

SOURCE: Imaflex Inc.

Imaflex Announces Q3 2022 Results and Provides Business Update

Highlights

- YTD 2022 net income up 28.3% to \$8.6 million (EPS¹: \$0.17), versus \$6.7M (EPS: \$0.13) in 2021
- Q3 2022 net income up 12.6% to \$3.1 million (EPS: \$0.06), versus \$2.8 million (EPS: \$0.05) in 2021
- Q3 2022 gross profit of \$4.3 million (16.4% of sales), versus \$4.4 million (14.9% of sales) in 2021
- Submitted ADVASEAL[®] registration package to the US Environmental Protection Agency (EPA)
- Contributed \$3.9 million towards equipment purchases and debt repayments in Q3 2022, while also generating free cash flow² of \$3.2 million
- Cash available for operating activities at quarter end totalled \$18.0 million, including a cash balance of \$6.8 million and another \$11.2 million under Imaflex's \$12.0 million revolving line of credit
- Full year 2022 net income expected to surpass record net income achieved in FY 2021

Montréal, Québec, CANADA – November 24, 2022 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX) reports consolidated financial results for the third quarter (Q3) ended September 30, 2022 and provides a business update. All amounts are in Canadian dollars.

“Imaflex delivered another good quarter, despite a challenging inflationary environment, the temporary delay of sales to a large customer and a slowdown at our Montréal plant due to the annual vacation shutdown, along with a COVID outbreak at quarter end,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Although this resulted in lower sales volumes, profitability remained respectable and we should surpass the record net income achieved in calendar 2021. Looking ahead, the delivery of the first of three multi-layer extruders remains on track to arrive around year-end. Furthermore, the move towards the commercialization of our next generation agricultural film has progressed, with the Corporation recently submitting the ADVASEAL HG[®] (ADVASEAL[®]) registration package to the U.S. Environmental Protection Agency.”

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Revenues	26,569	29,459	(9.8) %	89,756	81,770	9.8 %
Gross Profit	4,349	4,396	(1.1) %	14,717	13,498	9.0 %
Selling & admin. expenses	1,947	1,806	7.8 %	5,979	5,267	13.5 %
Foreign exchange (gains) losses	(1,369)	(580)	(136.0) %	(1,720)	97	(1,873.2)%
Net income	3,123	2,774	12.6 %	8,625	6,725	28.3 %
Basic EPS	0.06	0.05	20.0 %	0.17	0.13	30.8 %
Diluted EPS	0.06	0.05	20.0 %	0.17	0.13	30.8 %
Gross margin	16.4%	14.9%	1.5 pp	16.4%	16.5%	(0.1) pp
Selling & admin. expenses as % of revenues	7.3%	6.1%	1.2 pp	6.7%	6.4%	0.3 pp

¹ Earnings Per Share: based on basic and diluted weighted shares outstanding

² See header titled “Caution Regarding non-IFRS Financial Measures” which follows.

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

Free Cash Flow: net cash generated by operating activities less net cash used in investing activities.

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
EBITDA ² (Excluding FX)	3,454	3,490	(1.0)%	11,761	10,897	7.9 %
EBITDA	4,823	4,070	18.5 %	13,481	10,800	24.8 %
EBITDA margin	18.2%	13.8%	4.4 pp	15.0%	13.2%	1.8 pp

Financial Review: Quarter Ended September 30

Revenues

Revenues were \$26.6 million for the third quarter of 2022, down 9.8% from \$29.5 million in 2021. The decrease was partially offset by product mix, including strong metalized film sales, and favourable year-over-year movements in foreign exchange. Sales were impacted by reduced order levels in the current quarter, driven by a temporary slowdown from a large customer who asked for an unexpected product redesign and a COVID outbreak at Imaflex's Montreal plant in September 2022. As well, resin costs went down during the quarter, resulting in lower sales prices. As Imaflex has no long-term contracts, it is able to adjust product pricing in accordance with resin input costs.

For the year-to-date, revenues came in at \$89.8 million, up 9.8% from \$81.8 million in 2021. Growth was driven by product pricing, which rose in line with increased sales of higher margin offerings and additional costs for some resins. Sales of metalized films were particularly strong, reflecting the strength of Imaflex's diversified line-up of products. This strong performance was partially offset by the reduced volumes seen in the third quarter of 2022.

Gross Profit

Gross profit for the current quarter was 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 prices were higher. Despite this, the gross profit remained relatively stable, coming in at \$4.3 million (16.4% of sales) for the current quarter, versus \$4.4 million (14.9% of sales) in the prior year. This is largely due to Imaflex's on-going efforts to drive sales of higher value products and favourable year-over-year movements in foreign exchange. This quarter's higher gross profit margin was also supported by the lower sales base.

The gross profit for the first nine month of 2022 was up 9.0% year-over-year, coming in at \$14.7 million (16.4% of sales) versus \$13.5 million (16.5% of sales) in 2021. The year-to-date gross profit was positively impacted by Imaflex's continuing shift to higher value business segments and favourable year-over-year movements in foreign exchange. In addition, the Corporation benefited from its ongoing initiatives to drive operating efficiencies and enhance production capabilities throughout the business. This was partially offset by additional costs for some resins and inflationary pressures, such as fuel surcharges from carriers and some suppliers and higher product packaging and other costs.

Operating Expenses

Selling and Administrative expenses came in at \$1.9 million for the quarter, up slightly from \$1.8 million in the prior year. The increase was largely due to new employee hires. Selling and Administrative expenses as a

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percentage of sales were slightly higher than 2021, coming in at 7.3% for the current quarter versus 6.1% in 2021. The year-over year variance was due to the aforementioned expense increases and the lower revenue base in the current quarter.

For 2022 year-to-date, Selling and Administrative expenses came in at \$6.0 million (6.7% of sales) versus \$5.3 million (6.4% of sales) in 2021. The expense increase is largely due to the same factors outlined for the quarter, along with some non-recurring expenses incurred in the first quarter of 2022.

Due to the appreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange gain of \$1.4 million in the current quarter, versus a \$0.6 million gain in 2021, resulting in a \$0.8 million favourable year-over-year variance. For 2022 year-to-date, Imaflex had a foreign exchange gain of \$1.7 million, versus a loss of \$0.1 million in 2021, resulting in a \$1.8 million favourable 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 was \$3.1 million for the current quarter, up 12.6% from \$2.8 million in the prior year. The increase was largely due to foreign exchange gains and Imaflex's continued move towards the sale of higher value products. This allowed the Company to maintain comparable year-over-year gross profit levels, despite the lower sales base and higher selling and administrative expenses.

For the first nine months of 2022, net income came in at \$8.6 million, up 28.3% from \$6.7 million in 2021. The increase was largely due to foreign exchange gains and the larger gross profit, partially offset by higher selling and administrative expenses.

EBITDA came in at \$4.8 million (18.2% of sales) for the current quarter, up 18.5% from \$4.1 million (13.8% of sales) in 2021. On a constant currency basis, EBITDA came in at \$3.5 million (13.0% of sales), compared to \$3.5 million (11.8% of sales) in 2021.

Liquidity and Capital Resources

Net cash flows generated by operating activities before movements in working capital and taxes paid stood at \$3.5 million for the current quarter, essentially unchanged from 2021. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$5.5 million, up notably from \$3.6 million in the corresponding prior-year period. The increase over 2021 was driven by movements in trade and other receivables, with receivables decreasing in the current quarter versus an increase in 2021. This was partially offset by movements in inventories, with Imaflex recording a lower decrease in inventories in the current quarter versus 2021.

For the year-to-date, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$11.9 million, up from \$10.8 million in the corresponding prior-year period. Growth was largely driven by the higher profit in 2022, partially offset by movements in foreign exchange. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$12.5 million, up significantly from \$6.6 million in 2021. The increase was due to movements in trade and other receivables and inventories, partially offset by movements in trade and other payables.

As at September 30, 2022, cash available for operating activities totaled \$18.0 million, including a cash balance of \$6.8 million and another \$11.2 million under Imaflex's \$12.0 million revolving line of credit. This strong position was achieved despite \$2.3 million of payments in the quarter largely towards the major equipment purchases announced in Q2 2022, along with an additional \$1.6 million of payments to reduce bank

indebtedness and long-term debt. These investments further enhance the Company's production capacity and capabilities in order to heighten sales and profitability.

ADVASEAL® Registration Package Submitted to the EPA

On November 7, 2022, Imaflex announced that it had submitted the ADVASEAL® registration package to the U.S. Environmental Protection Agency (EPA) for approval as a new physical pesticide formulation. In conjunction with this, the Corporation submitted the required active ingredient registrations for approval as generic pesticides for use in the manufacturing of ADVASEAL®. The EPA review process can take up to a year to complete. Management believes the registration process will be positive as the generic active ingredients to be used with ADVASEAL® are effectively used by growers today. As well, the Company previously received EPA approval of its herbicidal active ingredient release film, ADVASEAL® HSM.

Outlook

"Although the COVID outbreak at our Montréal plant continued into the fourth quarter, it is now under control and the plant has returned to normal operations," highlighted Mr. Abbandonato. In addition, an independent lab has already confirmed the functionality of the aforementioned product redesign for a large client and customer trials are commencing. The Corporation fully expects net income to surpass the record level achieved in calendar 2021. "Moving ahead, our new equipment purchases begin arriving in the coming months, further enhancing our capabilities and capacity. Moreover, our solid balance sheet and strong cash flows provide the financial flexibility to continue to invest in high return initiatives."

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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