

SOURCE: Imaflex Inc.

Imaflex Reports 2019 Q4 and Fiscal Year Results, Provides Business Update

Imaflex considered an essential vendor; all plants remain fully operational

- Strong 2019 performance on constant currency basis, particularly given dynamic pricing environment and reduced high margin citrus film sales versus prior year
- Q4 2019 revenues of \$18.7 million, versus \$22.5 million in 2018; FY 2019 down 6.1% to \$81.1 million, primarily due to pricing
- Q4 and FY 2019 gross margins strengthen over 2018
- Excluding foreign exchange, Q4 and FY 2019 EBITDA¹ up year-over-year
- Q4 net income of \$0.3 million, compared to \$0.6 million in 2018
- FY 2019 net income of \$1.5 million or \$0.03 per share, versus \$3.6 million and \$0.07 per share in 2018²
- Q4 and FY 2019 operating cash flows remain strong

Montreal, Québec, CANADA – April 17, 2020 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces its consolidated financial results for the fourth quarter (Q4) and fiscal year (FY) ended December 31, 2019 and provides a business update. All amounts are in Canadian dollars.

“During 2019 our solid line-up of innovative products allowed us to attract and retain customers, albeit at lower than historical sales prices, due to a competitive pricing environment and decreased resin costs,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Despite this, our revenues, profitability and cash flows remained more than respectable, particularly given the impact of currency on 2019 profitability and the fact that there were very few sales of our high margin citrus film.”

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Revenues	18,740	22,472	(16.6)%	81,071	86,332	(6.1)%
Gross Profit	2,647	1,772	49.4%	10,952	10,764	1.7%
Selling & admin. expenses	1,676	1,490	12.5%	7,042	6,493	8.5%
Foreign exchange (gains) losses	374	(886)	(142.1)%	872	(1,340)	(165.1)%
Net income	303	556	(45.5)%	1,536	3,550	(56.7)%
Basic EPS	0.01	0.01	0.0%	0.03	0.07	(57.1)%
Diluted EPS	0.01	0.01	0.0%	0.03	0.07	(57.1)%
Gross margin	14.1%	7.9%	6.2 pp	13.5%	12.5%	1.0 pp
Selling & admin. expenses as % of revenues	8.9%	6.6%	2.3 pp	8.7%	7.5%	1.2 pp
EBITDA (Excluding FX)	1,837	908	102.3%	7,144	6,459	10.6%
EBITDA	1,464	1,794	(18.4)%	6,273	7,799	(19.6)%
EBITDA margin	7.8%	8.0%	(0.2) pp	7.7%	9.0%	(1.3) pp

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

² Basic and diluted earnings per share (EPS)

Financial Review: Quarter and Year ended December 31

Revenues

Revenues were \$18.7 million for the fourth quarter of 2019, down 16.6% from \$22.5 million in 2018. The decrease largely reflects the impact on product pricing resulting from competitive pressures and lower resin prices. As well, sales of the Corporation's high margin citrus film were \$nil for the current quarter, versus \$1.4 million in 2018. Excluding citrus film sales, revenues were down 11.1% versus 2018.

Fiscal 2019 sales totaled \$81.1 million, down 6.1% from \$86.3 million in the prior year. The decrease from 2018 was mainly due to the same variables outlined for the quarter, partially offset by favourable movements in foreign exchange. Citrus film sales totaled \$0.9 million in 2019, down from \$2.8 million in 2018. Excluding citrus film sales, revenues were down 4.0% year-over-year.

Gross Profit

The quarterly gross profit was up year-over-year, coming in at \$2.6 million or 14.1% of sales in the fourth quarter of 2019, versus \$1.8 million and 7.9% of sales in 2018. A year-over-year decrease in certain variable costs, such as transportation, had a positive impact on the gross profit for the current quarter. As well, in the fourth quarter of 2018, the gross profit was particularly impacted by resin price fluctuations. Resin price decreases are normally reflected immediately in product pricing for Imaflex's customers, while increases usually take about 30 days to be priced in. As such the effect of a resin price decrease is that an immediate opportunity loss is incurred with respect to resin inventory previously purchased when resin prices were higher.

For fiscal 2019, the gross profit was \$11.0 million or 13.5% of sales, versus \$10.8 million and 12.5% of sales in 2018. The improvement over 2018 was largely driven by the aforementioned variance explanation relating to resin price fluctuations.

Operating Expenses

Selling and administrative expenses were \$1.7 million or 8.9% of sales in the fourth quarter of 2019, up from \$1.5 million and 6.6% of sales in 2018. Fiscal 2019 expenses came in at \$7.0 million or 8.7% of sales, compared to \$6.5 million and 7.5% of sales in the corresponding prior-year period. The year-over-year increases for the quarter and year-to-date were mainly driven by an expanded sales team to stimulate demand for Imaflex's products and new production equipment, namely the five-layer extruder.

Due to unfavourable currency fluctuations, Imaflex recorded a foreign exchange loss of \$0.4 million in the fourth quarter of 2019, versus a \$0.9 million gain in 2018. This resulted in a negative \$1.3 million year-over-year variance. For fiscal 2019, the Corporation similarly recorded a foreign exchange loss of \$0.9 million, versus a gain of \$1.3 million in 2018. This generated a \$2.2 million negative year-over-year variance. The 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

The Company recorded net income of \$0.3 million in the fourth quarter of 2019, versus \$0.6 million in the corresponding prior-year quarter. The decrease was largely due to unfavourable movements in foreign exchange and higher 2019 selling and administrative expenses, partially offset by the improved quarterly gross profit.

For calendar 2019, net income stood at \$1.5 million, down from \$3.6 million in the prior year. The \$2.1 million decrease was largely due to unfavourable year-over-year movements in foreign exchange and higher 2019 selling and administrative expenses, partially offset by the higher gross profits in 2019 and lower income taxes versus 2018.

EBITDA was \$1.5 million (\$1.2 million excluding the impact of IFRS 16) or 7.8% of sales in the fourth quarter of 2019, versus \$1.8 million and 8.0% of sales in 2018. Excluding the impact of foreign exchange, EBITDA was \$1.8 million or 9.8% of sales for the current quarter, up from \$0.9 million and 4.0% of sales in 2018.

For fiscal 2019, EBITDA came in at \$6.3 million (\$5.1 million excluding the impact of IFRS 16) or 7.7% of sales as compared to \$7.8 million and 9.0% of sales in 2018. Excluding foreign exchange, EBITDA was \$7.1 million or 8.8% of sales, up from \$6.5 million and 7.5% of sales in 2018.

Liquidity and Capital Resources

Net cash generated by operating activities stood at \$2.7 million for the fourth quarter of 2019, as compared to \$0.6 million in the prior year. The year-over-year improvement was largely driven by movements in working capital and foreign exchange.

For calendar 2019, net cash generated by operating activities totaled \$9.7 million, up from \$1.1 million in 2018. The improvement was driven by the same factors outlined for the quarter, along with movements in depreciation and a decrease in 2019 income taxes paid, partially offset by the lower net income recorded versus 2018.

As at December 31, 2019, Imaflex had approximately \$7.6 million of cash available for operating activities, including the unused portion under its \$12.0 million revolving line of credit.

Impact of Coronavirus (COVID-19) – Imaflex considered an essential vendor

To date, Imaflex's three plants in Canada and the U.S.A. have remained open, fully operational and running at normal business levels. The Corporation is considered an essential vendor in both countries due to the important role its products play in protecting and preserving food and consumer products. Presently, all manufacturing facilities have the ability to take on more volume should it be required due to business interruption at another plant or heightened order flow. Furthermore, Imaflex is not experiencing any delays with its suppliers. The Corporation believes it has sufficient capital to fund its operations and grow the business, assuming business levels remain the same. Despite this, Imaflex has and will utilize any available capital payment moratoriums on long term debt payments to maximize cash flows throughout the crisis. "We are monitoring developments closely and taking all necessary steps to protect our employees, customers and business," highlighted Mr. Abbandonato. "I would like to thank all of our employees who have continued to work with dedication during this difficult time. Our thoughts also go out to all those families and businesses negatively impacted by this devastating virus."

Outlook

"We continue to operate in a dynamic pricing environment, while resin prices also remain lower than historical levels," said Mr. Abbandonato. "This said, our strategy remains the same. We will continue to differentiate ourselves in advanced extrusion and innovative crop protection films, building out our addressable markets with innovative products. With the investments in new production equipment brought online in 2019, most notably the five-layer extruder, we are well positioned to do better in 2020.

Longer term, our next generation agriculture film, ADVASEAL[®], offers some exciting opportunities for growth. We achieved some important milestones in recent months, including positive interim results for our Efficacy Trial. This said, some key milestones remain and I thank shareholders for their on-going support and patience. If successful, the benefits of ADVASEAL[®] for growers, the environment and shareholders, should justify the wait.

We operate in an ever changing business environment, but we are well positioned to drive profitable growth and are excited about our future potential. I look forward to providing updates on ADVASEAL[®] and our overall business as we progress throughout the year."

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 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.

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