INTERTAPE POLYMER GROUP INC
Form 6-K
October 29, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of October, 2004

Commission File Number 1-10928

INTERTAPE POLMER GROUP INC.

110E Montee de Liesse, St. Laurent, Quebec, Canada, H4T 1N4

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

Form 20-F   Form 40-F   X

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

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

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

Yes   No   X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-______

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

SIGNATURES

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

INTERTAPE POLYMER GROUP INC.

Date: October 29, 2004   By: /s/Andrew M. Archibald
Andrew M. Archibald, C.A., CFO,
Secretary, Vice President
Administration

2004 THIRD QUARTERLY REPORT
INTERTAPE POLYMER GROUP (TM)
(LOGO)

October 29, 2004

This Management's Discussion and Analysis ("MD&A") supplements the consolidated financial statements and related notes for the three months and six months ended September 30, 2004. Except where otherwise indicated, all financial information reflected herein is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and is expressed in US dollars.

OVERVIEW

During the third quarter of 2004, Intertape Polymer Group Inc. ("the Company" or "IPG") completed a refinancing of virtually all of its bank indebtedness and long-term debt. The refinancing will benefit the Company through lower interest costs of approximately $7.0 million annually, increased working capital flexibility and a schedule of principal repayments that provides greater opportunity for reinvestment in the business over the next several years. Scheduled principal payments over the next 18 months have been reduced from $84.0 million to $3.0 million due to the refinancing.

The Company achieved an 11.2% increase in sales for the three months ended September 30, 2004 as compared to the corresponding period in 2003. Sales increased 3.3% for the three months ended September 30, 2004 compared to the three months ended June 30, 2004.

Pretax earnings for the third quarter of 2004, excluding the $30.4 million in refinancing cost, were $6.5 million compared to $5.6 million for the third quarter of 2003, a 17.4% increase. The $6.5 million is also an improvement over the $6.3 million in pretax earnings for the second quarter of 2004.

The refinancing cost of $30.4 million had a related tax benefit of $10.6 million. The resulting after tax cost of the refinancing was $19.9 million. Net earnings for the three months ended September 30, 2004, excluding the after tax cost of the refinancing, were $5.6 million or $0.14 per share, both basic and diluted. This compares to net earnings for the third quarter of 2003 of $6.2 million or $0.18 per share, both basic and diluted. The third quarter of 2003 includes a tax benefit of $0.6 million due to adjustments in the Company's effective income tax rate for that year. The earnings per share for the second quarter of 2004 were also $0.14 per share, both basic and diluted.

Including the after tax cost of the refinancing, the Company reported a net loss for the third quarter of 2004 of $14.3 million, or $0.35 per share both basic and diluted.

Earnings, excluding the cost of the refinancing, were essentially flat between the second quarter of 2004 and the third quarter of 2004 with lower gross profit and higher selling, general and administrative expenses offset by substantially lower financial expenses. The Company has already begun to realize the benefits of the refinancing.

Gross margin and gross profit both declined during the three months ended September 30, 2004 compared to the three months ended June 30, 2004. Gross margin also declined in the third quarter of 2004 compared to the third quarter of 2003 however, gross profits improved.

The Company has experienced rising raw material costs throughout 2004. However, the Company did not begin to achieve meaningful price increases until the second quarter of 2004 due to competitive pressures and the time lag between incurring raw material cost increases and passing the increases on to customers in the form of higher sales prices. The Company has been able to continue achieving price increases in the marketplace at levels sufficient to offset the material cost increases experienced in the second and third quarter. The Company expects raw material costs to continue to increase in the fourth quarter. The Company anticipates being able to continue increasing sales prices at levels sufficient to recover higher raw material costs and may begin restoring gross margins, but no assurance can be provided that the marketplace will accept additional sales price increases timed to match the expected raw material cost increases. Gross margin declines between the second and third quarters of 2004 and between the third quarter of 2003 and the third quarter of 2004 reflect the fact that the Company's 2004 sales price increases to date are primarily offsetting raw material cost increases, but not yet providing incremental gross profit on the increased sales.

Except as discussed above and under the caption "Gross Profit and Gross Margin" below, general economic and industrial factors during the first nine months of 2004 were, in management's view, substantially unchanged from December 31, 2003.

Also, in management's view, there are no general seasonal aspects of the Company's business that affect its financial condition or results.

RECENT DEVELOPMENTS

REFINANCING

On July 28, 2004, the Company completed the offering of $125.0 million of senior subordinated notes. On August 4, 2004 the Company borrowed the $200.0 million term loan portion of a new $275.0 million senior secured credit facility. The Company has not drawn on the $75.0 million revolving credit facility except to issue $3.2 million in letters of credit.

The proceeds from the refinancing were used to repay the existing bank credit facility, redeem all three series of existing senior secured notes, pay related make-whole premiums, accrued interest and transaction fees and provide cash for working capital purposes.

The Company recorded a one-time pretax charge of approximately $30.4 million ($19.9 million net of related tax benefits) associated with the refinancing transaction.

See Note 9 to the accompanying consolidated financial statements for further discussion of the refinancing.

PLANT CLOSURE

On October 5, 2004, the Company announced that it will be closing its Cumming, Georgia facility by January 2005. The Company believes that the closure will provide annual cost savings of approximately $2.0 million and will result in a one-time charge in the fourth quarter of 2004 of approximately $2.9 million, of which approximately $0.7 million is non-cash.

RESULTS OF OPERATIONS

SALES

Sales for the third quarter of 2004 were $177.7 million, an increase of 11.2% over the third quarter of 2003 sales of $159.8 million. The increase includes revenues associated with the February 2004 acquisition of the duct and masking tape operations of tesa tape. Selling prices in the third quarter of 2004 were also approximately 3.5% higher than the third quarter of 2003.

Sales for the first nine months of 2004 were $511.7 million compared to $463.6 million for the same period in 2003, a 10.4% increase. The increase is attributable to the tesa tape acquisition discussed above, the incremental sales associated with acquiring the remaining 50% interest in the Company's Portuguese joint venture in late June 2003, as well as higher overall selling prices and sales volumes in 2004 compared to 2003.

Including the revenues associated with the above acquisitions, the Company believes that it can achieve 10% annual sales growth for calendar 2004.

GROSS PROFIT AND GROSS MARGIN

Gross profit for the third quarter of 2004 totaled $37.2 million and the gross margin was 20.9%, as compared to gross profit of $36.3 million for the third quarter of 2003 and a gross margin of 22.7%.

Sales price increases for the third quarter of 2004 slightly exceeded new raw material cost increases for the third quarter but did not provide meaningful additional gross profits. The lower gross margin of 20.9% for the third quarter of 2004 compared to the second quarter gross margin of 22.0% highlights the challenge in a rising cost environment of timing sales price increases to not only recover increasing costs but also recover additional gross profit dollars in order to maintain gross margins.

The 2004 third quarter gross margin is also lower than the 22.7% gross margin experienced in the third quarter of 2003 due to the same challenge of raising sales prices fast enough to recover rising raw material costs and generate incremental gross profit dollars.

Gross profit for the nine months ended September 30, 2004 totaled $107.1 million and the gross margin was 20.9%. Gross profit for the nine months ended September 30, 2003 totaled $104.2 million at a gross margin of 22.5%.

The margin decline in the first nine months of 2004 as compared to the first nine months of 2003 was due to several factors including raw material cost increases throughout the first three quarters of 2004, the timing delay in passing these raw material cost increases through to customers through sales price increases, first quarter of 2004 production interruptions at the Truro, Nova Scotia manufacturing facility and higher than anticipated integration costs at the Columbia facility related to the acquired duct and masking tape operations of tesa tape.

SELLING, GENERAL AND ADMINSTRATIVE EXPENSES

Selling, general and administrative expenses were $23.3 million for the third quarter of 2004 (13.1% of sales), compared to $22.3 million for the third quarter of 2003 (13.9% of sales). The increase in expense reflects the increase in selling expenses attributable to the accounts acquired in the tesa tape acquisition.

The selling, general and administrative expenses for the nine months ended

September 30, 2004 totaled $68.4 million (13.4% of sales) compared to $65.1 million for the nine months ended September 30, 2003 (14.0% of sales). The 2004 increase is the result of the additional costs arising from the tesa tape and Portuguese joint venture acquisitions discussed previously.

OPERATING PROFIT

Operating profit is not a financial measure under GAAP in Canada or the United States. The Company's management uses operating profit to measure and evaluate the profit contributions of the Company's product offerings as well as the profit contribution by channel of distribution.

Operating profit (defined as gross profit less selling, general and administrative expenses and stock-based compensation expense) was $13.6 million for the third quarter of 2004, compared to $14.0 million for the third quarter of 2003. The 3.2% decrease in the third quarter of 2004 compared to the corresponding amount in 2003 was the result of the higher selling, general and administrative expenses in 2004, including stock-based compensation expense, which was an expense that was not reported in the first nine months of 2003 (see Changes In Accounting Policies).

Operating profit for the nine months ended September 30, 2004 totaled $38.0 million compared to $39.1 million for the nine months ended September 30, 2003. Gross profit increased by $3.0 million for the first nine months of 2004 compared to the first nine months of 2003. The selling, general and administrative expenses for the first nine months of 2004 increased by $3.4 million over the amounts for the first nine months of 2003. Additionally, operating profits for the first nine months of 2004 reflected $0.7 million of stock-based compensation expense due to the change in accounting policy adopted by the Company in the fourth quarter of 2003.

FINANCIAL EXPENSES

Financial expenses for the third quarter of 2004 were $5.9 million, excluding the $30.4 million cost of the refinancing. This compares to $7.4 million in the third quarter of 2003. Financial expenses for the nine months ended September 30, 2004 totaled $20.0 million excluding the cost of the refinancing compared to $22.9 million for the nine months ended September 30, 2003.

The nine month period to period decrease in financial expenses is the result of substantial debt repayments in the second and third quarters of 2003 as well as the interest savings attributable to the refinancing. The common stock issuance in late September 2003 allowed the Company to repay $40.8 million in debt at the end of the third quarter of 2003.

The $5.9 million of financial expenses in the third quarter of 2004, excluding the cost of the refinancing, is a decrease from $7.2 million of financial expenses in the second quarter of 2004. The decrease is the result of the interest savings attributable to the refinancing as well as foreign exchange losses incurred in the second quarter.

EBITDA

A reconciliation of the Company's EBITDA, a non-GAAP financial measure, to GAAP net earnings is set out in the EBITDA reconciliation table below. EBITDA should not be construed as earnings before income taxes, net earnings or cash from operating activities as determined by generally accepted accounting principles.

The Company defines EBITDA as net income before (i) income taxes; (ii) financial expense, net of amortization of intangibles and capitalized software costs; (iii) refinancing expense and (iv) depreciation. Other companies in our industry may calculate EBITDA differently than we do. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with GAAP. The Company has included this non-GAAP financial measure because management believes that it provides investors with useful information regarding our financial condition and results of operations.

We also present EBITDA because it is used in the indenture governing our senior subordinated notes to determine whether we may incur additional indebtedness. Our new senior secured credit facility also contains covenants that utilize EBITDA in connection with certain financial ratios.

EBITDA Reconciliation to Net Earnings
(in millions of US dollars)

	Three Months		Nine Months	
Periods ended September 30,	2004	2003	2004	2003
	$	$	$	$
Net Earnings (loss)	(14.3)	6.2	(6.3)	13.0
Add back:				
Financial expenses,				
net of amortization	5.7	7.3	19.0	21.6
Refinancing expense	30.4		30.4	
Income taxes (recovery)	(9.7)	(0.6)	(9.3)	0.1
Depreciation and amortization	7.5	8.2	22.1	21.6
EBITDA	19.6	21.1	55.9	56.3

NET EARNINGS

Net earnings (loss) for the third quarter of 2004 were $(14.3) million or $(0.35) per share, both basic and diluted, compared to net earnings of $6.2 million or $0.18 per share, both basic and diluted for the third quarter of 2003. Excluding the net of tax effect of the refinancing of $19.9 million, earnings for the third quarter of 2004 were $5.6 million or $0.14 per share, both basic and diluted.

Net earnings (loss) for the nine months ended September 30, 2004 were $(6.3) million or $(0.15) per share, both basic and diluted, compared to net earnings for the nine months ended September 30, 2003 of $13.0 million or $0.38 per share, both basic and diluted. Excluding the after tax cost of the refinancing of $19.9 million, net earnings for the nine months ended September 30, 2004 were $13.5 million or $0.33 per share, both basic and diluted.

There was a substantial increase in the weighted average number of basic and diluted common shares outstanding at September 30, 2004 as compared to September 30, 2003 due to the public offering of 5,750,000 common shares in late September 2003.

FINANCIAL POSITION

Trade receivables increased $17.1 million between December 31, 2003 and September 30, 2004. The increase is primarily due to the higher level of sales for the three months ended September 30, 2004 compared to the three months ended December 31, 2003. Other receivables increased during the third quarter of 2004 due to tax refunds expected as a result of the refinancing. Inventories have increased $8.5 million between December 31, 2003 and September 30, 2004 in part to accommodate the requirements of the customer accounts obtained in the tesa tape acquisition. Inventories have also increased due to the effect of higher cost of raw materials increasing inventory valuations and because the Company continues to pre-buy selected raw materials in advance of price increases announced by suppliers.

Current liabilities decreased by $28.7 million between December 31, 2003 and September 30, 2004. As explained in Note 9 to the accompanying consolidated financial statements, most of the Company's bank indebtedness and long-term debt was refinanced during the three months ended September 30, 2004, resulting in most of the indebtedness originally due in 2004 now maturing in later years.

Long-term debt at September 30, 2004 was $332.5 million compared to long-term debt of $235.1 million at December 31, 2003. This $97.4 million increase resulted from additional net borrowings of approximately $42.4 million as part of the refinancing transaction in the third quarter of 2004, the recording of the Danville regional distribution center as capital lease of $7.2 million in the first quarter of 2004 and bank indebtedness increases during the first six months of 2004 of approximately $20.6 million to fund working capital needs and capital expenditures. The remaining increase was bank indebtedness and current portions of long-term debt reported as current liabilities at December 31, 2003 that have been rescheduled as long-term debt as explained above.

The consolidated balance sheet at September 30, 2003 is included in the accompanying consolidated financial statements for additional information.

Property, plant and equipment, net of accumulated depreciation and amortization, increased by $2.1 million between December 31, 2003 and September 30, 2004 due to $13.5 million of capital expenditures and $7.2 million associated with the capital lease described in "Liquidity and Capital Resources" below. Goodwill increased $4.0 million during the first quarter of 2004 due to the tesa tape acquisition.

OFF-BALANCE SHEET ARRANGEMENTS AND RELATED PARTY TRANSACTIONS

The Company maintains no off-balance sheet arrangements and is not a party to any related party transactions.

LIQUIDITY AND CAPITAL RESOURCES

Cash from (required for) operations before changes in non-cash working capital items was $(4.9) million and $17.5 million, respectively, for the three and nine months ended September 30, 2004 compared to $12.5 million and $33.4 million for the three and nine months ended September 30, 2003. Changes in non-cash working capital items required $6.6 million and $23.3 million respectively, in cash flows for the three months and nine months ended September 30, 2004 compared to providing (requiring) $7.7 million and $(2.2) million, respectively in cash during the same periods in 2003.

Included in the 2004 cash flows from operations before changes in working capital items is the payment of a $21.9 million make-whole payment to the holders of the notes that were refinanced in the third quarter. Excluding the make-whole payment and related current tax benefit of approximately $3.9 million, cash flows from operations before changes in working capital items for the three and nine months ended September 30, 2004 would have been $13.1 million and $35.5 million.

Cash flows used in investing activities was $14.4 million and $30.9 million respectively, in the three months and nine months ended September 30, 2004 compared to $10.9 million and $16.6 million respectively in the three months and nine months ended September 30, 2003. The increase in cash required for investing activities in 2004 was due to increased capital spending, the debt issuance costs associated with the third quarter refinancing and the $5.5 million used to acquire the duct and masking tape operations of tesa tape. The third quarter of 2003 includes $6.0 million of contingent consideration arising from the acquisition of certain assets of Olympian Tape Sales, Inc. d/b/a United Tape Company.

The Company increased cash flows from financing activities during the three months and nine months ended September 30, 2004 by $42.8 million and $64.3 million to fund the costs of the debt refinancing and the additional investments in receivables and inventories made since December 31, 2003. Total cash flows from financing activities decreased for the three months ended September 30, 2003 by $6.5 million as $49.0 million of long-term debt was repaid in part from cash flows from operations but principally from $42.5 million received by the Company in its late September 2003 common stock issuance. For the nine months ended September 30, 2003 the Company used $12.5 million in cash flows to reduce debt.

In 2003, the Company entered into a twenty-year capital lease for the new Regional Distribution Center in Danville, Virginia. The lease commenced in January 2004. This non-cash transaction was valued at $7.2 million and is reflected in the September 30, 2004 consolidated balance sheet as an increase in property, plant and equipment and long-term debt.

CREDIT FACILITIES

The Company maintains a $75.0 million revolving line of credit facility. When added with the Company's cash on-hand and cash equivalents, cash and available credit totaled $99.7 million at September 30, 2004 compared to $32.6 million at December 31, 2003.

CURRENCY RISK

The Company is subject to currency risks through its Canadian and European operations. Changes in the exchange rates may result in decreases or increases in the Company's foreign exchange gains or losses. The Company does not use derivative instruments to reduce its exposure to foreign currency risk, as historically these risks have not been significant.

CHANGES IN ACCOUNTING POLICIES

STOCK BASED COMPENSATION EXPENSE

In the fourth quarter of 2003, the Company adopted the fair value-based approach of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments." The Company adopted the new accounting rules effective January 1, 2003 on a prospective basis for options granted for years beginning in 2003. The three months and nine months ended September 30, 2004 include approximately $0.3 million and $0.7 million respectively of stock-based compensation expense, compared to none in the corresponding periods of 2003.

EMPLOYEE FUTURE BENEFITS

In March 2004, the CICA amended the CICA Handbook Section 3461, Employee Future Benefits. Section 3461 requires additional disclosures about the assets, cash flows and net periodic benefit cost of defined benefit pension plans and other employee future benefit plans. The new annual disclosures are effective for fiscal years ending on or after June 30, 2004, and new interim disclosures are effective for periods ending on or after that date. The Company adopted the new interim disclosure requirements of Section 3461 and provided additional interim period disclosures of the defined benefit pension plans and other employee future benefit plans in Note 5.

SUMMARY OF QUARTERLY RESULTS

A table of Consolidated Quarterly Statements of Earnings for the eight most recent quarters can be found at the end of this MD&A.

ADDITIONAL INFORMATION

Additional information relating to IPG, including its Annual Information Form is filed on SEDAR at www.sedar.com in Canada and on EDGAR at www.sec.gov in the U.S.

FORWARD-LOOKING STATEMENTS

Certain statements and information set forth in this report, including statements regarding the business and anticipated financial performance of the Company, constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. You should not place undue reliance on these statements. Forward-looking statements include information concerning possible or assumed future results of operations, capital expenditures, the outcome of pending legal proceedings and claims, goals and objectives for future operations, including descriptions of our business strategies and purchase commitments from customers, among other things. These statements are typically identified by words such as "believe," "anticipate," "expect," "plan," "intend," "estimate" and similar expressions. The Company bases these statements on particular assumptions that it has made in light of its industry experience, as well as its perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate under circumstances. As you read and consider the information in this report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions.

Although the Company believes that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect the Company's actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. These factors include, among other things:

- The Company's significant indebtedness and ability to incur substantially more debt;

- Restrictions and limitations contained in the agreements governing our debt;

- The Company's substantial leverage and ability to generate sufficient cash to service our debt;

- The Company's ability to refinance its indebtedness on acceptable terms as it comes due and the impact of floating interest rates on the Company's debt service costs;

- The limited sources available to fund the Company's ongoing operations;
- Increases in the cost of the Company's principal raw materials;
- Availability of raw materials;
- The effects of acquisitions the Company might make;
- The timing and market acceptances of the Company's new products;
- The Company's ability to achieve anticipated cost savings from the Company's corporate initiatives;
- Competition in the industry and markets in which the Company operates;
- The Company's ability to comply with applicable environmental laws;
- Potential litigation relating to the Company's intellectual property rights;
- The loss of, or deterioration of our relationship with, any significant customers;
- Changes in operating expenses or the need for additional capital expenditures;
- Changes in the Company's strategy; and
- General economic conditions.

In light of these risks and uncertainties, there can be no assurance that the results and events contemplated by forward-looking statements contained in this report will in fact transpire.

Additional discussion of factors that could cause actual results to differ materially from management's projections, estimates and expectations is contained in the Company's SEC filings. These and other factors should be considered carefully and undue reliance should not be placed on the Company's forward-looking statements. The Company undertakes no duty to update its forward-looking statements, including any sales outlook.

Intertape Polymer Group Inc.
Conslidated Quarterly Statements of Earnings
Three month periods ended
(In thousands of US dollars, except per share amounts)
(Unaudited)

	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003

	$	$	$	$
Sales	177,671	171,934	162,100	157,682
Cost of sales	140,480	134,097	129,986	122,975
Gross profit	37,191	37,837	32,114	34,707
Selling, general and administrative expenses	23,327	22,793	22,307	24,843
Stock-based compensation expense	270	351	70	130
Impairment of goodwill				
Research and development	1,121	1,153	962	212
Financial expenses	5,948	7,235	6,768	5,587
Refinanc				