

SOURCE: Imaflex Inc.

Imaflex Announces Q3 2023 Results and Provides Business Update

Q3 2023 Highlights

- Revenues of \$22.9 million, versus \$26.7 million in Q3 2022
- Net income of \$0.2 million, versus \$3.1 million in prior year
- Cash available for operating activities totaled \$12.0 million at quarter end, including a cash balance of \$2.0 million and another \$10.0 million under Imaflex's \$12.0 million revolving line of credit
- Strengthened senior management team with new finance head

Montréal, Québec, CANADA – November 29, 2023 – Imaflex Inc. ("Imaflex" or the "Corporation") (TSX-V: IFX) reports consolidated financial results for the third quarter (Q3) ended September 30, 2023 and provides a business update. All amounts are in Canadian dollars.

"In the face of economic headwinds and a competitive market, our business fundamentals are improving slower than originally anticipated, as reflected in Imaflex's third quarter results," said Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. "Despite these challenges, we continue to invest in the future, and we are enthusiastic about our growth opportunities. With a robust financial position and a strong set of offerings, we are confident in our ability to navigate evolving market dynamics and deliver sustainable growth."

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Revenues	22,858	26,569	(14.0) %	70,588	89,756	(21.4) %
Gross Profit	2,238	4,349	(48.5) %	8,846	14,717	(39.9) %
Selling & admin. expenses	2,223	1,947	14.2 %	6,578	5,979	10.0 %
Other (gains) losses	(376)	(1,369)	(72.5) %	15	(1,720)	(100.9) %
Net income	155	3,123	(95.0) %	1,516	8,625	(82.4) %
Basic EPS	0.00	0.06	(100.0) %	0.03	0.17	(82.4) %
Diluted EPS	0.00	0.06	(100.0) %	0.03	0.17	(82.4) %
Gross margin	9.8%	16.4%	(6.6) pp	12.5%	16.4%	(3.9) pp
Selling & admin. expenses as % of revenues	9.7%	7.3%	2.4 pp	9.3%	6.7%	2.6 pp
EBITDA ¹ (Excluding FX)	1,126	3,454	(67.4) %	5,497	11,761	(53.3) %
EBITDA	1,463	4,823	(69.7) %	5,358	13,481	(60.3) %
EBITDA margin	6.4%	18.2%	(11.8) pp	7.6%	15.0%	(7.4) pp

¹ See header titled "Caution Regarding non-IFRS Financial Measures" which follows.
EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

Financial Review: Quarter Ended September 30

Revenues

Revenues were \$22.9 million for the current quarter, down 14.0% from \$26.7 million in 2022. For the year-to-date, revenues came in at \$70.6 million, down 21.4% from the corresponding prior-year period. The decrease for the quarter and first nine months of 2023 was largely driven by lower volumes and reduced selling prices resulting mainly from a competitive pricing environment. This was partially offset by favourable year-over-year movements in foreign exchange.

Gross Profit

Gross profit came in at \$2.2 million (9.8% of sales), versus \$4.3 million (16.4% of sales) in the third quarter of 2022. For 2023 year-to-date, the gross profit was \$8.8 million (12.5% of sales) versus \$14.7 million (16.4% of sales) in the corresponding prior-year period.

Gross profit for the current quarter and year-to-date was impacted by reduced selling prices, higher labour and training costs related to new equipment purchases and employee hires. Due to year-over-year timing differences, the Corporation also incurred additional repair and maintenance costs in the current quarter, while they were essentially in-line for the year-to-date.

Operating Expenses

Selling and Administrative expenses were \$2.2 million (9.7% of sales) for the quarter, up 14.2% from \$1.9 million (7.3% of sales) in 2022. For the year-to-date, Selling and Administrative expenses came in at \$6.6 million (9.3% of sales) up 10% from \$6.0 million (6.7% of sales) in 2022. The year-over-year expense increases for the quarter and first nine months of 2023 were largely due to new employee hires, salary increases to remain competitive in the market and higher non-cash stock-based compensation expenses (year-to-date only, no impact on Q3). Selling expenses as a percentage of sales were also impacted by the lower sales base seen during 2023.

Imaflex recorded other gains of \$0.4 million for the current quarter, versus a gain of \$1.4 million in the corresponding prior year quarter, resulting in a \$1.0 million unfavourable year-over-year variance. The current quarter includes \$38 thousand of interest income (nil in 2022), along with a \$0.3 million foreign exchange (FX) gain (\$1.4 million gain in 2023).

For 2023 year-to-date, the Company had other losses of \$15 thousand versus a \$1.7 million gain in 2022, resulting in a year-over-year unfavourable variance of \$1.7 million. The first nine months of 2023 include \$0.1 million of interest income (nil in 2022) and a \$0.1 million foreign exchange loss (\$1.7 million gain in 2022).

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 \$0.2 million for the current quarter, down from \$3.1 million in the third quarter of 2022. The year-over-year decrease was driven by the lower 2023 gross profit, along with movements in foreign exchange, and higher selling and administrative expenses.

For the year-to-date, net income stood at \$1.5 million, down from \$8.6 million in the corresponding period of 2022. The decrease from last year was due to the same factors outlined for the quarter.

EBITDA came in at \$1.5 million (6.4% of sales) for the current quarter, down from \$4.8 million (18.2% of sales) in 2022. On a constant currency basis, EBITDA came in at \$1.1 million (4.9% of sales) for the current quarter, down from \$3.5 million (13.0% of sales) in 2022. For the first nine months of 2023, EBITDA stood at \$5.4 million

(7.6% of sales) versus \$13.5 million (15.0% of sales) in the corresponding prior-year period. On a constant currency basis EBITDA came in at \$5.5 million (7.8% of sales) for 2023 year-to-date, compared with \$11.8 million (13.1% of sales) in 2022.

Liquidity and Capital Resources

Net cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$1.0 million for the current quarter, down from \$3.5 million in the corresponding quarter of 2022. The \$2.5 million decrease was largely due to the lower year-over-year profit, partially offset by movements in foreign exchange. Including movements in working capital and taxes paid, the Company recorded net cash inflows by operating activities of \$0.7 million for the current quarter versus inflows of \$5.5 million in the corresponding prior-year period. The \$4.8 million decrease versus 2022 is mainly due to the aforementioned factors, along with year-over-year movements in trade & other receivables and trade & other payables, partially offset by movements in inventories.

For the year-to-date, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$5.6 million, versus \$11.9 million in the corresponding prior-year period. The decrease versus 2022 is mainly due to the lower profit in 2023, along with movements in income tax expense, partially offset by movements in foreign exchange. Including movements in working capital and taxes paid, the Company recorded net cash inflows by operating activities of \$2.3 million, versus inflows of \$12.5 million in the corresponding prior-year period. The decrease is due to the aforementioned factors along with movements in trade & other receivables, inventories and prepaid expenses.

As at September 30, 2023, cash available for operating activities totaled \$12.0 million, including a cash balance of \$2.0 million and another \$10.0 million under Imaflex's \$12.0 million revolving line of credit. This strong position was achieved despite \$2.2 million of payments in the quarter, largely towards the major equipment purchases announced in Q2 2022. These investments will further enhance the Company's production capacity and capabilities to heighten sales and profitability.

Outlook

"Imaflex continues to face challenges posed by economic conditions and a competitive operating environment," said Mr. Abbandonato. "Consequently, business fundamentals are taking longer to improve than originally anticipated. This said, the Corporation continues to focus on the future, and we are encouraged by our progress. The remaining equipment purchases are scheduled to arrive over the coming months, heightening our ability to meet future demand expectations as markets recover. To bolster our market position, we have augmented our sales force in recent quarters and are actively working to fill unused capacity, while exploring new opportunities. Moreover, securing U.S. EPA approval of ADVASEAL® remains a priority and we are hopeful that a decision will be taken by the end of the first quarter of 2024. These initiatives underscore our commitment to innovation and market expansion. We remain excited about our medium-term growth opportunities and with a strong financial position, we are confident in our ability to navigate evolving market dynamics and deliver sustainable growth."

Strengthened Financial Leadership with New Director of Finance

"We are pleased to announce the appointment of Mr. Robert Therrien to our leadership team," said Mr. Abbandonato. With over 35 years of experience, Robert has a proven track record in senior financial management roles across various industries.

Known for his results-driven approach and leadership, Mr. Therrien has a proven track record in strategic financial management. His experience spans manufacturing, distribution, retail, food & beverage and resort & real estate development, with notable achievements.

A CPA, CA with an accounting degree from Université du Québec à Montréal (UQAM), Robert is recognized for his leadership, strategic acumen, and financial expertise.

“Robert’s extensive experience and strategic insights further strengthen our business, and he will play a key role in advancing our financial objectives.”

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.

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 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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