

INTERTAPE POLYMER GROUP INC
Form 6-K
May 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934
For the month of May, 2014
Commission File Number 1-10928

INTERTAPE POLYMER GROUP INC.

9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada, H4M 2X5

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): "

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERTAPE POLYMER GROUP INC.

Date: May 8, 2014

By: /s/ Gregory A.C. Yull
Gregory A.C. Yull, President and Chief Executive
Officer

Intertape Polymer Group Inc.

Management's Discussion and Analysis

Consolidated Quarterly Statements of Earnings (Loss)

Three month periods ended

(In thousands of US dollars, except per share amounts)

(Unaudited)

	March 31, 2014 \$	December 31, 2013 \$	September 30, 2013 \$	June 30, 2013 \$
Revenue	199,948	191,490	199,853	193,462
Cost of sales	157,250	153,543	159,872	151,202
Gross profit	42,698	37,947	39,981	42,260
Selling, general and administrative expenses	18,980	18,968	20,547	20,208
Research expenses	2,074	2,008	1,701	1,589
	21,054	20,976	22,248	21,797
Operating profit before manufacturing facility closures, restructuring and other related charges	21,644	16,971	17,733	20,463
Manufacturing facility closures, restructuring and other related charges	1,384	1,647	934	924
Operating profit (loss)	20,260	15,324	16,799	19,539
Finance costs				
Interest	831	847	1,261	1,846
Other (income) expense	352	159	190	437
	1,183	1,006	1,451	2,283
Earnings (loss) before income tax expense (benefit)	19,077	14,318	15,348	17,256
Income tax expense (benefit)				
Current	457	233	729	1,909
Deferred	6,986	(39,540)	200	226
	7,443	(39,307)	929	2,135
Net earnings (loss)	11,634	53,625	14,419	15,121
Earnings (loss) per share				
Basic	0.19	0.88	0.24	0.25
Diluted	0.19	0.86	0.23	0.25

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Weighted average number of common shares outstanding				
Basic	60,776,649	60,776,649	60,731,173	60,288,991
Diluted	62,019,844	62,170,733	62,072,583	61,584,732

Intertape Polymer Group Inc.**Consolidated Quarterly Statements of Earnings (Loss)**

Three month periods ended

(In thousands of US dollars, except per share amounts)

(Unaudited)

	March 31, 2013 \$	December 31, 2012 \$	September 30, 2012 \$	June 30, 2012 \$
Revenue	196,695	189,291	198,476	197,751
Cost of sales	158,389	154,048	163,499	161,629
Gross profit	38,306	35,243	34,977	36,122
Selling, general and administrative expenses	22,959	20,849	19,260	20,653
Research expenses	1,602	1,528	1,530	1,650
	24,561	22,377	20,790	22,303
Operating profit before manufacturing facility closures, restructuring and other related charges	13,745	12,866	14,187	13,819
Manufacturing facility closures, restructuring and other related charges	27,201	3,172	387	14,152
Operating profit (loss)	(13,456)	9,694	13,800	(333)
Finance costs				
Interest	1,753	3,147	3,347	3,384
Other (income) expense	160	355	(192)	667
	1,913	3,502	3,155	4,051
Earnings (loss) before income tax expense (benefit)	(15,369)	6,192	10,645	(4,384)
Income tax expense (benefit)				
Current	751	969	(888)	353
Deferred	(312)	(464)	659	(848)
	439	505	(229)	(495)
Net earnings (loss)	(15,808)	5,687	10,874	(3,889)
Earnings (loss) per share				
Basic	(0.26)	0.10	0.18	(0.07)
Diluted	(0.26)	0.09	0.18	(0.07)
Weighted average number of common shares outstanding				

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Basic	59,692,751	59,316,858	59,028,088	58,981,435
Diluted	59,692,751	61,036,145	61,054,123	58,981,435

This Management's Discussion and Analysis (MD&A) is intended to provide the reader with a better understanding of the business, strategy and performance of Intertape Polymer Group Inc. (the Company), as well as how it manages certain risks and capital resources. This MD&A, which has been prepared as of May 7, 2014, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes thereto for the three months ended March 31, 2014 and 2013. It should also be read together with the text below on forward-looking statements in the Section entitled Forward-Looking Statements.

For the purposes of preparing this MD&A, the Company considers the materiality of information. Information is considered material if the Company believes at the time of preparing this MD&A: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the shares of the Company; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; (iii) if it would significantly alter the total mix of information available to investors. The Company evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information relating to the Company, including its Form 20-F filed in lieu of an Annual Information Form for 2013, is available on the Company's website (www.intertapepolymer.com) as well as on SEDAR at www.sedar.com, the system used for electronically filing most securities-related information with the Canadian securities regulatory authorities, and on EDGAR at www.sec.gov.

Except where otherwise indicated, all financial information presented in this MD&A, including tabular amounts, is prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS or GAAP) and is expressed in US dollars. Variance, ratio and percentage changes in this MD&A are based on unrounded numbers.

Overview

The Company reported a 1.7% increase in revenue for the first quarter of 2014 as compared to the first quarter of 2013 primarily due to an increase in selling prices, including the impact of product mix, partially offset by a decrease in sales volume. Gross profit increased 11.5% primarily due to manufacturing cost reductions and an improved product mix partially offset by a decline in sales volume.

As compared to the fourth quarter of 2013, the Company reported a 4.4% increase in revenue for the first quarter of 2014 primarily due to an increase in selling prices, including the impact of product mix, and an increase in sales volume. Gross profit increased 12.5% primarily due to manufacturing cost reductions, an improvement in manufacturing efficiencies and an improved product mix.

Net earnings for the first quarter of 2014 increased to \$11.6 million (\$0.19 earnings per share, both basic and diluted) from a net loss of \$15.8 million (\$0.26 loss per share, both basic and diluted) for the first quarter of 2013 and decreased from net earnings of \$53.6 million (\$0.88 earnings per share basic and \$0.86 earnings per share diluted) for the fourth quarter of 2013. The net loss for the first quarter of 2013 included a \$26.0 million manufacturing facility closure charge related to the relocation and modernization of the Columbia, South Carolina operation (South Carolina Project). The net earnings for the fourth quarter of 2013 included the impact from the recognition of \$47.8 million of previously derecognized US deferred tax assets.

On February 6, 2014, the Board of Directors declared a dividend of \$0.08 per common share paid on March 31, 2014 to shareholders of record at the close of business March 19, 2014. The aggregate amount of the dividend paid was \$4.9 million.

On May 7, 2014, the Board of Directors declared a dividend of \$0.08 per common share payable on June 30, 2014 to shareholders of record at the close of business June 17, 2014.

Outlook

In the second quarter of 2014, the Company anticipates revenue growth of 3% to 5% as compared to the second quarter of 2013. Gross margin in the second quarter of 2014 is expected to be similar to the first quarter of 2014. Adjusted EBITDA for the second quarter of 2014 is expected to be 3% to 5% higher than the second quarter of 2013.

Results of Operations

Revenue

Revenue for the first quarter of 2014 totalled \$199.9 million, a \$3.3 million or 1.7% increase from \$196.7 million for the first quarter of 2013. Selling prices, including the impact of product mix, increased approximately 5% in the first quarter of 2014 compared to the first quarter of 2013 primarily due to higher prices of equivalent units to pass through raw material cost increases and improved mix from a reduction in sales of lower margin products resulting from the de-emphasis of the sale of such products. Sales volume for the first quarter of 2014 decreased approximately 3% compared to the first quarter of 2013 primarily due to a reduction in sales of lower margin products and a net decline in carton sealing tapes. The Company believes that a portion of the decrease in carton sealing tapes sales volume was due to the overall industry decrease in corrugated box sales volume during the first quarter of 2014.

Revenue for the first quarter of 2014 increased \$8.5 million or 4.4% from \$191.5 million for the fourth quarter of 2013. Selling prices, including the impact of product mix, increased approximately 2% in the first quarter of 2014 compared to the fourth quarter of 2013 primarily due to a shift in the mix from the reduction in sales of certain carton sealing tapes. Sales volume for the first quarter of 2014 increased approximately 2% compared to the fourth quarter of 2013 primarily due to increased sales of woven products.

Gross Profit and Gross Margin

Gross profit totalled \$42.7 million for the first quarter of 2014, a \$4.4 million or 11.5% increase from \$38.3 million for the first quarter of 2013. Gross margin was 21.4% in the first quarter of 2014 and 19.5% in the first quarter of 2013. As compared to the first quarter of 2013, gross profit increased primarily due to manufacturing cost reductions and an improved product mix partially offset by a decline of approximately 3% in sales volume. Gross margin increased primarily due to manufacturing cost reductions and an improved product mix.

Gross profit for the first quarter of 2014 increased \$4.8 million or 12.5% from \$37.9 million in the fourth quarter of 2013. Gross margin was 21.4% in the first quarter and 19.8% in the fourth quarter of 2013. As compared to the fourth quarter of 2013, gross profit and gross margin increased primarily due to manufacturing cost reductions, an improvement in manufacturing efficiencies and an improved product mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) totalled \$19.0 million for the first quarter of 2014, a \$4.0 million or 17.3% decrease from \$23.0 million in the first quarter of 2013. SG&A decreased primarily due to a decrease in stock-based compensation expense as well as the non-recurrence of a provision with respect to the resolution of a contingent liability recorded in the first quarter of 2013. The decrease in stock-based compensation expense was primarily related to (i) the impact of a decrease in the Company's share price on Stock Appreciation Rights (SAR) expense (benefit) in the first quarter of 2014 and (ii) the impact of SAR forfeitures in the first quarter of 2014.

SG&A was approximately the same in the first quarter of 2014 as compared to \$19.0 million in the fourth quarter of 2013. Decreases in stock-based compensation expense were offset by a normal seasonal increase in professional fees;

an increase in variable compensation expenses resulting from differences in estimates of annual expected amounts;
and an increase in the provision for severances relating to the departure of the Chief Financial Officer in January 2014.

Research Expenses

Research expenses totalled \$2.1 million for the first quarter of 2014, a \$0.5 million or 29.4% increase from \$1.6 million for the first quarter of 2013 and a \$0.1 million or 3.2% increase from \$2.0 million in the fourth quarter of 2013. These increases were primarily to support the South Carolina Project and other manufacturing cost reduction programs.

Manufacturing Facility Closures, Restructuring and Other Related Charges

On February 26, 2013, the Company announced plans related to the South Carolina Project. This initiative resulted in a \$0.5 million charge for the first quarter of 2014 primarily related to workforce retention and equipment relocation costs. Capital expenditures for the South Carolina Project since inception have totalled \$33.7 million. Capital expenditures recorded in the first quarter of 2014 for this project were \$9.2 million which include \$2.2 million of improvements to the real estate in Blythewood, South Carolina.

During the fourth quarter of 2013, the Company began the process to relocate the Langley, British Columbia manufacturing facility to a new nearby location due to the expiration of the non-renewable lease in April 2014. This initiative is expected to result in total charges of approximately \$1.0 million primarily related to equipment relocation costs. Total costs incurred were \$0.6 million in the first quarter of 2014 and \$0.1 million in the fourth quarter of 2013 with the remainder expected to be recorded in the second quarter of 2014.

Finance Costs

Finance costs for the first quarter of 2014 totalled \$1.2 million, a \$0.7 million or 38% decrease from \$1.9 million of finance costs for the first quarter of 2013, primarily due to lower interest expense as a result of lower average cost of debt and lower average amount of debt outstanding. Finance costs for the first quarter of 2014 increased \$0.2 million or 18% from \$1.0 million for the fourth quarter of 2013, primarily due to the recovery of unclaimed property recognized in the fourth quarter of 2013.

Income Taxes

The Company is subject to income taxation in multiple tax jurisdictions around the world. Accordingly, the Company's effective tax rate fluctuates depending upon the geographic source of its earnings. The Company's effective tax rate is also impacted by tax planning strategies that the Company implements. Income tax expense (benefit) is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The recognition of US deferred tax assets during the fourth quarter of 2013 has led to a more normalized effective tax rate in the US jurisdiction as income tax expense is recorded upon the utilization of the recognized deferred tax assets. The effective tax rate was 39.0% and negative 2.9% for the first quarter of 2014 and the first quarter of 2013, respectively. The effective tax rate for the first quarter of 2014 is based on total income tax expense of \$7.4 million on \$19.1 million of earnings before income taxes. The increase in the effective tax rate is primarily due to (i) the fact that the US deferred tax assets were previously derecognized until the fourth quarter of 2013 and (ii) the impact of tax expense recorded in the first quarter of 2013 on losses before income taxes for stock options exercised and state income taxes.

Cash taxes paid of \$0.1 million during the first quarter of 2014 primarily related to US state income taxes. Income tax expense recorded for GAAP purposes of \$7.4 million primarily related to the utilization of US deferred tax assets, which has no effect on cash taxes paid.

Net Earnings (Loss)

Net earnings for the first quarter of 2014 totalled \$11.6 million, a \$27.4 million increase from net loss of \$15.8 million for the first quarter of 2013 and a \$42.0 million decrease from net earnings of \$53.6 million for the fourth quarter of 2013. The increase in net earnings for the first quarter of 2014 compared to the first quarter of 2013 was primarily due to manufacturing facility closures, restructuring and other related charges recorded in the first quarter of 2013 relating to the South Carolina Project. The decrease in net earnings for the first quarter of 2014 compared to the fourth quarter of 2013 was primarily due to the recognition of \$47.8 million of previously derecognized deferred tax assets related to the US jurisdiction in the fourth quarter of 2013.

Non-GAAP Measures

This MD&A contains certain non-GAAP financial measures as defined under applicable securities legislation, including EBITDA, adjusted EBITDA, adjusted net earnings (loss), adjusted earnings (loss) per share and free cash flows (please see the below Cash Flows section for a description and reconciliation of free cash flows). The Company believes such non-GAAP financial measures improve the period-to-period comparability of the Company's results by providing more insight into the performance of ongoing core business operations. As required by applicable securities legislation, the Company has provided reconciliations of those measures to the most directly comparable GAAP measures. Investors and other readers are encouraged to review the related GAAP financial measures and the reconciliation of non-GAAP measures to their most directly comparable GAAP measures set forth below and should consider non-GAAP measures only as a supplement to, not as a substitute for or as a superior measure to, measures of financial performance prepared in accordance with GAAP.

Adjusted Net Earnings (Loss)

A reconciliation of the Company's adjusted net earnings (loss), a non-GAAP financial measure, to net earnings (loss), the most directly comparable GAAP measure, is set out in the adjusted net earnings (loss) reconciliation table below. Adjusted net earnings (loss) should not be construed as net earnings (loss) as determined by GAAP. The Company defines adjusted net earnings (loss) as net earnings (loss) before (i) manufacturing facility closures, restructuring and other related charges; (ii) stock-based compensation expense (benefit); (iii) impairment of goodwill; (iv) impairment of long-lived assets and other assets; (v) write-down on assets classified as held-for-sale; (vi) other discrete items as shown in the table below; and (vii) income tax effect of these items. The term adjusted net earnings (loss) does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted net earnings (loss) is not a measurement of financial performance under GAAP and should not be considered as an alternative to net earnings (loss) as an indicator of the Company's operating performance or any other measures of performance derived in accordance with GAAP. The Company has included this non-GAAP financial measure because it believes that it permits investors to make a more meaningful comparison of the Company's performance between periods presented. In addition, adjusted net earnings (loss) is used by management in evaluating the Company's performance because it believes it provides an indicator of the Company's performance that is often more accurate than GAAP financial measures.

Adjusted earnings (loss) per share is also presented in the following table and is a non-GAAP financial measure. Adjusted earnings (loss) per share should not be construed as earnings (loss) per share as determined by GAAP. The Company defines adjusted earnings (loss) per share as adjusted net earnings (loss) divided by the weighted average number of common shares outstanding, both basic and diluted. The term adjusted earnings (loss) per share does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted earnings (loss) per share is not a measurement of financial performance under GAAP and should not be considered as an alternative to earnings (loss) per share as an indicator of the Company's operating performance or any other measures of performance derived in accordance with GAAP. The Company has included this non-GAAP financial measure because it believes that it permits investors to make a more meaningful

comparison of the Company's performance between periods presented. In addition, adjusted earnings (loss) per share is used by management in evaluating the Company's performance because it believes it provides an indicator of the Company's performance that is often more accurate than GAAP financial measures.

Adjusted Net Earnings Reconciliation to Net Earnings (Loss)

(In millions of US dollars, except per share amounts and share numbers)

(Unaudited)

	Three months ended		
	March 31,	December	March 31,
	2014	31,	2013
	\$	\$	\$
Net earnings (loss)	11.6	53.6	(15.8)
Manufacturing facility closures, restructuring and other related charges	1.4	1.6	27.2
Stock-based compensation expense (benefit)	(1.0)	0.1	1.8
Other Item: Provision related to the resolution of a contingent liability			1.3
Income tax effect of these items	(0.2)	(2.9)	0.5
Adjusted net earnings	11.8	52.5	15.0
Earnings (loss) per share			
Basic	0.19	0.88	(0.26)
Diluted	0.19	0.86	(0.26)
Adjusted earnings per share			
Basic	0.19	0.86	0.25
Diluted	0.19	0.84	0.24
Weighted average number of common shares outstanding			
Basic	60,776,649	60,776,649	59,692,751
Diluted	62,019,844	62,170,733	59,692,751

Adjusted net earnings totalled \$11.8 million for the first quarter of 2014, a \$3.2 million decrease from \$15.0 million for the first quarter of 2013 and a \$40.7 million decrease from \$52.5 million in the fourth quarter of 2013. The decrease in adjusted net earnings for the first quarter of 2014 compared to the first quarter of 2013 was primarily due to an increase of \$7.7 million in income tax expense partially offset by an increase of \$4.4 million in gross profit. The decrease in adjusted net earnings for the first quarter of 2014 compared to the fourth quarter of 2013 was primarily due to the recognition of \$47.8 million of previously derecognized deferred tax assets related to the US jurisdiction in the fourth quarter of 2013.

EBITDA

A reconciliation of the Company's EBITDA, a non-GAAP financial measure, to net earnings (loss), the most directly comparable GAAP measure, is set out in the EBITDA reconciliation table below. EBITDA should not be construed as earnings (loss) before income taxes, net earnings (loss) or cash flows from operating activities as determined by GAAP. The Company defines EBITDA as net earnings (loss) before (i) interest and other (income) expense; (ii) income tax expense (benefit); (iii) refinancing expense, net of amortization; (iv) amortization of debt issue costs; (v) amortization of intangible assets; and (vi) depreciation of property, plant and equipment. Adjusted EBITDA is defined as EBITDA before (i) manufacturing facility closures, restructuring and other related charges; (ii) stock-based

compensation expense (benefit); (iii) impairment of goodwill; (iv) impairment of long-lived assets and other assets; (v) write-down on assets classified as held-for-sale; and (vi) other discrete items as shown in the table below. The terms EBITDA and adjusted EBITDA do not have any standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA and adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as alternatives to cash flows from operating activities or as alternatives to net earnings (loss) as indicators of the Company's operating performance or any other measures of performance derived in accordance with GAAP. The Company has included these non-GAAP financial measures because it believes that it permits investors to make a more meaningful comparison of the Company's performance between periods presented. In addition, EBITDA and adjusted EBITDA are used by management and the Company's lenders in evaluating the Company's performance.

EBITDA and Adjusted EBITDA Reconciliation to Net Earnings (Loss)

(In millions of US dollars)

(Unaudited)

	March 31, 2014 \$	Three months ended December 31, 2013 \$	March 31, 2013 \$
Net earnings (loss)	11.6	53.6	(15.8)
Interest and other expense	1.2	1.0	1.9
Income tax expense (benefit)	7.4	(39.3)	0.4
Depreciation and amortization	6.0	6.9	7.1
EBITDA	26.3	22.2	(6.4)
Manufacturing facility closures, restructuring and other related charges	1.4	1.6	27.2
Stock-based compensation expense (benefit)	(1.0)	0.1	1.8
Other Item: Provision related to the resolution of a contingent liability			1.3
Adjusted EBITDA	26.7	24.0	24.0

Adjusted EBITDA totalled \$26.7 million for the first quarter of 2014, a \$2.7 million or 11.1% increase from \$24.0 million for both the first and fourth quarters of 2013. The increase in adjusted EBITDA for the first quarter of 2014 compared to the first quarter of 2013 was primarily due to higher gross profit. The increase in adjusted EBITDA for the first quarter of 2014 compared to the fourth quarter of 2013 was primarily due to higher gross profit partially offset by higher SG&A.

Off-Balance Sheet Arrangements

There has been no material change with respect to off-balance sheet arrangements since December 31, 2013. Reference is made to the Section entitled Off-Balance Sheet Arrangements in the Company's MD&A as of and for the year ended December 31, 2013.

Working Capital

The Company uses Days I