

SOURCE: Imaflex Inc.

Imaflex Reports Strong Q1 2021 Results and Provides Business Update

Business momentum continues with solid top and bottom line performance

Q1 2021 Highlights

- Revenues of \$24.9 million, up 18.5% over \$21.0 million in 2020
- Gross profit came in at \$4.6 million (18.4% of sales), up 13.9% from \$4.0 million (19.2% of sales) in 2020
- EBITDA¹ of \$3.5 million, down 26.9% year-over-year due to impact of foreign exchange
- Excluding foreign exchange EBITDA was \$3.8 million, up 23.2% over 2020
- Net income of \$2.0 million (\$0.04 per share²), versus \$3.1 million (\$0.06 per share²) in prior year
- Closed quarter with \$5.5 million of cash (\$0.11 per share²), up from \$3.2 million at the end of 2020

Montreal, Québec, CANADA – May 26, 2021 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces strong consolidated financial results for the first quarter (Q1) ended March 31, 2021 and provides a business update. All amounts are in Canadian dollars.

“The positive momentum seen throughout 2020 continued into the first quarter of 2021, with Imaflex once again delivering impressive results,” said Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “We expect this trend to continue as we remain well positioned to capitalize on our multi-year efforts to build out the business, supported by our long-term customer partnerships.”

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended March 31,		
	2021	2020	% Change
Revenues	24,920	21,031	18.5 %
Gross Profit	4,590	4,029	13.9 %
Selling & admin. expenses	1,718	1,896	(9.4)%
Foreign exchange (gains) losses	298	(1,682)	(117.7)%
Net income	1,952	3,092	(36.9)%
Basic EPS	0.04	0.06	(33.3)%
Diluted EPS	0.04	0.06	(33.3)%
Gross margin	18.4%	19.2%	(0.8) pp
Selling & admin. expenses as % of revenues	6.9%	9.0%	(2.1) pp
EBITDA (Excluding FX)	3,754	3,048	23.2 %
EBITDA	3,456	4,730	(26.9)%
EBITDA margin	13.9%	22.5%	(8.6) 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 Ended March 31

Revenues

Revenues were \$24.9 million for the quarter, up 18.5% over the prior year. Growth was largely driven by product pricing, which continued to firm up in-line with increased resin costs. Sales volumes also grew, particularly for converted products, although this was partially offset by unfavourable movements in foreign exchange.

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.

Gross Profit

The quarterly gross profit remained strong, coming in at \$4.6 million or 18.4% of sales versus \$4.0 million and 19.2% of sales in 2020. Margins for the current quarter were impacted by the higher revenue base. In addition, foreign exchange fluctuations were unfavourable, while they were favorable in the first quarter of 2020.

Since the beginning of 2020, Imaflex has been consistently generating stronger than historical margins. This has been largely driven by the positive impact of scale on the business, whereby incremental revenues have a fairly meaningful effect on margins due to the diminished impact of labor and overhead costs relative to sales.

Operating Expenses

Selling and Administrative expenses remained controlled, coming in at \$1.7 million for the quarter versus \$1.9 million in the prior year. As a result of the lower expenses and higher revenue base for the current quarter, selling and administrative expenses as a percent of sales came in at 6.9%, down from 9.0% in 2020.

Due to the depreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange loss of \$0.3 million in the first quarter of 2021, compared to a \$1.7 million gain in 2020. This resulted in a \$2.0 million unfavourable year-over-year variance. 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 \$2.0 million for the current quarter, down 36.9% from \$3.1 million in 2020. The decrease was largely due to the aforesaid impact of foreign exchange on the business, partially offset by the higher gross profit and lower selling and administrative expenses in 2021.

EBITDA stood at \$3.5 million or 13.9% of sales for the current quarter, compared to \$4.7 million and 22.5% of sales in 2020. On a constant currency basis, EBITDA came in at \$3.8 million (15.1% of sales) for the first quarter of 2021, up 23.2% from \$3.0 million (14.5% of sales) in the corresponding quarter of 2020.

Liquidity and Capital Resources

Net cash generated by operating activities was \$2.8 million for the first quarter of 2021, up 34.9% from \$2.0 million in the prior year. The year-over-year increase was largely driven by non-cash movements in foreign exchange, along with movements in trade and other payables, partially offset by the lower quarterly profit versus 2020 and by movements in inventories.

As at March 31, 2021, Imaflex had approximately \$16.7 million of cash available for operating activities, including \$5.5 million of cash outstanding (\$3.2 million as at December 31, 2020) and \$11.2 million available under its \$12.0 million revolving line of credit. The strength of Imaflex's balance sheet has been growing consistently, significantly enhancing the Corporation's financial flexibility.

ADVASEAL® Update

As previously announced, Imaflex has one remaining step before submitting the registration package for EPA approval of ADVASEAL® as a new physical pesticide formulation. Four of the five active ingredients (“active ingredients” or “TGAI”³) used on ADVASEAL® come from Asia and are not yet registered in the U.S.A. To simplify their registration as generic pesticides Imaflex has mandated a lab to prove their equivalence with TGAIs already registered and marketed in the U.S.A. Going forward, holding our own TGAI registration should provide us with greater autonomy as we commercialize ADVASEAL®, while also making us less reliant on a particular supplier. Imaflex continues to target around summer 2021 for submission of the TGAI and ADVASEAL® registration package.

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

Imaflex operates in a competitive pricing environment. “This said, we have been able to deliver strong results over the past five quarters and we see solid long-term opportunity and growth potential ahead,” said Mr. Abbandonato. “We are encouraged by the interest and demand for our traditional and new products and believe this, combined with our healthy balance sheet and growing scale, will continue to have a positive impact on our business.”

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

Annual General Meeting

Due to ongoing public health concerns regarding COVID-19 Imaflex will be holding a live virtual-only Annual General Meeting. It will be held on Wednesday June 16, 2021 at 11:00 a.m. (Montréal time) via live audio webcast only.

All shareholders will be able to attend the meeting. Information on how to participate can be found in Imaflex’s Management Information Circular dated May 19, 2021, or on Imaflex’s website at www.imaflex.com (“news & events/events & presentations”) and under Imaflex’s profile at www.sedar.com.

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.

³ A **technical grade active ingredient** (“TGAI”) is used for the manufacturing of pesticide end-use products and contains, in addition to the pure active ingredient, minor amounts of impurities.

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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