IPL Plastics Inc. Reports Third Quarter 2018 Financial Results

Consistent with its strategic plan, the Company also announced a strategic initiative to optimize profitability, and publication of its sustainability strategy

Montreal, QC, November 9, 2018 – IPL Plastics Inc. ("IPL Plastics", "IPLP" or the "Company") (TSX: IPLP) today reported financial results for the third quarter and nine months ended September 30, 2018 ("Q3 2018" and "YTD 2018") and a new strategic initiative to enhance long-term profit margins. In addition, the Company published its sustainability strategy, which outlines its commitment to embed sustainability across its operations. 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.

Q3 2018 Highlights

- Revenue was $169.2 million, an increase of 7.4% from $157.5 million in the three months ended September 30, 2017 ("Q3 2017") driven primarily by continued organic volume growth;
- Adjusted EBITDA was $20.5 million, compared to $25.5 million in Q3 2017 driven primarily by continued input cost pressures, particularly resin input prices;
- Net Income was $4.8 million, compared to $7.5 million in Q3 2017;
- Adjusted Net Income was $10.5 million, an increase of $1.8 million from $8.7 million in Q3 2017;
- Net Debt has been reduced from $276.3 million as at December 31, 2017 to $219.7 million as at September 30, 2018;
- Capital expenditures amounted to $44.2 million in YTD 2018, out of an estimated $52.5 million for the full year; and
- Consistent with its strategic plan, the Company commenced business optimization measures to improve margins and enhance profitability.

"Robust demand for our rigid-packaging products drove volume growth in all three of our operating divisions in the third quarter of 2018." said Alan Walsh, Chief Executive Officer of IPL Plastics. "As with our competitors in the plastics sector, we continue to be adversely affected by increased resin prices and other input costs, which reduced our profitability during the period. Looking ahead, we will continue to raise prices to reflect increases in resin costs where appropriate, manage our costs, and take advantage of our pass-through arrangements to strengthen our margins. The near-term resin pricing environment appears to be stabilizing. We are also continuing to evaluate a number of external growth opportunities in the US and Europe."

Financial Results and Company Developments

($million, unless otherwise specified)	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Revenue	169.2	157.5	495.8	402.4
Gross Profit	28.0	32.6	83.5	83.9
Adjusted EBITDA	20.5	25.5	60.4	60.9
Net Income	4.8	7.5	3.6	17.1
Adjusted Net Income	10.5	8.7	24.3	22.1
Adjusted Diluted Earnings Per Share (in $)	0.19	0.26	0.54	0.68
Pro Forma Adjusted Diluted Earnings Per Share (in $)	0.19	0.16	0.44	0.41

Q3 2018 revenue increased 7.4% to $169.2 million, compared to $157.5 million in Q3 2017. The increase was primarily driven by continued organic volume growth and price increases in all three of the Company's divisions, particularly the Consumer Packaging Solutions ("CPS") and Returnable Packaging Solutions ("RPS") divisions.

Gross profit declined to $28.0 million in Q3 2018, compared to $32.6 million in Q3 2017. Gross profit margin for Q3 2018 was 16.6%, compared to 20.7% in Q3 2017. Adjusted EBITDA was $20.5 million in Q3 2018, compared to $25.5 million in Q3 2017. Adjusted EBITDA margins contracted across all divisions in Q3 2018 relative to Q3 2017. The reductions in Gross profit, Gross profit margin, Adjusted EBITDA and Adjusted EBITDA margin in Q3 2018 were primarily driven by input cost pressures from resin and labor, in addition to changes in the product mix, partially offset by continued organic growth in all divisions. The RPS business delivered Adjusted EBITDA in Q3 2018 which was $4.0 million below our expectations. Actual bin sales in units increased by 25.4% in YTD 2018 in our RPS business. The continued increases in resin prices resulted in an estimated decline in the Company's gross margin by 3.0% and Adjusted EBITDA margin by 2.9% in Q3 2018, assuming revenue and other input costs remained constant year on year.

Net Income in Q3 2018 was $4.8 million, compared to $7.5 million in Q3 2017. The decrease in Net Income was primarily attributable to the increased resin prices and other cost pressures noted above, additional business reorganization and integration costs and refinancing transaction costs, partially offset by reduced finance costs and income tax expense. Adjusted Net Income was $10.5 million in Q3 2018, compared to $8.7 million in the prior year, the increase of $1.8 million driven in part by a reduction in finance costs and a reassessment of our corporation tax accrual. Adjusted Diluted Earnings Per Share were $0.19 in Q3 2018, compared to $0.26 in Q3 2017. On a pro forma basis, Adjusted Diluted Earnings Per Share were $0.19 in Q3 2018 and $0.16 in Q3 2017.

Adjusted Free Cash Flow was an inflow of $18.4 million in Q3 2018, compared to an inflow of $19.8 million in the prior year. The reduction was primarily the result of reduced cash flows from operating activities as a result of lower EBITDA, partially offset by an increased unwind of our working capital.

Outlook

The Company continues to experience strong growth in demand for its products across all three operating segments and to organically grow revenues, capitalizing on the significant customer and market opportunities available to us.

During Q3 2018, polyethylene prices increased by 3.5%, polypropylene pricing has remained flat and freight costs have stabilized when compared to the prior quarter. IPLP responded to the increases in resin costs in 2018 by passing on those costs where contractual pass-through arrangements are in place with customers and by seeking to negotiate general price adjustments with other customers. General price increases were implemented in Q2 2018 and Q3 2018. However, the positive impact of these price increases has been eroded by further increases in the price of resin during these periods. The near-term outlook for resin prices is for polyethylene to remain relatively stable, with perhaps some movement downwards in polypropylene input prices.

IPLP expects to incur total cash outflow in respect of capital purchases of property, plant and equipment for Fiscal 2018 of approximately $52.5 million. This estimate is based on the following assumptions, among others: (i) the Company's major capital investment projects are completed on time and on budget; (ii) a U.S. dollar to Canadian dollar exchange rate of 1:1.27; and (iii) interest and inflation rates consistent with historical levels.

IPLP will also continue to consider complementary acquisitions that make sound strategic sense, fit within its disciplined acquisition parameters and are accretive to shareholder value.

Business Optimization Program: *Fitter for Continued Growth*

Over the last number of years, the Company has experienced very significant levels of organic growth, completed a number of acquisitions, completed a complex corporate restructuring in preparation for the initial public offering, realigned its operating divisions and significantly advanced a large-scale capital investment program which is nearing completion. In line with the Company's strategic plan, IPL Plastics has now also announced that it has commenced enhanced measures to improve the Company's business margins and core profitability levels during 2019. This broad based strategic initiative which is in its early stages of formulation is designed to drive margin enhancement and sustainable profit growth across all divisions, but with specific focus on IPLP's Large Format Packaging & Environmental Solutions ("LF&E") division in North America.

"We are very confident that these initiatives will result in margin enhancement, significantly improving our overall profitability, in 2019 and beyond" added Mr. Walsh. "This program does not preclude us from generating further positive growth from accretive acquisitions, as we have in the past. Our margin-enhancement program will be conducted with an eye to improving the long-term competitiveness and sustainability of our business, ensuring IPLP will retain and enhance its position as one of the world's leading packaging firms."

Sustainability Strategy

Additionally, IPL Plastics today published its sustainability strategy. The comprehensive document outlines IPLP's focus on creating recyclable products that make a positive contribution to the circular economy. The document is available on the Company's website at www.iplpgroup.com.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2018 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 investors and analysts to discuss the Company's Q3 2018 results at 10:00 a.m. ET today. The dial-in numbers for participants are +1 416 764 8609 in Canada, +1 888 390 0605 in North America and 1800 939 111 in Ireland. A live webcast of the call will be accessible at: https://event.on24.com/wcc/r/1860286/9749760047A247994685BBC0C4C690AF.

A replay of the call will be available until 11:59 pm ET, on November 16, 2018. To access the replay, call +1 416 764 8677 in Canada or +1 888 390 0541 in North America, and enter passcode: 056143#. A transcript of the call will be posted on IPLP'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, China and Mexico. IPLP employs approximately 2,400 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 contain forward-looking information within the meaning of applicable securities legislation. Such information includes, but is not limited to, statements related to the Company's anticipated growth opportunities and its outlook for its 2018 revenue and Adjusted EBITDA, the impact of resin, labor and freight costs increases on our gross margin and Adjusted EBITDA margin for the remainder of 2018, the Company's capital purchases of property, plant and equipment for Fiscal 2018, the impact of recent capital investment in the LF&E division on production efficiencies and Adjusted EBITDA margins and the impact its recent initiatives on margins and overall profitability. Words such as "expect," "anticipate," "intend," "attempt," "may," "plan," "will", "can", "believe," "seek," "estimate," and variations of such words and similar expressions are intended to identify such forward-looking information. 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 final prospectus dated June 21, 2018. 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.

We caution 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 our 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 our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use 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 Basic, Diluted, Adjusted Basic and Adjusted Diluted Earnings per Share, Pro Forma Total Shareholders' Equity, Net Debt and Adjusted Free Cash Flow to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that the presentation of these financial measures enhances an investor's understanding of our financial performance and financial condition. We further believe that these financial measures are useful financial metrics to assess our operating performance from period to period by excluding certain items that we believe are not representative of our core business. The following tables below show a reconciliation of all non-IFRS measures used for the period.

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 EBITDA margin is calculated as Adjusted EBITDA divided by revenue..

	Three months ended September 30		*Nine months ended September 30*	
($'000)	**2018**	2017	**2018**	2017
Income from continuing operations	**4,760**	7,224	**3,605**	17,222
Income taxes	**517**	3,137	**(6,165)**	6,260
Refinancing transaction costs	**897**	-	**5,658**	-
Finance costs (net)	**2,586**	4,755	**12,476**	10,681
Other expenses/(income) (net)	**205**	(910)	**170**	(1,678)
Share of profit of equity-accounted investees	**(1,147)**	(1,448)	**(1,953)**	(2,010)
Operating profit	**7,818**	12,758	**13,791**	30,475

Business reorganization and integration costs	**2,462**	2,914	**5,834**	7,258
Initial public offering and related costs	**-**	-	**9,923**	-
Adjusted EBIT	**10,280**	15,672	**29,548**	37,733
Depreciation and amortization	**10,241**	9,862	**30,825**	23,191
Adjusted EBITDA	**20,521**	25,534	**60,373**	60,924

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 are 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 ordinary shares is adjusted for the effects of options with a dilutive effect.

	Three months ended September 30		*Nine months ended September 30*	
($'000, unless otherwise stated)	**2018**	2017	**2018**	2017
Income from continuing operations	**4,760**	7,224	**3,605**	17,222
Refinancing transaction costs	**897**	-	**5,658**	-
Business reorganization and integration costs	**2,462**	2,914	**5,834**	7,258
Initial public offering and related costs	**-**	-	**9,923**	-
Amortization of acquisition related intangibles	**1,645**	1,772	**4,978**	3,404
Other expenses/(income) (net)	**205**	(910)	**170**	(1,678)
Share of profit of equity-accounted investees	**(1,147)**	(1,448)	**(1,953)**	(2,010)
Taxes related to the above noted items	**1,715**	(846)	**(3,871)**	(2,115)
Adjusted Net Income	**10,537**	8,706	**24,344**	22,081
Weighted-average number of common shares	**53,190**	31,680	**43,332**	31,455
Adjusted basic earnings per share (in $)	**0.20**	0.27	**0.56**	0.70
Equity instruments with a dilutive effect – share options	**1,430**	1,244	**1,488**	1,192
Weighted-average number of common shares (diluted)	**54,620**	32,924	**44,820**	32,647

Adjusted diluted earnings per share (in $)	**0.19**	0.26	**0.54**	0.68

Pro Forma Earnings per Share reflects historical earnings per share recast using the number of common shares for the relevant period, 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 Limited, previously known as IPL Plastics plc **("IPL plc")**. It also gives effect to the Scheme of Arrangement where the holders of ordinary shares in IPL plc exchanged their shares for Class B common shares on the basis of five shares of IPL plc 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 in respect of the Buy-Back Option. The Pro Forma Adjusted Earnings per Share is defined as the Adjusted Net Income divided by the same pro forma number of 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 ordinary shares is adjusted for the effects of options with a dilutive impact.

	Three months ended September 30		*Nine months ended September 30*	
($'000, unless otherwise stated)	**2018**	2017	**2018**	2017
Adjusted net income	**10,537**	8,706	**24,344**	22,081
Weighted-average number of common shares	**53,190**	31,680	**43,332**	31,455
Pro-forma adjustment for shares issued on share reorganization	**-**	9,448	**2,015**	9,448
Pro-forma adjustment for shares issued on initial public offering	**286**	14,200	**9,399**	14,200
Pro-forma adjustment for shares redeemed in respect of the Buy-Back Option	**-**	(2,086)	**(1,346)**	(2,086)
	53,476	53,242	**53,400**	53,017
Pro Forma Adjusted basic earnings per share (in $)	**0.20**	0.16	**0.46**	0.42
Equity instruments with a dilutive effect – share options(1)	**1,430**	1,244	**1,488**	1,192
Weighted-average number of common shares (diluted)	**54,906**	54,486	**54,888**	54,209
Pro Forma Adjusted diluted earnings per share (in $)	**0.19**	0.16	**0.44**	0.41

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

Net Debt is defined as loans and borrowings and convertible loan notes less cash and cash equivalents and excludes the Put Liability arising on equity investment by non-controlling interests in IPL Inc.

	As at September 30	*As at December 31*
($'000)	**2018**	2017
Bank loans	**274,020**	286,118
Subordinated term borrowings	**-**	35,280
Finance lease liabilities	**329**	353
Convertible loan notes	**1,434**	2,199
Cash and cash equivalents	**(56,046)**	(47,609)
Net Debt	**219,737**	276,341

Adjusted Free Cash Flow consists of the net cash flow from operating activities excluding discontinued operations, less finance costs and maintenance capital expenditure amounts paid, adding back business reorganization and integration costs paid, the payment of initial public offering and related costs and other (income)/expenses amounts (received)/paid.

	Three months ended September 30		*Nine months ended September 30*	
($'000)	**2018**	2017	**2018**	2017
Net cash flows from/ (used in) operating activities	**16,621**	23,264	**(3,165)**	15,598
Initial public offering and related costs paid	**6,070**	-	**7,360**	-
Business reorganization and integration costs paid (excluding investing and financing related costs)	**2,324**	3,740	**4,130**	4,413
Other (income)/ expenses (net)	**-**	6	**(55)**	169
Adjusted net cash flow from operating activities	**25,015**	27,010	**8,270**	20,180
Maintenance capital expenditure[(1)]	**(2,120)**	(2,136)	**(7,011)**	(4,079)
Finance costs paid	**(4,463)**	(5,105)	**(10,221)**	(10,345)
Adjusted Free Cash Flow	**18,432**	19,769	**(8,962)**	5,756

Investor Enquiries

Alan Walsh, Chief Executive Officer	+ 353 1 612 1375
Pat Dalton, Chief Financial Officer	+ 353 1 612 1377
www.iplpgroup.com	

Media Enquiries

Canada: Phil Koven, Bay Street Communications	+1 647 496 7858
Ireland: Tom McEnaney, McEnaney Media	+353 87 2222 666