CORPORATE PARTICIPANTS

Greg Yull
Chief Executive Officer

Jeff Crystal
Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Michael Dumais
Scotiabank

Ben Holton
RBC Capital Markets

Neil Linsdell
Industrial Alliance

Ben Jekic
GMP Securities

Gavin Fairweather
Cormark Securities

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Intertape Polymer Group's Third Quarter 2016 Results Shareholders 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, Friday, November 11, 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 2016 third quarter 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 quarterly 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 pages three and four of our presentation.

We reported another solid quarter with adjusted EBITDA of $27.2 million despite the negative impact of the South Carolina flood estimated at $6.9 million for the quarter. This equates to approximately $34.1 million when excluding the impact of the South Carolina flood. Results for the third quarter were in line with our guidance and we're very pleased with the performance of our operations as a whole. From a gross margin and profitability perspective, we're seeing manufacturing cost reduction initiatives having positive contribution to the overall performance of our manufacturing facilities combined with the benefits from an increase in spread between selling prices and raw material costs. Even with the significant negative impact of the South Carolina flood affecting our profitability, we managed to achieve an increase in gross margin to 21.7 percent from 21.3 percent last year. Revenue increased 3 percent to $206.6 million, primarily due to the non-recurrence of the South Carolina commissioning revenue reduction and additional revenue from the TaraTape acquisition, partially offset by a decrease in average selling prices including the impact of product mix. Adjusted net earnings increased $7 million to $19.9 million, primarily due to a decrease in income tax expense and an increase in gross profit partially offset by the increase in SG&A. Adjusted EBITDA increased 1.6 percent to $27.2 million, primarily due to an increase in gross profit partially offset by an increase in SG&A.

Outlined on pages seven and eight, as expected, our third quarter results continued to be impacted by the South Carolina flood. We estimate the negative impact on revenue to be approximately $9.9 million. This negative impact on revenue was higher than previous quarters due to a $3.1 million quality related masking tape product return that were attributed to the significant acceleration of the commercialization of certain masking tape products at our new Blythewood facility. These product returns were isolated to the production at the end of 2015 and in the first half of 2016 and are expected to be non-recurring. The negative impact on gross profit, adjusted EBITDA, and adjusted net earnings was estimated to be $7 million, $6.9 million, and $4.3 million respectively.

It has been a little over a year since the South Carolina flood occurred, resulting in the significant disruption to our business. In response, we had to focus significant time and effort on servicing our customers and restoring our operations, while at the same time expending considerable resources on the insurance claim process. We are very pleased to report that the insurance claim process has come to an end and we've reached a settlement with our insurers in October for $30 million, covering substantially all of the claim property and business interruption losses. As we've already received $10 million of insurance settlement proceeds to date, this settlement is expected to result in $19.5 million payments to the company and a significant positive impact on net earnings in the fourth quarter.

The Board of Directors declared a quarterly cash dividend of $0.14 per common share payable on December 30, 2016 to shareholders of record at the close of business on December 15, 2016.

With the objective of driving incremental operational synergies, we plan to close the Fairless Hills, Pennsylvania facility acquired in last year's TaraTape acquisition by the end of 2017 with production being transferred to our Carbondale, Illinois and Danville, Virginia manufacturing facilities. As a result of the closure we increased total synergies expected from this transaction to be between $4 million to $6 million of additional adjusted EBITDA from the previous range of between $2 million to $4 million. We are very pleased with our TaraTape integration efforts to date and we believe we've already realized close to $2 million in annualized synergies by the beginning of 2017, which represents more than double the EBITDA of TaraTape when originally purchased approximately one year ago.

On page nine, on September 16th we completed the acquisition of 74 percent interest in Powerband in India that was announced as signed on September 2nd. This acquisition was completed for a purchase price of $43.4 million subject to a post-closing working capital judgment that is expected to reduce the purchase price by approximately $1.4 million. As mentioned in our original announcement of this transaction, the Desai family will continue to hold 26 percent of Powerband and will be managing the day-to-day operations of the business. We are very pleased to have completed this acquisition as it will allow us to become a greater participant in the global market as well as provide access to a low-cost and high-growth jurisdiction. This acquisition is in line with our strategic growth plans outlined in June of 2016. Integration efforts are underway and proceeding well so far. In fact, we recently approved a plan to invest approximately $20 million to expand capacity at the Powerband facility as well as for the construction of an additional capacity at a greenfield facility in India. Our aim is for the greenfield facility to be operational in 2018.

Turning to page 10, capital expenditures in Q3 2016 and year to date were $12.5 million and $35.8 million respectively. Year to date, water-activated tape, shrink film, and speciality tape projects represented just over 35 percent of that total amount. At this point those projects are progressing well and are expected to be on time and on budget. For 2016 our CapEx outlook range remains between $55 million to $65 million, of which $8 million to $12 million is expected to be used for maintenance needs.

Turning to page 11, we outlined our manufacturing cost reductions for Q3 2016 and provide a forecast for all of 2016. The total was $2.5 million in the third quarter of 2016 and $8.5 million year to date and we expect total cost reductions for 2016 to be at the upper end of our target range between $8 million and $11 million for the year excluding any cost savings related to the South Carolina project.

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

Jeff Crystal, Chief Financial Officer

Thank you, Greg.

I would now like to refer you to page 12 of the presentation where we present a summary of our results for the third quarter of 2016.

Gross profit totalled $44.9 million in the third quarter of 2016, an increase of 4.8 percent from $42.8 million one year ago. Gross margin was 21.7 percent in third quarter of 2016 and 21.3 percent in the third quarter of 2015. Gross margin increased primarily due to the favourable impact of the company's manufacturing cost reduction programs and an increase in the spread between selling prices and raw material costs. These favourable impacts were partially offset by the negative impact of the South Carolina flood.

On a sequential basis, gross margin decreased from 25.7 percent in the second quarter of 2016, primarily due to the non-recurrence of the South Carolina flood insurance claims settlement proceeds received in the second quarter of 2016, an increase in the negative impact of the South Carolina flood, and higher manufacturing overhead related to planned annual maintenance shutdowns of certain manufacturing facilities.

SG&A was $27.3 million for the third quarter of 2016, a 52.5 percent increase from $17.9 million a year ago, primarily due to an increase in stock-based and variable compensation expenses and a provision for the settlement of an outstanding litigation. This litigation settlement is the primary driver of the 4 percent increase in SG&A when compared with the second quarter of 2016.

As indicated on page 15 of the presentation, adjusted EBITDA totalled $27.2 million for the third quarter of 2016, a 1.6 percent increase from $26.8 million in the third quarter 2015, primarily due to an increase in gross profit, partially offset by an increase in SG&A. The company estimates that its adjusted EBITDA for the third quarter 2016 was negatively impacted by the South Carolina flood by approximately $6.9 million.

On page 17, adjusted EBITDA decreased sequentially by 17.4 percent from $33 million in the second quarter of 2016, primarily due to a decrease in gross profit. Again, a big factor explaining this decrease was the significant impact of the South Carolina flood in the third quarter as compared to the positive impact in the second quarter.

Adjusted net earnings increased to $19.9 million for the third quarter of 2016 from $12.9 million in the third quarter of 2015. The $7 million increase was primarily due to a decrease in income tax expense and an increase in gross profit partially offset by an increase in SG&A. The company estimates that its adjusted net earnings for the third quarter of 2016 were negatively impacted by the South Carolina flood by approximately $4.3 million.

For the third quarter of 2016 the effective tax rate was 16.4 percent versus 28.6 percent in the third quarter of 2015. The decrease in the effective tax rate is primarily due to a change in the mix of earnings between jurisdictions and the income tax expense incurred during the third quarter of 2015 as a result of a decrease in the estimated future income tax deduction for equity settled share based compensation. Assuming there are no material changes to the company's expected geographic mix of earnings in the fourth quarter, the company still expects its effective tax rate for the full financial year of 2016 to be between 25 percent and 30 percent.

As you will note on page 20, cash flows from operating activities decreased in the third quarter of 2016 by $12.1 million to $21.7 million from $33.8 million in the third quarter of 2015 primarily due to an increase in inventory due to raw material purchases, including pre-buys and additional inventory resulting from the Powerband acquisition in September 2016 and an increase in U.S. federal income taxes paid in the third quarter of 2016. Free cash flows decreased in the third quarter of 2016 by $14 million to $9.2 million from $23.2 million in the third quarter of 2015, primarily due to a decrease in cash flow from operating activities.

Net debt at September 30, 2016 was $200.5 million, an increase of $65.3 million compared to December 31, 2015. A large portion of this increase is due to the Powerband acquisition in September 2016 for $43.4 million. Our debt trailing twelve months adjusted EBITDA ratio was 1.9 at September 30, 2016 compared 1.5 at December 31, 2015. As of September 30, 2016, the company had cash and loan availability under its revolving credit facility of $116.7 million. This compares with cash and loan availability of $182.3 million as of December 31, 2015.

Days inventory increased by 4.8 percent to 63 in the third quarter of 2016 compared to 60 in the third quarter of 2015. Inventory has increased $10.2 million to $110.8 million as of September 30, 2016 from $100.6 million as of the December 31, 2015. The increase was primarily due to an increase in raw material purchases, including pre-buys and additional inventory resulting from the Powerband acquisition. Days sales outstanding increased to 42 in the third quarter of 2016 compared to 41 in the third quarter of 2015. Trade receivables increased $14.9 million to $93.4 million as of September 30, 2016 from $78.5 million as of December 31, 2015 primarily due to an increase in the amount of revenue invoiced in the third quarter of 2016 as compared to the fourth quarter of 2015.

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

Greg Yull, Chief Executive Officer

Thanks, Jeff.

From page 21 we present an update from the impact of the South Carolina project. Duct tape production has continued to have a net positive impact on gross profit and adjusted EBITDA in the third quarter and year to date; however, in regards for masking tape production, we continue to work towards optimizing the production processes, reducing inefficiencies as well as eliminating certain quality issues that remain a challenge in one of our masking tape products. Consequently, masking tape production inefficiencies continue to largely offset the cost savings realized by the duct tape production resulting in a positive impact of only $0.5 million for the quarter. This represents a slight improvement compared to the second quarter but not where we wanted to be at this time. We still expect the cost savings to have a significant incremental net positive impact on gross profit and adjusted EBITDA on 2016 when compared to the negative impact experienced in 2015.

Furthermore, we believe that the annualized run rate of net savings will continue to increase in the fourth quarter of 2016 when compared to the third quarter. However, we no longer expect to achieve the approximately $13 million of annualised savings by the beginning of 2017. While we expect this project to yield a significant amount of savings, it is uncertain if and when we will realize that net savings approaching the estimated $13 million. We believe that future savings will be achieved incrementally over time as we work through the various issues causing the inefficiencies in the masking tape production process. At this time we do not expect a material amount of additional capital expenditures will be required to achieve further improvement. Despite the ongoing challenges facing this project, we strongly believe that we've made a significant leap in technology capability in terms of production efficiency, capacity, and environmental footprint, which will benefit our operations and competitive position in the long term. As such, we remain firmly committed to the project.

Moving on to page 22, we have our outlook for the remainder of 2016. We expect gross margin for 2016 to be between 23 percent and 24 percent excluding the impact of the South Carolina flood. Adjusted EBITDA is still expected to be in the $117 million to $123 million range excluding the impact of the South Carolina flood. As indicated before, manufacturing cost reductions for 2016 are expected to be closer to the upper end of the previously announced range of between $8 million to $11 million and total capital expenditures for 2016 are expected to be between $55 million and $65 million. We still expect a 25 percent to 35 percent effective tax rate for 2016 with cash taxes expected to be approximately half of the income tax expense in 2016. In terms of our fourth quarter 2016 results outlook, excluding the impact of the South Carolina flood we expect revenue, gross margin, and adjusted EBITDA in the fourth quarter of 2016 to be greater than in the fourth quarter of 2015.

In conclusion, we are looking forward to 2017 and are excited by the many catalysts of growth in both top- and bottom-line results that we're currently managing. We remain firmly focused on execution and on achieving our long-term strategic goals in growth and the creation of future shareholder value. This completes my presentation. At this point Jeff and I will open up to call for 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 with Scotiabank. Please proceed with your question.

Michael Dumais, Scotiabank

Good morning, gentlemen. So I want to start on the lost sales related to the South Carolina flood. Excluding what looked to be a one-time return of products a lot of sales seem to be at a similar level to previous quarters. You've made some comments in your MD&A about the acceleration of commercialization of masking tape and stencil products so I guess my question is at this point do you have the manufacturing capability to fulfill the lost orders?

Greg Yull, Chief Executive Officer

So, let's start with the easy part of it. On the stencil side, which is a portion of the lost sales, we started production again of that production line within the last 30 days, so that should ramp up as we move forward. We were basically out of capacity or production capabilities for that product line.

On the masking tape, we currently have one product line within the portfolio that we are not commercial on and we will continue to experience going into Q4 and going forward some declines there as we work on commercializing the product. We're diligently working on that as we sit here today and expect to have further progress as we move forward.

Michael Dumais, Scotiabank

Okay. Thanks, Greg. I don't know if you can break that $6 million down between stencil and masking tape or which one here is—

Greg Yull, Chief Executive Officer

It's pretty much half-half.

Michael Dumais, Scotiabank

Okay. Thanks for that. And also on the $19.5 million of expected insurance proceeds in Q4, how much of that is expected to flow through EBITDA? I think year to date, well actually LTM, you've missed $9.5 million on EBITDA or related to that, so did you expect that number to flow through EBITDA in Q4?

Jeff Crystal, Chief Financial Officer

It's hard to say at this point because what we're waiting for from our insurance company is the final kind of detail of the settlement, so split between our business interruption and our property.

So we've agreed on the actual amount but they still have to provide us the detail, which is part of the reason we couldn't even record that in our third quarter. So we expect once we have those details we'll understand that much better, but we certainly expect that a substantial portion of that or a significant portion of that will affect the EBITDA and hopefully will offset that impact. But, again, we don't know at this time.

Michael Dumais, Scotiabank

Okay, fair enough. Just turning to TaraTape, it looks like a great acquisition there. You've raised your synergy guidance to between $4 million and $6 million and I think you commented on an annualized number for 2016 but could you comment on how much you've realized in 2016 and the year-over-year impact of the synergies?

Greg Yull, Chief Executive Officer

Yeah, we've gotten close to that annualized figure.

Michael Dumais, Scotiabank

Okay. And just one last question: Turning to the planned investments on the greenfield facility near Powerband, could you comment further on the product line, the added capacity, and whether the ownership structure there is going to be similar to the acquisition?

Greg Yull, Chief Executive Officer

So the ownership is going to be similar to the acquisition. From a production perspective or product line perspective, I think we'll just leave it that we're installing capacity for tapes and leave it at that, for competitive reasons. But, again, we feel very positive that that's going to be a catalyst for us going forward and very happy with the acquisition and the integration to date in that company.

Michael Dumais, Scotiabank

Okay, perfect. Thanks for the colour, guys.

Operator

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

Ben Holton, RBC Capital Markets

Good morning, guys. When we think about the lost revenue and the negative impact on earnings because of the flood related items, looking forward how many more quarters do you think you'll be calling that kind of stuff out versus having solved for that?

Jeff Crystal, Chief Financial Officer

I think at this point, I mean we're certainly going to talk about it. I mean, as Greg mentioned, we are in the process of completing the production line for the commercialization of the stencil product, so we would expect to see some sales of that this quarter and ramping up through the beginning of next year. So that certainly should come down, hopefully significantly.

And then on the masking tape side, I think it's more a question at this point of ensuring that we have the commercialized product, that one masking tape product in Blythewood. So that's going to certainly depend on where we get to in Blythewood on that particular product. So we'll probably be talking about that in that context to some degree. But at this point I think that from a flood impact perspective, which is maybe what you're asking, at this point, as we've settled with the insurance company, there will no longer be, I guess, a recoverable amount as a result of the flood and therefore, you know, we'll talk about these and other contexts but not necessarily as a flood impact except for the insurance proceeds that we will record in the fourth quarter, which certainly we will call out.

Ben Holton, RBC Capital Markets

Would you also call out flood-related costs in Q4 or because you've lapped the year, you know, does that look different in Q4?

Jeff Crystal, Chief Financial Officer

In Q4, I mean, as I said, so what we'll continue to have some of these lost sales. The product line that we're talking about that's not been commercialized on Blythewood is being produced to a limited degree at our Marysville facility and so we are incurring some additional costs of manufacturing there, which is included in the flood impact that you have in Q3. So we'll continue to suffer that as well as those lost sales as long as we have not commercialized that product in Blythewood.

Ben Holton, RBC Capital Markets

Okay, that's helpful. Looking at the cost savings from Blythewood ex all of the flood related things, saw that increase quarter over quarter, it sounds like that will be the case in Q4. Should we look at this as steadily increasing over the next several quarters versus at some point seeing a step function higher in those cost savings?

Greg Yull, Chief Executive Officer

We expect on a go-forward basis every quarter show an incremental improvement. We don't expect huge leaps in the quarters and we think it's just a question of moving forward with a continuing cost position benefit. We have seen in the last 45 days some encouraging signs there, but we've got a long way to go, as you can see by the numbers.

Ben Holton, RBC Capital Markets

All right. And then thinking about the $20 million CapEx into India, can you give a better sense of the timing on this? I know you called out the end of 2018 for the greenfield to be up and running but when we think about the cadence of the spend through 2017 and 2018, can you provide any colour there?

Jeff Crystal, Chief Financial Officer

Most of it will be in 2017.

Ben Holton, RBC Capital Markets

All right, great. Thanks so much. I'll pass on.

Operator

Our next question comes from the Neil Linsdell with Industrial Alliance. Please proceed with your question.

Neil Linsdell, Industrial Alliance

Good morning, guys. Just to stick on that, the India greenfield, with all the investments you're putting into India do you have any idea of what the capacity is going to grow to eventually?

Greg Yull, Chief Executive Officer

No. No. We can't disclose that.

Neil Linsdell, Industrial Alliance

Okay. How about the customers that you're serving? Obviously these are the customers that Powerband has been serving historically but these are all new names to you guys?

Greg Yull, Chief Executive Officer

Most of the ones in North America that they service are customers we've had some kind of relationship with. And the other comment I would make is in the existing business right now, in the existing facility right now we're doing a capacity expansion in that facility right now and most of that capacity will go towards servicing existing customers with very similar product lines. They're full right now and we expect incremental capacity to be put on in that facility in mid-2017. And then, like we discussed, the greenfield should be operational in 2018.

Neil Linsdell, Industrial Alliance

Okay. And through the expansion of the existing operations, back of the envelope, I'm guessing you're getting better profitability out of these operations than out of your North American operations?

Greg Yull, Chief Executive Officer

No, I wouldn't say that.

Neil Linsdell, Industrial Alliance

No? Okay. And what about geographically? Are there any new regions that you're going to get a major toehold in or we could expect to see some significant growth out of this or potentially other acquisitions you've talked about going internationally?

Jeff Crystal, Chief Financial Officer

I mean in this acquisition, I mean this certainly does give us some additional exposure internationally because they do have a good portion of their business that goes outside of North America. So in Europe, Asia, South America, and so forth. So certainly we'd get some additional exposure there just through the acquisition. There are aggressive plans to grow that business in those jurisdictions, probably Europe being the biggest. And certainly we've talked about, just in general, our M&A process and sort of our vision for it and certainly, you know, we've talked about Asia, which clearly we've done now, and we've talked about Europe as well in addition to North America. So certainly we do expect to be a more global company as we move forward as part of our vision that we've discussed in June.

Neil Linsdell, Industrial Alliance

Okay. And just any kind of target or comfort levels on leverage ratios?

Jeff Crystal, Chief Financial Officer

We're basically are on the same as what we've said. I mean in the past we've said that we'd be comfortable operating between 2 and 2.5 on a normal basis. Certainly an acquisition, a larger acquisition or a series of larger acquisitions could take us higher than that, but that would be sort of around where we'd be most comfortable.

Neil Linsdell, Industrial Alliance

Okay, perfect. Thanks.

Operator

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

Ben Jekic, GMP Securities

Good morning. I have one question with regards to gross margin but I think it's kind of probably closely correlated to what you said to Ben. When is gross margin going to be sort of resembling your, you know, ex the flood charges, when is it going to start resembling that 23 percent to 24 percent range?

Jeff Crystal, Chief Financial Officer

I think in Q4 it will probably, you'll still certainly have some noise in there, because whatever portion of that $19.5 million we end up recording through gross profit will certainly boost that number up significantly. So I suspect Q4 posted gross margin will look on the high side. Then past that it's hard to say because, as we discussed, we believe that we'll be ramping up our sales in the stencil product line, partially this quarter into early next year, so certainly that should hopefully normalize at some point early next year. And then on the masking tape side, that's less certain but, again, I don't know how much that, I don't think that's a major impact to gross margin per se. So I would hope that a lot of this noise will be gone by early next year or at least the first half of next year.

Ben Jekic, GMP Securities

Okay. And then in terms of the company in India and their sales model, are they, I think Greg was mentioning they're dealing with similar customers that you have dealt within the past. Are they making sales directly to them or through distributors?

Greg Yull, Chief Executive Officer

Well, their model, they sell the same distributors as we currently have in North America. Is that your question? Or whether they're selling direct to end users?

Ben Jekic, GMP Securities

Both, I guess. Yeah.

Greg Yull, Chief Executive Officer

They primarily sell through distribution. So a similar model to ours. But they're typically a full container seller as opposed to our business model, it's a lot of picks, if you will, and a lot of turns on inventory, so you're not doing full containers of single product lines.

Ben Jekic, GMP Securities

Okay. That's it for me. Thank you.

Operator

Our next question comes from the line of Gavin Fairweather with Cormark. Please proceed with your question.

Gavin Fairweather, Cormark Securities

Hi there. Good morning. Just to start out, curious on the timing of the closure of the TaraTape plant.

Greg Yull, Chief Executive Officer

It will be shut by the end of this year.

Gavin Fairweather, Cormark Securities

Okay. And then secondly on M&A, it sounds like you guys certainly have a lot on your plate going on with Powerband and then South Carolina. Is it fair to say that your focus right now is more on integration operations or is there M&A opportunity still working the way through the system in the background?

Greg Yull, Chief Executive Officer

We're still very active in M&A, we're still managing our funnel, and we're still very focused on it.

Gavin Fairweather, Cormark Securities

Okay, great. And then just lastly, curious if you could provide any update on the North Carolina water-activated tape expansion?

Greg Yull, Chief Executive Officer

So we are on time, on budget there. We expect to be in production in late Q3, early Q4 in that facility of 2017.

Gavin Fairweather, Cormark Securities

Okay. That's it for me. Thank you.

Operator

Our next question comes from the line of Michael Dumais with Scotiabank. Please proceed with your question.

Michael Dumais, Scotiabank

Thanks for taking the question again. I want to make a general comment. So you have $80 million of planned investment that is expected to come online in 2018. Now that's a big number. It's close to 30 percent of your PP&E on your balance sheet. Meanwhile, consensus growth reflects 4 percent year-over-year growth in 2018. So I don't expect guidance but could you provide some general comments on sales growth starting in 2018?

Jeff Crystal, Chief Financial Officer

Well, as you say, I mean we certainly expect to get a lift from some of the projects coming on line. There is a lot coming on line, call, it in 2017. So, as you said, I can't give guidance at this point but I would say that we should see something about the average that we've been talking about in the past.

Michael Dumais, Scotiabank

Okay. Thanks.

Operator

Mr. Yull, there are no further questions at this time. I will now turn the call back to you for closing remarks.

Greg Yull, Chief Executive Officer

Thank you for participating in today's call. We look forward to speaking with you again following the release of our fourth quarter results in March. 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 1800-585-8367 until 11:59 p.m. Eastern Time on December 11, 2016. Thank you. You may now disconnect your lines.
