INTERTAPE POLYMER

Moderator: Greg Yull
November 12, 2015
10:00 a.m. ET

Operator: This is conference # 59565748.

Operator: Welcome to Intertape Polymer Group's Third Quarter 2015 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 Mr. Greg Yull, CEO; and Mr. 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 risk factors and uncertainties contained in the company's Securities 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 Web site at www.intertapepolymer.com and are included in its filings, including the MD&A filed today.

I would like to remind everyone that this conference is being recorded today, Thursday, November 12, 2015 at 10:00 AM Eastern Time. And I will now turn the call over to Mr. Greg Yull. Mr. Yull, please go ahead, sir.

Greg Yull: Thank you, operator, and good morning everyone. Welcome to Intertape's 2015 third quarter results conference call. Joining me is Jeff Crystal, our CFO. After our comments, Jeff and I would 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 Web site.

I will begin with a brief review of the highlights for the third quarter, starting on page 3 of our presentation. When compared to Q2 2015, revenue increased by 2.1 percent to $200.6 million.

The increase is in a large part related to a sales volume increase of 2 percent related to certain tape products. Average selling prices, including the impact of product mix, remain relatively stable quarter-over-quarter. Gross margin decreased slightly to 21.3 percent, gross profit was up from $40.7 million to $42.8 million, when compared to the second quarter of 2015.

From a gross margin perspective, the difference can be largely explained by higher manufacturing overhead, due to planned annual maintenance shutdowns that occurred in the third quarter. Adjusted EBITDA was $26.8 million and in line with our previous guidance.

On the following page of the presentation, we compare results to the same period last year. The decrease in revenue of 4.1 percent reflects the combination of several factors. First, the decrease in average selling price, including the impact of an unfavorable product mix, due to a significant decrease in oil prices and related petroleum based raw material costs, and an unfavorable foreign exchange impact.

Second, a reduction in revenue due to the commissioning of a South Carolina project. Third, and partially offsetting these factors, the increase in sales volume related to certain tapes and woven products, and the revenue generated by the Better Packages operations acquired in April of 2015.

Gross margin increased to 21.3 percent in the third quarter of 2015 from 19.4 percent last year. The increase was primarily due to an increase in the spread between selling prices and raw material costs, the non-recurrence of the Brantford Pension Charge and manufacturing cost reductions.

These factors were partially offset by an unfavorable product mix and manufacturing inefficiencies related to the South Carolina project, an increase in certain manufacturing projects and an unfavorable foreign exchange impact.

The increase in research expenses, partially offset by higher gross profit is a main explanation for the slight decline of 1.2 percent in year-over-year adjusted EBITDA.

Turning to page 6, we present our expected CapEx for 2015, which remains in a range of $32 million to $37 million. At this stage, we expected to be at the higher end of that range. Year-to-date CapEx was $25.8 million, of which $6 million was related to the South Carolina project.

We now expect total CapEx related to this project to increase from our prior estimate of $55 million, mainly as a result of additional commissioning efforts. But as we have not yet determined how much of this commissioning costs will be recovered from our insurer, we cannot yet provide a revised estimate.

In addition to the South Carolina project, we have invested approximately $10 million year-to-date in capacity expansion initiatives, related to water activated tapes, film and woven production.

This includes an investment of approximately $2 million year-to-date to expand our shrink film operations in Portugal, which is expected to total approximately $11 million over the next 18 months. Like other high return projects, we expect these projects to yield returns of at least 15 percent after tax.

Total CapEx for 2016 is expected to be greater than $40 million. Of that $40 million, we estimate that the maintenance CapEx will be approximately $12 million to $15 million. The remainder will be dedicated to high return projects, which are also expected to yield returns of at least 15 percent after-tax.

Turning to page 7, we outlined manufacturing cost reductions year-to-date and the expected range for 2015. The total manufacturing cost reductions were $8 million for the nine month period. Our estimate of manufacturing cost reductions for 2015 remain between $9 million to $12 million. At this point, we expect the number to be closer to the higher end of this estimate.

On page 8, as we announced last week, we acquired TaraTape for a purchase price of $11 million and financed the transaction with our credit facility. TaraTape manufactures filament and pressure sensitive tapes. We expect an initial contribution of approximately $20 million, with an EBITDA margin of slightly below 10 percent.

In addition to strengthening our market position, filament tapes, we have identified opportunities for operational synergies, which we expect to translate into between $2 million and $4 million in additional adjusted EBITDA over the next 18 to 24 months. This is our second acquisition this year, which we believe affirms our commitment to create value for our shareholders, through a robust M&A program.

We continue to remain very active on our MPID, year-to-date ending on November 11, we have repurchased 2.5 million shares for a total purchase price of $30 million, at an average price of C$15.52. On November 11th, we received TSX approval to amend our existing NCIB program from 2 million shares to 4 million shares through July 9, 2016. As previously indicated, we intend to be opportunistic in executing share repurchases under this NCIB.

Finally, including our dividend of $0.13 per share to be paid on December 31, total dividends paid in 2015 are expected to be $30 million. Since reinstating our dividend policy in August of 2012, cumulative dividends paid total approximately $66 million.

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

Jeff Crystal: Thank you, Greg. I would now like to refer you to page 10 of the presentation, where we present a summary of our results for the third quarter of 2015. Gross profit totaled $42.8 million in the third quarter of 2015, an increase of 5.3 percent from $40.7 million a year ago.

Gross margin was 21.3 percent in the third quarter of 2015 and 19.4 percent in the third quarter of 2014.

Gross margin increased in the third quarter of 2015, primarily due to an increase in the spread between selling prices and the lower raw material costs, the non-recurrence of the Brantford Pension Charge, and a favorable impact of the company's manufacturing cost reduction programs, partially offset by an unfavorable product mix experience and increase in manufacturing inefficiencies mainly related to the South Carolina project, and increase in certain manufacturing costs, and then unfavorable foreign exchange impact due to the strengthening of the U.S. dollar compared to the Canadian dollar and euro.

On a sequential basis, gross margin decreased from 21.6 percent in the second quarter of 2015, primarily due to higher manufacturing overhead related to planned annual maintenance shutdowns of certain manufacturing facilities, and unfavorable product mix experience and an increase in South Carolina duplicate overhead costs, partially offset by an increase in the spread between selling prices and raw material costs.

SG&A was $17.9 million for the third quarter of 2015, a decrease of 22.3 percent from $23.2 million a year ago. On a sequential basis when compared with the second quarter, SG&A decreased 19.4 percent. The decrease in both periods was primarily due to the decrease in stock based compensation, mainly related to the reduction in stock appreciation rights expense.

As indicated on page 12 of the presentation, adjusted EBITDA totaled $26.8 million for the third quarter of 2015; a 1.2 percent decrease from $27.1 million in the third quarter of 2014, primarily due to an increase in research expenses mainly related to the South Carolina project, partially offset by an increase in gross profit.

On page 14, adjusted EBITDA decreased sequentially by 1.1 percent from $27.1 million in the second quarter of 2015, primarily due to an increase in research expenses mainly related to the South Carolina project.

As we previously discussed, the stronger U.S. dollar compared to the Canadian dollar and Euro, creates challenges in some of our export markets, where we compete with local producers with lower domestic currency costs. However, many aspects of our costs and product pricing abilities lead to a natural hedge to help mitigate it to (inaudible) portion of the foreign exchange impact on net earnings.

For the third quarter of 2015 as compared to a year ago, foreign exchange had unfavorable impact of approximately $4 million on revenue, $1.7 million on gross profit and $1.4 million on adjusted EBITDA. For the nine months ended September 30, 2015, as compared to the same period in 2014, foreign exchange had unfavorable impact of approximately $10.5 million on revenue, $4.6 million on gross profit and only $3.7 million on adjusted EBITDA.

For the third quarter of 2015, the effective tax rate was 28.6 percent, assuming there are no material changes to the company's expected geographic mix of earnings, the company expects its effective tax rate for the fourth quarter of

2015 and full financial year of 2016 to remain at approximately 25 percent to 30 percent.

Cash taxes paid in 2015, relate primarily to U.S. alternative minimum tax payments. As a result of the lower earnings expected in 2015, we no longer expect to utilize all of the U.S. net operating losses in 2015, and expect to have some losses available to us in the beginning of 2016.

As a result of remaining losses and the credit for the 2015 alternative minimum taxes available in 2016, cash taxes are expected to be limited to about half of the income tax expense in 2016. We expect our cash tax rate to approach a level closer to our effective tax rate in 2017.

Adjusted net earnings decreased to $12.9 million for the third quarter of 2015 from $14 million in the third quarter of 2014. A $1.1 million decrease was primarily due to an increase in income tax expense and research expenses, partially offset by a decrease in finance costs and an increase in gross profits.

As you will note on page 17, cash flows from operations increased in the third quarter of 2015 by $3.7 million to $33.8 million from $30.1 million in the third quarter of 2014, primarily due to a larger decrease in inventory, due to higher pre-buys of raw materials in the third quarter of 2014, and a smaller increase in prepaid expenses to fund compensation payments through the company's external payroll service provider.

These changes were partially offset by a smaller increase in accounts payable and accrued liabilities, primarily related to the timing of payments for inventory and lower expected annual variable compensation and customer incentive payments.

Free cash flow increased in the third quarter of 2015 by $2.2 million to $23.2 million from $21 million in the third quarter of 2014, primarily due to higher cash flows from operating activities, partially offset by higher capital expenditures.

Net debt at September 30, 2015 was $143.6 million, an increase of $28.7 million compared to December 31, 2014. Our debt to trailing 12 months adjusted EBITDA ratio was 1.6 at September 30, 2015 compared to 1.2 at December 30, 2014. Our leverage ratio increased since the beginning of the year, due mainly to the larger number of shares repurchased under our NCIB year-to-date.

As of September 30, 2015, the company had cash on loan availability under its revolving credit facility of $173.6 million. This compares with cash and loan availability of $206.2 million as of December 31, 2014.

Days' inventory was stable at 60 in the third quarter of 2015 compared to the third quarter of 2014. Inventories increased $1.6 million to $98.3 million as of September 30, 2015, from $96.8 million as of December 31, 2014. The increase was primarily due to an increase in raw material purchases, partially offset by inventory depletion, resulting from anticipated higher sales volume and annual maintenance shutdowns of certain manufacturing facilities in the third quarter of 2015.

Days sales outstanding was also stable at 41 in the third quarter of 2015 compared to the third quarter of 2014. Trade receivables increased $8 million to $89.2 million as of September 30, 2015, from $81.2 million as of December 31, 2014, primarily due to the timing of revenue invoice in the third quarter of 2015 and the additional revenue due to the Better Packages acquisition.

Greg will now provide the outlook. Greg?

Greg Yull: Thanks Jeff. On page 18 and 19, we provide an update on the Columbia facility and the South Carolina project. To recap the situation briefly, on October 4, the Columbia facility was severely affected by storm and flooding, causing extensive damages. The new Blythewood facility was not damaged, and we closed for two days only for the safety of our employees.

On October 23, 2015, the company announced the permanent shutdown of the Columbia, South Carolina facility, due to the extent of the damages. This is nine months in advance of the plant shutdown previously stated at the end of Q2 2015.

The company believes it has significant property and business interruption insurance coverage, and expects the losses will substantially be covered by those insurance policies. At this stage, the timing of the resolution of the claim with our insurer is difficult to determine. We are still in the process of assessing the impact of property losses, business interruption, site cleanup, and environmental remediation and professional fees related to the insurance claim process.

However, we are able to estimate losses on damaged inventory of approximately $4 million. The accounting loss related to the impairment of property, plant and equipment is estimated at approximately $1 million, as the majority of the Columbia assets have been written down upon the announcement of the South Carolina project in the first quarter of 2013.

As you may recall, the plan was to complete the transfer of masking tape production to the Blythewood facility, before the end of the second quarter of 2016. We had since transferred one masking product line temporarily to Marysville, Michigan, with the remaining two masking tape product lines transferred immediately to Blythewood.

We have recently begun ramping up sales and production of the Blythewood masking tape products to our customers. So we believe that we are well ahead of our previously announced schedule regarding the commercialization of the masking tape products in Blythewood.

However, we are not prepared to revise our guidance, regarding the timing of the realization of the cost savings, related to masking tape production, due to the fact we will still incur additional costs related to the manufacturing inefficiencies in the ramp-up of this production in Blythewood, and we will still have to complete the move of the masking tape product line, temporarily produced in Marysville.

During the quarter, as expected, we reported a decline in manufacturing cost efficiencies related to our duct tape production in the new Blythewood facility, with the most significant improvement occurring towards the end of the quarter. The effect of these inefficiencies in the second quarter, net of cost savings was $1.3 million on gross profit and adjusted EBITDA.

While in the third quarter, the net negative impact was down to $600,000. These net inefficiencies, in addition to the South Carolina duplicate overhead costs, negatively impacted our gross profit and adjusted EBITDA by $1.9 million in the third quarter and $6.2 million year-to-date. As previously announced, with the Columbia facility being permanently shut-down, we will not incur any duplicate overhead costs as of October 4, 2015.

Moving on to the outlook on page 20, considering the uncertainty of numerous variables associated with the Columbia, South Carolina facility storm damage, the company's guidance will be limited to the following; adjusted EBITDA on the fourth quarter of 2015, excluding the majority of the various impacts of the Columbia, South Carolina flood is anticipated to be higher compared to the fourth quarter of 2014.

Like some of you may be aware, earlier this week, we received a letter from two institutional shareholders outlining various suggestions to potentially enhance shareholder value. Over the past few years, we have been extremely focused on enhancing shareholder value and I believe, we have clearly demonstrated our ability to do so.

The Board will continue to exercise its fiduciary duty, by actively working to create long term shareholder value and remains open to constructive discussions with all of our shareholders. We will not be commenting any further today related to that letter or any of the outlined suggestions.

Operator, we are happy to open up the line to take questions.

Operator: Ladies and gentlemen, we will now conduct a 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 answer, you would like to withdraw your registration, please press the pound key 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.

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

Ben Holton: Thanks for taking my question and good morning guys.

Greg Yull: Good morning.

Jeff Crystal: Hi Ben.

Ben Holton: It's good to see, obviously, some significant improvement in the duct tape inefficiencies quarter-over-quarter. So should we interpret your comment that much of these improvements came towards the end of the quarter? Such that, we should see a fairly good run rate headed into Q4?

Greg Yull: Yes, we were dramatically better in September than we were in August and July.

Ben Holton: Great. And last quarter, you provided a breakdown kind of between the excess costs of $2 million, offset by a headcount reductions resulting in $700,000 in savings. Do you have a similar split for this quarter?

Jeff Crystal: Yes. So basically, the inefficiencies came down to $1.7 million, and the cost savings went up to $1.1 million, so the net of a $1.6 million.

Ben Holton: Great. And maybe just one more question on the inefficiencies; obviously you have new ones when mask and tape moves into production there. Are we thinking that insurance will cover much of that ramp up costs associated with the new lines?

Greg Yull: It's too early to determine. Certainly we are going to make a case, that that's an insurable claim.

Ben Holton: OK, great. And good luck for the paperwork. I will pass the line.

Greg Yull: Thanks Ben.

Operator: Our next question comes from Sarah Hughes with Cormark Securities. Please proceed with your question.

Sarah Hughes: Good morning guys. So back on the duct tape line, I am trying to get a sense; so with the end of the quarter, would things significantly improve, were you at close to run rate where you were seeing or expected cost savings or is that still to come in Q4?

Greg Yull: So when I think of where we were in September, I think we were still below targeted uptime. So when you think of just uptime, we typically have targets in the 80 percent-90 percent range, so we were below that. Our waste was better than target, and our speed when we were running that uptime was at target.

So we still have a gap on uptime, that's the biggest opportunity to get between where we are now and target, but it's getting very close.

Sarah Hughes: And I guess, is that a major – I am trying to get a sense of the inefficiencies you saw and what you needed to improve in prior quarters; was uptime the biggest thing and the biggest thing causing the issues, or was it equal between the two kind of buckets – or the three buckets we talked about?

Greg Yull: I would say they were pretty equal between our waste generation and uptime, and we have seen – in both cases, we have seen a dramatic improvement, as we move through the quarter.

Sarah Hughes: No, can you comment anything on how things happened through the early part of Q4?

Greg Yull: We saw in October, in duct tape, a continuation of the improvement from September in duct tape.

Sarah Hughes: OK. And then on the volume growth that you saw in the quarter, I am just trying to get a sense, is this volume growth – as you look at it related to this overall market health and market trends, or is there some kind of new products that you have seen success in – or any internal (inaudible)?

Greg Yull: At this point, its overall market.

Sarah Hughes: It's all in the market side of things? OK. And then on the resin price, I know, prior to Q3, probably the benefit you would have gotten from the resin move or the resin price declines, probably wasn't big as I would have expected and I think you would have expected. Did you see any improvement on that side of things in Q3 and in early Q4?

Greg Yull: Well I think we have seen that. We have seen a good improvement through the year on actual capturing of the raw material savings. We have three things impacting – obviously, the gross margin line as you know; one is a negative mix, the second one is Blythewood and the third one is FX.

And if you took them out and you just looked at the spreads, there has been some good capture in that area.

Sarah Hughes: Now has it improved through the year, or was it always kind of the same, in terms of what you were able to capture?

Jeff Crystal: When you look at it sequentially, there was an improvement. Not as dramatic as we would have seen from like Q1 to Q2, but there was certainly some improvement.

Sarah Hughes: OK. And then lastly on the CapEx guidance you gave for 2016, in terms of the high return capital projects you're looking at. Are any of these increased capacity, or is it more to implement new equipment to improve efficiencies of the existing operations?

Greg Yull: Mostly capacity increases.

Sarah Hughes: OK. That's it for me. Thank you.

Greg Yull: Thank you.

Operator: Our next question comes from Justin Wu with GMP Securities. Please proceed with your question.

Justin Wu: Good morning.

Greg Yull: Good morning.

Justin Wu: My first question, in terms of Columbia, obviously the costs – you have talked about the accelerated startup at Blythewood on the masking tape, I was wondering if you can provide any kind of range of what that costs will be, or is that sort of what you talked about?

Greg Yull: Yes, I mean at this point, it's a little too early to tell; as we just stated, we are moving this thing up eight to nine months, we have seen some – certainly some indication. But I'd say, it's too early to tell. But, when we talk about the additional costs of the Blythewood project overall, due to decommissioning, but that would include the duct commissioning, and we are probably talking less than $5 million. Just to give you an idea.

Justin Wu: OK. Perhaps you could talk about, at what stage you were in terms of the commissioning of the masking tape line at Blythewood, before the flood, and where you feel you are currently? I guess, you have talked about making – started productions, sounds like you have some commercial sales right now?

Greg Yull: Yes, we do. So it's limited, and we are just starting. So when I think about it, this is probably the best way to think of it. 30 percent of the overall production coming out of Columbia on masking tape, moved to Marysville, Michigan, where one of the few tape companies that have the ability to do that. So we move 30 percent up to Marysville, we continue to supply our customers there.

So the balance has been moved to Blythewood, and we are making tape, putting in boxes and shipping it to customers. Some of it is a slow ramp, as we get some feedback. But as we sit here today and look at our data and a real world testing that we do ourselves, the product looks very good.

We have seen dramatic improvement over the past couple of weeks, on our production of masking tape. Mind you, we are still not at target or close to target. We are running about 50 percent masking right now on a speed basis, probably running still a little higher on waste.

But certainly, we have made, just in the last couple of weeks, some big inroads there. The next four or five weeks, as it relates to customer feedback would be critical, and if that news keeps on rolling in on a positive basis, we will continue to ramp up the production sales out of the Blythewood facility.

Justin Wu: OK. So in terms of – you guys kind of mentioned the revenue impact of that, which was – as you mentioned $65 million annualized, and given what you have taught us. So 30 percent of the masking was moved to Marysville, and I am assuming that's essentially full production, and sounds like on the Blythewood side, which was 70 percent, you mentioned 50 percent on that line, is that …

Greg Yull: While we are running at 50 percent of what we would call nameplate output, as we ramp up the production. So the line is only running at 50 percent output. And that's a prescribed process ramp-up that we are doing, so we are doing gradual speed ramp-up. So right now, we are at 50, and as we progress through the weeks, we will start pushing it to 75 percent, and then we will get into 100 percent.

Justin Wu: OK. Do you think it is reasonable to think that you can get to 100 percent by year end?

Greg Yull: I am not willing to comment on that or commit to that. I mean, obviously, we feel like we are – as I said here today, we are ahead of schedule from where I would have thought we would have been in August, but I am not ready to pull the trigger on that. The next three, four, five weeks are very critical for this project.

Justin Wu: OK. And just in terms of the capital, I guess, CapEx, you talked about the Portugal plant. I was wondering if you could comment on, what made you make that decision to kind of grow or expand or modernize or whatever, at that facility, and what you see in Europe?

Greg Yull: Well, the facility number one is a profitable facility, is very well run. We have a market leadership position on our product line, and our brand in Europe. The plant has been at capacity for a fair amount of time, and we managed it the best we could from a mix price and cost perspective, and we saw the opportunity to grow there. And it's a good project, we feel like the team managing the project is very capable, and it's a high return project for us and a business that we have – scale in that European market.

Justin Wu: OK. That's helpful. And just in terms of the margin side if I could, you talked about a myriad of different items that positively impacted the year-over-year improvement. I was wondering if you are willing to kind of throw in buckets, in terms of the – if you can quantify what those items were?

I guess, the lower raw material costs or the better spread, seems to be the largest component of that? I was wondering if you can give us a sense of how much of that improvement was related to that?

Jeff Crystal: Yes, we haven't provided a split of all the different components. But certainly the spread impact, when you look at year-over-year, is by far, the largest item there.

Justin Wu: OK. And maybe if you could just generally comment on what you see with polyethylene and polypropylene prices going forward, and how you feel about your raw material inventory costing currently?

Greg Yull: Yes. So we are seeing polypropylene move north a little bit, expect it to continue to move north of the polypropylene producers pick up margin. There is really no new capacity on polypropylene coming on until late 2017, and into 2018, and we think during that period, we are going to see some margin enhancement from the producer.

So right now, versus Asia, well somewhat between – I would say, $0.08 to $0.12 a pound at a disadvantage. Polyethylene, fairly stable; when you think of quarter-over-quarter, you're probably seeing a little decline there, when you average out the monthly. There is an increase out there, but it has been out there for a while. And then we are seeing some hydrocarbons slide a little south here lately.

But on the buy side, on polypropylene, we will put some measures in place to try and leverage the Asian cost base and bring them into North America at this point.

Justin Wu: OK. In terms of your raw material inventory costing, how do you feel about your current position?

Greg Yull: I don't understand the question. I mean, we feel good about our – I mean, we have inventories at market price right now.

Justin Wu: OK. I thought you had pre-purchased a fair amount of inventory earlier on this year?

Jeff Crystal: That was last year.

Greg Yull: Last year, OK.

Jeff Crystal: Last year we had done some pre-buys, not this year.

Justin Wu: OK, great. Thank you.

Operator: And as a reminder, if you would like to ask a question, please press star then the number one on your telephone keypad.

Our next question comes from (Michael Dumais) with Scotiabank. Please proceed with your question.

(Michael Dumais): Good morning gentlemen.

Greg Yull: Good morning.

(Michael Dumais): I am just going to go back to the masking tape versus the duct tape. Could you give us a sense – if we should anticipate, at least similar magnitude and trajectory of inefficiency costs when you compare one to the other? I mean, are they relatively close?

Greg Yull: When we go back to this – let me just make sure I understand the question, so if I were to tell where we are time wise, in masking tape, how does that compare to where we were with duct tape the same time of evolution?

(Michael Dumais): Exactly. If we start the process all over again?

Greg Yull: I would say that we are much further ahead in masking tape than we were in duct. And we mentioned, I think on a couple of calls where we said – we believe that a lot of the learnings than we have seen work out – a lot of the learnings that we had with duct tape are applicable to masking.

That certainly doesn't mean that we are not going to have inefficiencies, as Jeff said, I mean we are expecting them. But the magnitude of the inefficiencies will be diminished compared to duct tape.

(Michael Dumais): OK, that's helpful. So next question, if I look back over the last couple of years, the company has been able to realize cost reductions in excess of $10 million each year. I just want to make sure I think of this correctly; is the cost savings associated to South Carolina project will mostly fall in 2016; should we think of those cost savings as potentially incremental to other cost savings that would take place next year?

Jeff Crystal: Yes, the way I look at it, but you have some offsets there on inflation, right; on other areas that aren't netted out. So we will give you couple of examples, like labor inflation, healthcare inflation, things of that nature that aren't netted out.

So the way I always position that is – those cost savings if we were not to do it, would have a direct correlation to lowering our earnings by that corresponding number.

(Michael Dumais): OK. But directly – I am sorry, go ahead.

Jeff Crystal: But it's not a net number.

Greg Yull: But I think to answer your question Michael, when we provide guidance on the cost savings for the year, other than – obviously, we changed that in 2015. We excluded the South Carolina project, due to the fact that it was negative. But normally, that would be included in that estimate.

(Michael Dumais): So more directly, it's not necessarily going to displace anything that's going to happen in 2016?

Greg Yull: No.

(Michael Dumais): OK. Another question, so the $40 million for capacity expansion, could you help us – or could you discuss which products you are expecting to deploy that capital? And it just seems like a big investment overall, so could you provide any sort of expectations or color around that?

Greg Yull: Yes. So to start with the $40 million, not purely for the (inaudible), that's a total CapEx number. So you got maintenance CapEx in that, where we estimated, of approximately $15 million. Then when you think of the spend there, you are going to have a carryover of that Portuguese project in there.

You are going to have expansions in water activated tape, and also in our ECP area. They are going to roll into there. And as we move further into some of these projects, we will define them much more thoroughly, as we announced them.

(Michael Dumais): OK. Perfect. So I will hold off on that. So finally, turning to M&A, you acquired two companies in the last couple of months, do you find the sellers are now reaching out to you? And from that perspective, is your pipeline – I guess, in a sense growing form here, and should we expect maybe an acceleration in the pace of M&A?

Greg Yull: We have seen a really good uptick in our funnel. We are certainly through the closing of those two deals. We certainly feel like we are being approached and presented with a lot more opportunity. We feel like we have created a good team on the front end and the back end; the front end on the deal side and the back end on the implementation side.

And we expect to have good projects going forward, to create shareholder value through M&A, going forward.

The funnel is bigger than it has been, and continues to grow.

(Michael Dumais): Perfect. I appreciate the time guys.

Greg Yull: Thank you.

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

Greg Yull: Thank you for participating in today's call. We look forward to speaking to you again, following the release of our fourth quarter results in March. Have a great day. Thank you.

Operator: Ladies and gentlemen, please note that a replay of this call can be accessed as of 1 pm, today, Eastern daylight time at 1800-585-8367 until 11:59 PM Eastern Time, on December 12, 2015.

END