

SOURCE: Imaflex Inc.

## Imaflex Announces Strong Third Quarter 2017 Results and Increases 2017 Guidance

- Strong year-over-year gains in sales and profitability sustained across business
- Q3 revenues up 22.3% over prior year to \$20.8 million
- Q3 gross margin of 14.7%, up from 9.9% last year
- Q3 net income of \$556 thousand or \$0.01 per share, up from loss of \$104 thousand in 2016
- Q3 EBITDA<sup>1</sup> margin of 6.0%; excluding impact of foreign exchange EBITDA margin was 9.0%
- Full-year guidance for 2017 raised

**Montreal, Québec, CANADA – November 28, 2017** – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces its consolidated financial results for the third quarter ended September 30, 2017 and increases 2017 revenue guidance. All amounts are in Canadian dollars.

“Imaflex delivered another solid quarter, building on the positive results seen in the first half of 2017,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Business momentum has clearly grown in 2017, resulting in significant gains in both sales and profitability. Our firm commitment to strengthen and build the business has put us in a solid position and we see continued long-term growth opportunities ahead.”

### Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended September 30			Nine months ended September 30		
	2017	2016	Change	2017	2016	Change
Revenues	<b>20,791</b>	16,997	22.3%	<b>66,902</b>	54,570	22.6%
Gross Profit	<b>3,063</b>	1,683	82.0%	<b>10,984</b>	6,428	70.9%
Selling & Admin. expenses	<b>1,657</b>	1,632	1.5%	<b>5,200</b>	4,874	6.7%
Foreign exchange losses (gains)	<b>617</b>	(121)	609.9%	<b>1,124</b>	453	148.1%
Net Income (Loss)	<b>556</b>	(104)	634.6%	<b>3,001</b>	247	1,115.0%
Basic EPS	<b>0.01</b>	(0.00)	n/a	<b>0.06</b>	0.01	500.0%
Diluted EPS	<b>0.01</b>	(0.00)	n/a	<b>0.06</b>	0.01	500.0%
Gross margin	<b>14.7%</b>	9.9%	4.8 pp	<b>16.4%</b>	11.8%	4.6 pp
Selling & Admin. expenses as % of revenues	<b>8.0%</b>	9.6%	(1.6) pp	<b>7.8%</b>	8.9%	(1.1) pp
EBITDA (Excluding FX)	<b>1,865</b>	511	265.0%	<b>7,178</b>	2,929	145.1%
EBITDA	<b>1,248</b>	632	97.5%	<b>6,054</b>	2,476	144.5%
EBITDA margin	<b>6.0%</b>	3.7%	2.3 pp	<b>9.0%</b>	4.5%	4.5 pp

<sup>1</sup> EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization. See “Caution Regarding Non-IFRS Financial Measures” which follows.

## **Financial Review: Quarter and Year-to-Date Ending September 30**

### **Revenue**

Despite the usual scheduled summer shutdowns for preventative maintenance, business activity remained robust in the third quarter, with revenues growing 22.3% over 2016 to \$20.8 million. Growth was seen across the business and in all geographies. The increase was driven by higher sales volumes and product mix, including \$1.5 million of revenues for Shine N' Ripe XL, the Corporation's metalized citrus film.

Revenues for the nine months ended September 30, 2017 were up 22.6% over the same period last year, coming in at \$66.9 million. The improvement was largely driven by the same factors outlined for the current quarter.

### **Gross Profit**

Quarterly gross profit rose materially over the corresponding prior-year period, increasing 82.0% to \$3.1 million. The associated gross margin also improved significantly, coming in at 14.7% for the quarter, up from 9.9% in the prior year. The improvement was largely due to higher sales volumes and better operating leverage as the additional sales volumes were achieved without a material impact on fixed manufacturing costs.

For the year-to-date, gross profit rose 70.9% over 2016 to \$11.0 million, while the gross margin stood at 16.4%, up from 11.8% for the corresponding prior-year period. The improvement was driven by the same factors outlined for the quarter.

### **Operating Expenses**

As a result of the higher revenue base, selling and administrative expenses were up marginally, coming in at \$1.7 million for the quarter, versus \$1.6 million in the corresponding prior-year period. However, as a percentage of sales they dropped to 8.0%, down from 9.6% in the prior year.

For the year-to-date, selling and administrative expenses were \$5.2 million, up slightly from \$4.9 million in 2016 due to higher sales. However, selling and administrative expenses decreased as a percentage of sales, coming in at 7.8%, versus 8.9% in the corresponding prior-year period.

Following a strengthening of the Canadian dollar against the US dollar, Imaflex recorded a foreign exchange loss of \$0.6 million for the quarter, compared to a gain of \$0.1 million in the third quarter of 2016. For the year-to-date, Imaflex recorded a loss of \$1.1 million due to currency fluctuations, versus a loss of \$0.5 million for the corresponding prior-year period.

### **EBITDA and Net Income**

Imaflex continued to generate significant year-over-year improvements in profitability during the quarter, reflecting the material increase in revenues, along with on-going operational efficiencies and better leverage on fixed costs.

Quarterly EBITDA stood at \$1.2 million, up 97.5% over the corresponding prior-year period. Excluding the impact of foreign exchange, EBITDA was \$1.9 million for the quarter, up 265% over 2016. As a percentage of sales, the EBITDA margin stood at 6.0% for the current quarter, or 9.0% excluding foreign exchange. This compares to 3.7% and 3.0%, respectively in the third quarter of 2016.

For the year-to-date, EBITDA was up 144.5% over 2016, coming in at \$6.1 million or 9% of sales. Excluding foreign exchange, EBITDA stood at \$7.2 million or 10.7% of sales for the nine-months ending September 30, 2017.

Net income totaled \$0.6 million for the third quarter, up materially from a loss of \$0.1 million in 2016. For the year-to-date, net income was up \$2.8 million over the prior year, increasing from \$0.2 million in 2016 to \$3.0 million 2017. Unfavourable year-over-year movements in foreign exchange negatively impacted 2017 third quarter and year-to-date results by \$0.7 million for both periods, although the majority of this loss did not impact cash and overall results still improved substantially over 2016.

### **Liquidity and Capital Resources**

The Corporation generated net cash from operating activities of \$0.4 million for the current quarter and \$1.6 million for the year-to-date. This compares to \$2.3 million and \$3.6 million, respectively in 2016. The year-over-year decreases were mainly due to a reduction in trade and other payables in 2017, along with accelerated resin raw material purchases to ensure sufficient inventory levels following the major storms that hit the southern USA in the third quarter of 2017.

As at September 30, 2017 Imaflex had approximately \$5.2 million of cash available for operating activities, including the unused portion under its \$12.0 million revolving line of credit.

### **ADVASEAL® Commercialization**

Imaflex continues to advance the commercialization of ADVASEAL® and anticipates field trial testing will begin in the first half of 2018. Most of the trials will be given to growers and the remainder will be used for lab and US Environmental Protection Agency (EPA) testing. The chemicals to be used with ADVASEAL® will be the same ones growers use today and as such, Imaflex expects the field trials will be favourable. Positive feedback from the trials will act as a catalyst to order the equipment to produce ADVASEAL®.

### **Outlook**

“We are encouraged by the continued interest and demand for our products and believe this will have a positive impact on our fourth quarter results,” said Mr. Abbandonato. “Based on this and our solid year-to-date performance, we are raising full-year 2017 guidance, with revenues now expected to come in approximately 15% higher than the \$74 million dollars seen in calendar 2016.” This is up from the Corporation’s previous estimate of approximately 10% year-over-year growth.

### **Caution Regarding Non-IFRS Financial Measures**

The Company’s management uses a non-IFRS measure in this press release, namely EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) and EBITDA excluding foreign exchange.

While EBITDA is not a standard International Financial Reporting Standards (IFRS) measure, management, analysts, investors and others use it 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 may be different from those used by other companies and accordingly it should not be considered in isolation.

### **About Imaflex Inc.**

Founded in 1994, Imaflex is focused on the development and manufacturing of innovative solutions for the flexible packaging and agriculture industries. 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](http://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](http://www.sedar.com) and on the investor section of the Corporation's website at [www.imaflex.com](http://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.*

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