IPL Plastics Inc. Reports First Quarter 2019 Financial Results

Montreal, QC, May 9, 2019 – IPL Plastics Inc. (“IPL Plastics”, “IPLP”, the “Group” or the “Company”) (TSX: IPLP) today reported financial results for the first quarter ended March 31, 2019 (“Q1 2019”).

All financial information is in U.S. dollars unless otherwise noted. Certain metrics, including those expressed on an adjusted basis, are non-IFRS measures. See “Non-IFRS Financial Measures” below.

Adjusted EBITDA margin in Q1 2019 increased from 11.5% to 12.2% on a gross profit improvement of 6.6% to $26.2 million. Earnings as measured by Adjusted EBITDA increased by 1.2% to $17.3 million on a 4.4% decline in revenue to $141.8 million. The decline in revenue primarily reflects unfavorable FX movements from a strengthening U.S. dollar as well as reduced volumes in the Returnable Packaging Solutions (“**RPS**”) division.

Q1 2019 Highlights

- Revenue decreased by 4.4% to $141.8 million due to negative FX translation movements which were offset by price increases. Volume growth in Consumer Packaging Solutions (“**CPS**”) was positive, volumes declined in RPS and were broadly in line in Large Format Packaging and Environmental Solutions (“**LF&E**”) quarter on quarter;
- Adjusted EBITDA increased by 1.2% to $17.3 million due to lower resin input costs, net operational improvements and efficiencies, and the positive impact resulting from the adoption of IFRS 16 *Leases,* offset by reduced volumes in RPS, increases in labor costs and additional operating expenses following completion of the IPO;
- Adjusted EBITDA margins expanded in LF&E by 360bps to 14.6% and in CPS by 90bps to 16.9% but this was offset by a 790bps decline in RPS to 5.7% driven by reduced volumes;
- Net Income was $1.1 million and Adjusted Net Income was $4.4 million for the period;
- Net Debt increased to $317.6 million as at March 31, 2019 due to the Loomans acquisition; and
- Loomans trading and integration progressing to expectation following acquisition on March 28, 2019.

Commenting on the results, **Alan Walsh, CEO of IPL Plastics** said “The Q1 2019 results reflect a solid start to Fiscal 2019 and positive progress on the Group’s Adjusted EBITDA margin which increased from 11.5% to 12.2%. Temporary trading issues in our Returnable Packaging Solutions division were more than offset by strong margin expansion across the rest of the Group. We reiterate our expectation that RPS’s Adjusted EBITDA performance in Fiscal 2019 will be at least in line with 2018.

We are pleased to have successfully completed the acquisition of Loomans which is performing to expectations and our target remains to reduce our Net Debt to Adjusted EBITDA ratio to 2.7x by the end of Fiscal 2019.

Our Fiscal 2019 expectation remains for an overall solid improvement in the Group’s trading performance reflecting the benefits of the various initiatives we are taking and the underlying robustness of our business.”

Financial Results and Company Developments

($million, unless otherwise specified)	Q1 2019	Q1 2018	% change
Revenue	141.8	148.3	(4.4%)
Gross Profit	26.2	24.6	6.6%
Adjusted EBITDA	17.3	17.1	1.2%

Net Income	1.1	1.4	(24.0%)
Adjusted Net Income	4.4	5.1	(13.5%)
Adjusted Diluted Earnings Per Share (in $)	0.08	0.14	(42.9%)
Pro Forma Adjusted Diluted Earnings Per Share (in $)	0.08	0.09	(11.1%)

Q1 2019 revenue decreased by 4.4% to $141.8 million, compared to $148.3 million for the three months ended March 31, 2018 (“Q1 2018”). This reflects the negative FX translation movements which were offset by price increases. Volume growth in CPS was positive, volumes declined in RPS and were broadly in line in LF&E quarter on quarter.

Gross profit increased by 6.6% to $26.2 million in Q1 2019, compared to $24.6 million in Q1 2018. Gross profit margin for Q1 2019 was 18.5%, compared to 16.6% in Q1 2018. Adjusted EBITDA was $17.3 million in Q1 2019, compared to $17.1 million in Q1 2018, while Adjusted EBITDA margin was 12.2% in Q1 2019 and 11.5% in Q1 2018. Adjusted EBITDA margins expanded by 360bps to 14.6% in the LF&E division and by 90bps to 16.9% in the CPS division, but contracted in the RPS division by 790bps to 5.7%. The increase in the Group’s Adjusted EBITDA reflects lower resin input costs, optimization efforts and the positive impact resulting from the adoption of IFRS 16 *Leases*, which were partially offset by labor cost increases, additional operating expenses following completion of the IPO and reduced volumes in the RPS division.

Net income in Q1 2019 was $1.1 million, compared to net income of $1.4 million in Q1 2018. The variance was primarily attributable to a reduced income tax credit, which was $0.4 million lower in Q1 2019 compared to Q1 2018.

Adjusted Net Income was $4.4 million in Q1 2019, a reduction of $0.7 million compared to $5.1 million in Q1 2018. Adjusted Diluted Earnings Per Share were $0.08 in Q1 2019, compared to $0.14 in Q1 2018. On a pro forma basis, Adjusted Diluted Earnings Per Share were $0.08 in Q1 2019 and $0.09 in Q1 2018.

Net cash outflow from operating activities improved by $14.8 million in Q1 2019 to $5.1 million from $19.9 million in Q1 2018. Adjusted Free Cash Flow was an outflow of $7.3 million in Q1 2019, compared to an outflow of $23.7 million in the prior year.

Outlook

The Group generated improved gross profit, gross profit margin, Adjusted EBITDA and Adjusted EBITDA margin in Q1 2019 when compared with Q1 2018. The improvement in these results in Q1 2019 was driven primarily by decreases in resin input costs, other operational improvements and the positive impact resulting from the adoption of IFRS 16 offset by increases in the cost of labor, additional operating expenses following completion of the IPO and reduced volumes in the RPS division. Adjusted EBIT for Q1 2019 was broadly in line with Q1 2018.

In North America, average IHS resin index prices for HDPE polyethylene and polypropylene were 2.0% and 10.9% lower, respectively, in Q1 2019 compared with Q1 2018. In Europe, average ICIS resin index prices for polypropylene were 1.6% lower in Q1 2019 compared with Q1 2018, while polyethylene prices remained broadly flat. In North America, resin prices have fallen significantly in the six months since October 2018. IHS resin index prices for HDPE polyethylene and polypropylene have reduced by 6.8% and 25.7% respectively. European polypropylene resin index prices have also reduced by 4.3%, while HDPE polyethylene prices have been more stable over the same period. The near-term outlook is that resin prices are expected to see some modest upward pressure during Q2 2019.

Trading in the LF&E and CPS divisions in Q1 2019 has been satisfactory. The RPS division experienced temporary trading issues in Q1 2019 in securing agricultural bin sales due to, amongst other factors, the severe adverse weather conditions in the U.S. In addition, during Q1 2019, the third-party logistics provider responsible for the rollout of the automotive bins to the primary automotive producer informed the Group that as a consequence of logistical difficulties, there is a significant backlog of bin stocks not yet incorporated into the logistical bin fleet of the primary automotive end customer and they would be delaying placing further purchase orders until later in Fiscal 2019. The automotive bin is performing very successfully since being rolled out with very positive customer feedback, and the Group therefore continues to be optimistic that this product will generate significant future sales. The Group has taken corrective action to streamline its cost base and has actively engaged with other automotive producers with a view to diversifying its customer base and accelerating other revenue-generating opportunities. Notwithstanding the issues noted above, the Group expects Adjusted EBITDA for the RPS division for Fiscal 2019 to be at least in line with Fiscal 2018.

Management is focused on delivering an overall improvement in operating and financial performance in Fiscal 2019 when compared with Fiscal 2018. This goal, which does not include the impact of the Loomans acquisition, is supported by the significant capital expenditure program that is nearing completion, advances in resin procurement strategies, stabilization of freight costs, and improved performance in the LF&E division in North America following the Q4 announcement of the business optimization program.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2019 and related Management's Discussion and Analysis ("MD&A") are available under the Company's profile on SEDAR at www.sedar.com and in the Investor Relations section of the Company's website at www.iplpgroup.com.

Conference Call

Management will host a conference call for analysts and investors on Friday, May 10, 2019 at 10:00 am (ET). The dial-in numbers for participants are +1 416 764 8609 in Canada, +1 888 390 0605 in North America and 1800939111 in Ireland. A live webcast of the call will be accessible at: https://event.on24.com/wcc/r/1977992/CD6E529E938F065B4D0DC576330A0A92

A replay of the call will be available until May 17, 2019. To access the replay, call +1 416 764 8677 in Canada or +1 888 390 0541 elsewhere in North America, and enter passcode: 335858 #. A transcript of the call will be posted on the Company's website.

About IPL Plastics

IPLP is a leading sustainable packaging solutions provider primarily in the food, consumer, agricultural, logistics and environmental end-markets operating in Canada, the U.S, the U.K., Ireland, Belgium, China and Mexico. IPLP employs approximately 2,100 people and has corporate offices in Montreal and Dublin. For more information, please visit the Company's website at www.iplpgroup.com.

Forward Looking Statements

This press release may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements include all matters that are not historical facts. Specifically, forward looking statements in this press release include, but are not limited to, statements regarding the Company's anticipated growth opportunities and its outlook for its 2019 revenue and Adjusted EBITDA, the expected completion dates of certain of the Company's capital projects, the Company's ability to pass through material price input change to customers, the Company's expectations regarding resin and freight costs and the results from the Company's response thereto including the impact on gross margin and Adjusted EBITDA margin for Fiscal 2019, expectations regarding securing labor and labor cost inflation and expected cash outflows for Fiscal 2019, the impact of the RPS division's high order backlog on the Company's Adjusted EBITDA margin for Fiscal 2019. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

This information reflects the Company's current expectations regarding future events. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Company's control that could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking information. Such risks and uncertainties include, but are not limited to, the factors discussed under "Risk Factors" in the

Company's MD&A dated May 9, 2019. This information is based on the Company's reasonable assumptions and beliefs in light of the information currently available to it and the statements are made as of the date of this press release. The Company does not undertake any obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law or regulatory authority.

The Company cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect the Company's results. Readers are urged to consider the risks, uncertainties and assumptions associated with these statements carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See "Forward-looking Information" and "Risk Factors" within the Company's MD&A for a discussion of the uncertainties, risks and assumptions associated with these statements.

Non-IFRS Financial Measures

This press release uses certain non-IFRS financial measures and ratios. Management uses these non-IFRS financial measures for purposes of comparison to prior periods, to prepare annual operating budgets, and for the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing its financial condition, business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of financial information reported under IFRS. IPLP uses non-IFRS financial measures including Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBIT, Adjusted Net Income, Adjusted Basic Earnings per Share, Adjusted Diluted Earnings per Share, Pro Forma Adjusted Basic and Adjusted Diluted Earnings per Share, Net Debt and Adjusted Free Cash Flow to provide supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company believes that the presentation of these financial measures enhances an investor's understanding of its financial performance and financial condition. The Company further believes that these financial measures are useful financial metrics to assess its operating performance from period to period by excluding certain items that management believes are not representative of the Company's core business. The following tables below show a reconciliation of the non-IFRS measures included in this press release.

Reconciliation of Adjusted EBIT and Adjusted EBITDA to Income from continuing operations:

Adjusted EBITDA consists of income from continuing operations before income taxes, net finance costs, share of profit of equity-accounted investees, refinancing transaction costs, business reorganization and integration costs, initial public offering and related costs, depreciation and amortization, and other income/(expenses). Adjusted EBIT is Adjusted EBITDA less depreciation and amortization.

	Three months ended March 31	
($'000)	**2019**	**2018**
Income from continuing operations	**1,077**	1,417
Income tax credit	**(1,105)**	(1,546)
Finance costs (net)	**3,927**	4,171
Other income (net)	**(20)**	(129)
Operating Profit	**3,879**	3,913
Business reorganization and integration costs	**2,567**	1,429
Initial public offering and related costs	**-**	1,481
Adjusted EBIT	**6,446**	6,823
Depreciation and amortization	**10,820**	10,231
Adjusted EBITDA	**17,266**	**17,054**

Reconciliation of Adjusted Net Income, Adjusted Basic Earnings per Share, Adjusted Diluted Earnings per Share and Pro Forma Earnings per Share:

Adjusted Net Income, Adjusted Basic Earnings per Share and Adjusted Diluted Earnings per Share

Adjusted Net Income consists of income from continuing operations before share of profit of equity-accounted investees, refinancing transaction costs, business reorganization and integration costs, initial public offering and related costs, amortization of acquisition-related intangibles, other income/(expenses), income tax related to the above noted items and the effects of change in tax rates. Adjusted Basic Earnings per Share and Adjusted Diluted Earnings per Share is calculated by dividing the Adjusted Net Income by the weighted-average number of common shares outstanding. In the case of Adjusted Diluted Earnings per Share, the number of outstanding common shares is adjusted for the effects of options with a dilutive effect.

	Three months ended March 31	
($'000, unless otherwise stated)	**2019**	**2018**
Income from continuing operations	1,077	1,417
Business reorganization and integration costs	2,567	1,429
Initial public offering and related costs	-	1,481
Amortization of acquisition related intangibles	1,634	1,675
Other income (net)	(20)	(129)
Taxes related to the above noted items	(830)	(752)
Adjusted Net Income	**4,428**	**5,121**
Weighted-average number of common shares	53,758	34,970
Adjusted basic earnings per share (in $)	**0.08**	**0.15**
Equity instruments with a dilutive effect – share options	606	1,126
Weighted-average number of common shares (diluted)	54,364	36,096
Adjusted diluted earnings per share (in $)	**0.08**	**0.14**

Pro Forma Basic and Diluted Earnings per Share

Pro Forma Earnings per Share reflects historical earnings per share recast using the number of common shares outstanding for the relevant period end dates, after giving effect to the share reorganization transaction on February 28, 2018 where the minority shareholders' equity interests in IPL Inc. were exchanged for 47,238,242 shares in IPL Plastics Ltd ("IPL Ltd"). It also gives effect to the Scheme of Arrangement pursuant to which the holders of ordinary shares exchanged their shares for Class B common shares on the basis of five shares of IPL Ltd for one Class B common share in IPL Plastics Inc. Finally, the Pro Forma Earnings per Share gives effect to the number of common shares issued on closing of the initial public offering and the number of shares redeemed with respect to the Buy-Back Option.

	Three months ended March 31	
($'000, unless otherwise stated)	**2019**	**2018**
Income from continuing operations	**1,077**	**1,417**
Weighted-average number of common shares	53,758	34,970
Pro-forma adjustment for shares issued on share reorganization	-	6,110
Pro-forma adjustment for shares issued on initial public offering	-	14,200
Pro-forma adjustment for shares redeemed with respect to the Buy-Back Option	-	(2,086)
	53,758	53,194
Pro Forma Basic earnings per share (in $)	**0.02**	**0.03**
Equity instruments with a dilutive effect – share options(1)	606	1,126
Weighted-average number of common shares (diluted)	54,364	54,320
Pro Forma Diluted earnings per share (in $)	**0.02**	**0.03**

(1) After giving effect to the Scheme of Arrangement pursuant to which the holders of ordinary shares exchanged their shares for Class B common shares on the basis of five shares of IPL Ltd for one Class B common share in IPL Plastics Inc.

Pro Forma Adjusted Basic and Adjusted Diluted Earnings per Share

The Pro Forma Adjusted Earnings per Share is defined as the Adjusted Net Income divided by the same pro forma number of common shares outstanding. In the case of the Pro Forma Diluted Earnings per Share and the Pro Forma Adjusted Diluted Earnings per Share, the number of outstanding common shares is adjusted for the effects of options with a dilutive impact.

	Three months ended March 31	
($'000, unless otherwise stated)	**2019**	**2018**
Adjusted Net Income	**4,428**	**5,121**
Weighted-average number of common shares	53,758	34,970
Pro-forma adjustment for shares issued on share reorganization	-	6,110
Pro-forma adjustment for shares issued on initial public offering	-	14,200
Pro-forma adjustment for shares redeemed with respect to the Buy-Back Option	-	(2,086)
	53,758	53,194
Pro Forma Adjusted basic earnings per share (in $)	**0.08**	**0.10**
Equity instruments with a dilutive effect – share options[1]	606	1,126
Weighted-average number of common shares (diluted)	54,364	54,320
Pro Forma Adjusted diluted earnings per share (in $)	**0.08**	**0.09**

(1) After giving effect to the Scheme of Arrangement pursuant to which the holders of ordinary shares of IPL Ltd exchanged their shares for Class B common shares on the basis of five ordinary shares of IPL Ltd for one Class B common share.

Reconciliation of Net Debt:

The table below sets out the Net Debt position of the Company at the various period ends. Net Debt is defined as loans and borrowings and convertible loan notes less cash and cash equivalents, and excludes the impact of the lease liabilities recognized in respect of the adoption of IFRS 16 *Leases*.

($'000)	*As at March 31* **2019**	*As at December 31* **2018**
Loans and borrowings including bank loans	**360,918**	258,431
Lease liabilities	**2,301**	544
Convertible loan notes	**1,393**	1,420
Cash and cash equivalents	**(47,052)**	(49,857)
Net Debt	**317,560**	**210,538**

Reconciliation of Adjusted Free Cash Flow:

Adjusted Free Cash Flow represents cash generated by IPLP activities and available for reinvestment elsewhere, including the early repayment of debt. It is defined as the net cash flow used in operating activities excluding discontinued operations, less finance costs and maintenance capital expenditure amounts paid, adding back business reorganization and integration costs paid, excluding investing and financing related cost, the payment of initial public offering and related costs and other (income)/expenses (received)/paid.

	Three months ended March 31	
($'000)	**2019**	2018
Net cash flows used in operating activities	**(5,138)**	(19,859)
Business reorganization and integration costs paid (excluding investing and financing related costs)	**4,467**	2,665
Other income (net)	**83**	(55)
Adjusted net cash flow used in operating activities	**(588)**	17,249
Maintenance capital expenditure	**(3,351)**	(2,554)
Finance costs paid	**(3,355)**	(3,926)
Adjusted Free Cash Flow	**(7,294)**	(23,729)

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