

SOURCE: Imaflex Inc.

Imaflex Reports Strong Q1 2022 Results and Provides Business Update

Consistency and dependability of business model continues

Q1 2022 Highlights

- Revenues of \$31.1 million, up 24.7% over Q1 2021
- Net income of \$2.1 million (\$0.04 cents per share¹), up 6.7% from \$2.0 million in prior year
- Liquidity remains strong. Free cash flow² of \$1.3 million, despite equipment related investments of \$2.0 million
- Cash available for operating activities totaled \$18.4 million at quarter end, including a cash balance of \$7.4 million (\$0.14 per share¹) and another \$11.0 million under Imaflex's \$12.0 million revolving line of credit.

Montréal, Québec, CANADA – May 25, 2022 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX) reports strong consolidated financial results for the first quarter (Q1) ended March 31, 2022 and provides a business update. All amounts are in Canadian dollars.

“The positive momentum seen over the last two years continued into the first quarter of 2022, with Imaflex reporting solid year-over-year increases in revenues and net income,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “As we expected, overall sales volumes were up over Q4 2021, while also surpassing levels achieved in Q1 2021, with growth coming from both our Canadian and U.S. operations. Recently, we further enhanced our production capacity and capabilities, ordering ancillary flexible packaging equipment, including a metallizer, to replace aging assets. No additional financing is required to fund the purchases. These investments are on top of our major April 2022 announcement regarding the purchase of three multi-layer extruders (“extruders”). They help secure future growth at a higher contribution than historical norms.”

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended March 31,		
	2022	2021	% Change
Revenues	31,064	24,920	24.7 %
Gross Profit	4,770	4,590	3.9 %
Selling & admin. expenses	1,927	1,718	12.2 %
Foreign exchange losses	293	298	(1.7)%
Net income	2,083	1,952	6.7 %
Basic EPS	0.04	0.04	0.0 %
Diluted EPS	0.04	0.04	0.0 %
Gross margin	15.4%	18.4%	(3.0) pp
Selling & admin. expenses as % of revenues	6.2%	6.9%	(0.7) pp

¹ Based on basic and diluted weighted shares outstanding

² See header titled “Caution Regarding non-IFRS Financial Measures” which follows.

Free Cash Flow: net cash generated by operating activities less net cash used in investing activities.

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended March 31,		
	2022	2021	% Change
EBITDA ² (Excluding FX)	3,828	3,754	2.0 %
EBITDA	3,535	3,456	2.3 %
EBITDA margin	11.4%	13.9%	(2.5) pp

Financial Review: Quarter Ended March 31

Revenues

Revenues were \$31.1 million for the current quarter, up 24.7% over 2021. Growth was driven by product pricing, which rose in-line with increased resin costs, and higher sales volumes in both Canada and the U.S.

As Imaflex has no long-term customer contracts, it is able to adjust product pricing in accordance with resin input costs. However, there is usually a 30-day lag between a resin price increase and when customer pass-through adjustments are made. This can temporarily impact margins, particularly in a rising raw material pricing environment.

Gross Profit

Gross profit came in at \$4.8 million, up 3.9% over \$4.6 million in the corresponding prior-year period. However, the gross margin as a percentage of sales was 15.4%, versus 18.4% in 2021. The gross margin for the current quarter was impacted by a rapid rise in resin input costs, along with elevated shipping fees, including fuel surcharges from carriers and some suppliers and higher product packaging and other costs. Although the flexible packaging industry has been cautious to react to the heightened pricing environment, steps have recently been taken to implement price increases to recover the additional expenses being incurred.

Operating Expenses

Selling and Administrative expenses came in at \$1.9 million for the first quarter of 2022, up from \$1.7 million in the prior year. The increase was largely due to higher administrative fees, including some non-recurring expenses. Due to the higher revenue base in the current quarter and ongoing cost controls, Selling and Administrative expenses as a percentage of sales were down versus 2021, coming in at 6.2%, versus 6.9% last year.

Following a depreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange loss of \$0.3 million in the first quarter of 2022, essentially in line with the prior year. A majority of the Corporation's foreign exchange gains and losses are non-cash impacting and largely relate to intercompany balances for which Imaflex can control the time of settlement.

Net Income and EBITDA

Net income was \$2.1 million for the current quarter, up 6.7% from \$2.0 million in 2021. The increase was largely due to the higher gross profit, partially offset by higher selling and administrative and finance expenses.

EBITDA came in at \$3.5 million or 11.4% of sales, versus \$3.5 million an 13.9% of sales in the first quarter of 2021. On a constant currency basis, EBITDA came in at \$3.8 million (12.3% of sales), compared to \$3.8 million (15.1% of sales) in 2021. The EBITDA margin for 2022 was impacted by the aforementioned higher revenue base.

² See header titled "Caution Regarding non-IFRS Financial Measures" which follows.

Free Cash Flow: net cash generated by operating activities less net cash used in investing activities.

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

Liquidity and Capital Resources

Net cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$3.9 million for the current quarter, up slightly from \$3.8 million in 2021. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$3.3 million, up \$0.6 million from \$2.8 million at the end of the first quarter of 2021. The increase was driven by movements in inventories, partially offset by movements in trade and other receivables and trade and other payables.

As at March 31, 2022, cash available for operating activities totaled \$18.4 million, including a cash balance of \$7.4 million and another \$11.0 million under Imaflex's \$12.0 million revolving line of credit. With a strong balance sheet and excellent liquidity, Imaflex is well positioned to drive profitable growth.

ADVASEAL Update

Imaflex continues to work closely with the independent lab mandated to prove the equivalence of the active ingredients coated on ADAVSEAL® ("active ingredients" or "TGAI"³) with those already registered and marketed in the U.S. Progress continues to be made and the Corporation remains focused on submitting the registration package to the U.S. Environmental Protection Agency ("EPA") as soon as possible.

Outlook

"Going forward, the Corporation remains well positioned to drive sustainable growth," said Mr. Abbandonato. "Our recent asset purchases will significantly increase our production capacity, capabilities and market reach. The extruders, which will begin to arrive later this year, should bring the greatest impact as they will double our higher margin multi-layer production capacity and increase our overall extrusion output by approximately 20%. Although Imaflex operates in a competitive and ever-changing environment, the strength of our business continues to grow."

Annual General Meeting

Due to ongoing public health concerns regarding COVID-19, Imaflex will be holding a live virtual-only Annual General Meeting this year. It will be held on Thursday June 16, 2022 at 11:00 a.m. (Montréal time) via live audio webcast only.

All shareholders will be able to attend the meeting. Information on how to participate can be found in Imaflex's Management Information Circular dated May 19, 2022, or on Imaflex's website at www.imaflex.com ("news & events/events & presentations") and under Imaflex's profile at www.sedar.com.

Caution Regarding Non-IFRS Financial Measures

The Company's management uses non-IFRS measures in this press release, namely EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), EBITDA excluding foreign exchange and Free Cash Flow.

While EBITDA and Free Cash Flow are not standard International Financial Reporting Standards (IFRS) measures, management, analysts, investors and others use them as an indicator of the Company's financial and operating management and performance. EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA and Free Cash Flow may be different from those used by other companies and accordingly they should not be considered in isolation.

³ A **technical grade active ingredient** ("TGAI") is used for the manufacturing of pesticide end-use products and contains, in addition to the pure active ingredient, minor amounts of impurities.

About Imaflex Inc.

Founded in 1994, Imaflex is focused on the development and manufacturing of innovative solutions for the flexible packaging space. Concurrently, the Corporation develops and manufactures films for the agriculture industry. The Corporation's products consist primarily of polyethylene (plastic) film and bags, including metalized plastic film, for the industrial, agricultural and consumer markets. Headquartered in Montreal, Quebec, Imaflex has manufacturing facilities in Canada and the United States. The Corporation's common stock is listed on the TSX Venture Exchange under the ticker symbol IFX. Additional information is available at www.imaflex.com.

Cautionary Statement on Forward Looking Information

Certain information included in this press release constitutes "forward-looking" statements within the meaning of Canadian securities laws. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the management of the Corporation, are inherently subject to significant business, economic and competitive uncertainties, risks and contingencies. The Corporation cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of Imaflex to be materially different from the Corporation's estimated future results, performance or achievements expressed or implied by those forward-looking statements and that the forward-looking statements are not guarantees of future performance. These statements are also based on certain factors and assumptions. For more details on these estimates, risks, assumptions and factors, see the Corporation's most recent Management Discussion and Analysis filed on SEDAR at www.sedar.com and on the investor section of the Corporation's website at www.imaflex.com. The Corporation disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except as expressly required by law. Readers are cautioned not to put undue reliance on these forward-looking statements.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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