

SOURCE: Imaflex Inc.

Imaflex Announces Results for the Fourth Quarter and Fiscal Year Ended 2017

Strong Performance Driven by Higher Revenues and Operational Efficiencies

- Fourth quarter revenues up 12.9% over 2016 to \$21.4 million; fiscal year 2017 up 20.1% to \$88.3 million
- Significant year-over-year gross margin improvement for both the quarter and fiscal year
- Fourth quarter EBITDA¹ up 64.1% over prior year and up 120.2% for the fiscal year
- Fourth quarter net income of \$0.8 million, up 372.7% from \$0.2 million in the prior year
- Full year 2017 net income of \$3.8 million or \$0.08 per share, up from \$0.4 million or \$0.01 per share in 2016

Montreal, Québec, CANADA – April 18, 2018 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces its consolidated financial results for the fourth quarter and year ended December 31, 2017. All amounts are in Canadian dollars.

“Fiscal 2017 was a transformational year for Imaflex, with heightened operational and financial performance,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “During the year, we continued to drive revenue and margin expansion across the Corporation, while building out our agricultural offerings. Our core flexible packaging operations remained the largest revenue contributor, and we are firmly committed to its on-going success.” To this effect, Imaflex recently announced the purchase of a new coextrusion blown film line, which is expected to be operational in the first quarter of 2019. These investments improve the Corporation’s competitive stance and lay a solid base to grow the business, while offering customers innovative solutions.

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended December 31			Years ended December 31		
	2017	2016	% Change	2017	2016	% Change
Revenues	21,395	18,943	12.9 %	88,297	73,513	20.1 %
Gross profit	3,009	1,986	51.5 %	13,993	8,414	66.3 %
Selling & admin. expenses	1,884	1,623	16.1 %	7,084	6,497	9.0 %
Foreign exchange losses (gains)	(39)	(162)	75.9 %	1,085	291	272.9 %
Net income	761	161	372.7 %	3,762	408	822.1 %
Basic EPS	0.02	0.00	N/A	0.08	0.01	700.0 %
Diluted EPS	0.01	0.00	N/A	0.07	0.01	600.0 %
Gross margin	14.1%	10.5%	3.6 pp	15.8%	11.4%	4.4 pp
Selling & admin. expenses as % of revenues	8.8%	8.6%	0.2 pp	8.0%	8.8%	(0.8) pp
EBITDA (Excluding FX)	1,718	909	89.0 %	8,896	3,838	131.8 %
EBITDA[1]	1,757	1,071	64.1 %	7,811	3,547	120.2 %
EBITDA margin	8.2%	5.7%	2.5 pp	8.8%	4.8%	4.0 pp

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

Financial Review: Quarter and Year ended December 31

Revenue

Fourth quarter 2017 revenues were up 12.9% over the prior year, coming in at \$21.4 million. Growth was largely driven by product mix, including \$1.5 million of revenues for Shine N' Ripe XL and higher sales of converted (printed) products. Once again, growth was seen across the business and in all geographies.

For fiscal 2017, Imaflex realized its seventh consecutive year of record sales, with revenues increasing 20.1% over the prior year to \$88.3 million. The increase was mostly due to higher volumes and a favourable product mix. Notably, the Corporation benefitted from the new source of revenues generated by Shine N' Ripe XL, which accounted for approximately \$6.4 million or 7.2% of 2017 sales.

Looking at 2017 revenues by geographical end market, approximately 34% were in Canada and 66% in the USA. This compares to 37% and 63%, respectively in 2016.

Gross Profit

Year-over-year gross margin improvements continued into the fourth quarter of 2017, with gross profit as a percent of sales coming in at 14.1%, up from 10.5% in the prior year. Growth was driven by higher sales volumes and better operating leverage as the additional sales were achieved without materially impacting fixed manufacturing costs.

For fiscal year 2017, the gross margin came in at 15.8%, up from 11.4% in 2016. The increase was largely due to the same factors outlined for the current quarter.

Operating Expenses

Quarterly selling and administrative expenses were up modestly for the fourth quarter of 2017, coming in at \$1.9 million, versus \$1.6 million in the corresponding prior-year period. The increase was in-line with the higher revenue base. Quarterly selling and administrative expenses as a percentage of sales were up slightly year-over-year, reaching 8.8%, compared to 8.6% in the fourth quarter of 2016.

For calendar 2017, selling and administrative expenses came in at \$7.1 million, up slightly from \$6.5 million in 2016. However, as a percentage of sales they decreased from 8.8% in 2016 to 8.0% in 2017. The improvement largely reflects the higher revenue base, ongoing cost controls and better leverage on fixed costs.

As a result of favourable currency fluctuations, the Corporation realized a small foreign exchange gain of \$39 thousand in the fourth quarter of 2017, compared to a gain of \$162 thousand in 2016. In contrast, the impact of a stronger Canadian dollar in the translation of foreign currencies resulted in a foreign exchange loss of \$1.1 million for fiscal 2017, up materially from a loss of \$0.3 million in 2016.

Net Income and EBITDA

Fourth quarter 2017 EBITDA was \$1.8 million, up 64.1% over the prior year. Excluding the impact of foreign exchange, EBITDA came in at \$1.7 million, up 89% over 2016. As a percentage of sales, the EBITDA margin stood at 8.2% for the current quarter, or 8.0% excluding foreign exchange. This compares to 5.7% and 4.8%, respectively in the fourth quarter of 2016.

EBITDA came in at \$7.8 million for fiscal 2017 or 8.8% of sales, up from \$3.5 million and 4.8% of sales in 2016. Excluding the impact of foreign exchange, the EBITDA margin stood at 10.1% for 2017, up from 5.2% in fiscal 2016.

Net income stood at \$0.8 million for the fourth quarter of 2017, compared to \$0.2 million in 2016. The year-over-year increase was driven by top-line sales growth, operational efficiencies and on-going cost controls.

For fiscal 2017, net income stood at \$3.8 million, up 822.1% from \$0.4 million in 2016. The improvement was generated by heightened sales growth throughout the year, along with on-going operational efficiencies, tight cost controls and higher equipment utilization levels. This was partially offset by higher foreign exchange losses in 2017, 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 \$1.8 million for the current quarter, versus \$0.5 million in the prior-year period. For fiscal 2017, net cash from operating activities stood at \$3.3 million, versus \$4.1 million in 2016. The \$0.8 million decrease was largely due to important investments in working capital and taxes paid following the growth in 2017 sales and higher profitability. Excluding movements in working capital and taxes paid, year-over-year cash flows from operating activities improved significantly, going from \$4.2 million in fiscal 2016 to \$8.9 million in 2017.

As at December 31, 2017, Imaflex had approximately \$6.3 million of cash available for operating activities, including the unused portion under its \$12.0 million revolving line of credit.

Shine N' Ripe XL Build-Out

In 2017, a major international citrus producer began using Shine N' Ripe XL to cover a new grove in Florida, leading to multi-million dollars in citrus film sales for the year. These purchases followed initial field trials by the grower and other multi-year independent field trials. All trials confirmed the biological, environmental and economic benefits associated with using the film.

In the first quarter of 2018, the Florida Research Centre for Agricultural Sustainability (FLARES) provided an update on its multi-year trial, once again validating the clear benefits Shine N' Ripe XL brings over conventional production. Although approximately four years had passed since the FLARES trial first began, trees planted with Shine N' Ripe XL continued to show less impact from the citrus greening disease ("HLB") versus other treatments. As well, material on-going benefits continued in crop yields, resulting in a significantly shorter pay-back time for citrus growers. In both year three and year four, crops using Imaflex's film remained the only ones in the comparative group with a positive net return on invested capital. This ensued despite the higher initial investment costs for land preparation and installation associated with the metalized film's use.

Imaflex is currently the only company with independent, long-term field trials proving that its long-lasting metalized film effectively reduces the early onset of citrus greening, while also accelerating tree growth and increasing yield. Due to these successes and the commencement of new production trials with new growers, Imaflex is confident it will see a further broadening of its customer base and revenue expansion going forward.

ADVASEAL® Commercialization

During 2017, Imaflex successfully completed the trials necessary to identify and design the coating equipment needed to produce ADVASEAL® cost effectively. As for the chemicals, faced with on-going merger and acquisition activity amongst major crop protection firms and the resulting delays in Imaflex's ability to obtain supply commitments, the Corporation decided to directly source the active ingredients required (fungicides and a nematocide) from the same suppliers in Asia currently selling to the crop protection companies. Imaflex had previously found a herbicide in connection with ADVASEAL® HSM, its herbicidal releasing film. All active ingredients have now been sourced and the registration process with the US Environmental Protection Agency (EPA) has been initiated.

Imaflex is currently seeking a toll manufacturer (coater) capable of providing sufficient quantities of ADVASEAL® film coated with the active ingredients for the efficacy field trials. The studies are also required for the exclusive registration with the EPA as ADVASEAL® is a novel formulation of the generic active ingredients, containing fungicides and a nematicide in addition to a herbicide. The Corporation expects the efficacy trials to commence by the first quarter of 2019.

Management believes the efficacy field trials and the pesticide registration process itself will be positive as the generic active ingredients to be used with ADVASEAL® are effectively used by growers today. As well, the Company has already received prior EPA approval of its herbicidal active ingredient release film, ADVASEAL® HSM.

ADVASEAL® is a plastic mulch film that releases an herbicide (HSM) to control weeds, fungicides to control soil borne pathogens, and a nematicide to control nematodes pre-plant for soil disinfestation to replace hazardous fumigants and conventional pesticide spray emissions.

Outlook

Business fundamentals continue to be strong, despite some unforeseen delays in the on-going market expansion of Shine N' Ripe XL. Sales of Imaflex's core flexible packaging products should remain robust in 2018, while Shine N' Ripe XL sales are fully expected to ramp-up in the coming months. This said, some caution is warranted. The major storms in the southeastern USA in late 2017 has hindered 2018 citrus film sales to date, as growers have been focusing their efforts on actively repairing damaged groves. However, the situation remains very fluid. The Corporation is currently in customer discussions and upward revenue expectations could occur at any time. "Based on these discussions, new trials underway with growers, and the success of multi-year independent field trials, we are confident there will be further revenue expansion for our citrus film going forward," concluded Mr. Abbandonato.

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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