CORPORATE PARTICIPANTS

Greg Yull
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Michael Dumais
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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Intertape Polymer Group's Fourth Quarter 2015 Results Shareholder's Conference call. During the call, all participants will be in a listen-only mode. Afterwards, we will conduct a question and answer session. In order to maximize the efficiency of this event, the question period will be open to financial professionals only. At that time, those with questions should press star followed by the number one on their telephone keypad. If at any time during the conference you need to reach an operator, please press star followed by zero.

Your speakers for today are Greg Yull, CEO, and Jeff Crystal, CFO.

I would like to caution all participants that in response to your questions and in our prepared remarks today, we will be making forward-looking statements which reflect management's beliefs and assumptions regarding future events based on information available today. The company undertakes no duty to update this information, including its earnings outlook, even though its situation may change in the future. You are therefore cautioned to not place undue reliance on these forward-looking statements as they are not a guarantee of future performance and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expected. I encourage you to review the discussion of the risks factors and uncertainties contained in the company's security filings in Canada and with the Securities and Exchange Commission.

During this call, we will also be referring to certain non-GAAP financial measures as defined under the SEC rules, including adjusted EBITDA, adjusted net earnings, and adjusted net earnings per share. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures is available at our website at www.intertapepolymer.com and are included in its filings, including the MD&A filed today.

I would like to remind everyone that this conference is being recorded today, Thursday, March 10, 2016, at 10:00 a.m. Eastern Time and will now turn the call over to Greg Yull. Mr. Yull, please go ahead, sir.

Greg Yull, Chief Executive Officer

Thank you, operator, and good morning, everyone. Welcome to Intertape's 2015 fourth quarter and full-year results conference call. Joining me is Jeff Crystal, our CFO. After our comments, Jeff and I will be happy to answer any questions you may have. During the call we will make reference to our earnings presentation that you can download from the Investor Relations section of our website.

I will begin with a brief review of the highlights for the quarter, starting on page three of our presentation. When compared with Q4 2014, revenue decreased by 2.5 percent to $195.7 million. The decrease was in large part related to an estimate of lost sales of approximately $9 million resulting from the South Carolina flood. Gross margin increased to 23.4 percent from 18 percent when compared to Q4 2014. The increase was due to an increase in the spread between selling prices and lower raw material cost and a significant improvement in our manufacturing performance, partially offset by an estimate of approximately $3 million of lost gross profit and additional costs related to the South Carolina flood. As you may recall, we had experienced some isolated manufacturing issues in Q4 2014, whereas not only did we not experience those same issues in Q4 2015, our plant generally ran even better than expected in the quarter. Adjusted EBITDA increased by 19.1 percent to $24.6 million and was in line with our Q3 guidance.

On page four of the presentation we provide a brief review of the highlights for our full year 2015. For the year as a whole, revenue decreased by 3.8 percent to

$781.9 million, mainly due to a decrease in average selling price, including a significant impact of an unfavourable product mix, the decrease in average selling prices overall mainly driven by lower petroleum based raw material costs experienced in 2015. Examples of significant factors causing the unfavourable product mix were increases in sales of lower-priced carton-sealing tapes and reduction in volumes of higher-priced tape and woven products that were being sold into the oil and gas industry. Despite the decrease in revenue and slight decrease in adjusted EBITDA, we were able to increase our cash flows from operating activities to $102.3 million from $86.9 million in 2014 and increased our free cash flow to $68 million from $46.3 million last year.

Turning to page five, CapEx in 2015 was $34.3 million, of which $7.9 million was related to the South Carolina project, bringing the total South Carolina project CapEx to $56.8 million since inception. We expect total CapEx related to this project to reach $60 million with the increase being driven by additional commissioning costs for the masking tape production transfer. For 2016, in line with our previous guidance, we expect CapEx to be in the range of $55 million to $65 million, of which $8 million to $12 million is expected to be used to support maintenance needs.

Turning to page six, over the past few years, water-activated tapes has represented an area of growth for the company. We currently produce water-activated tapes at our manufacturing facility in Menasha, Wisconsin and we'll construct a new facility in Cabarrus County, North Carolina using existing technology in order to optimize service levels to our customers and supply chain logistics at both plants. The total CapEx project is estimated at approximately $44 million to $49 million, of which $4.2 million was spent in 2015 and is applied to the project and approximately $31 million to $36 million will be spent in 2016. Additional CapEx to be spent in 2016 includes the previously announced and ongoing capacity expansion in our Portugal shrink film operation for $5 million and a new product offering expansion project related to specialty tape for $4 million. We believe these CapEx initiatives are in line with our strategy to leverage world-class assets with a minimal environmental footprint to produce high-quality products in growing areas of our product portfolio and are expected to yield an after-tax internal rate of return greater than 15 percent.

Turning to page seven, total manufacturing cost reductions were $11 million in 2015 and we expect further cost reductions for 2016 of between $8 million to $11 million, excluding any cost savings related to the South Carolina project.

Now on page eight, we acquired TaraTape in November for a purchase price of $11 million and expect the 2016 contribution to be approximately $20 million in revenue with an EBITDA margin of slightly below 10 percent without synergies. However, we expect to realize synergies in 2016 and to reach a total of between $2 million to $4 million in synergies by the end of 2017. We also acquired Better Packages in April for a purchase price of $15.9 million. Annualized revenues for this acquisition are expected to be approximately $18 million with an EBITDA margin of over 15 percent in 2016. We believe that these acquisitions are an indication of our commitment to create further value for our shareholders through M&A and we continue to work through an active M&A pipeline.

As we have stated in the past, our capital deployment strategy is intended to maximize shareholder value through a balanced approach between investing in organic and inorganic cost savings and growth initiatives, as well as returning capital to our shareholders. As such, we have deployed significant amounts of capital through our NCIB and dividend policy. In 2015 we purchased approximately 2.5 million shares for a total purchase price of $30 million. As of March 9, 2016 we repurchased approximately 147,000 shares in 2016 for a total purchase price of $1.7 million. As previously indicated, we intend to be opportunistic in executing any share repurchase under our NCIB. In addition, we paid a total of almost $30 million in dividends in 2015, a 23 percent increase compared to the prior year. Since reinstating our dividend policy in August 2012 we have paid a total of $73 million. On March 31, 2016 we will pay a quarterly dividend of $0.13 per share to shareholders of record on March 21, 2016.

At this point I'll turn the call over to Jeff, who will provide you with additional insight into the financials. Jeff?

Jeff Crystal, Chief Financial Officer

Thank you, Greg.

I would now like to refer you to page nine of the presentation. Revenue totalled $195.7 million for the fourth quarter of 2015, a $5.1 million or a 2.5 percent decrease from $200.8 million for the same period in 2014. The decrease was due to a decrease in average selling price, including the impact of unfavourable product mix, both of which were in large part related to an estimated $9 million of lost sales resulting from the South Carolina flood. An unfavourable foreign exchange impact of $2.8 million added to the reduction in revenue. The decrease in revenue was partially offset by additional revenue of $8.6 million from the Better Packages and TaraTape acquisitions. Revenue in the fourth quarter of 2015 also decreased sequentially by $5 million, or 2.5 percent, from $200.6 million in the third quarter of 2015. The change was primarily due to a decrease in sales volume and average selling price, including the impact of unfavourable product mix, where again both of which were impacted by lost sales resulting from the South Carolina flood. These unfavourable impacts were partially offset by a decrease in the South Carolina commissioning revenue reduction and additional revenue from the TaraTape and Better Packages acquisitions.

Turning to page ten, gross profit totalled $45.8 million in the fourth quarter of 2015, an increase of 26.4 percent from $36.2 million a year ago. Gross margin was 23.4 percent in the fourth quarter of 2015 and 18 percent in the fourth quarter of 2014. Gross margin increased in the fourth quarter of 2015 primarily due to an increase in spread between selling prices and lower raw material costs, a significant improvement in manufacturing performance, the reversal of a 2010 impairment for manufacturing equipment of $2.7 million, and the favourable impact of the company's manufacturing cost reduction programs. These favourable impacts were partially offset by an unfavourable product mix, the decision to change manufacturing locations of certain products to meet customers' demand, and the impact of the South Carolina flood. On a sequential basis, gross margin increased from 21.3 percent in the third quarter of 2015, primarily due to an increase in manufacturing efficiency, including the operational improvements realized in the Blythewood, South Carolina facility; the reversal of 2010 impairment for manufacturing equipment of $2.7 million; and an increase in the spread between selling prices and raw material costs, all that partially offset by an unfavourable product mix and the impact of the South Carolina flood.

SG&A was $25.8 million for the fourth quarter of 2015, an increase of 10.8 percent from $23.3 million a year ago, primarily due to the full-year impact of certain variable compensation expenses within the fourth quarter of 2015 and the Better Packages and TaraTape acquisitions. On a sequential basis, when compared with the third quarter, SG&A increased 43.7 percent, primarily due to the full-year impact of certain variable compensation expenses and an increase in stock based compensation mainly related to an increase in SAR expense in the fourth quarter of 2015, partially offset by the gain on disposal of the company's former executive headquarters in Bradenton, Florida recognized in the third quarter of 2015.

As indicated on page 13 of the presentation, adjusted EBITDA totalled $24.6 million for the fourth quarter of 2015, a 19.1 percent increase from $20.6 million in the fourth quarter of 2014, primarily due to an increase in gross profit, partially offset by the previously mentioned increase in variable compensation expense. On page 15, adjusted EBITDA decreased sequentially by 8.4 percent from $26.8 million in the third quarter of 2015, primarily due to the increase in variable compensation expense, partially offset by an increase in gross profit.

Adjusted net earnings increased to $18.9 million for the fourth quarter of 2015 from $11.9 million in the fourth quarter of 2014. The $7 million increase was primarily due to the recognition of previously derecognized Canadian deferred tax assets and an increase in gross profit, partially offset by the increase in variable compensation expense. The recognition of the previously derecognized Canadian deferred tax assets was required as a result of the increase in the likelihood that our Canadian operating entity will generate taxable income in future years.

For the fourth quarter of 2015 the effective tax rate was a negative 34 percent, primarily due to the recognition of the previously derecognized Canadian deferred tax assets. It should be noted that the recognition of these deferred tax assets will have no impact on the effective tax rate in future periods.

As you will note on page 18, the company had cash and loan availability under its revolving credit facility of $182.3 million as of December 31, 2015 compared to $214.6 million as of December 31, 2014. Cash flows from operations increased in the fourth quarter of 2015 by $8.1 million to $41.9 million from $33.8 million in the fourth quarter of 2014, primarily due to an increase in gross profit. Free cash flow increased in the fourth quarter of 2015 by $6.5 million to $33.3 million from $26.8 million in the fourth quarter of 2014, also primarily due to an increase in gross profit. Net debt at December 31, 2015 was $135.2 million, an increase of $20.3 million compared to December 31, 2014. Our debt to trailing 12 month adjusted EBITDA ratio was 1.5 at December 31, 2015 compared to 1.2 at December 31, 2014.

Days sales outstanding was stable at 37 in the fourth quarter of 2015 compared to the fourth quarter of 2014. Trade receivables decreased $2.7 million to $78.5 million as of December 31, 2015 from $81.2 million as of December 31, 2014 primarily due to a decrease in the amount of revenue invoiced in the fourth quarter of 2015 partially offset by the additional revenue from the Better Packages and TaraTape acquisitions. Days inventory increased by 6.1 percent to 61 in the fourth quarter of

2015 compared to 58 in the fourth quarter of 2014. Inventories increased $3.8 million to $100.6 million as of December 31, 2015 from $96.8 million as of December 31, 2014, primarily due to the Better Packages and TaraTape acquisitions.

Greg will now provide further details on the South Carolina flood, the South Carolina project, and our outlook. Greg?

Greg Yull, Chief Executive Officer

Thanks, Jeff.

On page 19 we review the South Carolina flood. As previously announced, our Columbia facility was damaged by significant rainfall and subsequent severe flooding on October 4, 2015. The decision was made to shutdown the facility permanently. As many of you know, the planned shutdown of this facility was moved ahead by eight to nine months as we originally planning to shut down by the end of Q2 2016. The acceleration of the Columbia shutdown required a lot of coordination to first ensure that our customers were being served to the best of our ability and, second, to ensure that we initiated efforts to accelerate the start-up of our masking tape production line in the Blythewood facility. We're very pleased with our team's efforts in addressing these objectives and feel that we have achieved a lot of success and minimized significant risk in both initiatives; however, despite this initial success, there are still challenges ahead in the accelerated ramp up of current masking tape production in Blythewood. The upcoming move of certain masking tape production temporarily moved to our Marysville, Michigan facility and the efforts to recover sales volume that was lost as a result of the flood. As such, we are sticking with our last guidance on the realization of the full South Carolina project savings of approximately $13 million by the beginning of 2017.

In the fourth quarter of 2015 we recorded a $6.5 million charge for manufacturing facility closures, restructuring, and other related charge primarily related to damage to real and personal property, subsequent cleanup, and idle facility costs. Partially offsetting the charges were $5 million in initial insurance settlement claim proceeds received in 2015. In addition to the flood-related cost recorded in manufacturing facility closures, restructuring and other related charges, our sales, gross profit, and adjusted EBITDA in the fourth quarter were negatively impacted by the flood. We estimate that we lost $9 million of sales of masking tape and stencil products and that the gross profit on these lost sales plus incremental operating costs associated with alternative manufacturing sources had an estimated $3 million negative impact on both gross profit and adjusted EBITDA in the quarter. The company believes it has sufficient property and business interruption insurance coverage and expects the losses will substantially be covered by those insurance policies with the latter covered until anniversary date of the flood in October 2016.

On page 20, we now present an update on the South Carolina project. As expected, the Blythewood, South Carolina facility's duct tape production efficiently continued to improve throughout the fourth quarter of 2015 and is currently close to reaching targeted performance levels. The remaining inefficiencies are not very significant from a dollar impact perspective, so we are now realizing the majority of the savings related to the duct tape production line. We continue to work through the remaining improvements and believe that the remaining inefficiencies should be eliminated in the short term. In the fourth quarter of 2015 we began limited production and sales of masking tape from the Blythewood facility and the full transfer of masking tape production is still expected to be completed in the first half of 2016. We now consider that the commercialization of the masking tape products being produced in the Blythewood facility is complete and therefore we must continue to focus on the ramp up in production efficiencies as well as the transfer of certain masking tape production from the Marysville, Michigan facility.

The impact of the South Carolina project, including both production ramp up inefficiencies net of cost savings and including duplicate overhead cost, resulted in a net negative impact of less than $100,000 and $6.2 million on gross profit and adjusted EBITDA for the fourth quarter and the year respectively. This was in line with management's expectation that manufacturing inefficiencies on duct tape production in Blythewood would improve in the second half of 2015 but still end of year offsetting cost savings realized. As I previously stated, the company's expectation of cost savings from the South Carolina project remain unchanged, as management still expect that all ramp up inefficiencies will be resolved by the end of 2016, thereby resulting in the expected $13 million annual cost savings being realized by the beginning of 2017. We also reiterate that we expect the South Carolina project is expected to have a net positive impact on both gross profit and adjusted EBITDA in 2016, which will represent a significant improvement to our results when compared to the net negative impact it had in 2015. In order to provide our stakeholders with more insight into what we've accomplished on this project, we are planning to hold an Investor Day at our new Blythewood facility on June 20th and June 21st. We still need to work on logistical details and we will keep you posted.

Moving on to page 20, we have our outlook for 2016. The company expects gross margin for 2016 to be between 22 percent and 24 percent and to reach the upper end of this range by the fourth quarter. Adjusted EBITDA is expected to be between $117 million to $123 million excluding the impact of the South Carolina flood. While South Carolina flood costs and lost sales are expected to be substantially offset by insurance proceeds, the timing of the recovery of the insurance proceeds is uncertain. As mentioned before, manufacturing cost reductions for 2016 are expected to be between $8 million to $11 million, excluding any cost savings related to the South Carolina project, and total capital expenditures for 2016 are expected to be between $55 million and $65 million. We still expect a 25 percent to 30 percent effective tax rate for 2016. Cash taxes paid in 2016 are expected to be approximately half of the 2016 income tax expense. In regards to our Q1 2016 results, revenue in the first quarter is expected to be similar to the first quarter of 2015. Gross margin and adjusted EBITDA are expected to be greater than the first quarter of 2015.

In conclusion, we are very happy with the performance of our business in the fourth quarter of 2015 despite the headwinds caused by the South Carolina flood and we look forward to 2016. We remain committed to increasing value for our shareholders through our organic and inorganic activities. It is because of this commitment that we have been investing in new resources and processes to support the various projects that are ongoing and planned. In the past year we have brought significant talent into the company and have a wealth of experience in the successful execution of large-scale CapEx projects as well as M&A integration. We are very confident that with the team we have we will execute successfully on these initiatives.

This completes my presentation. At this point Jeff and I are open to any questions. Operator?

QUESTION AND ANSWER SESSION

Operator

Thank you. Ladies and gentlemen, we will now conduct the question and answer period for analysts. If analysts would like to register a question, please press star followed by the number one on your telephone keypad. You will hear a two-tone prompt to acknowledge your request. If your question has been answered and you would like to withdraw your registration, please press pound on your telephone keypad. If you are using a speakerphone, please lift your handset before entering your request. One moment please for the first question.

Your first question comes from the line of Michael Dumais from Scotiabank. Please proceed with your question.

Michael Dumais, Scotiabank

Hi. Good morning, gentlemen. Congrats on the quarter. So just looking at your gross margins for Q4, if you adjust for the South Carolina flooding as well as the impairment reversal we get gross margins close to 23.5. Given the results, or given expected results the South Carolina project are expected to improve, how should we reconcile that 23.5 with your guidance of 22 to 24?

Jeff Crystal, Chief Financial Officer

Yeah, so certainly we had a good quarter on the gross margin side. Obviously, with our gross margin, some of the variables that we deal with there, obviously the product mix side, can have substantial impact on that. We certainly saw, despite the year over year seeing some deterioration overall, you know, it was a good quarter, so I'd say that there is certainly some element of that. And basically, as we said, in that quarter the other thing we saw was a significant improvement in our performance of our plants, so not only did we perform at the levels that expected versus in Q4 of 2014, we performed below the levels that we expected, we exceeded those expectations in fact in the quarter. So certainly you had that impact.

And then also the other thing is, as we've discussed, I mean, certainly we have been improving on the duct tape line in the Blythewood facility but there will still be some inefficiencies we may end up having roll through our P&L in the first half or even into the second half of 2016 related to the masking tape production. So there's a few variables at play that could certainly play into that normalization of that number going forward.

Michael Dumais, Scotiabank

Okay. And I missed some of those comments, just for the masking tape in particular, could you provide the timelines again in terms of reaching full production and how those inefficiencies sort of play out through the year?

Greg Yull, Chief Executive Officer

So we expect to have all masking tape moved to Blythewood at the end of the first half of 2016. We expect all production inefficiencies to be resolved at the end of 2016. So we expect to be on our run rate in the beginning of 2017 for the $13 million annualized savings. So that gives you kind of the lay of the land of where we expect to be.

Michael Dumais, Scotiabank

Okay. That's perfectly clear, I just missed it. Thanks. For the SG&A, if you exclude the 2.3 variable comp it still seems a little high at 23.5. Anything else in that number? And what would be a fair run rate going forward into 2016? I know you made a couple of acquisitions so I'm just trying to put the whole thing together.

Jeff Crystal, Chief Financial Officer

Yeah, I mean you've certainly got the acquisitions rolling in there, I mean you have two months of TaraTape that rolled into there, you have the full quarter of Better Packages, so that you could certainly assume as a run rate level. As we said, the other things impacting SG&A, you had an impact on the stock based comp hitting there and, as we've explained in the past, we have some variability there that's unpredictable given that the stock based appreciation rights are mark to market essentially every quarter, so depending on where our stock price goes you will see some variability there. We also discussed, I believe, in our MD&A we talked about some additional resources and we mentioned here at the end regarding resources we brought in to support the growth in the project for the business. So there was some impact of that in the quarter, although smaller than those other items that I mentioned. So certainly, I mean, you know, the fourth quarter was impacted significantly with the variable comp expense hitting, a full-year effect hitting in the quarter, so to run rate, I mean the best thing is to sort of look at the full year, although you've probably got to add in a little bit for the acquisitions at the end of the year.

Michael Dumais, Scotiabank

Okay, fair enough. Thanks. And I'll wrap it up with one last question. Looks like you're planning to invest in excess of $65 million over the course of the next two years on growth projects, so on the cost side you typically provided us with annual amounts of manufacturing cost reductions and then it helps sort of set our numbers. Given the increased amount of capital allocated towards growth, how should we think of growth going forward? I mean starting in 2017 how does that top line at least change directionally?

Greg Yull, Chief Executive Officer

I think with some of the initiatives on the growth side, leaving a stable AFP(sp.) environment, you know, those projects are going to be obviously above a normalized kind of GDP level. All I would say on that just from, ah, leaving aside the revenue part but just the margin pick up, you know, all of those projects are going to be north of 15 percent after tax. But it's hard to profile the amount of moving parts within all those areas what the revenue growth would be.

Michael Dumais, Scotiabank

Okay. All right, maybe we'll get back to it some other time. Thanks a lot. Appreciate it.

Operator

Our next question comes from the line of Ben Holton from RBC Capital Markets. Please proceed with your question.

Ben Holton, RBC Capital Markets

Thanks for taking my question, guys. Maybe just moving back to Blythewood here for a minute, is it reasonable to assume that we should shift from net operational inefficiencies to a net positive position in Q1? Or will the efficiencies move higher as masking tape ramps and still kind of result in a net negative position there?

Jeff Crystal, Chief Financial Officer

Yeah, I mean at this point certainly we are going to see inefficiencies on the masking tape side and we haven't given guidance on the first quarter with regard to how that's going to look but, like we said, we're close to reaching the targeted level of savings on the duct side, which, as we've said in the past, is somewhere near half of the savings that we've announced for the whole project. So if you just sort of run rate that and then take off some inefficiencies I mean, you know, we should be positive. We certainly should be positive.

Ben Holton, RBC Capital Markets

Great. That's helpful. Sticking with Q1, I guess, thinking about revenue there, obviously not (inaudible) growth year on year. Is that due to customer destocking in Q1 again as we've seen polyethylene prices come off or is that more of a ramp up of commissioning costs related to masking tape?

Greg Yull, Chief Executive Officer

Well, just as it relates to our order of input rates compared to last year, I mean we're fairly flat to up in units. We are seeing some decline from a year over year basis of selling price reductions. But we really haven't seen, you know, nowhere near the magnitude, and really we didn't even notice a de-inventorying, if you will, during the quarter so far. So it's been fairly smooth and steady as it relates to demand picture, especially related to those plastic products where, you know, you see a drop in polyethylene, and polyethylene is probably going to drop even further here, but it's been fairly stable.

Jeff Crystal, Chief Financial Officer

And the other thing, Ben, you mentioned that commissioning, so yes, in our numbers for Q1 we are expecting to see some commissioning entries related to the masking tape line, so you certainly will have a reduction in revenue related to that, which you did not have in Q1 of 2015.

Ben Holton, RBC Capital Markets

And that presumably offsets the additions year on year from M&A?

Jeff Crystal, Chief Financial Officer

Yeah. I'm not sure the exact amount, we haven't disclosed the amount, but it will definitely offset some of it, if not all.

Ben Holton, RBC Capital Markets

Right. No, that's fair. Looking at the water-activated tape expansion, are you expecting this added capacity to be filled through market growth or market share gains? And I'm sure it's probably somewhere in between there but what gives you the confidence that you'll indeed be able to gain share and fill that plant, as I imagine the incumbents won't want to just give that volume to you?

Greg Yull, Chief Executive Officer

Yeah, we've seen a pretty significant growth in that area over the past five years where, you know, driven by a number of things, certainly e-commerce, certainly recycled content and boxes, we've seen growth in that area, and we believe that we will fill that plant up through growth, not through share gain. And the only thing I would say on share gain is the share gain might just be share gain of water-activated tape versus pressure-sensitive tape.

Ben Holton, RBC Capital Markets

Okay, in a shift of customer usage there?

Greg Yull, Chief Executive Officer

Yes. And I think it's also really important to state that when we look at that plant, you know, we analyzed building new capacity and putting it in our existing plant in Wisconsin.

That facility is pretty much landlocked and full and our evaluation of putting capacity there was too risky just as it relates to potential interruption to existing production, and then the technology that we're utilizing in our North Carolina facility is a technology that we've been utilizing as a company for the past 50 years.

Ben Holton, RBC Capital Markets

So definitely a lower-risk implementation there?

Greg Yull, Chief Executive Officer

Yes.

Ben Holton, RBC Capital Markets

Great. I'll pass the line. Thanks.

Operator

Again, if analysts would like to register a question, please press star then the number one on your telephone keypad.

Our next question comes from the line of Ben Jekic from GMP Securities. Please proceed with your question.

Ben Jekic, GMP Securities

Good morning. I have one quick question with regards to the commissioning costs around the masking tape production. Can you elaborate a little bit more about that and how that's going to evolve through 2016 for us who are kind of returnees to the story?

Jeff Crystal, Chief Financial Officer

Sure. So the way it basically works is two-fold. So one is there's certain amount of inefficiencies related to the commissioning of the line for the masking tape product that we can capitalize. So those will end up—that's why we've announced that the total CapEx for the project will be going up. So we are required to capitalize a certain portion of that. And then on top of that, as a result of us deeming the process to be commissioning, any sales that we have related to that line or to that commissioning process we actually have to back out of our reported revenue and we actually have to back out also the associated cost of sales. So essentially you end up backing out the gross profit related to those sales coming out of the commissioning process and that all gets offset against the capital expenditures capitalized for the project. The only thing to note is that the gross profit that typically gets backed out is not very significant given that the margin profile of sales that are produced out of the commissioning process tend to be very low given that it's an initiation process, so in fact it really doesn't impact your gross profit dollars very much, but you do see sometimes a larger impact on the sales line. So, for example, like you saw in our revenue bridge on the ninth slide there for the year, you know, we had $11 million top line reduction due to the duct tape commissioning revenue that was backed out, but really from a gross profit perspective, that was very small. Is that clear?

Ben Jekic, GMP Securities

Absolutely, yes. Thank you.

Operator

Mr. Yull, there are no further questions at this time. I will now turn the call back to you. Please continue with your presentation or closing remarks.

Greg Yull, Chief Executive Officer

Thank you. I'd like to thank everyone for participating in today's call. We look forward to speaking with you again following the release of our first quarter results in May. Have a great day. Thank you.

Operator

Please note that a replay of this call can be accessed as of 1:00 p.m. today Eastern Time at 1-800-585-8367 until 11:59 PM Eastern Time on April 10, 2016. Thank you. You may now disconnect your lines.
