INTERTAPE POLYMER GROUP INC
Form 6-K
August 02, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of August, 2006

Commission File Number 1-10928

INTERTAPE POLYMER GROUP INC.

9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada, H4M 2X5

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
Form 20-F ______ Form 40-F ____X

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): __________

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): __________

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _______ No _____X

If Yes is marked, indicate below the file number assigned to the registrant in connection with

Rule 12g3-2(b): 82-______

The Information contained in this Report is incorporated by reference into Registration Statement No. 333-109944

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERTAPE POLYMER GROUP INC.

Date: August 1, 2006

By: /a/Andrew M. Archibald

Andrew M. Archibald, C.A., CFO and Secretary

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NYSE SYMBOL: ITP

TSX SYMBOL: ITP

Intertape Polymer Group Inc. Announces 2006 Second Quarter Results

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Recorded $32.4 million in restructuring and other charges

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Sales increase 16.7% over previous year

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SG&A reduced for second consecutive quarter

Montréal, Québec and Bradenton, Florida August 1, 2006 Intertape Polymer Group Inc. (NYSE, TSX: ITP) today released results for the second quarter ended June 30, 2006. All dollar amounts are in US dollars unless otherwise indicated.

The Company recorded a net loss per share of $0.44 for the second quarter of 2006, compared to earnings of $0.13 per share for the same period last year. Adjusted net earnings were reduced to $0.08 for the second quarter of 2006 from $0.15 for the corresponding quarter last year, mainly due to the impact of a higher effective income tax rate in 2006, coupled with higher year-over-year selling, general and administrative (SG&A) expenses attributable to the October 2005 Flexia acquisition, research and development (R&D) expenses and financial expenses.

While year-over-year adjusted net earnings were down, the second quarter showed improvement over Q1. Progress in this year s second quarter was due primarily to improvements in sales volumes, and continued aggressive cost reductions, stated Intertape Polymer Group Inc. (IPG or the Company) Interim CEO, Dale McSween.

Sales for the second quarter of 2006 were up 16.7% to $222.1 million compared to the second quarter of 2005. Excluding revenues related to the October 2005 Flexia acquisition, sales increased 5.2%, of which 3.5% was related to higher selling prices and 1.7% was due to increased sales volumes. Volume growth was driven by tape and film products.

Sales volumes in tapes and films were up 6.5% compared to the first quarter of 2006, primarily in resin-based products, as customers in some of the Company s markets were back acquiring product after drawing down their existing inventories in the first quarter. However, overall demand for the Company s products was uneven. There was softening in demand for products related to residential construction, a key market for the Company s coated products operation, said Mr. McSween.

Gross profit for the quarter was $39.6 million, up slightly from $39.4 million recorded for the corresponding quarter last year, while gross margin for the second quarter was 17.8% compared to 20.7% for the same quarter last year. The margin decline was due to the Flexia acquisition, which has a lower gross margin structure, decreasing sales prices in the second quarter of 2006, and changes in product mix. Excluding the impact of the Flexia acquisition, the gross margin would have been 18.5%.

Cost reduction efforts yield results

SG&A expenses were $26.0 million in the second quarter of 2006, compared to $24.8 million a year ago. Much of the increase was attributable to the SG&A costs of Flexia. Excluding Flexia, SG&A expenses would have been approximately $24.5 million. While SG&A expenses increased compared to the same period last year, as a percent of sales for the quarter, they were down to 11.7% for this quarter compared to 13.1% for the second quarter of 2005, reflecting our focused efforts to reduce costs in this area, said IPG s Chief Financial Officer, Andrew M. Archibald, C.A. Over the past two quarters in particular, we have succeeded in bringing SG&A expenses down from $30.1 million in the fourth quarter of 2005 to $26.0 million. Compliance with the requirements of the Sarbanes-Oxley Act of 2002 cost the Company approximately $0.7 million for the second quarter of 2006. The Company did not experience significant Sarbanes-Oxley Act costs in the second quarter of 2005.

Costs relating to manufacturing facility closures, restructuring and other charges were $32.4 million in the second quarter of 2006 compared to $1.1 million for the same quarter last year. Of the $32.4 million in 2006 costs, $1.7 million related to manufacturing facility closure costs, while the remainder of $30.7 million pertained to restructuring and other charges.

For the second quarter of 2006, the estimated effective tax rate was 33.7% compared to an estimated effective tax rate of 6.8% for the second quarter of 2005. The 2005 effective tax rate included the impact of certain non-recurring tax adjustments.

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EBITDA for the second quarter of 2006 was negative $12.9 million compared to $19.6 million for the same quarter last year, due mainly to costs relating to manufacturing facility closures, restructuring and other charges. Excluding these items, adjusted EBITDA was $19.5 million compared to $20.7 million for the same period last year.

From a cash perspective, the Company generated $6.5 million of free cash flow in the second quarter compared to $0.3 million in the first quarter of 2006. Total debt was also reduced over the course of the second quarter by $5.9 million.

Due to certain covenant restrictions, as of June 30, 2006, the Company had access to $55.4 million of its $75.0 million revolving credit facility. As of June 30, 2006, the Company had cash, cash equivalents, and credit availability of $49.7 million. At the end of the quarter, certain covenants in the credit facilities were amended to accommodate the charges associated with previously-announced cost savings initiatives.

Non-GAAP Information

This release contains certain non-GAAP financial measures as defined under SEC rules, including adjusted net earnings, EBITDA, adjusted EBITDA, and free cash flow. The Company believes such non-GAAP financial measures improve the transparency of the Company's disclosure, provide a meaningful presentation of the Company's results from its core business operations by excluding the impact of items not related to the Company's ongoing core business operations, improve the period-to-period comparability of the Company's results from its core business operations, and are used by management and the Company s investors in evaluating the Company s performance. In particular, the Company s covenants contained in the loan agreement with its lenders require certain debt to Adjusted EBITDA ratios be maintained. As required by SEC rules, the Company has provided reconciliations of those measures to the most directly comparable GAAP measures.

Adjusted net earnings does not have any standardized meaning prescribed by Canadian or U.S. GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted net earnings are defined by the Company as net earnings (as reported) plus manufacturing facility closures, restructuring and other charges (on a net of tax basis). A reconciliation of adjusted net earnings to GAAP net earnings is set forth below.

Reconciliation of Net Earnings to Adjusted Net Earnings

Periods ended June 30,

(in millions of US dollars)

	Three months		Six months	
	2006	2005	2006	2005

	$	$	$	$
Net earnings (loss) as reported	(18.2)	5.4	(28.2)	11.5
Add back:				
Manufacturing facility closures, restructuring and other charges	32.4	1.1	49.9	1.8
Income taxes (recovery)	(9.3)	0.4	(15.0)	1.7
Adjusted pre-tax earnings	4.9	6.9	6.7	15.0
Subtract:				
Income taxes - at effective tax rate (i)	1.8	0.8	2.5	2.4
Adjusted net earnings	3.1	6.1	4.2	12.6
(i) Effective income tax rate	37.6%	11.6%	37.6%	16.0%
(in US dollars per share diluted)				
Net earnings (loss) as reported	(0.44)	0.13	(0.69)	0.28
Adjusted net earnings	0.08	0.15	0.10	0.30

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The terms EBITDA and Adjusted EBITDA do not have any standardized meanings prescribed by Canadian or U.S. GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization, and Adjusted EBITDA as EBITDA plus manufacturing facility closure costs. A reconciliation of the Company s EBITDA and Adjusted EBITDA, non-GAAP financial measures, to GAAP net earnings (loss) is set out in the EBITDA and Adjusted EBITDA reconciliation table below.

EBITDA and Adjusted EBITDA Reconciliation to Net Earnings

Periods ended June 30,

(in millions of US dollars)

	Three months		Six months	
	2006	2005	2006	2005
	$	$	$	$
Net earnings (loss) as reported	(18.2)	5.4	(28.2)	11.5
Add back (deduct):				
Financial expenses, net of amortization	6.0	5.6	12.4	10.9
Income taxes (recovery)	(9.3)	0.4	(15.0)	1.7
Depreciation and amortization	8.6	8.2	17.5	16.1
EBITDA	(12.9)	19.6	(13.3)	40.2
Add back:				
Manufacturing facility closures, restructuring and other charges	32.4	1.1	49.9	1.8
Adjusted EBITDA	19.5	20.7	36.6	42.0

Free cash flow does not have any standardized meaning prescribed by Canadian or U.S. GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. A reconciliation of free cash flow to cash flows from operating activities, the most directly comparable GAAP measure, is set forth below.

Reconciliation of Cash Flows from Operating Activities to Free Cash Flow

Periods ended June 30,

(in millions of US dollars)

	Three months		Six months	
	2006	2005	2006	2005
	$	$	$	$
Cash flows from operating activities as reported	14.5	11.7	20.8	9.9

Subtract:				
Property, plant and equipment expenditures	8.0	4.1	14.0	9.1
Free cash flow	6.5	7.6	6.8	0.8

Outlook

With much of our restructuring efforts accomplished, Management is now focused on improving the overall profitability of our core businesses, concluded Mr. McSween.

(All figures in U.S. dollars, unless otherwise stated; June 30, 2006, exchange rate: Cdn $1.1159 = U.S.$1.00)

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Conference Call

A conference call to discuss IPG s second quarter results will be held Wednesday, August 2, 2006 at 10:00 A.M. Eastern Time. Participants may dial 1-888-639-6205 (U.S. and Canada) and 1-703-925-2608 (International). The conference call will also be simultaneously webcast on the Company s website at http://www.intertapepolymer.com.

You may access a replay of the call by dialing 1-800-475-6701 (U.S. and Canada), or 1-320-365-3844 (International), and entering the passcode 837952. The recording will be available from Wednesday, August 2, 2006 at 3:15 P.M. until Wednesday, August 9, 2006 at 11:59 P.M, Eastern Time.

About Intertape Polymer Group

Intertape Polymer Group is a recognized leader in the development and manufacture of specialized polyolefin plastic and paper based packaging products and complementary packaging systems for industrial and retail use. Headquartered in Montreal, Quebec and Sarasota/Bradenton, Florida, the Company employs approximately 2,700 employees with operations in 19 locations, including 14 manufacturing facilities in North America and one in Europe.

Safe Harbor Statement

Certain statements and information included in this release constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied in such forward-looking statements. Additional discussion of factors that could cause actual results to differ materially from management's projections, estimates and expectations is contained in the Company's SEC filings. The Company undertakes no duty to update its forward-looking statements, including its earnings outlook.

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Selected Financial Information

Intertape Polymer Group Inc.

Consolidated Earnings

Periods ended June 30,

(In thousands of US dollars,

except per share amounts)

(Unaudited)

	Three months		Six months	
	2006	2005	2006	2005
	$	$	$	$
Sales	222,144	190,282	439,055	377,979
Cost of sales	182,534	150,895	360,656	299,469
Gross profit	39,610	39,387	78,399	78,510
Selling, general and				
administrative expenses	25,982	24,844	54,035	48,761
Stock-based compensation				
expense	590	483	1,115	938
Research and development	1,662	1,224	3,342	2,235
Financial expenses	6,396	5,918	13,113	11,567
Manufacturing facility				
closures, restructuring				

and other charges	32,423	1,087	49,925	1,806
	67,053	33,556	121,530	65,307
Earnings (loss) before				
income taxes	(27,443)	5,831	(43,131)	13,203
Income taxes (recovery)	(9,260)	399	(14,959)	1,738
Net earnings (loss)	(18,183)	5,432	(28,172)	11,465
Earnings (loss) per share				
Basic	(0.44)	0.13	(0.69)	0.28
Diluted	(0.44)	0.13	(0.69)	0.28

Consolidated Retained Earnings

Periods ended June 30,

(In thousands of US dollars)

(Unaudited)

	Three months	Six months

	2006	2005	2006	2005
	$	$	$	$
Balance, beginning of period	97,172	85,642	107,161	79,609
Net earnings (loss)	(18,183)	5,432	(28,172)	11,465
	78,989	91,074	78,989	91,074
Premium on purchase for cancellation of common shares		11		11
Balance, end of period	78,989	91,063	78,989	91,063

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Common shares

Average number of shares outstanding				
Cdn GAAP - Basic	40,985,440	41,214,969	40,975,035	41,226,215
Cdn GAAP - Diluted	40,985,440	41,550,160	40,975,035	41,493,093
US GAAP - Basic	40,985,440	41,214,969	40,975,035	41,226,215
US GAAP - Diluted	40,985,440	41,550,160	40,975,035	41,493,093

Intertape Polymer Group Inc.

Consolidated Balance Sheets

As at

(In thousands of US dollars)

	June 30, 2006 (Unaudited)	December 31, 2005 (Audited)
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	8,019	10,134
Trade receivables, net of allowance for doubtful accounts of $6,832 ($7,574 at December 31, 2005)	126,188	124,440

Other assets and receivables	11,752	17,125
Inventories	99,706	105,565
Parts and supplies	13,942	14,836
Prepaid expenses	5,358	8,406
Future income taxes	16,142	16,142
	281,107	296,648
Property, plant and equipment	341,055	362,827
Other assets	18,036	21,071
Future income taxes	41,209	24,014
Goodwill	186,714	184,756
	868,121	889,316
LIABILITIES		
Current liabilities		
Bank indebtedness	10,000	15,000
Accounts payable and accrued liabilities	101,787	104,256
Installments on long-term debt	3,331	2,784
	115,118	122,040
Long-term debt	327,692	328,113

Pension and post-retirement		
benefits	7,241	4,313
Other liabilities	435	435
	450,486	454,901
SHAREHOLDERS' EQUITY		
Capital stock	287,317	287,187
Contributed surplus	8,879	6,237
Retained earnings	78,989	107,161
Accumulated currency		
translation adjustments	42,450	33,830
	417,635	434,415
	868,121	889,316

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Intertape Polymer Group Inc.

Consolidated Cash Flows

Periods ended June 30,

(In thousands of US dollars)

(Unaudited)

	Three months		Six months	
	2006	2005	2006	2005
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings (loss)	(18,183)	5,432	(28,172)	11,465
Non-cash items				
Depreciation and amortization	8,634	8,234	17,483	16,142
Loss on disposal of property, plant and equipment	165		165	
Other non-cash charges in connection with facility closures and restructuring	19,547	81	35,664	127
Future income taxes	(9,555)	203	(15,470)	1,372
Stock-based compensation expense	590	483	1,115	938
Pension and post-retirement				

benefits funding in excess of				
amounts expensed	(474)	(60)	(474)	(120)
Cash flows from operations				
before changes in non-cash working				
capital items	724	14,373	10,311	29,924
Changes in non-cash working				
capital items				
Trade receivables	(5,682)	2,801	(596)	(9,100)
Other assets and				
receivables	4,265	2,082	5,464	2,017
Inventories	10,027	(6,338)	5,520	(9,535)
Parts and supplies	(177)	(96)	(447)	(409)
Prepaid expenses	2,941	449	3,088	132
Accounts payable and accrued				
liabilities	1,900	(1,616)	(3,044)	(3,285)
	13,274	(2,718)	9,985	(20,180)
Cash flows from operating				
activities	13,998	11,655	20,296	9,744
INVESTING ACTIVITIES				
Property, plant and				
equipment	(7,974)	(4,069)	(14,011)	(9,058)

Proceeds on sale of property,				
plant and equipment	2,086		2,086	
Other assets	(4,334)	(740)	(4,013)	(1,601)
Goodwill	(156)		(454)	(300)

Cash flows from investing				
activities	(10,378)	(4,809)	(16,392)	(10,959)

FINANCING ACTIVITIES

Net change in bank				
indebtedness	(5,000)		(5,000)	5,000
Repayment of long-term debt	(855)	(1,164)	(1,539)	(1,703)
Issue of common shares	2	68	130	71
Common shares purchased for				
cancellation	(340)		(340)	

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Cash flows from financing activities	(5,853)	(1,436)	(6,409)	3,028
Net increase (decrease) in cash position	(2,233)	5,410	(2,505)	1,813
Effect of currency translation adjustments	364	(246)	390	(448)
Cash, beginning of period	9,888	18,083	10,134	21,882
Cash, end of period	8,019	23,247	8,019	23,247

FOR INFORMATION CONTACT:

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