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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Intertape Polymer Group Q4 Earnings Conference Call and Webcast.

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 the 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 the 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.

An extensive list of these risks and uncertainties are identified in the Company's annual report on Form 20-F for the year ended December 31, 2019 and subsequent statements and factors contained in the Company's filings with the Canadian Securities Regulators and the US Securities and Exchange Commission.

During this call we may be referring to certain non-GAAP financial measures as defined under the SEC rules, including adjusted EBITDA, adjusted EBITDA margin, adjusted net earnings, adjusted earnings per share, secured net leverage ratio, total leverage ratio, and free cash flows. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures is available on our website at www.itape.com and are included in its filings, including the MD&A filed today.

Please also note that variance, ratio, and percentage changes referred to during this call are based on unrounded numbers and all dollar amounts are in US dollars unless otherwise noted.

I would like to remind everyone that this conference is being recorded today, March 13, 2020, at 10:00 a.m. Eastern Time.

I will now turn the call over to Greg Yull. Mr. Yull, please go ahead, sir.

Greg Yull, Chief Executive Officer

Thank you and good morning, everyone. Welcome to IPG's 2019 fourth quarter and year end conference call. Joining me is Jeff Crystal, our CFO.

During the call, we will make reference to our earnings presentation that you can download from the Investor Relations section of our website.

2019 was an important year, demonstrating the fundamentals of the business and proving out our plan. Revenue was up more than 10% and adjusted EBITDA grew even more, up 22% compared to 2018. As a result, both metrics met our guidance range.

With the completion of our strategic CapEx program in 2018, our free cash flow increased nearly 5x to $87 million in 2019. We prioritized debt repayment with those funds, which enabled us to drive our total leverage ratio below 3x to 2.9x. We are building a business positioned as a global leader in packaging and protective solutions.

As a GDP-plus growth business, the headlines that we're currently reading can generate uncertainty, but we are building a vehicle for sustainable long-term growth. Our world-class, low-cost asset base, the strength of our product bundle, our scale and differentiated approach to the customer, and our team provide us with an opportunity to compete as one of the market leaders in our space.

The capital investments, the acquisitions, and the improvement in our balance sheet that we have made over the course of the past three years demonstrate the long-term view we take when managing the business and they place us in a much stronger position to compete both offensively and defensively independent of the economic cycle.

This morning, we're announcing our outlook for 2020. Setting outlook ranges in the face of the current headlines is challenging, but we have established these metrics with the best data available today. We will adjust these ranges through the year, as necessary, if the dynamics change. The impact of the coronavirus is not showing up in our results to date in the first quarter, as we are still seeing normal order patterns and supply chains have not been significantly disrupted. However, we've set these ranges anticipating the potential unfavourable impact of COVID-19 through the remainder of the year.

We anticipate revenue in 2020 to be between $1.135 billion and $1.2 billion, representing essentially flat growth at the midpoint of the range. We anticipate adjusted EBITDA in 2020 to be between $160 million and $185 million. We have broadened the range to reflect the aforementioned comments on coronavirus. The midpoint of the range represents flat growth. We expect adjusted EBITDA to be proportionately higher in the second, third, and fourth quarters of the year due to the effects of normal seasonality.

In order to assist you in shaping the curve of your adjusted EBITDA through the course of 2020, we expect it to be lower in the first quarter of 2020 compared to the first quarter of 2019 based on data through today, due mainly to the timing of facility downtime and inventory planning initiatives, and then see it build progressively through the subsequent periods to achieve the range announced this morning.

Starting today, we are expanding our outlook to include free cash flow. In 2020 we expect free cash flow of between $90 million to $110 million, representing growth of more than 15% at the midpoint of the range. This range also reflects the uncertainty in the effects of COVID-19. As usual, we expect the normal seasonality of the business to show negative free cash flow in the first quarter and increased progressively through the course of the year.

As it relates to the coronavirus, we're monitoring how it could impact both our supply chain and demand. It is a very fluid situation, but here's what we know: We do not source raw materials from China nor sell finished goods into China that would be material in nature. As a result, we haven't seen any significant effects on the business at this point. Some market watchers believe the virus could reduce foot traffic at traditional brick-and-mortar retail and instead shift demand to e-commerce channels. We are starting to see some indications of this increased demand from e-commerce customers, so this could be a tailwind for us through this tough time. Speaking frankly, our preference is that the virus is contained.

Stepping back from the virus but staying with e-commerce, it is one of our key markets that is delivering growth. We have invested in our capacity on the front with the two water-activated tape lines in Midland, North Carolina manufacturing facility. We've expanded our product bundle that targets e-commerce with the Polyair acquisition in 2018. We have a comprehensive bundle of products that target e-commerce and it expands and evolves with new packaging, whether that is shrink wrap for ship-in-your-own-container programs, protective mailers, or on-site packaging systems. We intend to expand with our e-commerce customers as they grow with increased penetration in markets around the world and we are positioning the business to ensure that we can effectively serve those customers with the right products and meet their packaging needs.

E-commerce retailers and their end customers are increasingly conscious of the impact their choices have on the environment. Last month we outlined a series of sustainability measures we have taken at IPG to enhance our product offering, operations, and supply chain management. We believe this program is so fundamental to the e-commerce market, not to mention our other markets, that we have updated our corporate strategy to include sustainability as one of our four pillars. We believe that packaging and protective solutions providers that embrace sustainability and offer viable sustainable alternatives that deliver both value and performance can expect to experience outsized growth in this important market.

And we're taking steps to be at the front of this market change. Our water-activated tape achieved Cradle to Cradle Certification. This is a global program with recognized protocols for environmental and social performance. We also certified our water-activated non-reinforced tape as the first recyclable carton sealing tape to have passed the Western Michigan Old Corrugated Cardboard Equivalency Test. This test is recognized by the Fiber Box Association as the standard and the association represents 95% of the corrugators in the US.

Those are offerings that are in the market today. We are also actively launching new products that deliver meaningful benefits on recyclability and waste reduction. In November we announced the launch of the Curby family of products. This offering is produced with sustainably-sourced materials and designed to securely ship products and then be curbside recyclable. One of the most exciting products from this line will be a new paper-based protective mailer designed to replace plastic bubble mailers and combination paper and plastic bubble mailers that are universally used today but not curbside recyclable.

As part of these initiatives and our broader sustainability strategy, we are collaborating with William McDonough of McDonough Innovation. Bill is the thought leader in the space and one of the principles behind the circular economy. His insight and network will be invaluable in helping us with product design and strengthening our customer relationships and visibility as a leader in sustainable products and operations. These are initiatives that directly address both growth in the e-commerce market as well as our broader markets.

Last month, we announced the acquisition of Nortech Packaging. Nortech manufactures, assembles, and services automated packaging machines under the Nortech and Tishma brands. This is an example of a strategic acquisition that expands our product bundle with a new product offering and vertically integrates our offering to the customer. As distributors and e-commerce retailers increasingly utilize automation to streamline their operation, Nortech possesses the engineering, design, and manufacturing capabilities that enable us to offer a comprehensive solution to customers in their packaging facilities and distribution centres.

This acquisition positions us to both install Nortech machinery and then supply IPG consumable products such as tape, film, and protective packaging for use in that machinery. We believe this represents a great opportunity for us, both in new markets like pharmaceutical and personal care that Nortech services today, but also in two of our most important verticals, food and beverage and e-commerce. Our scale and customer relations have the potential to open up new opportunities for Nortech that they did not have the scale or reach to achieve independently.

Since the announcement, we've been asked how the acquisition fits with our priority to aggressively pay down debt. This is a very important point. When we completed the bond offering in 2018, it provided us with the flexibility to be either defensive or offensive. Defensive in that it reduced our secured leverage ratio, which is the core covenant in our capital stack, in the event of a downturn, but it also allowed us to be offensive when we see an opportunity at the right price that can deliver meaningful returns to shareholders within our platform.

Depending on the economic outlook, we believe additional opportunities may arise that meet our investment criteria. Tuck-in acquisitions like Maiweave are consolidation opportunities that will allow us to cash checks immediately from our buying power, add customers, and deliver cost synergies over time through effective operations. Our strategic product acquisitions like Nortech that strengthen our bundle and meet the needs of customers in adjacent areas that are new to our business and provide growth opportunities.

We believe we've demonstrated the ability to walk and chew gum at the same time. Free cash flow improved dramatically in 2019. Debt repayment is the highest priority for us. We have driven down our total leverage ratio to 2.9 as of the end of 2019 and we intend to continue to pay down debt in 2020. At the same time, we will be opportunistic from time to time, when appropriate and for the right assets. We've assembled a world-class, low-cost asset base that can compete as a leader in our market. We've completed our strategic CapEx programs, there are no new greenfield facilities in our current plan, and we've selectively reduced our rooftops where appropriate to ensure the most effective assets in our fleet are being utilized effectively.

It's a disciplined approach that we're executing to deliver sustainable long-term growth to shareholders. We have a clear action plan ahead of us in 2020. Number one, grow within e-commerce by tracking our customers as they grow around the world and launching new products that meet the changing needs in their market. Number two, utilize our platform to embrace sustainability as our customers and their end users increasingly search for packaging and protective solutions that deliver value and sustainable attributes like curbside recyclability and reduced waste. And number three, continue to execute on the integration of our acquisitions like Nortech, taking advantage of our scale and operational efficiency to leverage their full potential. Delivering on these initiatives should continue to deliver improved cash flow generation. Our number-one priority for this cash flow is debt repayment.

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

Jeff Crystal, Chief Financial Officer

Thank you, Greg.

On page 12 of the presentation we present an analysis of our revenue for the 2019 fourth quarter and fiscal periods. Revenue increased to $291.5 million in the quarter. The $3.8 million increase was primarily due to a $7.5 million increase from the Maiweave acquisition, which was partially offset by volume mix and price drivers. On an annual basis, revenue increased to almost $1.16 billion, up $105.5 million or 10% compared to fiscal 2018. The increase includes $107.5 million from the Polyair, Maiweave, and Airtrax acquisitions, which was partially offset by foreign exchange changes.

From an organic perspective, contributions from volume mix and price combined were down slightly by 1.2% in the quarterly period and relatively flat at positive 0.2% in the annual period compared to the same periods in 2018. We continue to see above-average growth in product categories that we supported with capacity improvements through our strategic CapEx program, specifically water-activated tapes and films. We believe our investments in these product categories will continue to deliver positive momentum. A certain retail tape and industrial tapes were the segments most under pressure in both the quarterly and annual periods.

Turning to page 13, gross margin was 20.7%, up 100 basis points in the fourth quarter, and 21.3%, up 52 basis points in the annual period compared to the corresponding periods in 2018. The improvements in both periods were primarily due to the increase in spread between selling prices and combined raw materials and freight costs. The improvement in the annual period was partially offset by the dilutive gross margin impact of the Polyair and Maiweave acquisitions.

Adjusted EBITDA increased by nearly 14% to $43.8 million and almost 22% to $172.2 million in the fourth quarter and fiscal 2019, respectively, compared to the corresponding periods in 2018. The improvement in the quarterly period was primarily due to organic growth in gross profit, the impact of now capitalizing operating lease payments totalling $1.8 million, and the Maiweave acquisition. The improvement in the annual period was also driven by organic growth in gross profit, the capitalization of lease payments totalling $7.1 million, and both the Maiweave and Polyair acquisitions.

Adjusted EBITDA margin was 15%, up 160 basis points, and 14.9%, up 150 basis points in the quarterly and annual periods, respectively, compared to 2018. These improvements reflect effective managements of the spread between pricing and raw materials and freight, as well as incremental improvements in our margins in our acquired businesses.

We have increased our disclosure on M&A integration costs in our filings. M&A costs were $3.3 million and $11.2 million in the fourth quarter and annual periods, respectively. These costs can be broken into two categories: one, integration costs; and two, due diligence costs and professional fees on deals that were completed, as well as deals that did not reach the execution stage. In 2019, the primary components of these costs were $5.1 million for Polyair, $2 million for Maiweave, and $1.3 million in other due diligence, including Nortech. Looking ahead, we anticipate approximately $3 million to $4 million in M&A integration costs during 2020 based on the deals completed to date. This range does not include non-cash purchase price accounting adjustments or any due diligence or integration costs on any potential new deals in 2020.

The effective tax rate was 17.3% and 28.3% for the fourth quarter and annual periods, respectively. The annual figure is within our guidance range. The higher annual rate is due to the elimination of certain tax benefits as part of the tax reform under US Tax Cuts and Jobs Act and a proposed state tax assessment. For 2020, we expect the effective tax rate to remain between 25% and 30%, excluding the potential impact of changes in the mix of earnings between jurisdictions. We expect cash taxes to approximate income tax expense as a result of us having utilized most of our tax attributes in the form of tax credits and loss carryforwards.

Cash flows from operating activities were $73.3 million, up 4% in the quarterly period, and $135 million, up 49% in the annual period compared to the corresponding periods in 2018. The improvement in the quarterly period was primarily due to a reduction in inventories as part of a planned initiative in 2019, a larger decrease in accounts receivable, and an increase in gross profit, partially offset by a smaller increase in payables. The improvement in the annual period was primarily due to increased gross profit, a decrease in cash used for working capital items, and the non-recurrence of a discretionary pension contribution in 2018.

Free cash flows increased to $63.7 million, up 23% in the fourth quarter, and increased to $86.8 million, up nearly five times in the annual period compared to the corresponding periods in 2018. The improvements are a direct result of the increases in cash flows from operations and the reduction in capital expenditures with the completion of our strategic CapEx program in 2018.

Capital expenditures in 2019 were within the range we outlined on our March 2019 call at $48 million. We have proactively reduced our CapEx plan for 2020 to a range of $30 million to $40 million, which is aligned with the outlook Greg addressed earlier.

As Greg mentioned earlier, our unsecured senior note offering in 2018 enabled us to lower our secured net leverage ratio, which was 1.4x at the end of 2019. The secured net leverage ratio is the most important ratio that is relevant to our covenants; therefore, we view it as the highest priority. Our total leverage ratio, including the unsecured debt, decreased to 2.9x, down from 3.2x in the sequential period.

As Greg mentioned earlier, our highest priority for capital allocation at this stage is debt repayment. We expect to continue to repay debt in the second half of 2020 as the seasonality of our business unwinds and throws off more cash.

Now I'll turn it back over to Greg for his closing thoughts. Greg?

Greg Yull, Chief Executive Officer

Thanks, Jeff.

In closing, we continue to execute on our vision to be a global leader in packaging and protective solutions. We have made significant investments in our asset base during the past three years. The benefits of those investments are showing up with adjusted EBITDA growth that is outpacing our top-line growth, increased adjusted EBITDA margin nearing 15%, as well as improved free cash flow, which we expect to continue in 2020. Our confidence in this outcome is evidenced by the addition of free cash flow to the outlook metrics.

We are focused on strengthening our product bundle, continuing our pursuit of operational excellence, and maintaining high customer service standards. We believe more runway exists to drive operational efficiencies across both our legacy assets and our recent acquisitions through reduced waste, disciplined adherence to process, and the continued engagement of our dedicated team on performance.

We believe sustainable offerings represent growth opportunities to packaging and protective solution providers that move quickly, make credible claims, and deliver products that meet the needs of customers. We have taken proactive measures with a goal of ensuring the business is competitive, independent of macroeconomic environment, building a world-class, low-cost manufacturing base producing products of value for end markets. We are executing a strategy to deliver long-term value for our shareholders.

With that, I'll turn the call back to the operator to open up for questions. Thank you.

QUESTION AND ANSWER SESSION

Operator

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 or you would like to withdraw your registration, please press the pound sign 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.

The first question comes from Michael Doumet with Scotiabank.

Michael Doumet, Scotiabank

Hey. Good morning, guys. Look, I mean we're all trying to grapple here with the macro. Now you guys had to put out guidance, so I want to get your thoughts there. Similar to last year, you have some projects start-ups and ramp-ups that are going to drive growth like you guys talked about but, as you indicated, you've incorporated potential macro headwinds into the guidance. So I'm wondering what assumptions you've taken specifically and whether it would be an oversimplification to think about the top-end of the revenue and EBITDA guidance materializing in a world where there isn't any sort of macro impact from COVID-19 and at the bottom end, obviously, something materializing, just to set up some goalposts for us please.

Greg Yull, Chief Executive Officer

Well, I'll let Jeff give some colour, but from my perspective, listen, we're trying to give guidance based on what we know today. Certainly, if it was not for the virus, our range would be tighter and more to the upper end. I can't say that it would be the upper end but certainly would be more towards the upper end. And we'll have to manage on the way through as things unfold. Like you said, it's a pretty fluid situation. Certainly we've taken steps to secure our facilities and our people and also taking approach in some of our plants to ramp up production as a security blanket. We've seen demand on the e-commerce side pickup. Our order book, as we sit here today, is relatively similar to where we were last year at this time and certainly we haven't seen any ranges, but I think we probably will in the next month or two.

So, Jeff, I don't know if you have any other colour around that.

Jeff Crystal, Chief Financial Officer

No, I think that covers it, Michael. I think that that's kind of the way we tried to set up the guidance is saying, you know, if things somewhat play out normally we would be towards the upper end of that and if things are worse we'd be towards the lower end of that.

Michael Doumet, Scotiabank

Okay. That sort of makes sense and the first impression too that I got. I guess just maybe moving over, I mean the stock price in the last couple of days, weeks, versus the comps, it's declined much more significantly. So, I think it's fair to say that the market's obviously nervous about the potential profit decline or the leverage ratios. I mean what are the views internally in terms of how much cyclicality you guys actually see in your business? It looks like on the low end of your revenue guidance you're effectively calling for a max decline of 3% on the organic side margins, a max decline of 100 basis points versus this year. I mean you've elaborated or you've talked to this already, but you how resilient do you think this business is today versus previous cycles?

Greg Yull, Chief Executive Officer

Well, look, I think the landscape, in my experience with other cycles, I think the landscape is a little different from a competitive intensity perspective to start with. I think you've got much more disciplined businesses in that competitive field. I think, from a balance sheet perspective, at least relative to the last cycle that we went through as a company, the balance sheet is in fantastic shape, and that secured leverage at 1.4 gives us a lot of room to operate and certainly proves out what we did in 2018 with the bonds.

And look, the biggest shock absorber we have in situations like this is your margin, right, and your balance sheet. So certainly the margin profile of our business is much different than where it was in the last recession, much higher, last downturn, let's put that way, and the balance sheet is in much better shape as well. Certainly from a guidance perspective, you know, we're taking some proactive steps right now on CapEx, and you've seen some reduction in that from prior comments, and we'll act accordingly on the way through this. But again, I think that the company, we said it from day one when we did the bond offering, we position the company and the balance sheet to do well in a growth economy and to do well in a downturn and it certainly looks like we're in a downturn mode here.

Michael Doumet, Scotiabank

Okay. And maybe just to sneak one other one in, just a quick one. If volumes do come in at the lower end of the guidance, I mean as we think about the margin pressure, is that, in your view, a gross margin issue or is that a negative operating leverage issue or a little bit of both?

Greg Yull, Chief Executive Officer

To start with, I think the number-one goal in our business is to keep the dollar spread between raw materials and revenue, right? So on what we would call a value-added percentage, in a falling raw material environment you expect that percentage to go up, but you expect to protect the dollars of spread. As it relates to the leverage, it's hard to articulate.

Jeff Crystal, Chief Financial Officer

Yeah. I mean, again, I think it goes back to what Greg's saying, it's like basically we would expect, if raw materials are going to fall, which that is a very likely possibility, that we're going to see some good leverage in terms of our margins on our revenue, both at the gross margin level and potentially at the EBITDA margin level that could translate.

Michael Doumet, Scotiabank

Okay. Those are helpful comments, guys. I'll pass it over there.

Operator

Your next question comes from Stephen MacLeod with BMO Capital Markets.

Stephen MacLeod, BMO Capital Markets

Thank you. Good morning, guys.

Greg Yull, Chief Executive Officer

Good morning.

Stephen MacLeod, BMO Capital Markets

I just wanted to follow-up quickly, you talked about the inventory levels and you've taken some downtime and you expected, I think you're still in some downtime into Q1 that you've guided to. Can you just talk a little bit about what the impetus is for that? Is that sort of in response to at least, you know, where you sit today, is that in response to a potential for lower volumes going forward? Or is that just the normal course of business?

Jeff Crystal, Chief Financial Officer

Yeah, no, I mean we talked about this. It was probably in Q1 of last year. We were caring quite a bit of inventory. If you look back, there was certainly a big uptick from Q4 of 2018 into Q1 of 2019. So we took some measures throughout the year really to reduce that inventory and certainly a lot of that played out in Q4, which is what we were discussing in the speaker notes here. So basically that's what it was. It was essentially a reduction in inventory. And you could see on our balance sheet we'd actually came down despite the growth. So, that's been something we're pretty proud of, and at the same time we were able to manage our order book and our shipment and service levels very effectively.

Stephen MacLeod, BMO Capital Markets

Okay. So that's the same initiative that's continuing into Q1?

Jeff Crystal, Chief Financial Officer

Yes.

Greg Yull, Chief Executive Officer

Yes. And I'll make one other comment. Look, in the last week or so, in certain plants, we've made a conscious decision, again, just in the last week or so, to potentially build inventory in certain key product areas from a security perspective with dealing with the unknown from the virus and the effects.

Stephen MacLeod, BMO Capital Markets

Okay. So, just turning to the e-commerce business, obviously that is a potential opportunity as people maybe stay at home and go out less. Can you talk a little bit about, can you just remind us what level of revenues the e-commerce business represent in terms of water-activated tapes and protective packaging and maybe others exposure you have to that segment of the market?

Jeff Crystal, Chief Financial Officer

We haven't given those numbers out. As you know, we do have some visibility, of course, in certain direct relationships. There are a portion of relationships that go through distribution, which we have less visibility on, so we have not disclosed the number. What we have said though is it's not a large percentage of our revenue, but it is a significant percentage. So, it's something that is meaningful to us, but not the majority of our revenue.

Stephen MacLeod, BMO Capital Markets

Right. Okay. And can you just give a little bit of colour, I'm not sure if you've disclosed it in the past, but just in terms of, you know, if you look at business ex-e-commerce, I mean the majority of your business, what end markets, like what's the breakdown of the end market that you service?

Greg Yull, Chief Executive Officer

Because we go through distribution, we don't like an exact idea, because we don't get POS data, but our biggest end markets are e-commerce fulfilment, general manufacturing, transportation, and food and beverage. Those are our biggest end markets from a consumption perspective.

Stephen MacLeod, BMO Capital Markets

Right. Okay. Okay, that's great.

And then maybe just finally, talking about leverage, in an ideal world, obviously notwithstanding the fact that there is a lot of uncertainty right now, where would you have expected your leverage to trend to given your free cash flow acceleration and generation plans for 2020? Where would you expect leverage to have trended to in 2020?

Jeff Crystal, Chief Financial Officer

We haven't given guidance, but certainly we would expect that to come down. I mean with the Nortech acquisition, of course, that puffs it up a little bit in Q1, but we would expect to see some strong free cash flow and bring that back down by the end of the year and we would expect that trend going forward.

Stephen MacLeod, BMO Capital Markets

Okay. Okay, that's great. Thank you.

Operator

Next question comes from Walter Spracklin with RBC Capital Markets. Please proceed with your question.

Walter Spracklin, RBC Capital Markets

Thank you very much. Good morning, everyone. You mentioned you saw signs of e-commerce improvement. Can you elaborate a little bit on what signs you've seen and discuss kind of the metrics or indicators that you follow to suggest that e-commerce is rebounding? And then on the flipside, I got to think there are some end markets that you serve that will be substantially down as we move through the year and are you seeing any—I know you said generally, Greg, that it wasn't down a lot or you didn't see any signs of it, but I got to think that there are some segments that will see some decline and if you've seen any indication in those micro-segments of that.

Greg Yull, Chief Executive Officer

Yeah, so let me kind of slice off those questions.

So, starting with e-commerce, what I would say, I mean certainly e-commerce isn't re-bounding. It's growing at a much more accelerated level than we would have thought at this point of the year. So the metrics that we're using on that is strictly sales and order bookings, right? And we're seeing in our scope of products, right? So it's not just tape; we're seeing that in our system sales, we're seeing that in our protective packaging as well. And from our customer checks with that segment, they expect that, obviously, to continue and further potentially accelerate with what's going on from a macro perspective. The big issue that they have or that you hear from a risk perspective is their ability to get supply. So that should address your e-commerce question.

And then when I look at the rest of the order book so to speak, either in open orders or order input, we typically, this time of the year, have puts and takes, and I would just give you some colour that those puts and takes are pretty similar to what we see in a traditional environment. But certainly we expect to see some demand disruption in certain areas as we move forward. So, it's really too early to see and just in the last week in isolation, you know, our bookings have been pretty good. So, we haven't seen anything just in a day-to-day basis over the last kind of five booking days that would lead us to believe that we've seen any impact as of yet. Certainly we expect to see the impact though.

Walter Spracklin, RBC Capital Markets

That's very encouraging. And in the event that we get the all clear, if, knock on wood, when we get the all clear from COVID-19, is it your view, you know, could we see... Actually, it's my view that we're going to see a significant restocking accelerated here. Is there any reason why, in that environment, is there any change in pattern in the way tape is consumed when people are rapidly looking to restock? In other words, if you're affected too much on the downturn, could it be that you're not affected too much on the upturn as well? Or is there some reason to think that in a massive kind of restocking environment we will see some improvement in the demand for your overall, overall demand for your product?

Greg Yull, Chief Executive Officer

Yeah, I'd be reticent to answer that or even to predict the outcome of that. What I would say is, from an economic perspective, macro perspective, as we see a downturn here, we will see a reduction in demand, and I would expect on the upswing on that turnaround we would see an uptick in demand, and that's the expectation that we have as we manage through this. And again, we don't know what we don't know and we'll have to deal with it as we move forward. I would just say that we do get some kind of benefit certainly from the activity and the continued growth within the e-commerce market even in this situation, as we've articulated, but the rest of the business, really hard to predict, but I expect it to decline as macro declines and expect it go up as the macro rebounds.

Walter Spracklin, RBC Capital Markets

Okay, that makes sense. Last question here is on leveraging your M&A strategy. I understand you're going to and look to keep an eye on that, but you mentioned your highest priority is on reducing your leverage. You flagged 2.9x at the current level right now. What level, given the uncertain outlook, do you want to bring that down to? So, as you mentioned, you're putting first priority on it, clearly it's going to come to a level where you're comfortable given. What is that comfort level? And what happens if a good acquisition, there's going to be lot of disruption here and what if the right acquisition comes in right now? Do you just pass on it or is there a leverage level given the current context that you'd be willing to support to take advantage of that kind of opportunity?

Jeff Crystal, Chief Financial Officer

So, in a normal environment with nothing going either macro wise or M&A wise, we expect that we want to run this business somewhere around 2x to 2.5x levered, total leverage. Certainly we're comfortable where we are, especially on the secured leverage side at 1.4x.

And then as it relates to M&A, what I would expect, leaving aside our current turbulent time, I would expect the company to look at M&A similar to Nortech or Maiweave as it relates to size and certainly be very, very disciplined as it relates to value and what we pay for those acquisitions. And certainly, when we see a leverage, you know, leverage is one of our biggest initiatives to reduce. Certainly the bigger the size, the more leverage. We're going to be very cognizant of that can certainly in this macro environment. So, very cautious and, again, as I've said in the last couple quarters, I expect the company to execute on bolt-on acquisitions somewhat the size of a Nortech or a Maiweave, but certainly we don't need to do them unless they present that opportunity. Our goal here is to reduce debt as we move forward.

Walter Spracklin, RBC Capital Markets

So, if I would just summarize, perhaps your intention is, given that your 2x to 2.5x is your steady state, perhaps, all else equal, coming down closer to the lower to that range, but if acquisitions do provide opportunity, bolt-ons are the ones that you'd most likely execute on.

Jeff Crystal, Chief Financial Officer

Yes.

Walter Spracklin, RBC Capital Markets

Okay. That's great. I appreciate your time.

Operator

Your next question comes from Zachary Evershed with National Bank Financial. Please proceed with your question.

Zachary Evershed, National Bank Financial

Good morning, everyone. Congrats on the quarter.

Greg Yull, Chief Executive Officer

Good morning.

Zachary Evershed, National Bank Financial

I was hoping if you could give us a little bit more detail, if possible, on the inputs and sales flow that you have in Europe and maybe highlight any particular concentrations.

Greg Yull, Chief Executive Officer

Our exposure to Europe is somewhat immaterial. We do have a manufacturing facility in Portugal that manufacturers shrink film and then we also export tape out of North America into Europe. What we've seen out of specifically Portugal right now is actually high demand as the supply chain out of China gets disrupted. So, we've seen our order book there increase significantly and high demand at this point. Certainly you're going to see demand disruption in Europe as these factories continue to be shut, but as of right now we've seen pent-up demand in that place. But again, that's not a material portion of our business size wise.

Zachary Evershed, National Bank Financial

That's great. Thank you. And then as you work towards that 2x to 2.5x targeted leverage ratio, would you at all be interested in a share buyback program?

Greg Yull, Chief Executive Officer

I think at this point we're not. I think our goal, as we've clearly stated, is debt repayment. Certainly when we get close to 2x, 2.5x, certainly we'll evaluate the situation at the time, but certainly right now we are not having that discussion.

Zachary Evershed, National Bank Financial

That's it for me. Thanks.

Operator

Next question comes from Daryl Young with TD Securities.

Daryl Young, TD Securities

Just one question from me. I was wondering if you could just give a quick update on the greenfield ramp-ups in India.

Jeff Crystal, Chief Financial Officer

Sure. So, on the woven side, things have been continuing as we discussed in November. I mean they've been basically doing extremely well, so that side of things, we're basically bumping up against our capacity over there, so we're certainly seeing ourselves sell up that plant quickly. We've staffed up to where we need to be and everything is going well with the partners who are running that business. So, all else being equal, it's really good right now.

And then on the Powerband side, on the tape side, there, as we discussed in November, sort of the same situation there with basically it being more profitable and better for us to be manufacturing the acrylic carton sealing tapes that we discussed in both, in North America and in India, and the hot melt carton sealing tapes specifically in North America. So, still some volume pressure there in our new plant and we have initiatives there to introduce some new products but, as we discussed, we don't expect any material contribution in 2020.

Daryl Young, TD Securities

Okay, great. Thanks.

Operator

Once again, if you'd like to ask a question, please press star one on your telephone keypad.

And we have a question from David Ocampo with Cormark Securities. Please proceed with your question.

David Ocampo, Cormark Securities

Good morning. I appreciate the kind of CapEx guidance that you've provided, the $30 million to $40 million range. Can we expect to catch up in 2021 and kind of what did you guys defer?

Greg Yull, Chief Executive Officer

At this point, it's hard for me to say what's going to happen in 2021. Like we've always said, our maintenance CapEx in the business is around $20 million. Certainly we've pulled it in a little bit from our prior discussions around 2020. And look, we're going to see how it plays out this year and provide guidance. And I think a good run rate for the business, all things being equal, I think it's still the same of $40 million to $60 million. I don't know and I haven't gone through the exercise of determining or the management team hasn't whether that means 2021 is going to be higher than that or not, so I'm reticent in giving any further colour around that. But look, we can operate the business in this range, $30 million to $40 million, pretty comfortably.

David Ocampo, Cormark Securities

That's great. And kind of circling back on the e-commerce business, when I think about your water-activated tapes, is there any significant competitive advantages that you have over your competitors or is it simply that you guys have a broad product line and that's how you've been able to gain market share?

Greg Yull, Chief Executive Officer

In that product category, we've got a dominant share in that area. And certainly from a logistics supply chain perspective, it's a very complicated supply chain structure, certainly dealing with North America but also into Europe and into Asia, and certainly from a capabilities perspective specifically around the marketing message with the tape, I think we have unique capabilities within our plans to execute on those marketing messages. So I think a combination of all that leads us to our position there.

David Ocampo, Cormark Securities

Okay. That's great. That's all for me.

Operator

Once again, if you would like to ask a question, please press star one on your telephone keypad. Once again, that's star one to ask a question.

We do not have any telephone questions at this time. I will turn the call over to Mr. Yull.

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 first quarter 2020 results. Thank you. Have a nice day.

Operator

Please note that a replay of today's call can be accessed as of 1:00 p.m. today, Eastern Daylight Time, and this concludes today's conference call. You may now disconnect.
