

SOURCE: Imaflex Inc.

Imaflex Announces First Quarter 2019 Results

Year-over-year revenues up; gross profit margin strengthens over Q4

- Q1 revenues of \$21.9 million, up 6.1% over \$20.6 million in 2018
- Q1 gross margin of 14.0%, up from 7.9% in Q4 2018, but down from 17.5% in Q1 2018
- Q1 EBITDA¹ of \$1.8 million or \$1.5 million excluding the impact of IFRS 16²
- Q1 net income of \$0.6 million, versus \$1.7 million in the prior year
- Operating cash flows up significantly year-over-year

Montreal, Québec, CANADA – May 28, 2019 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces its consolidated financial results for the first quarter ended March 31, 2019 in accordance with the newly adopted International Financial Reporting Standard 16 for leases (“IFRS 16”). Under the transition method chosen by Imaflex, prior periods were not adjusted. All amounts are in Canadian dollars.

“We had a good start to 2019, with revenues growing 6.1% over the prior year,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Furthermore, due to increased sales volumes our gross profit margin moved closer to historical norms, improving significantly over the fourth quarter of 2018. We see continued growth moving forward as the major capital projects undertaken in 2018 come to fruition, most importantly our new 5-layer extruder.”

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended March 31,		
	2019	2018	% Change
Revenues	21,867	20,617	6.1 %
Gross profit	3,072	3,603	(14.7)%
Selling & admin. expenses	1,691	1,684	0.4 %
Foreign exchange (gains) losses	349	(391)	(189.3)%
Net income	558	1,673	(66.6)%
Basic EPS	0.01	0.03	(66.7)%
Diluted EPS	0.01	0.03	(66.7)%
Gross margin	14.0%	17.5%	(3.5) pp
Selling & admin. expenses as % of revenues	7.7%	8.2%	(0.5) pp
EBITDA (Excluding FX)	2,152	2,409	(10.7)%
EBITDA	1,803	2,800	(35.6)%
EBITDA margin	8.2%	13.6%	(5.4) pp

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

² IFRS 16, Leases: See “Changes to Critical Accounting Policies” which follows.

Financial Review: Quarter Ended March 31

Revenues

Revenues were \$21.9 million for the first quarter of 2019, up 6.1% from \$20.6 million in 2018. Growth was driven by strength in the core flexible packaging business, with the Corporation seeing heightened sales volumes, along with favourable movements in foreign exchange. Citrus film sales were also up, coming in at \$0.4 million for the quarter, versus \$nil in the corresponding prior-year period. As of March 31, 2019, Imaflex had \$1.5 million of outstanding citrus film orders in its pipeline.

Gross Profit

The gross margin stood at 14.0% for the current period, up significantly from 7.9% in the fourth quarter of 2018. However, it was down versus the 17.5% achieved in the first quarter of 2018, largely due to competitive pricing pressures. Resin prices were stable for the three months ended March 31, 2019.

Operating Expenses

Selling and administrative expenses were essentially flat year-over-year, coming in at \$1.7 million for both periods. However, due to the higher 2019 revenue base, selling and administrative expenses as a percentage of sales were down, standing at 7.7% for the current quarter, versus 8.2% in the corresponding prior-year period.

As a result of unfavourable currency movements, the Corporation recorded a foreign exchange loss of \$0.3 million for the first quarter of 2019. Conversely, in the corresponding prior-year period, the appreciation of the US dollar against the Canadian dollar generated a foreign exchange gain of \$0.4 million, resulting in a negative year-over-year variance of \$0.7 million.

Net Income and EBITDA

Net income was \$0.6 million for the current quarter, versus \$1.7 million in 2018. The \$1.1 million decrease in profitability was largely driven by the aforementioned unfavourable year-over-year movements in foreign exchange and the lower gross profits resulting from competitive pricing.

EBITDA came in at \$1.8 million (\$1.5 million excluding IFRS 16) or 8.2% of sales for the first quarter of 2019, down from \$2.8 million and 13.6% of sales in 2018. Excluding the impact of foreign exchange, EBITDA was \$2.2 million for the current quarter, versus \$2.4 million in the corresponding prior-year period.

Liquidity and Capital Resources

Net cash generated by operating activities stood at \$3.1 million for the current quarter, up significantly from \$1.1 million in 2018. The \$2.0 million improvement is largely explained by overall favourable movements in working capital, partially offset by the lower net income recorded in the first quarter of 2019.

As at March 31, 2019, Imaflex had approximately \$6.2 million of cash available for operating activities, including the unused portion under its \$12.0 million revolving line of credit.

Outlook

"We see continued stability in our business, supported by the major capital projects undertaken last year," said Mr. Abbandonato. "Although we operate in a very competitive industry and new pricing environment, downward market pricing pressures appear to have steadied. Furthermore, the heightened sales volumes we are expecting from the new equipment coming online should support our overall growth and profitability." The new five-layer extruder remains on track to be installed and operational around the end of the second quarter of 2019. "We also remain hopeful that citrus film sales will strengthen going forward and continue to be cautiously optimistic that the ADVASEAL® field trials will be completed by year-end 2019. Our business

landscape is ever-changing, but our proven ability to innovate, execute and grow, positions Imaflex for continued success.”

Annual General Meeting

Imaflex will be holding its Annual General Meeting on Monday, June 17, 2019 at 3:00 p.m. (Montreal time) at the Montreal office of Lavery, de Billy, located at 1 Place Ville Marie, Suite 4000.

Changes to Critical Accounting Policies

Effective January 1, 2019, Imaflex adopted IFRS 16, Leases. Under IFRS 16, lessees are required to account for leases on their balance sheet by recognizing a “right of use” asset and a lease liability, essentially removing the distinction between an operating and finance lease. Certain exemptions exist for short-term leases and leases of low value assets. Imaflex applied the modified retrospective method of application and as such comparative prior-year information has not been restated.

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.

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.

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