IPL Plastics Inc. Reports Second Quarter 2018 Financial Results

Q2 highlighted by strong revenue growth and strengthened balance sheet

MONTREAL, Aug. 14, 2018 /CNW/ - IPL Plastics Inc. ("IPL Plastics", "IPLP" or the "Company") (TSX: IPLP) today reported financial results for the second quarter and six months ended June 30, 2018 ("Q2 2018" and "YTD 2018"). 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.

Second Quarter Highlights

- Revenue was $178.3 million, an increase of 34.7% from $132.3 million in the three months ended June 30, 2017 ("Q2 2017");
- Adjusted EBITDA was $22.8 million, an increase of 9.8% from $20.8 million in Q2 2017;
- Net loss in Q2 2018 was $2.6 million, which was primarily attributable to one-time costs associated with the Initial Public Offering and transactions costs related to the global bank refinancing.
- Adjusted Net Income was $8.7 million, compared to $8.8 million in Q2 2017;
- The Company successfully completed a $494.3 million global refinancing; and
- On June 28th, 2018, the Company completed its Initial Public Offering ("the Offering") on the Toronto Stock Exchange. The total gross proceeds, including over-allotment proceeds, amounted to C$191.7 million.

"Our Initial Public Offering on the Toronto Stock Exchange was a significant step in the development and growth of our Company," said Alan Walsh, Chief Executive Officer of IPL Plastics. "We believe we are well positioned to fulfill our vision of becoming a leading global sustainable packaging solutions provider. Our strong positioning is evident in our second quarter results, in which we generated 34.7% revenue growth and 9.8% Adjusted EBITDA growth compared to the second quarter of 2017. We have also reduced net debt significantly through funds raised in the Offering. We believe the strength of our best-in-class customer service, superior and responsive manufacturing, industry-leading product development capabilities and innovative and value-added product offerings will support continued growth."

Second Quarter Financial Results and Company Developments

($million, unless otherwise specified)	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Revenue	178.3	132.3	326.6	244.9
Gross Profit	31.0	27.9	55.5	51.3
Adjusted EBITDA	22.8	20.8	39.9	35.4
Net (Loss)/Income	(2.6)	10.9	(1.2)	9.7
Adjusted Net Income	8.7	8.8	13.8	13.4
Adjusted Diluted Earnings Per Share (in $)	0.20	0.27	0.35	0.41
Pro Forma Adjusted Diluted Earnings Per Share (in $)	0.16	0.17	0.26	0.25

Revenue increased 34.7% to $178.3 million in Q2 2018, compared to $132.3 million in Q2 2017. The increase was primarily driven by the acquisition of Macro Plastics Inc. ("Macro") in June 2017, which contributed $27.6 million of additional revenue, and strong organic volume growth in each of the Large Format Packaging and Environmental Solutions ("LF&E"), Consumer Packaging Solutions ("CPS") and Returnable Packaging Solutions ("RPS") divisions. On a pro forma basis, adjusted to include Macro's pre-acquisition results in Q2 2017, and excluding the effect of the resin pass-through, price adjustments and foreign exchange, Q2 2018 revenue increased approximately 12%.

Gross profit increased by 11.1% to $31.0 million in Q2 2018, compared to $27.9 million the year-earlier period. Gross margin declined by 370 basis points to 17.4% from 21.1% in the same respective periods. The decline in gross margin in Q2 2018 was primarily driven by the significant input cost pressures from resin and freight.

Adjusted EBITDA increased 9.8% to $22.8 million in Q2 2018, from $20.8 million in Q2 2017. The increase in Adjusted EBITDA was driven by higher revenue, and a full quarter contribution from the Returnable Packaging Solutions ("RPS") division following the acquisition of Macro. Adjusted EBITDA margin for Q2 2018 was 12.8%, a decline of 290 basis points from 15.7% in Q2 2017, due primarily to the resin and freight cost increases, as noted above. Adjusted Free Cash Flow was an outflow of $3.7 million in Q2 2018, compared to an inflow of $5.4 million in the prior year. The decline was the result of working capital buildup due to revenue growth and strong Q3 2018 demand.

Net loss in Q2 2018 was $2.6 million, compared to net income of $10.9 million in Q2 2017. The net loss in Q2 2018 was primarily attributable to one-time costs associated with the Offering, as well as bank refinancing transactions costs, and to a lesser extent, business reorganization and integration costs. Adjusted Net Income was $8.7 million in Q2 2018, similar to $8.8 million in the prior year as Adjusted EBITDA growth was offset by increases in depreciation and finance costs. Adjusted Diluted Earnings Per Share were $0.20 in Q2 2018, compared to $0.27 in Q2 2017. On a pro forma basis, Adjusted Diluted Earnings Per Share were $0.16 in Q2 2018 and $0.17 in Q2 2017.

As noted above, the Company's financial results in Q2 2018 continued to be adversely impacted by increased resin prices and transportation costs. IPLP has responded to increased resin costs by passing those costs on to customers where contractual pass through arrangements are in place, by seeking to negotiate general price adjustments with customers to recover increases in other input costs (such as freight and labor), by entering into revised contractual arrangements with new and existing customers, and by refining freight procurement procedures.

During Q2 2018, the Company successfully completed a $494.3 million global refinancing. The five-year, multi-currency banking facility with a syndicate of banks arranged by The Governor and Company of Bank of Ireland and National Bank Financial Inc. replaces the previous two principal bank facilities with a new and more appropriate group-wide facility on improved terms. The previous two facilities were provided by separate Canadian and Irish banking syndicates and were "ring-fenced" from each other.

Outlook - Fiscal 2018 Guidance

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

The results for 2018 continue to be adversely impacted by increases in resin prices, freight and logistics, and labor costs. As a result, we expect similar pressure on our gross margin and Adjusted EBITDA margin percentages in the second half of 2018 compared with the prior year. Notwithstanding these input cost pressures, some of which are cyclical, we believe that as resin prices stabilize we will be able to realign our cost of sales to return our business margins to normalized profitability levels.

We expect to incur total cash outflow in respect of capital purchases of property, plant and equipment for Fiscal 2018 of approximately $52.5 million.

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

The above guidance is based on a number of economic and market assumptions the Company has made in preparing its fiscal 2018 financial guidance, including assumptions regarding the performance of the economies in which it operates, foreign exchange currency fluctuations, market competition and tax laws applicable to its operations. The Company cautions that the assumptions used to prepare the forecasts for fiscal 2018, although reasonable at the time they were made, may prove to be incorrect or inaccurate. In addition, the above forecasts do not reflect the potential impact of any non-recurring or other special items or of any new material commercial agreements, dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur. The financial impact of such transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way it presents known risks affecting its business. Accordingly, actual results could differ materially from the Company's expectations as set forth in this news release. The outlook provided constitutes forward-looking statements within the meaning of applicable securities laws and should be read in conjunction with the "Forward-Looking Statements" section.

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 six months ended June 30, 2018 and related Management's Discussion and Analysts ("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 Q2 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 1800939111 in Ireland. A live webcast of the call will be accessible at:
https://event.on24.com/wcc/r/1794384/C2DC588206EF559E59E3BEAAB6165B1A.

A replay of the call will be available until 11:59 pm ET, on August 21, 2018. To access the replay, call +1 416 764 8677 in Canada or +1 888 390 0541 in North America, and enter passcode: 979705#. 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 and freight costs increases on our gross margin and Adjusted EBITDA margin for the remainder of 2018, challenges in securing labor and labor cost inflation pressures during the second half of 2018, the Company's capital purchases of property, plant and equipment for Fiscal 2018 and Net Debt. 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, Diluted Earnings per Share, Pro Forma Basic and 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.

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. 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 ordinary shares is adjusted for the effects of options with a dilutive effect. Pro Forma Earnings per Share reflects historical earnings per share recast using the number of ordinary shares in issue at June 30, 2018, which gives 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 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. Net Debt is defined as loans and borrowings, liability for the buy back option of Class

B common shares 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. Adjusted Free Cash Flow consists of the net cash inflow from operating activities excluding discontinued operations, less finance costs and maintenance capital expenditure amounts paid, adding back business reorganization and integration costs paid and other income/(expenses) amounts paid/(received).

SOURCE IPL Plastics Inc.

View original content: http://www.newswire.ca/en/releases/archive/August2018/14/c2635.html

%SEDAR: 00045167E

For further information: 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

CO: IPL Plastics Inc.

CNW 07:30e 14-AUG-18