

SOURCE: Imaflex Inc.

Imaflex Announces Results for the Fourth Quarter and Year Ended 2018

- Q4 2018 revenues of \$22.5 million, versus \$21.4 million in 2017
- Calendar 2018 revenues of \$86.3 million, versus \$88.3 million in 2017
- Q4 and calendar 2018 EBITDA¹ of \$1.8 million and \$7.8 million respectively, largely unchanged from 2017
- Q4 net income of \$0.6 million, compared to \$0.8 million in 2017
- Fiscal 2018 net income of \$3.6 million or \$0.07 per share, versus \$3.8 million and \$0.08 per share in 2017²
- Business fundamentals expected to remain stable, supported by new capacity and enhanced production capabilities

Montréal, Québec, CANADA – April 18, 2019 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces its consolidated financial results for the fourth quarter and year ended December 31, 2018. All amounts are in Canadian dollars.

“Revenues and profitability came in at a respectable level for the year, despite some challenges,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “During 2018 we continued to set the stage for future growth and scale, making important equipment purchases to increase our capacity and production capabilities. These investments will lay a solid base from which we will continue to offer customers innovative, customized solutions, helping us to drive additional profitability going forward.”

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended December 31,			Year ended December 31,		
	2018	2017	% Change	2018	2017	% Change
Revenues	22,472	21,395	5.0 %	86,332	88,297	(2.2)%
Gross profit	1,772	3,009	(41.1)%	10,764	13,993	(23.1)%
Selling & admin. expenses	1,490	1,884	(20.9)%	6,493	7,084	(8.3)%
Foreign exchange (gains) losses	(886)	(39)	(2,171.8)%	(1,340)	1,085	(223.5)%
Net income	556	761	(26.9)%	3,550	3,762	(5.6)%
Basic EPS	0.01	0.02	(50.0)%	0.07	0.08	(12.5)%
Diluted EPS	0.01	0.01	0.0%	0.07	0.07	0.0%
Gross margin	7.9%	14.1%	(6.2) pp	12.5%	15.8%	(3.3) pp
Selling & admin. expenses as % of revenues	6.6%	8.8%	(2.2) pp	7.5%	8.0%	(0.5) pp
EBITDA (Excluding FX)	908	1,718	(47.1)%	6,459	8,896	(27.4)%
EBITDA	1,794	1,757	2.1 %	7,799	7,811	(0.2)%
EBITDA margin	8.0%	8.2%	(0.2) pp	9.0%	8.8%	0.2 pp

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

² Basic earnings per share (EPS)

Financial Review: Quarter and Year Ended December 31

Revenues

Revenues were \$22.5 million for the fourth quarter of 2018, up 5.0% from \$21.4 million in 2017. Growth was driven by higher sales volumes, improvements to product mix and favourable movements in foreign exchange. Citrus film sales were \$1.4 million for the quarter, versus \$1.5 million in the prior-year period.

For calendar 2018, revenues came in at \$86.3 million, versus \$88.3 million in 2017. The year-over-year decrease was largely driven by lower sales volumes in the first half of 2018, particularly for citrus film, partially offset by improvements to product mix. Citrus film sales totaled \$2.8 million in 2018, versus \$6.4 million in the prior year. At the end of 2018, the Corporation had \$1.8 million of citrus film orders in its sales pipeline.

Gross Profit

The gross margin stood at 7.9% for the fourth quarter of 2018, versus 14.1% in 2017. The decrease was largely due to product pricing, stemming predominantly from a reduction in resin prices. Industry wide, resin price decreases are normally reflected immediately in customer pricing, while increases usually take approximately 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 resin prices were higher.

For fiscal 2018, the gross margin came in at 12.5%, compared to 15.8% in the prior year. The year-over-year decrease was largely due to less sales of higher margin citrus films in 2018.

Operating Expenses

Selling and administrative expenses were \$1.5 million or 6.6% of sales in the fourth quarter of 2018, down from \$1.9 million and 8.8% of sales in 2017. The year-over-year expense decrease was largely due to lower professional service fees in 2018 and a one-time customer credit loss in 2017.

For the year ended December 31, 2018, selling and administrative expenses totaled \$6.5 million or 7.5% of sales, down from \$7.1 million and 8.0% of sales in 2017. The expense decrease over 2017 was largely driven by the lower 2018 sales base.

A stronger year-over-year appreciation of the US dollar against the Canadian dollar, resulted in a foreign exchange gain of \$0.9 million in the fourth quarter of 2018, up from a slight gain of \$39 thousand in 2017.

For the year ended December 31, 2018, the appreciation of the US dollar against the Canadian dollar resulted in a foreign exchange gain of \$1.3 million. Conversely, in the corresponding prior-year period Imaflex recorded a foreign exchange loss of \$1.1 million as a result of unfavourable currency fluctuations.

Net Income and EBITDA

EBITDA came in at \$1.8 million or 8.0% of sales for the fourth quarter of 2018, largely unchanged from \$1.8 million and 8.2% of sales in 2017. Excluding the impact of foreign exchange, EBITDA was \$0.9 million for the current quarter, down from \$1.7 million in 2017. For the calendar 2018, EBITDA was \$7.8 million or 9.0% of sales, versus \$7.8 million and 8.8% respectively in 2017. Excluding foreign exchange, EBITDA stood at \$6.5 million or 7.5% of sales in 2018, as compared to \$8.9 million and 10.1% of sales in calendar 2017.

Net income was \$0.6 million for the fourth quarter of 2018, down from \$0.8 million in the corresponding prior-year period. For calendar 2018, net income stood at \$3.6 million, down 5.6% from \$3.8 million in 2017. Year-over-year net income for both the quarter and calendar year was down largely as a result of the lower gross

profits and higher taxes in 2018. This was partially offset by favourable currency fluctuations and lower selling and administrative expenses.

Liquidity and Capital Resources

Net cash generated by operating activities stood at \$0.6 million for the quarter ended December 31, 2018, as compared to \$1.8 million in the prior year. The year-over-year decrease was largely due to movements in foreign exchange and working capital, along with higher taxes in 2018.

For calendar 2018, net cash generated by operating activities totaled \$1.1 million, down from \$3.3 million in 2017. The year-over-year decrease is largely explained by movements in foreign exchange and higher taxes in 2018, partially offset by favourable movements in working capital.

As at December 31, 2018, Imaflex had approximately \$4.2 million of cash available for operating activities, including the unused portion under its \$12.0 million revolving line of credit.

OUTLOOK

Business fundamentals for 2019, are expected to remain stable in a competitive market. “Overall growth will be supported by investments we have made to increase our production capacity and capabilities,” said Mr. Abbandonato. Assembly and installation of the new 5-layer coextruder is well underway and the Corporation continues to expect it to be operational around the end of the second quarter of 2019. “Although we are expecting higher sales volumes for 2019, the total impact on revenues may be moderated due to a possible reduction in resin prices.” Since the Corporation does not have major long term contracts, resin price fluctuations are passed along to customers.

“With respect to our citrus film, Shine N’ Ripe XL, we have a number of trials underway with new growers. These trials are progressing well, and we are hopeful it will result in a larger customer base and heightened sales going forward.”

“Concerning ADVASEAL®, all of the active ingredients required for the film have now been received and we remain cautiously optimistic field tests will be completed by year-end 2019.”

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. For a more detailed explanation, readers should refer to the Corporation’s associated financial material available on SEDAR.

About Imaflex Inc.

Founded in 1994, Imaflex is focused on the development and manufacturing of innovative solutions for the flexible packaging and agriculture industries. 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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