Greg Yull, President & Chief Executive Officer

Welcome to Intertape's Investor Day Presentation at our new manufacturing facility in South Carolina, which is also being broadcast via webcast. My name is Greg Yull and I'm the President and CEO of Intertape Polymer Group. Today analysts and investors will have the opportunity to tour our state-of-the-art facility in Blythewood as well as get a glimpse of our old facility in Columbia in order to provide perspective on where we've come from. Furthermore, we've decided to provide some longer-term company goals, which we will share with you in a few minutes. This morning we issued a press release to that effect, which is available on our website.

I would first like to start with a brief review of our path that led us to the execution on the South Carolina project. When I took over as president and CEO of Intertape in 2010 the company was in a very difficult financial position. We were still suffering the effect of the 2008 macroeconomic downturn. We were levered at almost six times EBITDA and had gross margin under 12 percent and adjusted EBITDA margin of under 6 percent and our stock price was at C$2.35. In fact, in that timeframe we faced a situation where we had almost $3,000 of cash availability coming from our ABL loan facility. This required a call to action. Because (inaudible) cash to take any, ah, to take to any investments and to making our business more profitable, we went after low-hanging fruit.

We instituted more discipline on our pricing, culled low margin products and customers, and focused on cost-cutting measures across the operations of the company. Once we achieved a stronger level of profitability in addition to continuing with the initiatives I just mentioned, we then decided to take on projects that would enable us to consolidate capacity and upgrade non-productive equipment. We closed our Brantford, Ontario plant in 2010, our Richmond, Kentucky plant in 2012, and consolidated our North American shrink film operations in Tremonton, Utah in 2013. It was a large project that resulted in approximately $10 million of annualized cost savings.

At that time we started the planning phase of our largest and most challenging project to date, being the decision to close our old Columbia, South Carolina facility that utilized old, inefficient, and polluting technology, and to move most of the facility's production to a new state-of-the art facility down the road in Blythewood. We announced this new project in 2013. The new facility was truly a step change for the company, as it involved both a significant deployment of CapEx dollars and would be new technology for the company. It was intended to become our low-cost and high-volume facility for the production of duct tape, certain masking tapes, as well as (inaudible). We determined that on completion we would achieve annual cost savings of approximately $13 million without considering any benefits of additional sales lines. It's now almost three years since we broke ground in South Carolina. It has since required investment of approximately $60 million and is the largest capital expenditure project in our history.

As we have discussed in the past year or so, in the course of constriction and commissioning of the new plant we met and dealt with a number of significant hurdles, mainly involving the implementation of this new technology. This was primarily the result of the fact that we could not replicate in commercial production the results we achieved on our R&D pilot line. As such, we had to conduct testing trials for both product quality and production process on our commercial production line. This inevitably resulted in much higher cost to (inaudible), commission the plant, and ramp up production. The worst of this impact was felt in the second quarter of 2015, where we fully switched the production of duct tape to the new facility. We incurred significant cost related to mainly to production line downtime and waste.

The performance of our duct tape line dramatically improved through the third quarter and we were able to systematically address each of the main causes of these inefficiencies. We were then faced with the flood damage caused by heavy rains in October 2015, which forced the closure of our old Columbia facility eight to nine months earlier than expected. This obviously created incremental challenges to the project and our team had to quickly react in order to service our customers and transition the manufacturing of our products to other facilities, including the new facility in Blythewood. We have since transitioned all of our Columbia masking tape production to the new facility and we continue to work on the commissioning of the masking tape production line in order to achieve targeted production levels and efficiencies.

Let me take a few moments to highlight some of Blythewood improvements versus the old factory facility. From a workplace safety and environmental impact perspective, we reduced VOCs emissions by 285 times. We eliminated the use of toxic compounds, we reduced a multi-building location to one building with robust air and dust quality control, we automated material handling using robotics for both loading and removing production. We were also able to achieve some technology advances such as improvement of the quality of the (inaudible) in terms of consistency, uniformity, and performance. Increased production speeds dramatically compared to the Columbia process. Despite ongoing challenges in optimizing our new production process, we believe that we are on track to realize savings of approximately $13 million by the beginning of fiscal 2017.

At this point I'd like to discuss where we believe the company is headed. For the last five years or so the company, the strategy of the company was primarily to fix itself in order to improve profitability and cash flow. At this stage we are entering a new phase of our business plan where the emphasis is on growing our business to the next level in addition to continuing to become as efficient and low cost as possible. In our quest to provide more information and visibility to our investors, the company recently provided annual revenue and EBITDA guidance for 2015. Today we want to go a step further and provide our longer-term goals in terms of revenue and EBITDA margin in order to share our vision of what might be possible to achieve based on the opportunities we have in both M&A and organic investment. Our objective is to reach approximately $1.5 billion in revenue with at least 15 percent adjusted EBITDA margin in the next five to seven years.

We have divided our growth drivers into five categories, which can be inter-related. First, we want to continue to strengthen the company's position in the current product portfolio. This involves ensuring we maintain strong relationships with our customers based on service and product offering. It could also mean taking advantage of opportunities to consolidate additional volumes in these product lines.

Second, we're looking to enter into a high-growth, high-margin market segment. Some example of this could be broadening our product portfolio of specialty tapes, entering into medical-based and adhesives, as well as protective packaging.

Third, we feel that our company has to get more global to maintain and/or enhance our competitive position in certain product lines as well as take advantage of lower cost and higher growth jurisdictions. We are considering geographical expansion opportunities mainly in Asia, Europe, and possibly Mexico. The U.S. and Canada continue to be very strategic to our plan but we think that in order to achieve medium and long-term goals we will likely need more of an international presence, both in terms of production facilities and sales and marketing.

Fourth, our intention is to continue investing in our manufacturing facilities to achieve the lost cost operation with world-class assets. As we have stated in the past, we have certain manufacturing facilities that are in need of additional capital investment, being our facilities in Menasha, Wisconsin; Marysville, Michigan; and Truro, Nova Scotia. Including upgrades to these plants, we estimate that we could spend approximately $200 million to $300 million in potential high-return projects over the next five to seven years. Depending on our capital allocation opportunities we may go ahead with all or only part of these projects.

Finally, we recognize the need to continue to invest in R&D going forward. We wish to maintain an innovative corporate culture to support our customers with new products as well as finding better and more efficient ways to produce any of our current product line.

In order to achieve our long-term goal, we believe that our mergers and acquisitions program will need to be a key driver. As indicated in the past, we believe we can complete two or three tuck-in acquisitions per year, which could be larger than the acquisitions we completed in 2015. We are also very open to more transformational acquisitions and will evaluate those opportunities if and when they arise. Our current M&A pipeline is active and we aim to aggressively research and evaluate opportunities for the foreseeable future.

Clearly, as indicated before, we have significant potential capital expenditure projects in the pipeline, which will be another key element to achieving our goals. Other initiatives that will be important include enhanced sales and marketing efforts and continued emphasis on continuous improvement and innovation.

It is important to note that the achievement of our long-term goals are not only contingent upon us being able to execute on the strategies that we outlined but also on many factors outside of our control. We have outlined these material assumptions in presentation slides. Should any of the material impact our plans, we may have to adjust our strategy to mitigate and leverage those risks.

In conclusion, over the next several years we plan to aggressively deploy capital into strategic and accretive projects to achieve our goals and maximize long-term value for our shareholders. We believe we have the team, the expertise, as well as a solid balance sheet and significant free cash flow to support our plan.

I'll be happy to answer any questions that anyone has in the conference room.

Michael Doumet, Scotiabank

I guess I'll start off. Michael Doumet at Scotiabank. Aside from return metrics, how do you prioritize internal investment projects versus some acquisitions that you might be looking at in terms of capital deployment?

Greg Yull, President & Chief Executive Officer

I think they have to, like when we look at our plan I think they have to come hand in hand. Certainly from an M&A perspective the timing of that is uncertain, right? So when the time happens, we probably have to execute on that when it becomes available. I think on the M&A side or, excuse me, on the operational side with internal investments, I think we resourced up quite a bit, I think we can handle quite a bit, and I think we can do both at any time.

Michael Doumet, Scotiabank

Thanks.

Stefan, RBC

Stefan (inaudible) from RBC. Just a couple questions on your revenue target. How much of that is organic versus M&A? And then how do you think about where the gains come from, being gaining market share in your core existing business or net new adjacent segments or adjacent products?

Greg Yull, President & Chief Executive Officer

Yeah, I think, ah, when I look at the gap between where we are and that revenue goal, M&A is going to have to play a significant role. I mean we're dealing with a macro environment of slow to (inaudible), so M&A is going to have to play a significant role in that. And that M&A can manifest itself in several different ways. It could be just a consolidation play. It could be us, as I mentioned, getting into spaces that we're currently not into that are growing at faster rates. And also, another piece there is just geographical expansion in the areas that have a higher growth profile. So I think it can be a combination of all of that. But certainly M&A is going to have to (inaudible) big driver in attaining that revenue target.

Unknown Speaker

And I think, I mean you might ask how did you come to 1.5, right, with this uncertain M&A, and I think when we look at it, I mean we certainly look at the organic possibility piece of it but, as Greg said, M&A is going to play probably a larger role than even the organic will. But we also look at our pipeline and our opportunities that we see out there and I think today versus a couple years ago we have a better sense even globally what kind of (inaudible) are out there, what kind of businesses might be interesting, and feel kind of, based it on that in terms of what opportunities there might be over the next five years. Of course it is uncertain but that's kind of where the (inaudible) comes from.

Neil Linsdell, Industrial Alliance Securities

Neil Linsdell, Industrial Alliance Securities. So just on that $1.5 billion number, do you have any specific piece that you're thinking about from the M&A contribution?

Greg Yull, President & Chief Executive Officer

No. No. But I would say this again: M&A is going to have to play—for us to attain that goal M&A is going to have to play a significant role in the gap between where we are now and where we want to take it.

Neil Linsdell, Industrial Alliance Securities

Okay. And then when you're looking at geographic expansion, you mentioned Asia, Europe, and Mexico, how do you feel between M&A and greenfield?

Greg Yull, President & Chief Executive Officer

I would much prefer M&A, especially if the M&A (inaudible) management team. I'd much prefer to buy existing cash flows than have to build from zero to cash flow. So that's kind of our position on M&A versus greenfield. I think as we look at areas like Asia, certainly areas out of our comfort zone, in those kind of scenarios on an M&A deal we'd be doing probably partnerships and using that kind of (inaudible). We won't be going by ourselves.

Unknown Speaker

I'll throw out another one. To get that type of revenue you're talking about $200 million to $300 million in CapEx internally plus $500 million, $600 million, $700 million in M&A, is the idea still to run at kind of 2x, 2.5x leverage?

Greg Yull, President & Chief Executive Officer

Yes. And, again, with the right M&A we'll go above that. And we have to be pretty confident that we can unravel that pretty quickly. But certainly when we think of the target in a steady-state environment of the company, we're still very comfortable with 2x to 2.5x. And certainly willing to go up here with the right opportunity.

Okay, (inaudible). Well, thank you, everyone, and we'll close the line and then we'll get together, we'll leave for the (inaudible). Thank you, operator.

Operator

Please note that a replay of this call can be accessed as of 10:30 today Eastern Daylight Time at 1-800-585-8367 until 11:59 p.m. Eastern Daylight Time on July 21, 2016. Thank you. You may now disconnect your lines.
