

SOURCE: Imaflex Inc.

Imaflex Reports Third Quarter 2019 Results and Provides Business Update

Q3 2019 Highlights

- Revenues were \$19.2 million, versus \$21.3 million in 2018
- Gross margin was 13.1%, compared to 13.7% in the prior year
- EBITDA¹ was \$1.7 million (\$1.4 million excluding the impact of IFRS 16²), up from \$1.5 million in 2018
- Net income was \$0.5 million, versus \$0.6 million in the prior year
- Operating cash flows remained strong

Montreal, Québec, CANADA – November 25, 2019 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces its consolidated financial results for the third quarter ended September 30, 2019 and provides a business update. All amounts are in Canadian dollars.

“During the quarter, we continued to hold our own in a dynamic operating environment,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Despite lower sales prices resulting from competitive pressures and decreased resin costs, year-over-year profitability remained respectable and operating cash flows continued to be solid.” Going forward, the new extruder and other major equipment purchases which recently came on-line provide additional growth opportunities.

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Revenues	19,195	21,316	(10.0)%	62,331	63,860	(2.4)%
Gross Profit	2,521	2,929	(13.9)%	8,305	8,992	(7.6)%
Selling & admin. expenses	1,812	1,726	5.0 %	5,366	5,003	7.3 %
Foreign exchange (gains) losses	(217)	242	(189.7)%	498	(454)	(209.7)%
Net income	470	594	(20.9)%	1,233	2,994	(58.8)%
Basic EPS	0.01	0.01	0.0 %	0.02	0.06	(66.7)%
Diluted EPS	0.01	0.01	0.0 %	0.02	0.06	(66.7)%
Gross margin	13.1%	13.7%	(0.6) pp	13.3%	14.1%	(0.8) pp
Selling & admin. expenses as % of revenues	9.4%	8.1%	1.3 pp	8.6%	7.8%	0.8 pp
EBITDA (Excluding FX)	1,518	1,761	(13.8)%	5,307	5,551	(4.4)%
EBITDA	1,735	1,519	14.2 %	4,809	6,005	(19.9)%
EBITDA margin	9.0%	7.1%	1.9 pp	7.7%	9.4%	(1.7) pp

¹ EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization. See “Caution Regarding Non-IFRS Financial Measures” which follows.

² IFRS 16, Leases: See “Changes to Critical Accounting Policies” which follows.

Financial Review: Quarter and Year-to-Date Ended September 30

Revenues

Revenues were \$19.2 million for the third quarter of 2019, versus \$21.3 million in the corresponding prior-year period. The decrease versus 2018 was largely due to product pricing and reduced citrus film sales, which were \$nil for the current quarter, versus \$0.4 million in 2018. The reduced product pricing is largely a result of competitive pressures and lower resin prices.

For 2019 year-to-date, sales came in at \$62.3 million, down 2.4% from \$63.9 million in 2018. The decrease was largely due to product pricing and reduced sales of metalized agriculture films, partially offset by favourable movements in foreign exchange and higher core flexible packaging sales volumes.

Gross Profit

Gross profit was \$2.5 million or 13.1% of sales for the third quarter of 2019, compared to \$2.9 million and 13.7% of sales in the corresponding prior-year quarter. For the year-to-date, the gross profit was \$8.3 million or 13.3% of sales in 2019, versus \$9.0 million and 14.1% of sales in 2018. The year-over-year decreases for the quarter and year-to-date were largely due to product pricing and lower citrus film sales.

Operating Expenses

Quarterly selling and administrative expenses were \$1.8 million or 9.4% of sales for the third quarter of 2019, up from \$1.7 million and 8.1% of sales in 2018. For 2019 year-to-date, selling and administrative expenses were \$5.4 million or 8.6% of sales, versus \$5.0 million and 7.8% of sales in 2018. The quarter and year-to-date expense increases over 2018 were largely driven by an expanded sales team to help stimulate demand for Imaflex's products and new production equipment, including the Corporation's new five layer extruder.

As a result of favourable currency fluctuations, Imaflex recorded a foreign exchange gain of \$0.2 million in the third quarter of 2019, versus a \$0.2 million loss in 2018, resulting in a favourable \$0.4 million year-over-year variance. However, for the year-to-date, Imaflex generated a negative \$1.0 million year-over-year foreign exchange variance, with the Corporation realizing a foreign exchange loss of \$0.5 million in the first nine months of 2019, versus a \$0.5 million gain in 2018. The majority of these foreign exchange gains and losses are non-cash impacting and 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 third quarter of 2019, versus \$0.6 million in the prior year. The year-over-year decrease was mainly due to the lower gross profit and higher selling and administrative expenses. For the year-to-date, net income was \$1.2 million, down from \$3.0 million in 2018. The \$1.8 million decrease versus 2018 was largely driven by the \$1.0 million unfavourable year-over-year variance relating to movements in foreign exchange, the lower gross profit and higher selling and administrative expenses.

EBITDA stood at \$1.7 million (\$1.4 million excluding the impact of IFRS 16) or 9.0% of sales for the third quarter of 2019, up from \$1.5 million and 7.1% of sales in the corresponding prior-year period. Excluding the impact of foreign exchange, EBITDA was \$1.5 million (7.9% of sales) for the current quarter, versus \$1.8 million (8.3% of sales) in 2018.

For the first nine months of 2019, EBITDA came in at \$4.8 million (\$3.9 million excluding IFRS 16) or 7.7% of sales as compared to \$6.0 million and 9.4% of sales in 2018. Excluding foreign exchange, EBITDA was \$5.3 million or 8.5% of sales for the first nine months of 2019, down slightly from \$5.6 million and 8.7% of sales in 2018.

Liquidity and Capital Resources

Net cash generated by operating activities stood at \$1.4 million and \$7.0 million respectively for the three and nine months ended September 30, 2019. This compares to cash inflows of \$0.4 million and \$0.5 million respectively for the corresponding prior-year periods. The year-over-year improvement for the quarter and year-to-date is mainly due to favourable movements in working capital and lower income taxes paid.

As at September 30, 2019, Imaflex had approximately \$7.2 million of cash available for operating activities, including the unused portion under its \$12.0 million revolving line of credit.

All Major Capital Projects Undertaken Since 2018 Completed

All major equipment purchases made since 2018 are now installed and operational, notably the Corporation's new five-layer extruder. "This not only increases Imaflex's manufacturing capacity by approximately 4.0 million pounds annually, but also broadens our product capabilities and addressable markets," said Mr. Abbandonato.

ADVASEAL® Commercialization

Imaflex, together with the contract manufacturer, continues to make progress refining the production process for ADVASEAL®. The Corporation is increasingly confident field trials will begin in spring 2020.

Outlook

"Although competition has eased in recent quarters, it remains a dynamic pricing environment, which continues to put pressure on revenues," highlighted Mr. Abbandonato. "This said, our solid line-up of innovative products is allowing us to attract and retain customers, albeit at lower than historical sales price points." As well, all of the major equipment projects undertaken since 2018 are now on-line, which provides additional upside opportunities. "We will continue to stay the course, building out our business, and preparing for upcoming ADVASEAL® field trials. With respect to our citrus film, we continue to believe in the benefits it brings citrus growers and we remain cautiously optimistic demand will build going forward."

Changes to Critical Accounting Policies

Effective January 1, 2019, Imaflex adopted IFRS 16, Leases. Under IFRS 16, lessees are required to account for leases on their balance sheet by recognizing a "right of use" asset and a lease liability, essentially removing the distinction between an operating and finance lease. Certain exemptions exist for short-term leases and leases of low value assets. Imaflex applied the modified retrospective method of application and as such comparative prior-year information has not been restated.

Caution Regarding Non-IFRS Financial Measures

The Company's management uses a non-IFRS measure in this press release, namely EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) and 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 it 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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