

SOURCE: Imaflex Inc.

Imaflex Announces Third Quarter 2018 Results and Provides Business Update

Year-over-year revenues and net income up

- Q3 revenues of \$21.3 million, up 2.5% from \$20.8 million in 2017
- Q3 gross margin of 13.7%, versus 14.7% in 2017
- Q3 EBITDA¹ of \$1.5 million, up 21.7% from \$1.2 million in 2017
- Q3 net income of \$0.6 million, up 6.8% over prior year

Montreal, Québec, CANADA – November 27, 2018 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces its consolidated financial results for the third quarter ended September 30, 2018 and provides a business update. All amounts are in Canadian dollars.

“We saw an upturn in business fundamentals during the third quarter, resulting in improved year-over-year revenues and net income,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Going into 2019 we see continued stability, supported by our strong core flexible packaging business and a solid order pipeline for Shine N’ Ripe XL.” As of September 30, 2018, Imaflex had received \$4.6 million of citrus film orders for 2018 and recognized \$1.4 million of revenues related to this, leaving \$3.2 million worth of orders to be shipped and recognized going forward.

Consolidated Financial Highlights (unaudited)

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
<i>CDN \$ thousands, except per share amounts (or otherwise indicated)</i>						
Revenues	21,316	20,791	2.5%	63,860	66,902	(4.5)%
Gross Profit	2,929	3,063	(4.4)%	8,992	10,984	(18.1)%
Selling & admin. expenses	1,726	1,657	4.2%	5,003	5,200	(3.8)%
Foreign exchange (gains) losses	242	617	(60.8)%	(454)	1,124	(140.4)%
Net income	594	556	6.8%	2,994	3,001	(0.2)%
Basic EPS	0.01	0.01	0.0%	0.06	0.06	0.0%
Diluted EPS	0.01	0.01	0.0%	0.06	0.06	0.0%
Gross margin	13.7%	14.7%	(1.0) pp	14.1%	16.4%	(2.3) pp
Selling & admin. expenses as % of revenues	8.1%	8.0%	0.1 pp	7.8%	7.8%	0.0 pp
EBITDA (Excluding FX)	1,761	1,865	(5.6)%	5,551	7,178	(22.7)%
EBITDA	1,519	1,248	21.7%	6,005	6,054	(0.8)%
EBITDA margin	7.1%	6.0%	1.1 pp	9.4%	9.0%	0.4 pp

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

Financial Review: Quarter and Year-to-Date Ended September 30

Revenues

Revenues were \$21.3 million for the quarter, up 2.5% from \$20.8 million in 2017. The increase was due to strength in the core flexible packaging business, driven largely by product mix improvements and favourable movements in foreign exchange. This was partially offset by lower citrus film sales, which stood at \$0.4 million for the current quarter, versus \$1.5 million in 2017. Imaflex has a strong order pipeline for Shine N' Ripe XL, with \$3.2 million of outstanding orders remaining to be shipped and revenues recognized going forward.

For the year-to-date, revenues came in at \$63.9 million, down from \$66.9 million in the corresponding prior-year period. The decrease was largely due to lower sales volumes for Imaflex's core flexible packaging and agriculture products, particularly citrus films.

Gross Profit

The gross margin stood at 13.7% for the quarter, down slightly from 14.7% in 2017. The decrease was largely due to less sales of higher margin products, namely Shine N' Ripe XL.

The 2018 year-to-date gross margin came in at 14.1%, versus 16.4% for the same period last year. Margins for 2018 were impacted by the lower sales base and product mix, with the Corporation selling less of its higher margin agriculture films, including Shine N' Ripe XL.

Operating Expenses

Selling and administrative expenses were \$1.7 million or 8.1% of sales for the third quarter of 2018, in line with \$1.7 million and 8.0% of sales in the corresponding prior year quarter.

For the year-to-date, selling and administrative expenses stood at \$5.0 million or 7.8% of sales. This compares to \$5.2 million and 7.8% of sales in 2017.

The appreciation of the Canadian dollar against the US dollar resulted in a foreign exchange loss of \$0.2 million for the third quarter of 2018, versus a loss of \$0.6 million in 2017. Conversely, favourable currency fluctuations for 2018 year-to-date resulted in a foreign exchange gain of \$0.5 million for the Corporation, versus a loss of \$1.1 million in 2017.

Net Income and EBITDA

Net income was \$0.6 million for the current quarter, up 6.8% over the third quarter of 2017. For the year-to-date, net income remained in line with 2017, coming in at \$3.0 million for both years. The lower 2018 year-to-date revenue base and corresponding reduction in gross profits versus 2017, was largely offset by foreign exchange gains in 2018, versus losses in 2017.

EBITDA came in at \$1.5 million or 7.1% of sales for the third quarter of 2018, up from \$1.2 million and 6% of sales in 2017. Excluding the impact of foreign exchange, EBITDA was \$1.8 million for the current quarter, down slightly from \$1.9 million in 2017. For the first nine months of 2018, EBITDA was \$6.0 million or 9.4% of sales, versus \$6.1 million and 9.0% respectively in 2017. Excluding foreign exchange, EBITDA stood at \$5.6 million for 2018 year-to-date, as compared to \$7.2 million for the corresponding period of 2017.

Liquidity and Capital Resources

Net cash generated by operating activities stood at \$0.4 million for the current quarter, unchanged from 2017. For 2018 year-to-date, net cash generated by operating activities totaled \$0.5 million, down from \$1.6 million

in the prior year. The decrease is largely explained by movements in foreign exchange and higher taxes paid for the first nine months of 2018, partially offset by higher increases in trade and other payables over 2017.

As at September 30, 2018, Imaflex had approximately \$4.9 million of cash available for operating activities, including the unused portion under its \$12.0 million revolving line of credit.

ADVASEAL® Commercialization

Imaflex has commenced trials with a potential toll manufacturer to determine their ability to supply sufficient quantities of ADVASEAL® for upcoming efficacy field studies. The manufacturer has also obtained the required regulatory approval to work with the crop protection products associated with ADVASEAL®, including a herbicide (HSM) to control weeds, fungicides to control soil borne pathogens, and a nematicide to control nematodes (pre-plant) for soil disinfection.

Imaflex continues to target the first quarter of 2019 for the commencement of efficacy field trials, which are required by the US Environmental Protection Agency (EPA) for the exclusive registration of ADVASEAL®. Management believes the efficacy field trials and the pesticide registration process will be positive as the generic active ingredients to be used with ADVASEAL® are effectively used by growers today. As well, the Corporation previously received EPA approval of its herbicidal active ingredient release film, ADVASEAL® HSM.

Outlook

“We expect business fundamentals to remain stable going into 2019, supported by a number of key upcoming milestones,” said Mr. Abbandonato. “These include the launch of our new coextrusion blown film line (“extruder”), the completion of ongoing field trials with new citrus growers and the start of ADVASEAL® efficacy trials.” The extruder, which is expected to be installed and operational around the end of the first quarter of 2019, will increase the Corporation’s extrusion capacity by approximately four million pounds annually. As well, the citrus trials should result in new customer wins and better revenue stability going forward. “Finally, our previously announced CDN \$10.0 million equipment leasing facility provides us with important growth capital.”

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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Imaflex Contact:

John Ripplinger

Vice-President Corporate Affairs

Tel: (514) 935-5710 ext. 157

Fax: (514) 935-0264

johnr@imaflex.com

www.imaflex.com