

SOURCE: Imaflex Inc.

Imaflex Announces Top and Bottom Line Growth for Q3 2021 and Provides Business Update

Benefits of scale and enhanced capabilities continue to drive growth

Q3 2021 Highlights

- Revenues of \$29.5 million, up 28.6% over \$22.9 million in 2020
- Net income of \$2.8 million (\$0.05 per share¹), versus \$1.2 million (\$0.02 per share¹) in prior year
- Generated free cash flow² of \$3.2 million (\$3.5 million in 2020); closed quarter with \$8.1 million of cash (\$0.16 per share¹)

Montreal, Québec, CANADA – November 24, 2021 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX) reports strong consolidated financial results for the third quarter (Q3) ended September 30, 2021 and provides a business update. All amounts are in Canadian dollars.

“We had another solid quarter driven by our diversified set of offerings and increased scale,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Earnings per share for 2021 year-to-date are already at par with full year 2020 and although market forces remain challenging, we are well poised to close the year with a respectable finish.”

Consolidated Financial Highlights (unaudited)

<i>CDN \$ thousands, except per share amounts (or otherwise indicated)</i>	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
Revenues	29,459	22,904	28.6%	81,770	64,742	26.3%
Gross Profit	4,396	4,385	0.3%	13,498	12,055	12.0%
Selling & admin. expenses	1,806	1,923	(6.1)%	5,267	5,697	(7.5)%
Foreign exchange (gains) losses	(580)	434	(233.6)%	97	(432)	(122.5)%
Net income	2,774	1,236	124.4%	6,725	4,670	44.0%
Basic EPS	0.05	0.02	150.0%	0.13	0.09	44.4%
Diluted EPS	0.05	0.02	150.0%	0.13	0.09	44.4%
Gross margin	14.9%	19.1%	(4.2) pp	16.5%	18.6%	(2.1) pp
Selling & admin. expenses as % of revenues	6.1%	8.4%	(2.3) pp	6.4%	8.8%	(2.4) pp
EBITDA ² (Excluding FX)	3,490	3,387	3.0%	10,897	9,110	19.6%
EBITDA	4,070	2,953	37.8%	10,800	9,542	13.2%
EBITDA margin	13.8%	12.9%	0.9 pp	13.2%	14.7%	(1.5) pp

¹ Basic and diluted earnings per share (EPS)

² EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization and Free Cash Flow (net cash generated by operating activities less net cash used in investing activities). See “Caution Regarding non-IFRS Financial Measures” which follows.

Financial Review: Quarter Ended September 30

Revenues

Revenues were \$29.5 million for the current quarter, up 28.6% over 2020. Growth was driven by product pricing, which rose in-line with higher year-over-year resin costs, partially offset by unfavourable movements in foreign exchange. Sales volumes for higher margin converted products were up materially, while garbage bag sales also continued to climb as more employees returned to the workplace following the continued phase-out of COVID related restrictions.

For the first nine months of 2021 revenues came in at \$81.8 million, up 26.3% over 2020. The year-over-year increase was driven by product pricing and higher sales volumes, partially offset by unfavourable movements in foreign exchange. Sales volumes for converted products and garbage bags were up significantly over 2020.

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. This can temporarily impact margins, particularly in a rising raw material pricing environment.

Gross Profit

Gross profit for the third quarter of 2021 came in at \$4.4 million, unchanged from the corresponding prior year quarter. The gross margin stood at 14.9% for the current quarter, down from 19.1% in 2020. For the first nine months of 2021, the gross profit was \$13.5 million (16.5% of sales), up 12% from \$12.1 million (18.6% of sales) in 2020.

Imaflex's 2021 profit margins remained healthy for the current quarter and year-to-date, due to higher sales volumes for converted products and garbage bags. The Corporation also continued to benefit from its growing scale, whereby incremental revenues lessen the impact of labor and overhead costs relative to sales. This said, margins were impacted by the rapid rise in resin input costs, which resulted in a higher revenue base due to associated increases in product pricing. In addition, foreign exchange fluctuations were unfavourable year-over-year.

Operating Expenses

Selling and Administrative expenses (SG&A), came in at \$1.8 million (6.1% of sales) for the quarter, versus \$1.9 million (8.4% of sales) in the prior year. For the first nine months of 2021, they totaled \$5.3 million (6.4% of sales), down from \$5.7 million (8.8% of sales) in 2020. The higher revenue base for the current quarter and year-to-date, along with ongoing cost controls, reduced the impact of SG&A expenses as a percent of sales in 2021.

Due to the appreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange gain of \$0.6 million in the third quarter of 2021, versus a loss of \$0.4 million in 2020, resulting in a \$1.0 million favourable year-over-year variance. For 2021 year-to-date, Imaflex had a foreign exchange loss of \$0.1 million, versus a gain of \$0.4 million in 2020, resulting in a \$0.5 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 \$2.8 million for the current quarter, up 124.4% from \$1.2 million in 2020. The increase was largely due to lower selling and administrative expenses and the foreign exchange gain in 2021. For the first nine months of 2021 net income came in at \$6.7 million, up 44% over 2020. The increase was largely due to the

higher gross profit, along with lower selling and administrative and finance expenses, partially offset by unfavourable year-over-year movements in foreign exchange.

EBITDA was \$4.1 million or 13.8% of sales for the current quarter, up from \$3.0 million and 12.9% of sales in 2020. On a constant currency basis, EBITDA came in at \$3.5 million (11.8% of sales) for the third quarter of 2021, compared to \$3.4 million (14.8% of sales) in 2020.

For the first nine months of 2021, EBITDA came in at \$10.8 million (13.2% of sales), versus \$9.5 million (14.7% of sales) in the corresponding prior-year period. Excluding the impact of foreign exchange, EBITDA came in at \$10.9 million (13.3% of sales) for 2021 year-to-date, up 19.6% from \$9.1 million (14.1% of sales) in 2020. The EBITDA margin for 2021 was impacted by the higher revenue base, which rose in part due to product pricing adjustments resulting from higher resin input costs.

Liquidity and Capital Resources

Net cash generated by operating activities before movements in working capital and taxes paid was \$3.5 million for the third quarter of 2021, up slightly from \$3.4 million in 2020. Including movements in working capital and taxes paid, net cash generated by operating activities came in at \$3.6 million, versus \$4.1 million in 2020. The decrease was largely driven by movements in trade & other payables.

For the first nine months of 2021, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$10.8 million, up from \$9.1 million in the corresponding prior-year period. The year-over-year increase was driven by the higher profit in 2021. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$6.6 million for 2021 year-to-date, down from \$9.8 million in 2020. The decrease was largely driven by movements in trade & other receivables resulting from higher product pricing and stronger sales volumes in 2021. Inventory levels also fluctuated versus 2020, reflecting higher resin input costs and additional raw material purchases to accommodate stronger customer orders and ensure resin inventory in a tight market.

As at September 30, 2021, Imaflex had approximately \$18.2 million of cash available for operating activities, including a cash balance of \$8.1 million (\$3.2 million as at December 31, 2020) and another \$10.1 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 ingredient (“active ingredients” or “TGAI”³) registration package to the EPA. As previously mentioned, the Corporation has one remaining step. Four of the five active ingredients used on the film 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. Although the lab has made significant progress, the analysis is taking longer than originally anticipated and we are now targeting completion for around year-end 2021. This said, it is a highly complex process and the exact timing for completion is subject to change.

Outlook

“Demand for our products continues to be steady, particularly our higher margin offerings,” highlighted Mr. Abbandonato. “As well, we continue to benefit from our growing scale, enhanced by our multi-year capital investments. This said, we operate in a competitive pricing environment, and although resin input costs appear

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.

to be stabilizing, any new supply constraints could put additional pressure on resin pricing and availability. Fortunately, we are normally able to adjust product pricing in accordance with raw material costs. In addition, our diversified set of offerings and broad customer base helps mitigate business risks.”

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 non-IFRS measures in this press release, namely EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), EBITDA excluding foreign exchange and Free Cash Flow.

While EBITDA and Free Cash Flow are not standard International Financial Reporting Standards (IFRS) measures, management, analysts, investors and others use them 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 and Free Cash Flow may be different from those used by other companies and accordingly they 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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