

SOURCE: Imaflex Inc.

## Imaflex Reports Strong Q3 2020 Results and Provides Business Update

*Business momentum continues; drives solid top and bottom line growth*

### Third Quarter (Q3) 2020 Highlights

- Revenue growth accelerated, increasing 19.3% over Q3 2019 to \$22.9 million
- Gross margin reached 19.1%, versus 13.1% in the prior year
- EBITDA<sup>1</sup> came in at \$3.0 million, up 70.2% over 2019; up 123.1% on a constant currency basis
- Net income was \$1.2 million, up 163% from \$0.5 million in 2019
- Cash flow generation remained strong; ended the quarter with \$2.3 million of cash and no debt on short term credit facility

**Montreal, Québec, CANADA – November 25, 2020** – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces its consolidated financial results for the third quarter (Q3) ended September 30, 2020 and provides a business update. All amounts are in Canadian dollars.

“We had another solid quarter, with strong operational performance and heightened year-over-year gains in revenues and profitability,” said Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Our tightly managed balance sheet also continued to strengthen, enhancing our financial flexibility and putting us in one of the best financial positions we’ve seen in recent years. We also achieved some important milestones with ADVASEAL<sup>®</sup>, including positive field trial results from the Efficacy Study validating the film’s effectiveness as a pre-plant soil fumigant replacement. This is shaping up to be a pivotal year for Imaflex and we are pleased with the steady progress made on our shareholder commitment to drive profitable growth, particularly during this climate of uncertainty caused by COVID-19.”

### Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Revenues	<b>22,904</b>	19,195	19.3 %	<b>64,742</b>	62,331	3.9 %
Gross Profit	<b>4,385</b>	2,521	73.9 %	<b>12,055</b>	8,305	45.2 %
Selling & admin. expenses	<b>1,923</b>	1,812	6.1 %	<b>5,697</b>	5,366	6.2 %
Foreign exchange (gains) losses	<b>434</b>	(217)	(300.0) %	<b>(432)</b>	498	(186.7) %
Net income	<b>1,236</b>	470	163.0 %	<b>4,670</b>	1,233	278.8 %
Basic EPS	<b>0.02</b>	0.01	100.0 %	<b>0.09</b>	0.02	350.0 %
Diluted EPS	<b>0.02</b>	0.01	100.0 %	<b>0.09</b>	0.02	350.0 %
Gross margin	<b>19.1%</b>	13.1%	6.0 pp	<b>18.6%</b>	13.3%	5.3 pp
Selling & admin. expenses as % of revenues	<b>8.4%</b>	9.4%	(1.0) pp	<b>8.8%</b>	8.6%	0.2 pp
EBITDA (Excluding FX)	<b>3,387</b>	1,518	123.1 %	<b>9,110</b>	5,307	71.7 %
EBITDA	<b>2,953</b>	1,735	70.2 %	<b>9,542</b>	4,809	98.4 %
EBITDA margin	<b>12.9%</b>	9.0%	3.9 pp	<b>14.7%</b>	7.7%	7.0 pp

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

## **Financial Review: Quarter ended September 30**

### **Revenues**

Revenues were up 19.3% over 2019, reaching \$22.9 million for the quarter. Growth was driven by robust flexible packaging sales volumes, along with heightened sales of agricultural films and converted products. On a poundage basis, overall extruded film volumes were up 21.5% year-over-year. Although revenues continued to be impacted by competitive pressures, resin costs came off a market bottom, reached earlier this year, bringing product pricing more in line with 2019 levels. As Imaflex has no long term customer contracts, it is able to adjust product pricing in accordance with resin input costs, although there is usually a 30-day lag between a resin price increase and when customer pricing can be revised.

For the nine months ended September 30, 2020, revenues came in at \$64.7 million versus \$62.3 million in the corresponding prior-year period. The increase was largely due to the same variables outlined for the quarter, partially offset by the lower resin pricing environment seen in the first half of 2020.

### **Gross Profit**

The quarterly gross profit continued to trend well above prior-year levels, coming in at \$4.4 million or 19.1% of sales as compared to \$2.5 million and 13.1% of sales in 2019. The improvement was largely driven by the greater sales volumes for the current quarter, which diminished the impact of labor and overhead costs relative to sales; and heightened control of the Corporation's variable production costs.

The year-to-date gross profit was \$12.1 million, up 45.2% from \$8.3 million in 2019. The increase was due to the same factors outlined for the quarter, along with favourable fluctuations in foreign exchange.

### **Operating Expenses**

Selling and administrative expenses were \$1.9 million for the third quarter of 2020, versus \$1.8 million in the prior year. As a result of the higher revenue base this quarter, selling and administrative expenses as a percent of sales were down year-over-year, coming in at 8.4% for the current quarter versus 9.4% in 2019. For the year-to-date, selling and administrative expenses were \$5.7 million or 8.8% of sales, up slightly from \$5.4 million and 8.6%, respectively in the prior year. The increase in year-over-year expenses for both the quarter and nine-months was largely due to higher sales commissions resulting from the better sales volumes.

Due to the depreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange loss of \$0.4 million in the third quarter of 2020, compared to a gain of \$0.2 million in 2019. This resulted in an unfavourable variance of \$0.6 million versus the third quarter of 2019. Conversely, for the first nine months of 2020, Imaflex realized a foreign exchange gain of \$0.4 million, versus a loss of \$0.5 million in 2019, culminating in a favourable year-over-year variance of \$0.9 million. A 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**

Net income stood at \$1.2 million for the current quarter, up 163.0% from \$0.5 million in 2019. The year-over-year improvement was largely due to the higher gross profit for the current quarter, partially offset by the foreign exchange losses and greater selling and administrative expenses. For 2020 year-to-date, net income was \$4.7 million, up 278.8% from \$1.2 million in the prior year. The increase over 2019 was driven by the higher gross profit and foreign exchange gain (versus a loss in 2019), partially offset by higher selling and administrative expenses.

EBITDA stood at \$3.0 million or 12.9% of sales for the current quarter, up materially from \$1.7 million and 9.0% of sales in the third quarter of 2019. On a constant currency basis, the quarterly EBITDA stood at \$3.4 million or

14.8% of sales, up 123.1% from \$1.5 million and 7.9% of sales in 2019. For the first nine months of 2020, EBITDA came in at \$9.5 million or 14.7% of sales, up from \$4.8 million and 7.7% of sales in the corresponding prior-year period. Excluding the impact of foreign exchange, EBITDA was \$9.1 million (14.1% of sales) for the first nine months of 2020, up 71.7% from \$5.3 million (8.5% of sales) in 2019.

### **Liquidity and Capital Resources**

Net cash generated by operating activities was \$4.1 million for the third quarter of 2020, up materially from \$1.4 million in 2019. The increase was largely driven by the higher current quarter profit, non-cash year-over-year movements in foreign exchange and income tax expenses, along with changes in working capital.

For 2020 year-to-date, net cash generated by operating activities stood at \$9.8 million, up \$2.8 million from \$7.0 million in 2019. The increase was driven by the higher profitability in 2020 and non-cash movements in income tax expense, partially offset by non-cash movements in foreign exchange and changes in working capital.

Strong cash flow generation and disciplined capital allocation continued to strengthen the balance sheet. As at September 30, 2020, Imaflex had access to \$14.3 million of cash for operating activities, comprised of \$2.3 million of cash, along with the full \$12.0 million available under its revolving line of credit.

### **ADVASEAL® Update**

As previously announced the Corporation is conducting a Release Study, which is the last and most comprehensive trial required prior to submitting the U.S. Environmental Protection Agency (EPA) registration package. The study determines the exact timing for release of each active ingredient (herbicide, nematicide and fungicides) coated on the new ADVASEAL®. This is required to show compliance with the pre-harvest interval legally established by the EPA, which is essentially the wait time required between the application of crop protection products onto the soil and when a crop can be harvested for safe human consumption. Imaflex will announce the independent trial results once available. The Corporation remains focused on submitting the registration package with the EPA around year-end 2020. Once submitted, the EPA review process can take up to a year to complete.

### **Impact of COVID-19 – All plants remain fully operational and running at normal levels**

COVID-19 continues to have no significant impact on operations, nor is the Corporation experiencing any material issues with customer receivables or delays with suppliers and distribution channels. Imaflex is considered an essential vendor due to the important role its products play in protecting and preserving the integrity of products, particularly within the food and packaging industry. All plants remain fully operational and running at normal business levels, while no material capital project has been halted. Each plant has the ability to take on more volume should it be required due to business interruption at another location or heightened order flow. The Corporation is monitoring developments closely and taking strong preventative measures to protect its employees, customers and business.

### **Outlook**

“Looking ahead, the impact of COVID-19 on our business, financial situation and results remains unclear and cannot be predicted,” said Mr. Abbandonato. “Any outbreak at one of our plants, deferrals in purchases, payment issues with customers, or supply and distribution delays could impact us. However, these risks are considered temporary and with a strong balance sheet and dynamic team the Corporation is well positioned to meet any challenges.”

“Operationally, we are beginning to see the anticipated growth and increased profitability resulting from our recent equipment purchases. Although we continue to be in a competitive pricing environment, we expect

business fundamentals to remain robust for the remainder of the year and we are cautiously optimistic fourth quarter 2020 revenues and profitability will surpass 2019 levels.”

### **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](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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