

SOURCE: Imaflex Inc.

Imaflex Announces Q4 and FY 2022 Results and Provides Business Update

Reports third consecutive year of record net income

Highlights

- Record FY 2022 net income of \$9.1 million (Diluted EPS¹: \$0.18), versus \$8.4M (Diluted EPS: \$0.16), in 2021
- Q4 net income of \$0.5 million, down from \$1.6 million in prior year
- FY 2022 revenues up 3.8% to \$111.5 million; Q4 2022 down 15.3% to \$21.8 million
- Gross margins sustained, coming in essentially unchanged year-over-year for both Q4 and FY
- Made \$14.6 million of capital investments in 2022, largely towards equipment purchases, while also generating free cash flow² of \$2.7 million
- Cash available for operating activities totaled \$17.1 million at year end, including a cash balance of \$7.5 million and another \$9.6 million under Imaflex's \$12.0 million revolving line of credit
- Previously announced equipment purchases are beginning to arrive. The first extruder and metallizer are now being installed and remaining two extruders are on track to arrive in Q3 and Q4 2023

Montréal, Québec, CANADA – April 19, 2023 – Imaflex Inc. ("Imaflex" or the "Corporation") (TSX-V: IFX) reports consolidated financial results for the fourth quarter (Q4) and fiscal year (FY) ended December 31, 2022 and provides a business update. All amounts are in Canadian dollars.

"We continued to demonstrate the ability to generate strong, profitable results in 2022, while also taking important steps to secure future growth at a higher contribution than historical norms," highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. Revenues were up 3.8% over fiscal 2021, while net income grew 9.1% and cash flows remained strong. This was achieved despite a demanding operating environment in the second half of 2022, resulting from economic headwinds, a COVID outbreak at Imaflex's Montreal plant and the temporary delay of sales to an important customer requiring a product redesign. "Challenging times are a test of strength and character and through the hard work of our committed team, we stayed the course and once again delivered record profitability for the year."

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended December 31,			Years ended December 31,		
	2022	2021	% Change	2022	2021	% Change
Revenues	21,778	25,707	(15.3) %	111,534	107,477	3.8 %
Gross Profit	3,330	3,903	(14.7) %	18,047	17,401	3.7 %
Selling & admin. expenses	2,024	1,673	21.0 %	8,003	6,940	15.3 %
Other (gains) losses	189	68	177.9 %	(1,531)	165	(1,027.9) %
Net income	500	1,640	(69.5) %	9,125	8,365	9.1 %

¹ Earnings Per Share: based on 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 December 31,			Years ended December 31,		
	2022	2021	% Change	2022	2021	% Change
Basic EPS	0.01	0.03	(66.7) %	0.18	0.17	5.9 %
Diluted EPS	0.01	0.03	(66.7) %	0.18	0.16	12.5 %
Gross margin	15.3%	15.2%	0.1 pp	16.2%	16.2%	0.0 pp
Selling & admin. expenses as % of revenues	9.3%	6.5%	2.8 pp	7.2%	6.5%	0.7 pp
EBITDA ² (Excluding FX)	2,328	3,289	(29.2) %	14,089	14,186	(0.7) %
EBITDA	2,139	3,221	(33.6) %	15,620	14,021	11.4 %
EBITDA margin	9.8%	12.5%	(2.7) pp	14.0%	13.0%	1.0 pp

Financial Review: Quarter and Year Ended December 31

Revenues

Revenues were \$21.8 million for the fourth quarter of 2022, down 15.3% from \$25.7 million in 2021. The decrease was driven by lower volumes and product pricing, which came down year-over-year in line with lower resin costs. This was partially offset by favourable year-over-year movements in foreign exchange and a notable sales increase in metalized films, garbage bags and bags on rolls. During the quarter, revenues also continued to be impacted by economic headwinds, a temporary slowdown resulting from a large customer who asked for an unexpected product redesign and a COVID outbreak at Imaflex's Montreal plant that started in September 2022 and continued into the fourth quarter.

For fiscal 2022, revenues came in at \$111.5 million, up 3.8% from \$107.5 million in 2021. Growth was driven by product pricing, which largely rose in line with increased sales of higher margin offerings. 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 second half of 2022, resulting from economic headwinds and other aforementioned factors outlined for the current quarter.

As Imaflex has no long-term contracts, it can adjust product pricing in accordance with resin input costs and the marketplace.

Gross Profit

Gross profit was \$3.3 million for the current quarter, down 14.7% from \$3.9 million in the corresponding prior year period. This said, the gross margin was slightly higher coming in at 15.3% of sales in the current quarter versus 15.2% in 2021. This is largely due to the lower sales base, along with favourable year-over-year movements in foreign exchange and Imaflex's on-going efforts to drive sales of higher value products.

For fiscal 2022, the gross profit came in at \$18.0 million (16.2% of sales), up 3.7% from \$17.4 million (16.2% of sales) in fiscal 2021. As in the current quarter, results for the full year were positively impacted by favourable year-over-year movements in foreign exchange and the company's continuing shift to higher value business segments. 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 inflationary pressures, such as fuel surcharges from carriers and some suppliers and higher product packaging and other costs.

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.

Operating Expenses

Selling and Administrative expenses were \$2.0 million for the quarter, up 21% from \$1.7 million in 2021, largely due to new employee hires and other miscellaneous one-time expenses. Selling and Administrative expenses as a percentage of sales were also higher, coming in at 9.3% for the current quarter versus 6.5% in 2021. The variance is mainly due to the aforementioned expense increases, along with the lower revenue base in the current quarter.

For fiscal 2022, Selling and Administrative expenses came in at \$8.0 million (7.2% of sales) versus \$6.9 million (6.5% of sales) in 2021. The year-over-year increases are largely due to the same factors outlined for the current quarter, along with some non-recurring expenses incurred in the first quarter of 2022. These expenses include the new operations managers, hired early in 2022, along with some salary increases to remain competitive in the market.

Imaflex recorded other losses of \$189 thousand for the quarter, including \$230 thousand of foreign exchange losses, partially offset by \$41 thousand of interest income. This compares to a foreign exchange loss of \$68 thousand in 2021.

For fiscal 2022, Imaflex recorded other gains of \$1.5 million, versus a \$165 thousand loss in 2021, resulting in a \$1.7 million favourable year-over-year variance. The gain for 2022 was driven by foreign exchange movements resulting from the appreciation of the US dollar against the Canadian dollar, along with the aforementioned interest income recorded in the current quarter. 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 \$0.5 million for the current quarter, down from \$1.6 million in the fourth quarter of 2021. The year-over-year decrease was driven by the lower gross profit and higher selling and administrative expenses.

For fiscal 2022, net income came in at \$9.1 million, up 9.1% from \$8.4 million in 2021. The increase was largely due to foreign exchange gains and the larger gross profit resulting from Imaflex's ongoing move towards higher value products. This was partially offset by higher selling and administrative expenses.

EBITDA came in at \$2.1 million (9.8% of sales) for the current quarter, down from \$3.2 million (12.5% of sales) in 2021. On a constant currency basis, EBITDA came in at \$2.3 million (10.7% of sales) for the current quarter, down from \$3.3 million (12.8% of sales) in 2021.

For fiscal 2022, EBITDA came in at \$15.6 million (14.0% of sales), versus \$14.0 million (13.0% of sales) in the corresponding prior-year period. Excluding the impact of foreign exchange, EBITDA came in at \$14.1 million (12.6% of sales) for the current year, down slightly from \$14.2 million (13.2% of sales) in 2021. The EBITDA margin for 2022 was impacted by the higher revenue base.

Liquidity and Capital Resources

Net cash flows generated by operating activities stood at \$4.7 million for the quarter, up significantly from \$1.4 million in the fourth quarter of 2021. The year-over-year increase was driven by movements in working capital, namely relating to inventories, along with trade and other receivables. This was partially offset by the lower profit in the current quarter, versus the corresponding prior year period.

For fiscal 2022, cash flows generated by operating activities came in at \$17.3 million, up notably from \$8.0 million in fiscal 2021. The increase was due to the same factors outlined for the quarter, partially offset by movements in trade and other payables, as well as movements in foreign exchange.

As at December 31, 2022, cash available for operating activities totaled \$17.1 million, including a cash balance of \$7.5 million and another \$9.6 million under Imaflex's \$12.0 million revolving line of credit. This strong position was achieved despite \$4.7 million of payments in the quarter largely towards the major equipment purchases announced in Q2 2022. These investments further enhance the Company's production capacity and capabilities to heighten sales and profitability.

ADVASEAL® Update

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 is expected to take around a year to complete, during which time we will be finalizing our go-to-market strategy.

Outlook

The operating environment remained challenging as Imaflex entered 2023. "This said, order levels have been more robust recently and we are seeing a notable uptick in sales to some key customer accounts," said Mr. Abbandonato. "We are optimistic this will translate into increasing strength moving forward, particularly for the second half of 2023. Additionally, the major equipment purchases announced in 2022 are beginning to arrive, bringing new capabilities and capacity to drive revenues and profitability. The first of three extruders and a metalizer are now being installed at our Victoriaville facility and the remaining extruders will arrive in the third and fourth quarter of 2023. We are excited about our future and encouraged by the growth platform we have built in recent years. With a solid foundation, impressive cash flows and a clear roadmap for continued success, Imaflex has the financial flexibility to pursue its growth initiatives, while navigating in today's uncertain economic environment."

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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Imaflex Contact:

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