

SOURCE: Imaflex Inc.

## Imaflex Announces Strong Q2 2021 Results and Provides Business Update

### *Another solid quarter with material growth in sales and profitability*

#### Q2 2021 Highlights

- Revenues of \$27.4 million, up 31.6% over \$20.8 million in 2020
- Gross profit of \$4.5 million (16.5% of sales), up 23.9% from \$3.6 million (17.5% of sales) in 2020
- EBITDA<sup>1</sup> was \$3.3 million, up 14.5% over \$2.9 million in 2020; up 36.6% on constant currency basis
- Net income of \$2.0 million (\$0.04 per share<sup>2</sup>), versus \$0.3 million (\$0.01 per share<sup>2</sup>) in prior year
- Balance sheet remains strong, closed quarter with \$4.4 million of cash (\$0.09 per share<sup>2</sup>)

**Montreal, Québec, CANADA – August 25, 2021** – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), reports strong consolidated financial results for the second quarter (Q2) ended June 30, 2021 and provides a business update. All amounts are in Canadian dollars.

“Imaflex continues to generate impressive top and bottom line growth,” said Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “We expect this positive backdrop will continue to provide a strong tailwind for us to further scale the business and we remain confident in our ability to generate meaningful profitability and cash flows going forward.”

#### Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Revenues	27,391	20,807	31.6 %	52,311	41,838	25.0 %
Gross Profit	4,512	3,641	23.9 %	9,102	7,670	18.7 %
Selling & admin. expenses	1,743	1,878	(7.2)%	3,461	3,774	(8.3)%
Foreign exchange (gains) losses	379	816	(53.6)%	677	(866)	(178.2)%
Net income	1,999	342	484.5 %	3,951	3,434	15.1 %
Basic EPS	0.04	0.01	300.0 %	0.08	0.07	14.3 %
Diluted EPS	0.04	0.01	300.0 %	0.08	0.07	14.3 %
Gross margin	16.5%	17.5%	(1.0) pp	17.4%	18.3%	(0.9) pp
Selling & admin. expenses as % of revenues	6.4%	9.0%	(2.6) pp	6.6%	9.0%	(2.4) pp
EBITDA (Excluding FX)	3,653	2,675	36.6 %	7,407	5,723	29.4 %
EBITDA	3,274	2,859	14.5 %	6,730	6,589	2.1 %
EBITDA margin	12.0%	8.9%	3.1 pp	12.9%	15.7%	(2.8) pp

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

<sup>2</sup> Basic and diluted earnings per share (EPS)

## **Financial Review: Quarter Ended June 30**

### **Revenues**

Revenues were \$27.4 million for the quarter, up 31.6% over the prior year. Growth was largely driven by product pricing, which rose in line with higher resin prices, and heightened sales volumes, partially offset by unfavourable movements in foreign exchange. Sales of higher margin converted products were particularly strong, while garbage bag sales also expanded materially as more businesses continue to see employees return to the workplace following the phase-out of COVID-19 related restrictions.

For the first half of 2021 revenues came in at \$52.3 million, growing 25.0% over the corresponding prior-year period. The year-over-year improvement was largely driven by product pricing which rose in conjunction with the aforementioned increase in resin raw material costs. As well, sales of converted products were up significantly in 2021, 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. However, there is usually a 30-day lag between a resin price increase and when customer pass-through adjustments are made, which can temporarily impact margins particularly in a rising raw material pricing environment.

### **Gross Profit**

The quarterly gross profit came in at \$4.5 million or 16.5% of sales, versus \$3.6 million and 17.5% of sales in the prior year. Profit margins remained above historical norms for the current quarter, although they were impacted by the rapid increase in resin input costs and unfavourable fluctuations in foreign exchange versus the corresponding prior-year quarter. Since early 2020, Imaflex has maintained higher than average margins largely due to the positive impact of scale on the business, whereby incremental revenues lessen the impact of labour and overhead costs relative to sales.

For 2021 year-to-date, the gross profit was also up, coming in at \$9.1 million (17.4% of sales) versus \$7.7 million (18.3% of sales) in 2020. The year-over-year variances were largely due to the same factors outlined for the quarter.

### **Operating Expenses**

Selling and Administrative expenses remained controlled, coming in at \$1.7 million (6.4% of sales) for the quarter versus \$1.9 million (9.0% of sales) in the prior year. For the first half of 2021, selling and administrative expenses came in at \$3.5 million (6.6% of sales), down 8.3% from \$3.8 million (9.0% of sales) in the prior year. As a result of the lower expenses and higher revenue base for both the current quarter and year-to-date, selling and administrative expenses as a percent of sales came in lower versus the corresponding prior-year periods.

Due to the depreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange loss of \$0.4 million in the second quarter of 2021, versus a loss of \$0.8 million in 2020. For 2021 year-to-date, Imaflex had a foreign exchange loss of \$0.7 million, versus a gain of \$0.9 million in the corresponding prior-year period. 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, up 484.5% from \$0.3 million in 2020. The increase was largely due to the higher gross profit, lower selling and administrative expenses and reduced year-over-year foreign exchange losses.

For the first six months of 2021 net income came in at \$4.0 million, up 15.1% from \$3.4 million in the prior year. The increase was largely due to the higher gross profit, along with lower selling and administrative and finance expenses, partially offset by the aforesaid unfavourable year-over-year movements in foreign exchange.

EBITDA was \$3.3 million or 12.0% of sales for the current quarter, compared to \$2.9 million and 8.9% of sales in 2020. On a constant currency basis, EBITDA came in at \$3.7 million (13.3% of sales), rising 36.6% over the \$2.7 million (12.9% of sales) achieved in the second quarter of 2020.

EBITDA stood at \$6.7 million (12.9% of sales) for the first half of 2021, versus \$6.6 million (15.7% of sales) in the corresponding prior-year period. Excluding the impact of foreign exchange, EBITDA came in at \$7.4 million (14.2% of sales), up 29.4% from \$5.7 million (13.7% of sales) recorded in 2020.

### **Liquidity and Capital Resources**

Net cash generated by operating activities before movements in working capital and taxes paid was \$3.6 million for the second quarter of 2021, up 36.4% from \$2.6 million in 2020. The increase was due to the heightened profitability in the current quarter. Including cash consumed by working capital and taxes paid, net cash generated by operating activities came in at \$0.2 million, down from \$3.7 million in 2020. The year-over-year decrease was largely driven by movements in trade & other receivables resulting from the heightened sales volumes and pricing in the current quarter. Inventory levels also fluctuated versus 2020, reflecting additional raw material purchases in the current quarter to accommodate stronger customer orders and ensure resin inventory in a tight market.

For the first half of 2021, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$7.4 million, up \$1.7 million over the \$5.7 million recorded in the corresponding prior-year period. The increase was driven by the higher profit in 2021 and non-cash movements in foreign exchange. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$3.0 million for 2021 year-to-date, down \$2.7 million from \$5.7 million in 2020. The decrease was largely due to the same factors outlined for the quarter.

As at June 30, 2021, Imaflex had approximately \$15.4 million of cash available for operating activities, including a cash balance of \$4.4 million (\$3.2 million as at December 31, 2020) and another \$10.9 million under its \$12.0 million revolving line of credit. The Corporation is maintaining a strong balance sheet, which significantly enhances its financial flexibility.

### **ADVASEAL® Update**

Imaflex remains focused on submitting the ADVASEAL® and active ingredients (“active ingredients” or “TGAI”<sup>3</sup>) registration package to the EPA around summer 2021. Work is progressing with the lab and the Corporation remains focused on its timely submission. As previously mentioned, four of the five active ingredients 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.

### **Outlook**

“We continue to see demand for our products build, particularly our higher margin converted products,” highlighted Mr. Abbandonato. “This, together with our growing scale and healthy cash flows, puts Imaflex in a solid position to continue to generate sales volumes and profitability margins above historical norms. This said, we operate in a competitive pricing environment, exacerbated by the pace of resin price increases in recent

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<sup>3</sup> 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.

quarters and a tightening raw material market. Any new resin market production constraints could compound the situation further, putting additional pressure on resin supplies and pricing. Fortunately, resin supply issues have not been significant to date and since we have no long-term contracts, the Company is normally able to pass along higher resin raw material costs, although there is normally a one-month lag.”

To date, the impact of COVID-19 on Imaflex’s business, financial situation and results has not been material. However, any outbreaks of new viral variants, occurrences at one of the Corporation’s plants, deferrals in customer purchases, payment issues with customers, or supply and distribution delays could impact performance, the extent to which cannot be predicted. This said, these risks are considered temporary and with a strong balance sheet and dynamic team the Corporation is well positioned to meet any challenges ahead.

### **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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