

INTERTAPE POLYMER GROUP INC

Form 6-K

November 08, 2018

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 November, 2018

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):

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: November 8, 2018 By: /s/ Jeffrey Crystal
Jeffrey Crystal, Chief Financial Officer

Intertape Polymer Group Inc.
Unaudited Interim Condensed Consolidated Financial Statements
September 30, 2018

Unaudited Interim Condensed Consolidated Financial Statements

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Intertape Polymer Group Inc.
 Consolidated Earnings
 Periods ended September 30,
 (In thousands of US dollars, except per share amounts)
 (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenue	279,062	243,444	765,364	660,722
Cost of sales	220,140	192,575	601,541	513,339
Gross profit	58,922	50,869	163,823	147,383
Selling, general and administrative expenses	33,446	18,776	90,222	73,466
Research expenses	2,926	3,091	9,381	8,713
	36,372	21,867	99,603	82,179
Operating profit before manufacturing facility closures, restructuring and other related charges	22,550	29,002	64,220	65,204
Manufacturing facility closures, restructuring and other related charges (Note 4)	5,777	216	5,476	893
Operating profit	16,773	28,786	58,744	64,311
Finance costs (Note 3)				
Interest	3,952	2,290	10,359	4,721
Other (income) expense, net	(1,477)	593	977	1,294
	2,475	2,883	11,336	6,015
Earnings before income tax expense (benefit)	14,298	25,903	47,408	58,296
Income tax expense (benefit) (Note 5)				
Current	(496)	2,253	1,257	7,699
Deferred	2,742	4,378	7,775	7,819
	2,246	6,631	9,032	15,518
Net earnings	12,052	19,272	38,376	42,778
Net earnings (loss) attributable to:				
Company shareholders	12,006	19,244	38,463	42,905
Non-controlling interests	46	28	(87)	(127)
	12,052	19,272	38,376	42,778
Earnings per share attributable to Company shareholders (Note 6)				
Basic	0.20	0.33	0.65	0.73
Diluted	0.20	0.32	0.65	0.72

The accompanying notes are an integral part of the interim condensed consolidated financial statements. Note 3 presents additional information on consolidated earnings.

Intertape Polymer Group Inc.
 Consolidated Comprehensive Income
 Periods ended September 30,
 (In thousands of US dollars)
 (Unaudited)

	Three months ended September 30, 2018		2017		Nine months ended September 30, 2018		2017	
	\$	\$	\$	\$	\$	\$	\$	\$
Net earnings	12,052	19,272	38,376	42,778				
Other comprehensive income (loss)								
Change in fair value of interest rate swap agreements designated as cash flow hedges ⁽¹⁾	1,071	613	3,318	886				
Less: reclassification adjustments for amounts recognized in profit or loss related to interest rate swap agreements	(190)	—	(190)	—				
Change in cumulative translation adjustments	(3,154)	1,718	(7,525)	6,630				
Items that will be subsequently reclassified to net earnings	(2,273)	2,331	(4,397)	7,516				
Comprehensive income for the period	9,779	21,603	33,979	50,294				
Comprehensive income (loss) for the period attributable to:								
Company shareholders	10,168	21,644	34,963	50,167				
Non-controlling interests	(389)	(41)	(984)	127				
	9,779	21,603	33,979	50,294				

Presented net of deferred income tax expense (benefit) of \$(274) and \$136 for the three and nine months ended ⁽¹⁾ September 30, 2018, respectively, and \$(39) and \$128 for the three and nine months ended September 30, 2017, respectively. Refer to Note 10 for additional information on the Company's cash flow hedges.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Intertape Polymer Group Inc.
Consolidated Changes in Equity
Nine months ended September 30, 2017
(In thousands of US dollars, except for number of common shares)
(Unaudited)

	Capital stock		Contributed surplus	Accumulated other comprehensive loss				Total equity attributable to Company shareholders	Non-controlling interests	Total equity
	Number	Amount		Cumulative translation adjustment	cash flow hedges	Reserve for Total	Deficit			
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as of December 31, 2016	59,060,335	351,203	29,585	(19,511)	(136)	(19,647)	(124,605)	236,536	6,407	242,943
Transactions with owners										
Exercise of stock options (Note 9)	226,875	1,362						1,362		1,362
Change in excess tax benefit on exercised share-based awards		493	(493)					—		—
Change in excess tax benefit on outstanding share-based awards			(3,615)					(3,615)		(3,615)
Share-based compensation (Note 9)			(7,850)				(3,595)	(11,445)		(11,445)
Share-based compensation expense credited to capital on options exercised		495	(495)					—		—
Repurchases of common shares (Note 9)	(415,500)	(2,463)					(3,974)	(6,437)		(6,437)
Dividends on common shares (Note 9)							(24,811)	(24,811)		(24,811)
	(188,625)	(113)	(12,453)				(32,380)	(44,946)		(44,946)

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Net earnings (loss)				42,905	42,905	(127)	42,778
Other comprehensive income							
Change in fair value of interest rate swap agreements designated as cash flow hedges ⁽²⁾ (Note 10)	886	886			886		886
Change in cumulative translation adjustments	6,376		6,376		6,376	254	6,630
	6,376	886	7,262		7,262	254	7,516
Comprehensive income for the period	6,376	886	7,262	42,905	50,167	127	50,294
Non-controlling interest arising from investment in Capstone ⁽³⁾ (Note 11)						15	15
Capital transactions with non-controlling shareholders of Capstone (Note 11)						153	153
Balance as of September 30, 2017	58,871,710	351,090	17,132	(13,135)	750	(12,385)	(114,080)
						241,757	6,702
							248,459

(1) Presented net of income tax benefit of \$1,925 for the nine months ended September 30, 2017.

(2) Presented net of deferred income tax expense of \$128 for the nine months ended September 30, 2017.

(3) Refers to the purchase by the Company of shares in Capstone Polyweave Private Limited, a newly-formed enterprise in India (d/b/a "Capstone"), on June 23, 2017. Refer to Note 11 for additional information on Capstone. The accompanying notes are an integral part of the interim condensed consolidated financial statements.

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Intertape Polymer Group Inc.
 Consolidated Changes in Equity
 Nine months ended September 30, 2018
 (In thousands of US dollars, except for number of common shares)
 (Unaudited)

	Capital stock		Accumulated other comprehensive loss				Total equity attributable to Company shareholders	Non-controlling interests	Total equity	
	Number	Amount	Contributed surplus	Cumulative translation adjustment account	Reserve for cash flow hedges	Total				Deficit
		\$	\$	\$	\$	\$	\$	\$	\$	
Balance as of December 31, 2017	58,799,910	350,759	17,530	(15,057)	1,588	(13,469)	(106,687)	248,133	6,589	254,722
Transactions with owners										
Exercise of stock options (Note 9)	17,500	163						163		163
Change in excess tax benefit on exercised share-based awards		7	(7)					—		—
Change in excess tax benefit on outstanding share-based awards			(389)					(389)		(389)
Share-based compensation (Note 9)			331				(357)	(26)		(26)
Share-based compensation expense credited to capital on options exercised		48	(48)					—		—
Dividends on common shares (Note 9)							(24,702)	(24,702)		(24,702)
Net earnings (loss)	17,500	218	(113)				(25,059)	(24,954)	(87)	(24,954)
							38,463	38,463	(87)	38,376

Other comprehensive income (loss)										
Change in fair value of interest rate swap agreements designated as cash flow hedges ⁽²⁾ (Note 10)										
				3,318	3,318			3,318		3,318
Less: Reclassification adjustments for amounts recognized in profit or loss (Note 10)				(190)	(190)			(190)		(190)
Change in cumulative translation adjustments				(6,628)	(6,628)			(6,628)	(897)	(7,525)
				(6,628)	3,128	(3,500)		(3,500)	(897)	(4,397)
Comprehensive income for the period				(6,628)	3,128	(3,500)	38,463	34,963	(984)	33,979
Non-controlling interest arising from investment in Polyair ⁽³⁾ (Note 11)									203	203
Recognition of non-controlling interest put options arising from the Capstone Acquisition (Note 10)							(10,888)	(10,888)		(10,888)
Capital transactions with non-controlling shareholders of Capstone (Note 11)								—	10,699	10,699
Balance as of September 30, 2018	58,817,410	350,977	17,417	(21,685)	4,716	(16,969)	(104,171)	247,254	16,507	263,761

(1) Presented net of income tax benefit of \$120 for the nine months ended September 30, 2018.

- (2) Presented net of deferred income tax expense of \$136 for the nine months ended September 30, 2018.
- (3) Refers to the purchase by the Company of 100% of the outstanding equity value in Polyair Inter Pack Inc. (“Polyair”), on August 3, 2018. Refer to Note 11 for additional information on Polyair.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Intertape Polymer Group Inc.
Consolidated Cash Flows
Periods ended September 30,
(In thousands of US dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net earnings	12,052	19,272	38,376	42,778
Adjustments to net earnings				
Depreciation and amortization	10,420	9,633	30,471	26,271
Income tax expense	2,246	6,631	9,032	15,518
Interest expense	3,952	2,290	10,359	4,721
Non-cash charges (recoveries) in connection with manufacturing facility closures, restructuring and other related charges	5,237	73	5,235	(16)
Share-based compensation expense (benefit)	1,847	(8,231)	1,543	(3,067)
(Gain) Loss on foreign exchange	(1,964)	332	(274)	525
Pension and other post-retirement expense related to defined benefit plans	589	692	2,015	2,075
Other adjustments for non-cash items	305	219	1,225	(437)
Income taxes paid, net	(702)	(3,254)	(339)	(6,016)
Contributions to defined benefit plans	(11,958)	(799)	(13,474)	(3,228)
Cash flows from operating activities before changes in working capital items	22,024	26,858	84,169	79,124
Changes in working capital items				
Trade receivables	(14,739)	(12,859)	(20,575)	(16,265)
Inventories	(1,316)	3,607	(24,893)	(8,748)
Parts and supplies	(47)	(498)	(1,232)	(1,662)
Other current assets	(2,012)	(405)	(3,698)	840
Accounts payable and accrued liabilities and share-based compensation liabilities, current	9,480	7,363	(11,991)	(18,900)
Provisions	853	(202)	28	(1,513)
	(7,781)	(2,994)	(62,361)	(46,248)
Cash flows from operating activities	14,243	23,864	21,808	32,876
INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash acquired	(145,962)	(67,043)	(145,962)	(67,027)
Purchases of property, plant and equipment	(23,068)	(28,836)	(57,816)	(71,352)
Restricted cash ⁽¹⁾	—	71,785	—	—
Cash outflow from capital transactions with non-controlling interest in Capstone (Note 11)	(2,630)	—	(2,630)	—
Other investing activities	(281)	973	(636)	990
Cash flows from investing activities	(171,941)	(23,121)	(207,044)	(137,389)

⁽¹⁾ Restricted cash activity for the three months ended September 30, 2017 consists of cash transferred during the second quarter of 2017 into a third-party trust account as part of the Company's acquisition of Canadian Technical Tape Ltd. The funds were released from the trust account following the acquisition closing on July 1, 2017.

Intertape Polymer Group Inc.
Consolidated Cash Flows- Continued
Periods ended September 30,
(In thousands of US dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
FINANCING ACTIVITIES				
Proceeds from borrowings	206,113	63,966	679,828	217,443
Repayment of borrowings	(38,051)	(38,242)	(454,000)	(79,531)
Payments of debt issue costs	(143)	—	(2,761)	—
Interest paid	(3,542)	(1,955)	(8,071)	(4,554)
Proceeds from exercise of stock options	—	—	163	1,362
Repurchases of common shares	—	(6,437)	—	(6,437)
Dividends paid	(8,214)	(8,150)	(24,687)	(24,831)
Other financing activities	182	124	182	(514)
Cash flows from financing activities	156,345	9,306	190,654	102,938
Net (decrease) increase in cash	(1,353)	10,049	5,418	(1,575)
Effect of foreign exchange differences on cash	60	10	(1,874)	1,403
Cash, beginning of period	13,930	10,725	9,093	20,956
Cash, end of period	12,637	20,784	12,637	20,784

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Intertape Polymer Group Inc.
Consolidated Balance Sheets
As of
(In thousands of US dollars)

	September 30, 2018 (Unaudited) \$	December 31, 2017 (Audited) \$
ASSETS		
Current assets		
Cash	12,637	9,093
Trade receivables	138,240	106,634
Inventories	161,416	128,233
Parts and supplies	19,805	18,571
Other current assets	20,510	16,188
	352,608	278,719
Property, plant and equipment	345,592	313,520
Goodwill (Note 11)	176,271	41,690
Intangible assets	43,485	47,318
Deferred tax assets (Note 5)	26,950	27,627
Other assets	12,407	6,998
Total assets	957,313	715,872
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	113,084	104,812
Share-based compensation liabilities, current (Note 9)	5,711	10,265
Call option redemption liability (Note 10)	11,203	12,725
Provisions, current	1,193	657
Borrowings, current (Note 8)	13,639	14,979
	144,830	143,438
Borrowings, non-current (Note 8)	487,956	264,484
Pension, post-retirement and other long-term employee benefits	17,738	29,298
Share-based compensation liabilities, non-current (Note 9)	3,292	4,984
Non-controlling interest put options (Note 10)	10,124	—
Deferred tax liabilities (Note 5)	23,204	13,769
Provisions, non-current	2,692	3,221
Other liabilities	3,716	1,956
Total liabilities	693,552	461,150
EQUITY		
Capital stock (Note 9)	350,977	350,759
Contributed surplus	17,417	17,530
Deficit	(104,171)	(106,687)
Accumulated other comprehensive loss	(16,969)	(13,469)
Total equity attributable to Company shareholders	247,254	248,133
Non-controlling interests	16,507	6,589
Total equity	263,761	254,722
Total liabilities and equity	957,313	715,872

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Intertape Polymer Group Inc.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

September 30, 2018

(In US dollars, tabular amounts in thousands, except per share data and as otherwise noted)

(Unaudited)

1 - GENERAL BUSINESS DESCRIPTION

Intertape Polymer Group Inc. (the “Parent Company”), incorporated under the Canada Business Corporations Act, has its principal administrative offices in Montreal, Québec, Canada and in Sarasota, Florida, U.S.A. The address of the Parent Company’s registered office is 800 Place Victoria, Suite 3700, Montreal, Québec H4Z 1E9, c/o Fasken Martineau DuMoulin LLP. The Parent Company’s common shares are listed on the Toronto Stock Exchange (“TSX”) in Canada.

The Parent Company and its subsidiaries (together referred to as the “Company”) develop, manufacture and sell a variety of paper and film based pressure sensitive and water activated tapes, polyethylene and specialized polyolefin films, protective packaging, woven coated fabrics and complementary packaging systems for industrial and retail use. Intertape Polymer Group Inc. is the Company’s ultimate parent.

2 - ACCOUNTING POLICIES

Basis of Presentation and Statement of Compliance

The unaudited interim condensed consolidated financial statements (“financial statements”) present the Company’s consolidated balance sheets as of September 30, 2018 and December 31, 2017, as well as its consolidated earnings, comprehensive income and cash flows for the three and nine months ended September 30, 2018 and 2017 and the changes in equity for the nine months ended September 30, 2018 and 2017.

These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting and are expressed in United States (“US”) dollars. Accordingly, certain information and footnote disclosures normally included in annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed. These financial statements use the same accounting policies, except for the adoption of the new standards described below, and use the same methods of computation as compared with the Company’s most recent annual audited consolidated financial statements, except for (i) the estimate of the provision for income taxes, which is determined in these financial statements using the estimated weighted average annual effective income tax rate applied to the earnings before income tax expense of the interim period, which may have to be adjusted in a subsequent interim period of the financial year if the estimate of the annual income tax rate changes, and (ii) the re-measurement of the defined benefit liability, which is required at year-end and if triggered by plan amendment or settlement during interim periods.

These financial statements reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the results for these interim periods. These adjustments are of a normal recurring nature.

These financial statements were authorized for issuance by the Company’s Board of Directors on November 7, 2018.

Critical Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Significant changes in the underlying assumptions could result in significant changes to these estimates.

Consequently, management reviews these estimates on a regular basis. Revisions