of late including in the second quarter ended June 30.

In the second quarter, Intertape's revenue increased by 18.5% to US\$249.1 million, adjusted EBITDA (earnings-before-interest-taxes-depreciation-and-amortization) increased by 11.3% to US\$34.6 million, and net earnings increased by an even more impressive 48% from US\$10.2 million in the year ago period to US\$15.1 million in 2018.

Right now the company is benefitting from the changing trend toward e-commerce and away from traditional brick-and-mortar physical retail locations.

Intertape is an acknowledged industry leader in the packaging industry, boasting one of the deepest and most technologically advanced product lines among its competitors.

As shoppers increasingly do their shopping via online platforms like [Shopify Inc. \(TSX:SHOP\)](#) ([NYSE:SHOP](#)) and **Amazon.com, Inc.**, this only serves to fuel demand for packaging materials like the adhesive films and tapes that Intertape makes that are necessary to ship the goods from these online merchants fulfillment centers to their customers' homes.

But the real opportunity here is that up until very recently, Intertape's performance has been constrained by the fact that it was already operating its manufacturing facilities at full capacity, meaning

that it hasn't been fully able to cash in on the burgeoning demand for its products.

However, management is finally making the collective decision to step up and take advantage of the opportunity – one that could lead to the value of Intertape shares doubling over the next five years – or potentially even sooner than that if everything goes right.

Last year, management announced that it had reached an agreement with its lenders to increase the company's credit facility from US\$300 million to \$450 million, which helped to facilitate its acquisition of Canadian Technical Tape Ltd. ("Cantech") for approximately US\$63 million, a move designed to enhance its product line and facilitate additional distribution to U.S., Canadian and European markets.

Following that, today management announced in reported second-quarter earnings that it had reached an agreement with lenders to increase its credit limit again to US\$600 million, along with an accordion feature that could see its limit increase all the way to US\$800 million.

The surge in available credit that is now available for management to work with will continue to allow Intertape to consolidate its product offering, manufacturing capacity, and distribution channels by gobbling up the industry's smaller players and investing in capital projects should help it to achieve improved production growth on a global scale.

In May, Intertape acquired woven-products manufacturer Airtrax, which included a new greenfield manufacturing plant based in India and in August Intertape acquired 100% control in Polyair Inter Pack Inc. ("Polyair") for a total cash consideration of approximately \$146 million.

Bottom line

The continuation of those types of "bolt-on" acquisitions along with the 10% organic growth that the company achieved in the second quarter through improvements in price, product mix and volume could lead to a very bright future for this Canadian small-capper that boasted a market capitalization of just over \$1.1 billion heading into Monday's close.

At a price of \$18.64, Intertape shares currently trade about 31% below their 2017 highs, and if the company is ultimately successful in executing on its latest growth initiatives, shares could end up trading at levels much, much higher than that in a few years' time.

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Date

2025/07/21

Date Created

2018/08/13

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