

SOURCE: Imaflex Inc.

Imaflex Announces Strong Q4 and FY 2021 Results and Provides Business Update

Reports record revenues and net income for FY 2021

- Q4 2021 revenues of \$25.7 million, up 17.2% over 2020; FY 2021 up 24.0% to \$107.5 million
- Record FY 2021 net income of \$8.4 million, up 31.8% from \$6.3 million in 2020
- Generated FY 2021 free cash flow¹ of \$5.6 million & closed year with \$8.5 million of cash (\$0.17 per share²)
- Balance sheet strong, further enhancing financial flexibility and capacity to fund future growth

Montréal, Québec, CANADA – April 14, 2022 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX) reports strong consolidated financial results for the fourth quarter (Q4) and fiscal year (FY) ended December 31, 2021 and provides a business update. All amounts are in Canadian dollars.

“Imaflex continued to demonstrate the consistency and dependability of its business model in 2021,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Despite the historic impact of the pandemic and a competitive operating environment, we reported our second consecutive year of record net income and cash flow generation remained solid. Both our Canadian and U.S. operations delivered strong results, reflecting the depth of our products and customer base, our growing scale and disciplined capital allocation strategy. As I reflect on the past few years, I am extremely proud of what our team achieved, both individually and collectively.”

Consolidated Financial Highlights (unaudited)

	Three months ended December 31,			Years ended December 31,		
	2021	2020	% Change	2021	2020	% Change
<i>CDN \$ thousands, except per share amounts (or otherwise indicated)</i>						
Revenues	25,707	21,940	17.2 %	107,477	86,682	24.0 %
Gross Profit	3,903	4,511	(13.5)%	17,401	16,566	5.0 %
Selling & admin. expenses	1,673	1,452	15.2 %	6,940	7,149	(2.9)%
Foreign exchange & other losses	68	965	(93.0)%	165	533	(69.0)%
Net income	1,640	1,679	(2.3)%	8,365	6,349	31.8 %
Basic EPS	0.03	0.03	0.0 %	0.17	0.13	30.8 %
Diluted EPS	0.03	0.03	0.0 %	0.16	0.13	23.1 %
Gross margin	15.2%	20.6%	(5.4) pp	16.2%	19.1%	(2.9) pp
Selling & admin. expenses as % of revenues	6.5%	6.6%	(0.1) pp	6.5%	8.2%	(1.7) pp
EBITDA ¹ (Excluding FX)	3,289	3,658	(10.1)%	14,186	12,768	11.1 %
EBITDA	3,221	2,807	14.7 %	14,021	12,349	13.5 %
EBITDA margin	12.5%	12.8%	(0.3) pp	13.0%	14.2%	(1.2) pp

¹ See header titled “Caution Regarding non-IFRS Financial Measures” which follows.

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

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

² Based on basic weighted shares outstanding

Financial Review: Quarter and Year Ended December 31

Revenues

Revenues were \$25.7 million for the current quarter, up 17.2% 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. Overall sales volumes were down modestly year-over-year due mainly to timing differences. The Corporation expects first quarter 2022 sales volumes to surpass levels reached in the fourth quarter of 2021.

For calendar 2021, sales were up 24% to \$107.5 million, driven by product pricing and stronger sales volumes for higher margin products and garbage bags, partially offset by unfavourable movements in foreign exchange. Imaflex has successfully built-out sales for its multi-layer films in recent years and the Corporation's U.S. operations, where most of the coextrusion lines are located, is becoming an increasingly important revenue contributor.

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 fourth quarter of 2021 came in at \$3.9 million or 15.2% of sales, compared to \$4.5 million and 20.6% of sales in 2020. For fiscal year 2021, the gross profit was \$17.4 million (16.2% of sales), versus \$16.6 million (19.1% of sales) in 2020.

During 2021, the gross margin was impacted by the rapid rise in resin input costs, which resulted in a higher revenue base due to the associated increases in product pricing. In addition, foreign exchange fluctuations were unfavourable year-over-year. This said, margins remained stronger than historical norms, reflecting the sale of higher value added products. Imaflex is also benefitting from its increasing scale, whereby incremental revenues lessen the impact of labor and overhead costs relative to sales.

Operating Expenses

Selling and Administrative expenses came in at \$1.7 million for the current quarter, up slightly from \$1.5 million in 2020. However, as a percentage of sales they were essentially the same in both years, coming in at 6.5% in the fourth quarter of 2021, versus 6.6% in 2020. For fiscal 2021, Selling and Administrative expenses came in at \$6.9 million (6.5% of sales) down from \$7.1 million (8.2% of sales) in 2020. The higher revenue base for the current quarter and year, along with ongoing cost controls, reduced the impact of SG&A expenses as a percent of sales in 2021.

Due to the depreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange loss of \$0.1 million in the fourth quarter of 2021. This compares to a loss of \$1.0 million in 2020 resulting from movements in foreign exchange and the disposition of assets. Collectively, this resulted in a \$0.9 million favourable year-over-year variance. For calendar 2021, Imaflex had a foreign exchange loss of \$0.2 million, down from a \$0.5 million loss in the prior year, resulting in a \$0.3 million favourable 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 \$1.6 million for the fourth quarter of 2021, relatively unchanged from the \$1.7 million recorded in the prior year. For fiscal 2021, net income came in at \$8.4 million, up 31.8% over the \$6.3 million

achieved in calendar 2020. The increase was largely due to the higher gross profit and lower foreign exchange loss in 2021, along with lower selling and administrative and finance expenses.

EBITDA came in at \$3.2 million or 12.5% of sales for the current quarter, versus \$2.8 million and 12.8% of sales in 2020. On a constant currency basis, EBITDA came in at \$3.3 million (12.8% of sales) for the current quarter, compared to \$3.7 million (16.7% of sales) in 2020.

For fiscal 2021, EBITDA came in at \$14.0 million (13.0% of sales), versus \$12.3 million (14.2% of sales) in the corresponding prior-year period. Excluding the impact of foreign exchange, EBITDA came in at \$14.2 million (13.2% of sales) for the current year, up 11.1% from \$12.8 million (14.7% 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

Cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$3.4 million for the fourth quarter of 2021, down modestly from \$3.8 million in 2020. Including movements in working capital and taxes paid, net cash generated by operating activities was \$1.4 million for the current quarter, versus \$2.2 million in 2020. The year-over-year decrease for the quarter was largely due to movements in inventories, foreign exchange and income taxes paid, partially offset by movements in trade and other receivables.

For calendar 2021, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$14.2 million, up from \$12.8 million at the end of 2020, due largely to the heightened profitability in 2021. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$8.0 million for the current year, down from \$12.0 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 well, income taxes paid in 2021 were higher. This was partially offset by the aforesaid profit increase in 2021, along with movements in trade and other payables.

As at December 31, 2021, cash available for operating activities totaled \$18.0 million, including a cash balance of \$8.5 million (\$3.2 million as at December 31, 2020) and another \$9.5 million under Imaflex's \$12.0 million revolving line of credit. Working capital stood at \$24.4 million, up from \$16.8 million at the end of 2020. Imaflex is maintaining a sound balance sheet, which further enhances its financial flexibility and capacity to fund future growth.

ADVASEAL Update

As previously announced, four of the five active ingredients used on ADVASEAL® are not yet registered in the U.S. To simplify their registration as generic pesticides Imaflex has mandated a lab to prove their equivalence with active ingredients ("active ingredients" or "TGAI"³) already registered and marketed in the U.S. Although the lab has made important progress in recent quarters, it has been slower than originally anticipated and there remains additional work. Imaflex is working closely with the lab to ensure the process is completed as soon as reasonably possible and the Corporation remains focused on submitting the ADVASEAL® registration package to the U.S. Environmental Protection Agency ("EPA").

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.

Outlook

“Although market forces remain competitive, we are well positioned to deliver continued profitable growth,” said Mr. Abbandonato. “Customer demand remains solid and we expect first quarter 2022 sales volumes to surpass levels reached in the fourth quarter of 2021. In turn, our strong financial underpinning and cash flow generation provides a solid backbone to further build out the business, thus assuring continued success. Barring any unforeseen events, we believe Imaflex is in the early stages of a multi-year growth cycle. This is an exciting time for the Corporation and its shareholders.”

To date, the impact of COVID-19 and geopolitical unrest on Imaflex’s operations, financial situation and results has not been material. This said, any viral outbreaks, raw material supply constraints or resin pricing pressures could affect the business. Fortunately, the Corporation has no long-term contracts and as such it is able to adjust product pricing, helping to mitigate business risks. Furthermore, with a strong balance sheet and dynamic team it 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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Imaflex Contact:

John Ripplinger,
Vice-President Corporate Affairs
Tel: (514) 935-5710 ext. 157
Fax: (514) 935-0264
johnr@imaflex.com
www.imaflex.com