IPL Plastics Inc.

2018 Year-End Financial Results Conference Call

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PRESENTATION

Operator

Good afternoon. My name is Joanna (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the IPL Plastics 2018 Year-End Financial Results Conference Call. All lines are placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press *, then the number 2. Thank you.

Mr. Meade, you may begin your conference.

Paul Meade — Head of Investor Relations, IPL Plastics Inc.

Thank you, Joanne (sic), and welcome, everyone, to today's call.

Before we begin, I would like to remind listeners that certain statements about future events made on this conference call are forward-looking in nature and are based on certain assumptions and analysis made by the Company. Please refer to the cautionary statement on forward-looking information on Slide 2 for more information.

And also, please note that we will discuss several non-IFRS financial measures this morning, with all figures now in US dollars unless stated otherwise.

I would now like to hand it over to Alan, CEO of IPL Plastics, to begin the presentation.

Alan Walsh — Chief Executive Officer, IPL Plastics Inc.

Thank you, Paul, and good afternoon, everyone, and thank you for taking the time and interest to join our results call.

I will begin by providing an overview of our performance in the fourth quarter and the full year 2018. Pat will then discuss the financial results in greater detail. I will conclude the presentation with some outlook comments, and then we will answer any questions arising.

Fiscal 2018 was a very busy year for us as we completed our IPO and returned a very different IPL to the Toronto Stock Exchange. We are pleased to have delivered a solid performance in what was a challenging inflationary cost environment and a very active year of the structuring initiatives for the Company, on top of completing our successful IPO in June.

Turning to Slide 4, where we have set out some of the key highlights for the year. Revenue increased 22.7 percent to 657.8 million in fiscal 2018 compared to 535.9 million last year, driven mainly by organic volume growths. Customer demand was strong, and we generated volume growth in all three of our divisions.

Adjusted EBITDA amounted to 78 million, which was broadly in line with market consensus, albeit a decline of 2.5 percent on the prior year.

Margins were negatively impacted by significant inflationary input cost pressures across revenue, freight, and labour. And our results were also impacted by some changes in product mix.

We successfully reduced our net debt by 23.7 percent during the year to 210.5 million, largely reflecting the benefits of the IPO proceeds.

We moved to a single class of share just before year-end, with the automatic compression of all B shares into common shares. In line with what we communicated to the market at that time, we have not seen any significant improvement in average daily volumes traded, so far, despite an expectation in some parts of the market at the time that the shares converted that that would trigger a significant increase in liquidity.

During the fourth quarter, we took some important steps to mitigate the significant inflationary cost pressures and to position IPL Plastics for long-term success.

We commenced the implementation of a range of business optimization initiatives aimed at improving long-term margins and the profitability of the business by 2020. These initiatives are primarily focusing on delivering significant improvements to our North American LF&E business. I will comment more on this shortly.

We also completed a Group-wide resin procurement tender which will deliver enhanced volume-based discounts.

In addition, we have hedged specific resin volumes used in the production of RPS agricultural bins to protect margins in this division following the significant increase in PP pricing in 2018.

Another important development during Q4 was the launch of our sustainability strategy up to 2022. And, today, I am also very pleased to announce the acquisition of Loomans Group in Belgium. I will speak further about both shortly.

In terms of current savings so far in fiscal 2019, while our LF&E and CPS divisions are performing satisfactorily, our RPS division is experiencing some temporary trading issues, which are likely to result in RPS divisional performance for fiscal 2019 being at least in line with 2018. I will expand further on these issues and their impact later.

Management's primary focus for fiscal 2019 is to deliver an improved operational and financial performance for the Group, excluding any contribution from the acquisition of Loomans. Our 2016 to 2019 capital investment program is now concluding, which will help grow our available free cash to retire debt and fund growth-led internal investments.

Management is also focused on improving the Group’s return on capital and shareholder returns, following the significant investment in the business in recent years.

I would now like to talk about some of these topics in more detail, and turning to Slide 5 in particular.

During the fourth quarter, we launched our business optimization program called Fitter for Continued Growth. We see the program delivering revenue and margin and enhancement opportunities across our business, but particularly in the LF&E business in North American. Our target is to restore adjusted EBITDA margins in this division to the mid-teens by the end of 2020, which compares to the 10.3 percent margin achieved in 2018.

This will involve a range of initiatives to enhance operational efficiencies at our St-Damien, Cambridge, and Forsyth facilities. We have already taken a 4.6 million charge in 2018 in relation to restructuring costs, as LF&E North America is part of this process.

We are confident that, once fully implemented, LF&E will be capable of delivering industry-appropriate margins. This plan may take up to 18 months to fully implement and will involve substantial change and restructuring.

On the revenue side, areas of focus include our sales strategy, pricing policies, and pricing models, highly manage customers at the level of service we provide, and all of this is linked to a detailed customer and product profitability analysis. It may also result in a simplification of our product range to ensure less changeover times and longer production runs and improved profitability.

On the cost side, the initiatives include areas such as detailed plants and line profitability analysis, downtime and mold time change, scrap rates, shift patterns, and shift productivity. It may also include analysis of the complexity of certain products relative to profitability. We are also reviewing our freight, warehousing, and overhead costs to improve efficiencies. We are confident that the results will be positive for the business and shareholders.

Turning to Slide 6. And here, the graph shows the dramatic increases in resin prices during 2018, and resin represents approximately 50 percent of our cost of sales. Polypropylene prices increased 16 percent in North America, while polyethylene prices increased 10 percent. In Europe, polypropylene prices were up 7 percent on the year, while polyethylene declined slightly.

The good news, as you can see from the chart, is that prices moderated in the fourth quarter. Polypropylene prices fell by nearly 20 percent in North America, while polyethylene prices declined by 7 percent. This is obviously positive for our business in 2019.

Given the significant volatility in resin prices experienced during 2018, and the consequential negative impact on margins, we have put new measures in place to better manage this risk going forward. As I mentioned earlier, we completed a Group-wide resin tender procurement process in Q4 2018, which should secure additional cost savings in fiscal 2019 compared to fiscal 2018.

We also hedged specific volumes of our Q2 and Q3 2019 resin requirements, used in agricultural bin production in our RPS division. While the short-term outlook for resin prices looks relatively stable, we expect our resin strategies to benefit our 2019 performance and to better manage any potential resin cost pressures going forward.

Moving to Slide 7. I'm pleased to announce—or to go into further detail on the acquisition of Loomans. This acquisition is consistent with our strategy to expand our geographic reach, our customer base, and our capabilities into higher technical engineering capabilities. IPL has been tracking the Loomans business for some years now, and we have been in dialogue with them since 2015.

Loomans is a family-run, single-site facility based in Lommel, Belgium, with about 100 employees. It has a long track record, operating for more than 50 years. The plant size is 57,000 square metres with 84 modern injection moulding machines, producing high-quality and complex products for food, beverage, and personal care customers. The Loomans facility is highly automated, with a long track record in complex product manufacturing and strong expertise in IML packaging. It is an ideal fit for our CPS division.

The company's operations are running very well, and we are really pleased that the current management team is remaining in place. Loomans is a highly profitable business which we are acquiring for a consideration of approximately $85.5 million. Its normalized adjusted EBITDA was 11.1 million in 2018, reflecting a 20 percent margin on a reported revenue of $57 million. This is an acquisition multiple on an EV-to-EBITDA basis of approximately 7.7 times.

We are funding this acquisition with existing cash and credit facilities and expect it to be mid to high-single-digit earnings accretive in fiscal 2019. Financial leverage will increase to approximately 2.5 times—the trailing 12-month adjusted EBITDA of the combined IPL and Loomans entity—in the short term, before returning to pre-acquisition levels of 2.7 times by the fourth quarter of fiscal 2019.

The acquisition expands our geographic reach, customer base, product portfolio, and engineering capabilities, which are all core elements of our growth strategy. On Slide 8, you can see a selection of Loomans' products and their blue chip customers, many of whom operate in the consumer-branded marketplace for food, beverages, cosmetics, and personal care. As you can see, there is a limited customer overlap with our existing customer base.

We are very excited about the potential of the Loomans customer base, as many of these are truly outstanding companies with strong track records in innovation in their sectors. We look forward to building on Loomans' well established and long-standing relationships with these companies, and we believe IPL can only benefit from this exciting addition to the Group.

On Slide 9, you can get some understanding of just how highly automated Loomans is. It is within easy reach of Eindhoven, Brussels, Dusseldorf, and Amsterdam. The availability of in-house molds development capabilities ensures rapid speed to market and high levels of maintenance on site.

And we see exciting opportunities and synergies to leverage this expertise across the Group, as it is a really impressive asset and technology to gain the confidence of the customer and traction in terms of bringing new customized projects to market in a short period of time. The facility has also recently invested in new modern storage capacity and has ample room to expand further within the existing site and, if necessary, onto adjoining land.

Turning to Slide 10. There's much to like about this transaction from our perspective. It provides us with an entry into continental Europe with a single, well-invested site close to several large cities. Loomans produces a highly complementary set of products. This provides us with an opportunity to serve IPL's North American customers in Europe and Loomans' European customers in North America.

Loomans is a highly profitable business with above-average EBITDA margins, a track record of profitable growth, and sustainable recurring revenue with large, blue chip customers such as Friesland, Arla, Ferrero, Danone, and Heineken. Loomans has a healthy product mix, consisting of both long-standing products and newer ones, with exciting growth potential.

We are acquiring a high-quality, well-invested, vertically integrated tooling and manufacturing operation, and Loomans' tooling expertise provides us with exciting new capabilities to deliver new products to markets in a very timely manner, as well as the possibility to support repairs and maintenance requirements at other IPL facilities.

Turning to Slide 11 and returning to sustainability. As I mentioned in my opening remarks, we launched our 2022 sustainability strategy, which has three key pillars: innovation and the circular economy, environmental stewardship, and our engagement with our surrounding communities. Today, I will confine my comments largely to innovation in our packaging space and how we are working with our customers to deliver solutions to improve their packaging reuse in the circular economy.

Advancing sustainability within our business is strategically important on many fronts. Primarily driven by customer preferences and regulation, the packaging market continues to adjust at a pace to a more circular and sustainable business. The knock-on effect presents new opportunities for IPL.

Our strategy applies recognized international best practices and is aligned to standardized, sustainable development goals and Sustainability Accounting Standards Board guidelines, and will include disclosures on energy use, greenhouse gas emissions, and use of recycled raw materials. We are well advanced in establishing a baseline data reference point for all KPIs, using 2018 data, and we'll publish regular progress updates going forward.

Turning to Slide 12. The combination of constantly evolving sustainability requirements of consumers, our customers, and new government regulations, particularly in Europe, is increasingly shifting the importance of sustainability as a key determinant in the long-term success of our business. New regulations are reinforcing the trend for higher incorporation levels of recycled plastic and packaging and increased recyclability.

IPL is evolving to this new landscape, and we have numerous examples where IPL packaging solutions are being recognized by industry award platforms. We do not produce any single-use plastic products on the EU banned lists. We are increasing our levels of recycled polymer each year and operating end-of-life return programs within our customers’ circular solutions. This fits with the major sector trend by all, to a situation where no material is wasted, but used multiple times.

On Slide 13, this gives a high-level view of some of our sustainability strategies translating into successful products. Within CPS, we are about to launch a packaging product for a global brand leader, using certified recycled polymers. As a result, other global packaging companies have also expressed an interest in this disruptive innovation.

We also continue to collaborate with our customers to enhance CPS product designs for future recyclability and circularity, using best-in-class European guidance.

Also, it is worth calling out our success in developing a closed-loop recycling project for a major electronics customer.

In LF&E in Europe, over 50 percent of our resin inputs are now from recycled content, and our usage has increased year on year. Our LF&E operation in North America is also using increasing amounts of recycled content. We are developing a revolutionary new paint container which will contain up to 38 percent recycled content.

RPS continues to bring best-in-class returnable products to the agriculture and automotive logistics sector, which reduces the tendency on traditional, single-use packaging, such as flexible plastics and corrugate.

Of particular note is the IsoBin product, which has won the prestigious Automotive Global Award in the category Supply Chain Solutions in December 2018. These returnable products act as enablers for customers to meet their own sustainability targets.

We also contribute to food waste reduction through new designs in controlled-environment returnable packaging.

Later this year, we will increase the reuse of high-value polymers in a take-back program, growing the use of recycled content in RPS by over 300 percent.

I'll now turn you over to Pat to discuss our financial performance in more detail.

Pat Dalton — Chief Financial Officer, IPL Plastics Inc.

Thanks, Alan. Turning to Slide 15. Revenue in quarter four 2018 was 162 million, an increase of 21.4 percent compared to quarter four last year, driven by volume growth and price increases, primarily in the CPS and RPS divisions.

Adjusted EBITDA was 17.7 million in Q4 compared to 19.1 million last year. The decline reflects changes in the product mix and cost pressures, primarily from resin and labour.

Gross profit and adjusted EBITDA margins were lower than Q4 last year for the same reasons. Gross margin was 15.9 percent of revenue compared to 18 percent a year ago, while adjusted EBITDA margin was 10.9 percent of revenue compared to 14.4 percent last year.

Finance costs declined by 1.7 million in Q4 2018 compared to the prior year. This was due to a reduction in our revolving credit facility and the repayment in full of unsecured subordinated debentures during Q3 with the proceeds from our IPO.

We had a net loss of 1.8 million in the fourth quarter of 2018 compared to a net income of 5.5 million in Q4 2017. Our adjusted net income increased to 5.7 million compared to 1.6 million last year. The increase in net income was driven in part by the reduction in finance costs and a reduction in our corporation tax charge.

Pro forma adjusted diluted earnings per share was $0.11, up from $0.03 in quarter four last year.

From an operating standpoint, we incurred total net capital expenditure of 52.9 million during fiscal 2018. Net debt was 210.5 million as at 31 December 2018, down by 23.7 percent from 276.3 million at 31 December 2017.

And as Alan mentioned earlier, we also moved to a single class of shares in December 2018.

Turning to Slide 16, you can see a detailed breakdown of our financial performance in both the fourth quarter and in fiscal 2018. While I've already mentioned some of the key numbers relating to revenue and adjusted EBITDA, I would also draw your attention to some additional lines.

Gross profit in Q4 2018 was 25.7 million, up 6.7 percent from the comparable period last year. Gross profit for fiscal 2018 was 109.2 million compared to 108 million in fiscal 2017.

Gross profit margin in Q4 2018 was 15.9 percent, down from 18 percent in the comparable period. And for fiscal year 2018, gross profit margin was 16.6 percent, down from 20.2 percent in 2017. The decline from earlier reflects the inflationary cost pressures already discussed and changes in the product mix.

Adjusted EBITDA margin in Q4 2018 was 10.9 percent, a decline of 350 basis points on the comparable period for the fiscal year 2018. And for the fiscal year 2018, the EBITDA margin was 11.9 percent, a decline of 300 basis points compared with the comparable period. Again, both reflects the inflationary cost pressures and the product mix changes referred to.

For fiscal 2018, adjusted EBITDA reduced by 7.7 million compared to the pro forma adjusted EBITDA for fiscal 2017, due to same input costs inflation factors already discussed.

Adjusted net income increased by 4.1 million to 5.7 million in Q4 2018, driven in part by a reduction in finance costs and a reduction in our corporation tax charge.

Turning to Slide 17. On this slide, we have provided the revenue and adjusted EBITDA bridges for both the fourth quarter and fiscal 2018, on a pro forma or like-for-like basis. As you can see here, the bulk of the revenue gain in both periods was attributable to significant strong volume increases of 20.7 million in the quarter and 56.6 million in the fiscal year.

With respect to adjusted EBITDA, while we benefitted from both price and volume improvement in the fourth quarter and in fiscal 2018, we experienced very significant input cost pressures of 9 million in Q4 2018 and 28.1 million in fiscal 2018. This eroded the impact of the volume and price improvements.

Turning to Slide 18, which illustrates the year-over-year change in quarterly gross profit margin and adjusted EBITDA margin. You can see the impact of cost pressures, particularly from resin. We estimate that resin price increases reduced 2018 gross margin by 2 percentage points and reduced 2018 adjusted EBITDA margin by 1.8 percentage points.

And as I said earlier, margins have also been impacted by unfavourable changes in the product mix and also, increasing payroll costs which arose due to the very tight labour market, particularly in North America.

With regards to freight, we were pleased to see freight costs stabilize over the second half of fiscal 2018.

As discussed in our Q4 and fiscal 2018 MD&A, published today, we're also very pleased to see the reductions in resin prices which materialized in the back end of Q4 and in Q1 2019, to date. And as we said in previous communications, we expect these to favourably impact our margins in Q1 2019.

Turning to Slide 19. Now, here, I'd like to talk more about the performance of each of our three divisions in the fourth quarter, and I'll begin with a brief overview of each of our divisions.

We had strong organic revenue growth in our CPS division, due primarily to the rollout of our new dairy business in North America and the benefit from increased pricing. We also experienced very strong demand from our largest European customer, which drove 29.4 percent revenue growth in Europe. However, margins in our CPS business were eroded due to product mix and the inflationary factors already discussed.

Revenue in the LF&E division increased due to strong sales growth in Europe, across all categories, but primarily in environmental containers. In North America, LF&E revenue declined because of a significant once-off contract in Q4 last year and adverse foreign exchange movements in the quarter.

In the RPS division, revenue increased due to strong organic growth. Unit bin sales increased by 52.6 percent in Q4 2018 compared to the prior year, as we experienced strong demand for the new bin technology in the automotive market.

As shown on the slide, margins in every division were impacted by resin price increases. Changes in product and customer mix also impacted the margins in our RPS and CPS divisions, while margins in our LF&E division was affected by product mix and labour cost pressures.

Turning to Slide 20. The CPS division generated very solid organic volume growth in Q4 2018. Revenue was 46.2 million in the fourth quarter, an increase of 18.3 percent from 39.1 million last year, largely due to volume growth, as highlighted in the bridge on the left-hand side of the page.

Gross profit of 6.6 million and adjusted EBITDA of 6.5 million in Q4 2018 were similar to Q4 last year, when they were 6.7 million and 6.6 million respectively.

The increase in cost of sales of 1.7 million was offset by the positive impact of volume and price increases.

Turning to Slide 21. In the LF&E division, we continued to generate organic revenue growth, despite the large environmental container contract in Q4 last year. Revenue was 73.5 million in Q4 2018, an increase of 5.6 percent from 69.6 million in the prior year.

Gross profit of 9.5 million slightly exceeded the 9.4 million we generated in Q4 2017. However, adjusted EBITDA declined 7.1 million compared to 7.9 million in Q4 2017. Margins declined too, primarily through resin and labour cost increases.

Moving to Slide 22. Revenue in the RPS division increased by 74.2 percent to 37.1 million in Q4 2018 compared to 21.3 million last year. That reflects the very strong growth in both agricultural and automotive bin sales.

Gross profit was 8.4 million, an increase of 20 percent from 7 million in Q4 last year, while adjusted EBITDA was 6 million, up 10.2 percent from 5.4 million last year. However, margins were down, due to resin price increases, evident in the significant increase of 4 million in cost of sales.

If the same polypropylene prices prevailed in 2018 that we had in 2017, we calculated a Q4 adjusted EBITDA in the RPS division would have been 2.7 million higher.

Turning to Slide 23, which details our condensed balance sheet and key ratios for the quarter.

Working capital, as at December 31, 2018, was 88.2 million compared to 53.2 million at the end of December 2017. The increase in working capital reflects our strong organic growth, together with the early payment of trade creditors prior to the end of fiscal 2018.

In particular, I would like to highlight that our trade payables were 17.9 million lower at the end of December 2018, compared to their position at the end of December 31, 2017.

Total assets, as at 31 December 2018, were 751.6 million, and shareholders' equity was 347.2 million. Both numbers improved year over year, primarily due to the settlement of deferred contingent consideration balance during the year, and the completion of the IPO and the proceeds raised.

Our net debt-to-equity ratio improved to 0.61 from 1.14 at the end of 2017, and our net debt-to-adjusted-EBITDA ratio improved to 2.7 times from 3.45 times at the end of December 2017. Our interest coverage ratio was 4.84 times at December 31, 2018, compared to 5.01 times a year earlier.

Turning to Slide 24. Here, we have provided a reconciliation of adjusted free cash flow. You can see that net cash flows from operating activities were 21.8 million in Q4 2018, down from the 38.4 million last year. This was driven primarily by movements in working capital already discussed and a reduction in adjusted EBITDA and amounts paid in respect of the IPO and scheme of arrangement costs, costs in respect of the business organization, and integration costs.

Adjusted EBITDA cash flows—adjusted free cash flow in the quarter was 23 million, down from 34 million in the prior year. And maintenance capital expenditures in fiscal 2018 was 8.7 million compared to 6.3 million in fiscal 2017.

Moving to Slide 25. Here, we set out a greater level of detail of the transactional reorganization and integration costs for fiscal 2018, which totalled 30 million in total. Looking at the breakdown of this number, you can see that 9.9 million related to the costs of the IPO process, and a further 5.7 million related to the refinancing and transaction costs associated with the merger of the consolidation of the two former, separate banking facilities into one, which was completed in April 2018 in advance of the IPO.

We also incurred significant start-up costs of 6.5 million, relating to the significant expansion of the two production plants, one in Forsyth and the other in Edmundston, New Brunswick.

As mentioned earlier in the presentation, we incurred 4.6 million in relation to the business optimization program at our LF&E division in North America.

These combined costs above amounted to 26.7 million, which was specific, as we see it, to transactions, reorganization, and events in 2018. And, in addition, we also incurred in 2018, a charge of US$700,000 in relation to M&A activities.

The final component of the 30 million is an amount of 2.6 million, which relates to other business reorganization and integration costs, particularly costs such as redundancy and severance costs.

Moving to Slide 26. We invested 54.2 million in our capital expenditure program in fiscal 2018. Of that total, 45.5 million was strategic and development capital expenditure, and 8.7 million was maintenance capital expenditure. After accounting for the proceeds from disposals, the net outflow with respect to capital expenditure was 52.9 million in 2018.

I will now turn it back to Alan.

Alan Walsh

Thank you, Pat. So just turning to Slide 27, in terms of outlook. In quarter four 2018, we implemented an enhanced resin procurement strategy which will benefit performance in fiscal 2019. We have also commenced a business optimization program in LF&E, which will take 12 to 18 months to fully implement, across a range of initiatives on the cost and revenue side.

Our LF&E and CPS divisions are trading satisfactorily, while our RPS division is experiencing temporary delays in bin sales in Q1 2019, due to adverse weather conditions and logistical difficulties in the rollout of automotive bins.

The automotive bin has been performing very successfully since it was rolled out and with very positive customer feedback, and we are confident that this product will continue to generate significant future sales, due to its compelling cost benefits and attractive sustainability features. Notwithstanding the temporary trading issues, we expect our RPS 2019 trading to be at least in line with 2018.

As mentioned earlier, our major capital investment program is concluding, and our CapEx in 2019 is expected to be in the range of 32.5 million to 37.5 million.

So to conclude, we are fully focused on delivering an improved operating and financial performance in fiscal 2019 versus 2018, leveraging our cost mitigation measures and optimization plan around LF&E.

Demand remains robust, and the acquisition of Loomans Group is a very exciting development. It provides us with a new footprint in continental Europe, it diversifies our customer base and our expertise in IML and complex engineered plastic components. We see Loomans as highly complementary to our existing CPS operations, and we are delighted to have it as part of our Group.

And Pat and I are now pleased to answer any questions you may have. So, Operator, please open the line for questions.

Q&A

Operator

Thank you. Ladies and gentlemen, as a reminder, should you have any questions, please press *, followed by 1.

Your first question is from Mark Wilde from Bank of Montreal. Please go ahead, Mark.

Mark Wilde — Bank of Montreal

Thank you. Good afternoon, Alan. Good afternoon.

Alan Walsh

Hi, Mark.

Mark Wilde

I wondered if you guys could put a little more colour around the weakness in both automotive and in the ag market? And how you would think about that playing out through the first couple quarters of the year?

Alan Walsh

Okay. So if I take that in two parts, on the ag side of the business we have, I think, purely weather-related events and a lot of snow along the West Coast of the US. We have seen an impact there, in terms of customers placing orders, but we don’t have any concerns on that front. It’s purely a weather-related event that’s going to push the delivery and ordering of some of those products into later quarters in the year.

In relation to the automotive product—and I think I’d like people to appreciate, we’re giving you, effectively, a real-time update as this is happening. This product has been extremely successful, and the feedback from the customer has been extremely positive. The box won various awards from a supply chain perspective, as I mentioned earlier.

We made significant investments in our facility in Kentucky last year, to be able to manufacture this box. And I have discussed on previous calls, our challenges in making these products quickly enough to satisfy the demand of the ultimate end customer here, in terms of rolling this product out into their own logistics fleet.

What has happened here is really something outside of our control. The third-party logistics provider, due to some operational issues at their end, has been unable to roll out the automotive products as quickly as we have been making them. So that's what's happened here. There's no issue with the container or anything like that.

And do we still retain full confidence in terms of the potential for this product? We do. I would describe it as frustrating. We had an initial contract that we knew we had to fulfill. We always knew we were going to have to look at other opportunities, once that contract came to an end.

I've discussed before, the challenges of trying to do that when you have no manufacturing capacity to be able to satisfy sales that may come from those other customers. And, essentially, now that this has happened, in a very, almost-overnight fashion, we are trying to bring forward a number of the opportunities and discussions that we have been having with some of those other potential customers.

But I hope you appreciate, you can't switch these sales on overnight because, notwithstanding this is a tried-and-tested product in the market, with one customer, all of the potential customers here will have to go through their own testing requirement before they would place a PO. So we're actively pursuing all of those opportunities.

There's lots of other applications for that container. We've had it certified to carry Class 9 materials, and that opens up another world of opportunity, I think, for this product.

But when something like this happens, we've had to react, and we've reacted in two ways. It's trying to accelerate the opportunities that we were having—I would describe high-level discussions with, to date—and we've also reacted on the cost side to rightsize the cost base in the short term, without jeopardizing the technical competence that we have, to be able to continue to manufacture this product.

And in relation to the existing contract, we fully expect that, that will turn back on. When it will turn back on is what we're in discussions with at the moment because the ultimate end customer is as frustrated as we are—as we are with this, in terms of it's not being rolled out quick enough into their fleet, so they are not maximizing the cost-saving opportunities that come with this product.

And we're frustrated on our end because we've had to halt production, temporarily. So it really is an issue with the intermediary 3PL provider here, and they're being squeezed on both sides to address their issues so that we can get production back up and running.

Mark Wilde

Yeah. That's really helpful. I wondered, just following on, if either you or Pat could give us some colour on the restructuring over in LF&E in terms of incremental costs that we might be looking at in '19? And then cadencing in the benefits in '19, '20, and '21?

Pat Dalton

Mark, you get me because I will take that question. But, first, in terms of—so at the end of December, we put through a 4.7 million restructuring charge, and that was effectively—although we have, at this point in time—it's visibility around those costs as we sit here right now. And those costs, essentially, relate to—pretty much all labour-related. So we're talking about back to labour deficiency, optimization of production shifts, schedules. That's what those costs relate to.

I should say, at this point in time, that we—sitting here today, we have no more visibility of incremental costs as we sit here, for the whole of 2019, in terms of—that would increase that number as we sit here today.

In terms of the benefits from the program, Mark, I mean, I think it's pretty well reflected in terms of how we see this happening. We do see our EBITDA margins, which are, as we—in that business, which are just under 10 percent today in the North American piece of our LF&E business. We do see those margins heading back up to 15 percent. We would hope to get there by the end of—sooner than the end of 2020, but we're certainly setting that we will be no later than the end of 2020.

Mark Wilde

Okay. That's helpful. Now I want to talk on the acquisition over at Loomans. I wonder if it's possible, to get the size of (phon) synergies? And just give us a sense of where the [audio gap].

Hello?

Alan Walsh

Hello. Mark?

Mark Wilde

Yeah.

Alan Walsh

Yeah. I think we lost you there for a second.

Mark Wilde

All right. So I was just asking about the size of the Loomans synergies? And where you're getting the synergies?

Alan Walsh

I suppose the first point I'd make—we haven't baked any synergies into our acquisition case, but we do expect some synergies to materialize. And if I can give a couple of examples, I'm looking to anticipate a significant synergy from resin here. The business is not of a substantial enough scale for us to extract any material synergies. There may be some, but nothing significant.

I think, for me, there's a couple of clear synergy benefits here. So, first of all, in relation to Loomans' in-house tooling capabilities, which is extremely impressive and the most extensive tooling capabilities we've ever seen in any business. So it's a little bit of a hidden gem within this business in itself. And that facility will be able to support a number of our molds, our tool-making requirements out of our facility in Cork, our facility in Edmundston, and our facility in Lee's Summit. So we do expect some internalization benefits around making tools in-house rather than with third parties.

That also has an additional benefit in terms of increasing the speed with which we can get tools manufactured, and there will also be some benefits in that we now have an in-house mold operation where we can send all of our molds for repairs that would otherwise go to third parties as well. So I think some cost savings on the mold side and also some advantages around speed to market in terms of having molds manufactured.

The other opportunity, I think, is around cross-selling potential, where we have some customers in North America who have approached us in relation to manufacturing capacity in Europe. We now have it. And there's a number of our customers—and I would have said this before—just a number of our customers in CPS North America, who are European-headquartered, and I think it's going to give us some significant cross-selling opportunities with those customers.

Mark Wilde

Okay. That's helpful. Finally, can you give you give us some guidance on the tax rate for '19? And what the benefit was in the fourth quarter?

Alan Walsh

We lost you again, Mark. Sorry. Could you repeat that?

Mark Wilde

Yes. Wanted to get a sense for tax rate in '19? And the benefit in the fourth quarter of '18?

Pat Dalton

Didn’t hear it.

Alan Walsh

Sorry. Did you say tax rate?

Mark Wilde

Yes.

Alan Walsh

Mark, I’m sorry, but we can’t hear the question.

Mark Wilde

I’m just asking about the tax rate—tax rate in ‘19, the tax rate in the fourth quarter.

Alan Walsh

Our tax rate at this time (unintelligible).

Operator

Thank you, ladies and gentlemen. In the consideration of other callers and time allotted, we do ask that you please limit yourself to two questions.

Your next question is from Walter Spracklin. Please go ahead.

Walter Spracklin — RBC Capital Markets

Yeah. Thanks very much. Good afternoon, everyone.

Alan Walsh

Hi, Walter.

Walter Spracklin

So I guess on the—I’ll keep it to two here—just going over my questions, picking the right two. The acquisition—can you talk a bit about any potential—I want to just make sure I’m covering off the potential risks here. So could you discuss any management lock-up agreements you have? How much are the relationships that, that management team has with its customers that are contingent on that relationship?

And it looks like the equipment is in pretty good order, but am I to assume that your CapEx spend incorporates any new—or the CapEx guidance you gave incorporates any new CapEx spend that you would expect from this acquisition?

Alan Walsh

Okay. So if I deal with the management point first, Walter. So we're very pleased that all of the existing management are remaining in place. It's a family-owned business and has been grown quite impressively by the family over the past many years. So we have entered into new employment contracts with each of the family members. In terms of retaining employment with us, they're more than happy to do that. I think they're looking forward to the challenge of working in a bigger organization that gives them the potential to grow their business quicker than what has happened to date.

The point on customer relationships is obviously important, and with any family business, those relationships typically reside in the owner of that company. So we have been very cognizant of that. It's not the first time we've bought a family-owned business, and we have—retaining the family is obviously important but, also, we've arranged meetings with all of the key customers in the business as part of the acquisition process itself.

So we hope that will be pretty seamless. A number of those customers have been pretty positive in terms of what the enlarged IPL platform offers them as an opportunity, going forward, as well. So I think they're the two key points that I would make on that.

And in the context of the CapEx, the CapEx guidance that we've given for the year does not include anything from Loomans in there—anything significant.

Walter Spracklin

Sorry. You're not expecting a significant CapEx spend with Loomans. Is that what you said?

Alan Walsh

And what there is would be covered within the range of guidance we have given.

Walter Spracklin

Perfect. Perfect. Okay. And then my second question really is around the RPS issue. I think I gleaned this from your prepared remarks, Alan, but there's no risk to the Ford contract that would come back to you in terms of them downsizing that contract as a result of these issues in any way? You're not anticipating anything into that respect? And how much am I—and a follow-on there is—how much of the open capacity that you alluded to being able to sell to other customers, I mean, if you're expecting a ramp back up toward the end of the year, isn't that capacity going to be, kind of, used up again? And can you really add a customer here in this window of opportunity that you have, now that you've deferred shipments into the back half?

Alan Walsh

Yeah. On the first point, Walter, in terms of risk around Ford, I see no risk whatsoever. We are in constant dialogue with them in terms of developing other products and variations of the product that we have. So this has been extremely successful. They recognize that, and they see the inherent advantages in this product. They see the cost benefits on their side. And there are lots of other potential applications for this within Ford before we ever go outside Ford. So is there a risk to the Ford—suppose there's always risks, just to be clear—but do we see a risk to the relationship at this point in time? Absolutely not—it's quite the opposite on that. So I don't think that's any concern.

Walter Spracklin

And in terms of having the capacity open for other customers, given that—

Alan Walsh

Yeah. I mean—

Walter Spracklin

—limited window?

Alan Walsh

Yeah. I think trying to bring forward the orders is the challenge. I supposed the point I'd make there—there's nothing in the pipeline that would be anything like the scale of the contract that we have with Ford, and I think—to make the point, we went into this, obviously, with our eyes open. It was a new product. It's been a very successful—but we were very alive to the fact that we only had a single customer, initially, starting off.

So our strategy here was always to diversify the customer base and range of products around it. That's, essentially, what we're doing now. It takes a bit of time to do that. So as I mentioned, we're trying to keep the technical labour force, to be able to switch this back on as required. We're in discussions with the 3PL provider and Ford in terms of when we may be able to do that.

So it will become a balancing act, but I think this contract was going to taper off in the back end of this year, anyways, so I don't see any concerns on our part around production capacity. If the contract switches back on, and we land one or two orders from other customers, we have more than adequate capacity to deal with that.

Walter Spracklin

Perfect. Okay. That's my two questions. Thank you very much.

Alan Walsh

Thank you.

Operator

Thank you. Your next question is from Elizabeth Johnston from Laurentian Bank. Please go ahead, Elizabeth.

Elizabeth Johnston — Laurentian Bank

Hi. Good afternoon.

Alan Walsh

Hi, Elizabeth.

Elizabeth Johnston

Just going back to the acquisition, just briefly here. Can you give us a sense of how that business—the cadence of the revenue in that business, if it's similar to your existing CPS operations? I'm thinking the seasonality, any kind of margin call you can provide within their packaging business versus the tooling? And if you see an ability for them to improve their own margins independently of IPL?

Alan Walsh

Yeah. So just to give an approximate split here—so the revenue in Loomans is approximately 90 percent related to plastic manufacturing, and 10 percent of the revenue would relate to tooling. And tooling is a project-based business where there can be some degree of lumpiness in it. Now that will not arise, I do not believe, under our ownership because of the potential for us to internalize some of our own mold-making within Loomans. So we will able to make sure there's a consistent workflow for the Loomans tooling operation.

In terms of margin improvements within Loomans, I think—and hopefully, some of you will get the opportunity to visit this facility in due course—this is one of the most automated facilities that we've ever seen. The picture on Page 11 of the presentation isn't staged, from the point of view that there's no people in the photograph. That's what the factory actually looks like, and that's how it operates.

And as that happens here, is all of the production, actually—it's an extremely well designed facility because underneath—it's actually on two floors—and underneath, you have the packing hall. So all of the production here falls down through chutes into automated packing facilities underneath, so a very clever design when the facility was actually put together.

So is there scope for us to operationally improve this business? It's very limited. It's highly automated facility. A number of it is—a number of—parts of the business are focused around long production runs. Is there some seasonality in this business? Yes. They make products for the ice-cream market, and it's not a key part of the business.

Some of the main products they make are infant formula caps that we also make in our facility in Cork. You've got the Heineken products. There would be no seasonality associated with any of those. The products for Ferrero, for Danone, et cetera, would be no—there would no real seasonality.

And even on the dairy side, the products and the screw caps that they're making would not be subject to the same level of seasonality that we would have in our own business, where we have some seasonality around quarter two, quarter three, particularly around the salad market and the ice-cream market.

So impressive customer base, highly automated, very well run, limited scope for operational improvement. This is really a question for us in terms of leveraging the tooling facility and how we grow the core business. And there is room to expand this facility and, I think, there is a lot of growth potential and opportunity.

Pat Dalton

And, Elizabeth, I'd just add maybe one—a little bit of colour in terms of the mix between tooling and plastic mold container sales. Just to say that when we prepared the—published this normalized EBITDA here, that the EBITDA for Loomans—and in due course, you will see this—will be actually higher for 2018, where the tooling rent—or the tooling EBITDA was actually higher. So you'll note that our normalized EBITDA would be lower than the actual EBITDA which ultimately emerges in the public domain.

Elizabeth Johnston

I'm sorry. Could you just repeat that again? I'm having a bit of trouble hearing you.

Pat Dalton

The normalized EBITDA that we publish at this point in time and that we've—releasing today—is actually lower than the actual EBITDA that Loomans had in 2018.

Elizabeth Johnston

Okay. And that's—sorry. And the reason for that was related to the tooling?

Pat Dalton

And the reason was that Loomans had a particularly very good year in tooling in 2018.

Elizabeth Johnston

Okay. Okay.

Pat Dalton

And just to clarify, and as Alan said, there's no reason, given the fact that we can internalize the supply chain of tooling into the Loomans facility going forward—there's no reason why that couldn't continue.

Elizabeth Johnston

Okay. No. That's great. Thank you. And just costs related to Loomans there, are you able to give us a sense of the capacity you referred to, capacity either in terms of what percentage capacity they're currently running at? Or if you're able to quantify in terms of dollar—in terms of revenue? Any kind of benchmark around that would be helpful as well.

Alan Walsh

Yeah. I think there is some capacity in this business. I think one of the features of this business, Elizabeth, is the fact because of how it's structured, there is very minimal mold changes that go on in this business. So you have machines dedicated to the manufacture of particular products.

To the extent that there's seasonality within those products, such as ice-cream containers, we obviously have the opportunity to repurpose those machines to manufacture other products if those opportunities arose, but. So I think it's important to understand how this business works and how efficient it is because no changes equals downtime equals lost production. So it's set up in a particular way to minimize all of those events.

But where you have seasonality, you can have a machine lying idle for a period of time. So that does present some capacity. And I think if you were looking for an overall rule of thumb, there's probably about 20 to 25 percent available capacity in this business. There's also space to expand within the existing footprint, and there's space around the facility as well to expand.

Elizabeth Johnston

Okay. That's great. And just finally on this topic for me, and my last question, regarding the tooling savings and the potential benefits from that in terms of your costs going forward. Are you able to give us some kind of either a timeline of when you think that might be visible within your results at CPS? Or the overall business? Is this a 2020 type of cost savings? And in terms of quantifying it, is it somewhere in the range of low single-digit improvement? Or is that really much too aggressive?

Pat Dalton

Yeah. I think low single-digit is a fair assumption. We'll be cautious on that today. But just to say, before we signed the deal, and I think as a show of good faith on both parties, we already have given Loomans a pretty significant (unintelligible) our facility in Cork that they are actively working on.

Elizabeth Johnston

Okay. So, potentially, savings in the medium to longer term would be in the low single digits for the whole Company in terms of EBITDA margin? Or specifically within CPS?

Alan Walsh

No. No. It's particular within CPS, Elizabeth. I suppose as a—and just so you are clear, Loomans have tooling capabilities up to a machine size of about 500 to 550 tonnes. So that's their niche. That's what they focus on. Anything above that, they would not have the machine capability to be able to manufacture bigger molds.

So the internalization benefits for us here are always going to revolve around Cork, Edmundston, and Lee's Summit. They do not have the capabilities to make molds for any of our other manufacturing locations.

Elizabeth Johnston

Okay. Great. Those are all my questions. Thank you.

Alan Walsh

Thank you.

Operator

Thank you. Ladies and gentlemen, as a reminder, we do ask that you limit yourself to two questions in consideration of other callers.

And your next question is from Ben Jekic from GMP Securities. Please go ahead, Ben.

Ben Jekic — GMP Securities

Good afternoon. Two quick questions for me, again, around Loomans. And I apologize if I missed it. But what was the EBITDA, say, over the last two or three years? From which point did it reach that 11.1 million?

Alan Walsh

From which point? So 11.1 million is the adjusted EBITDA number—

Pat Dalton

Mm-hmm.

Alan Walsh

—that we have reported for 2018. Then taking into account the comment that Pat made around normalizing the tooling revenue, our earnings for 2018 was—so this business has grown quite steadily from the point of view of sales and EBITDA over the last three years.

So on a top-line basis, it's grown in double digits, and on an EBITDA basis, it's grown in significant double digits, is the way I'd put it. So we—and I suppose one of the important points, and I just want to emphasize this—I mentioned it, that we have been in discussions with this company since 2015. We did due diligence on this company previously. For various reasons, it didn't happen at the time.

We have had the benefit of tracking the performance of this business over that period of time, and one of the comforting factors for us—when you look at any acquisition, and people are baking in future opportunities and projects that they're working on—one of the comforting factors has been to see that, that has actually all played out exactly as Jackie Loomans and the family predicted it would.

So a very strong top-line and bottom-line performance in this business over the last number of years; pretty strong EBITDA margins as well, as you can see.

Ben Jekic

Wow. Thank you. Thank you. And then the second question is, I guess one can gauge, based on the—based on the customers. But is there any particular European market that the revenues are coming from? Or is it widely dispersed? Like would Germany or Holland be kind of dominating? Or is it widely dispersed?

Alan Walsh

It's really focused along Belgium. So there's some local companies, Holland, Germany. But if you think about where it's located, it's in a very good location in between all of those countries. So that's—but it's mostly local to the plant, if I put it that way. There aren't products travelling big international distances or anything like that.

Ben Jekic

Okay. That's it for me, and congratulations on the move.

Alan Walsh

Thank you.

Operator

Thank you. Your next question comes from Scott Fromson from CIBC. Please go ahead, Scott.

Scott Fromson — CIBC

Thank you. Good afternoon. Most of my questions have been asked, but just want to get back to Loomans. Just wondering what percentage of revenues are IML? And how many machines are IML-dedicated?

Alan Walsh

The percentage of IML, I don't have to hand, Scott. But it's—Loomans has IML capabilities, but it's not the most significant part of this business. They make—if you look at the presentation, you can see some yogurts, milk pots, ice-cream containers, et cetera with all the IML offerings. It's on Page 8 of the results presentation.

But you can see there's a range of other products there that wouldn't be IML, such as the infant formula cap, et cetera. So I would say there's probably 10 percent of the revenues in this business attributable to IML.

Scott Fromson

So that sounds like an opportunity.

Alan Walsh

Absolutely.

Scott Fromson

And just, you'd said something about adding other machines. Could you repurpose some of the warehouse space for returnable packaging manufacturing? Or does that take foundation work and other structural work?

Alan Walsh

It would take—I mean, they're bigger machines. So, obviously, we'd need to look at that in terms of reinforcing floors, et cetera. But, yeah, I think, certainly, this location is very good from a number of perspectives and gives us the opportunity to create, potentially, a European manufacturing centre here.

And as I said earlier, Scott, it may be not within this plant, but there's adjoining land here, and it's in a business park. So there's ample opportunity to expand this facility. And I've spoken about manufacturing capacity in Europe before, for our RPS segment, and it certainly opens up that potential.

Scott Fromson

What would you see a timeline on that being?

Alan Walsh

I think our priority with Loomans is to get—we have to close it at the end of the month. We have to integrate it. There is a significant amount of growth opportunities within Loomans itself, ignoring any cross-selling that we can bring, that I referred to earlier. There's a whole number of projects that can significantly move this business forward in addition to what we may be able to bring to it. So I think our focus, in the short term, is going to be on growing what Loomans builds itself, before we look at other opportunities around RPS.

Scott Fromson

Makes sense. Thanks very much.

Alan Walsh

Thank you.

Operator

Thank you. Your next question comes from Flor O'Donoghue from Davy. Please go ahead.

Flor O'Donoghue — Davy

Thank you. Good day, everyone. Just a couple from me. First one is just on the Q4 statement. You mentioned labour costs in terms of being a headwind. Just would be interested in your outlook for labour costs into 2019?

And the second one is just on your heritage operations, I guess specifically, North America, given the very strong volume growth over the course of last year. It would be good to know what you're looking like in terms of utilization. Or in terms of is there any stress in terms of your own capacity? Are you still growing into all the investment that's been made? So just a kind of a—a kind of a sense of where you are in terms of capacity across the legacy network?

Pat Dalton

So I'll thank you for those questions. First just on—to deal with labour. Certainly, yes, during 2018 labour was a significant headwind. And it was headwind from a number of perspectives: firstly, in terms of the availability of labour; secondly, in terms of the cost inflation associated with payrolls generally.

And then in terms of when you talk about availability of labour, its impact on our operating efficiencies, so in other words, whether labour shows up for the shift or not, and whether you suffer additional downtime because of that. And we would say that in 2018, we certainly did have a fairly significant headwind from those labour issues.

As we move in 2019—and I would say, in particular, those significant payroll issues were really not American-based, but really in our LF&E division and also, to a lesser extent, in our Lee's Summit facility in the US.

As we move into 2019, I think the one benefit of the transformation program that we've been through at this point in time is that, through the analysis of our shift capacities, the effectiveness of each of our shifts and, actually, as Alan talked about earlier, the number mold changes, and the various different types of products we're making, and the simplification of our products and SKUs, we are now pretty confident that we have significant available capacity at this point in time, following both the CapEx investment in Forsyth, and following the investment into Lee's Summit area this year and also into the St-Damien facility.

We don't see any incremental CapEx investment into any of those facilities for 2019 so pretty confident, in terms of sitting here today, that we have enough capacity to deal with the growth that we see in front of us at this point.

Flor O'Donoghue

Thanks, Pat. That's very clear. Thank you.

Operator

Thank you. Your next question comes from David O'Brien from Goodbody. Please go ahead.

David O'Brien — Goodbody

Thanks, fellows. Thanks for letting me ask a question. Just one, really, please, around price cost. We're looking at a headwind of about 12 million bucks in 2018. Just given what you've seen on resin, and then your hedging and position on resin, and the feedback you've gotten on pricing and what's been put in place for year ahead, how should we think about that price cost spread for a year?

Pat Dalton

Thanks, David. So, firstly, in terms of pricing, first of all, you can think about it that one of the things we are certainly in the process of doing in the not-too-distant future is looking at all of our product pricing arrangements across both our LF&E division and our CPS division in North America. And, certainly, we will be looking out to thinking about rolling out—I want to say incremental price increases in 2019. So that's the first point to make. I think the—and I would say we're well advanced from that process right now.

Secondly, with respect to price, two further issues. Firstly, obviously there, we've had very favourable tailwind, as we sit here today, both from—in particular, from polypropylene but, obviously, polyethylene is also in our direction at this point in time. So where we sit in terms of resin input is certainly helping us.

And then, the final point around that metric is to say that the resin tender—and clearly, we have a fair—we have significant visibility around that. So sitting here today, David, in terms of where we're looking at and the spectrum we're looking through, much greater confidence—we have much greater confidence and, I would say, visibility around our 2019 margins and the upside we see coming to those margins from those issues.

David O'Brien

Okay. That's great. Thanks, guys.

Operator

Thank you. Your next question comes from Frederic Tremblay from Desjardins. Please go ahead.

Frederic Tremblay — Desjardins Securities

Thank you. First question is on the RPS segment. As we look to model the revenue from that business in Q1, Q2, and beyond, just trying to understand the timing of the issues, especially in the automotive bins business. From your comments, it seems like this issue rose fairly recently. Is it fair to assume that you will—or you generated meaningful revenue from automotive bins in Q1, and the impact would be mostly felt in Q2 and then pick back up in the latter part of the year?

Pat Dalton

Frederic, I think, at this point in time, the issue pretty much arose on the second or third week of January in terms of—in terms of the—if you want to call it—the first clouds that we saw were around the third week of January and then, really, thereafter, it effectively intensified into February So we're sitting here, pretty much, in terms of a real-time update, where there's ongoing discussion and negotiation as we sit here, so.

And, therefore, in terms of thinking about this and the way we analyzed this ourselves is that we have assumed that there will be no automotive revenues in the first six months of the year.

Frederic Tremblay

Okay. That's helpful. And staying with the RPS segment, just curious in terms of the potential customers that you're looking at. In terms of the logistics of it, would you have to go through a third party to serve those customers? Or is there a possibility to go direct?

Alan Walsh

First, just to say that with respect to those customers, I would say ongoing discussions right now with up to about 10 different customers, all of them pretty much end users of the box; all automotive producers—well, apart from, I think, one party, which is probably not an automotive producer. And that would be—and all of which are direct discussions, so it would be direct rollout into the auto.

Frederic Tremblay

Okay. Last question on the Loomans acquisition. Just wondering if you could comment on customer concentration in terms of their largest customers or percentage of revenue or the top three? And then, as well, what percentage of their revenue comes from customers that are also your own customers, in North America, for example? Thank you.

Alan Walsh

Yeah. So there is—you know, like any family business, I suppose, there is some degree of customer concentration here. Friesland would be the biggest customer, which is a huge dairy cooperative in Europe. So they would be the biggest. And, probably, the top six or seven customers here would account for about three-quarters of the business.

The only customer that overlaps with ourselves at this point, Frederic, would be Danone, in reality. The customer concentration here is not a concern from our perspective. Friesland, I think, is an 11 billion dairy co-op, and we see that as a big opportunity for Loomans, under our ownership, to grow the business with them.

So if you look at it on a stand-alone basis, you have some degree of customer concentration. When you look at it as part of the group, that issue falls away pretty quickly, and I actually think it opens up a number of opportunities going forward. And as I said earlier, we've already held discussions with a lot of the customers in Loomans.

Frederic Tremblay

Great. Thank you.

Operator

There are no further questions. You may proceed.

Alan Walsh

Okay. Well, that concludes our call this morning. Thank you to everybody for joining in and listening to the results call, and we look forward to speaking to you at the end of Q1, sometime in May. And finally, given the weekend it is, I'd like to wish everybody a happy St. Patrick's Day. Thank you.

Operator

Ladies and gentlemen, this concludes today’s conference call. We thank you for participating and ask that you please disconnect your lines.