

SOURCE: Imaflex Inc.

Imaflex Announces Q2 2022 Results and Provides Business Update

Reports record quarterly net income

Q2 2022 Highlights

- Accelerated growth driven by solid performance across the business and geographies
- Revenues of \$32.1 million, up 17.3% over Q2 2021
- Gross profit of \$5.6 million (17.4% of sales), up 24.1% from \$4.5 million (16.5% of sales) in 2021
- Q2 net income up 71.0% to \$3.4 million (EPS¹ of \$0.07), versus \$2.0 million (EPS: \$0.04) in 2021
- YTD net income up 39.3% to \$5.5 million (EPS: \$0.11), versus \$4.0M (EPS: \$0.08) in 2021
- Cash available for operating activities totaled \$15.6 million at quarter end, including a cash balance of \$5.6 million and another \$10.0 million under Imaflex's \$12.0 million revolving line of credit.

Montréal, Québec, CANADA – August 23, 2022 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX) reports solid consolidated financial results for the second quarter (Q2) ended June 30, 2022 and provides a business update. All amounts are in Canadian dollars.

“Imaflex had another strong quarter, with net income coming in at record levels, including and excluding the impact of foreign exchange gains,” highlighted Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “This impressive performance is due to the strength and diversification of our business model. Furthermore, our ongoing shift to higher value offerings, better positions Imaflex to meet clients’ needs, while enhancing customer loyalty and profitability. We have successfully attained close to maximum production capacity on our multi-layer lines. As such, we await delivery and installation of the major equipment purchases announced in Q2 2022. The first of three multi-layer extruders will arrive later this year. We look forward to the opportunities ahead as we continue to scale the business and further enhance our capabilities.”

Consolidated Financial Highlights (unaudited)

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<i>CDN \$ thousands, except per share amounts (or otherwise indicated)</i>						
Revenues	32,123	27,391	17.3 %	63,187	52,311	20.8 %
Gross Profit	5,598	4,512	24.1 %	10,368	9,102	13.9 %
Selling & admin. expenses	2,105	1,743	20.8 %	4,032	3,461	16.5 %
Foreign exchange (gains) losses	(644)	379	(269.9) %	(351)	677	(151.8) %
Net income	3,419	1,999	71.0 %	5,502	3,951	39.3 %
Basic EPS	0.07	0.04	75.0 %	0.11	0.08	37.5 %
Diluted EPS	0.07	0.04	75.0 %	0.11	0.08	37.5 %
Gross margin	17.4%	16.5%	0.9 pp	16.4%	17.4%	(1.0) pp
Selling & admin. expenses as % of revenues	6.6%	6.4%	0.2 pp	6.4%	6.6%	(0.2) pp

¹ Earnings Per Share: based on basic and diluted weighted shares outstanding

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
EBITDA ² (Excluding FX)	4,479	3,653	22.6 %	8,307	7,407	12.2 %
EBITDA	5,123	3,274	56.5 %	8,658	6,730	28.6 %
EBITDA margin	15.9%	12.0%	3.9 pp	13.7%	12.9%	0.8 pp

Financial Review: Quarter Ended June 30

Revenues

Revenues were \$32.1 million for the current quarter, up 17.3% over 2021. Growth was driven by product pricing, which rose in line with increased sales of higher margin offerings and additional costs for some resins. Sale of metalized films were particularly robust this quarter, reflecting the strength of Imaflex's diversified product portfolio. The Corporation also benefited from favourable year-over-year movements in foreign exchange and gains in overall sales volumes. As Imaflex has no long-term customer contracts, it is able to adjust product pricing in accordance with resin input costs.

Revenues came in at \$63.2 million for the first six months of 2022, up 20.8% over the corresponding period of 2021. Growth was driven by the same factors outlined for the quarter.

Gross Profit

Gross profit was up 24.1% versus 2021, coming in at \$5.6 million or 17.4% of sales, up from \$4.5 million and 16.5% of sales in 2021. For the first six months of 2022, the gross profit was \$10.4 million (16.4% of sales), up 13.9% from \$9.1 million (17.4% of sales) in 2021.

Gross profit for the current quarter and year-to-date was positively impacted by Imaflex's continuing shift to higher value business segments and favourable year-over-year movements in foreign exchange. 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 additional costs for some resins and inflationary pressures, such as fuel surcharges from carriers and some suppliers and higher product packaging and other costs.

Operating Expenses

Selling and Administrative expenses came in at \$2.1 million for the quarter, up from \$1.7 million in the prior year. The increase was largely due to new employee hires, including the new operations managers, and some salary increases to remain competitive in the current market. Due to the higher revenue base in the current quarter and ongoing cost controls, Selling and Administrative expenses as a percentage of sales were essentially in line year-over-year coming in at 6.6% for the current quarter versus 6.4% in 2021.

For the first half of 2022, Selling and Administrative expenses came in at \$4.0 million (6.4% of sales) versus \$3.5 million (6.6% of sales) in 2021. The expense increase is largely due to the same factors outlined for the quarter, along with some non-recurring expenses incurred in the first quarter of 2022.

Due to the appreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange gain of \$0.6 million in the current quarter, versus a loss of \$0.4 million in 2021, resulting in a \$1.0 million favourable

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.

year-over-year variance. For 2022 year-to-date, Imaflex had a foreign exchange gain of \$0.4 million, versus a loss of \$0.7 million in 2021. 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 \$3.4 million for the current quarter, up 71.0% from \$2.0 million in the prior year. For the first six months of 2022, net income came in at \$5.5 million, up 39.3% from \$4.0 million in 2021. The year-over-year increases for both periods were largely due to the greater gross profit and foreign exchange gains, partially offset by higher selling and administrative expenses.

EBITDA came in at \$5.1 million (15.9% of sales) for the current quarter, up 56.5% from \$3.3 million (12.0% of sales) in 2021. On a constant currency basis, EBITDA came in at \$4.5 million (13.9% of sales), compared to \$3.7 million (13.3% of sales) in 2021.

Liquidity and Capital Resources

Net cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$4.6 million for the current quarter, up 26.1% from \$3.6 million in 2021. The increase was driven by the higher profit for the current quarter. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$3.7 million, up significantly from \$0.2 million in the corresponding prior-year period. The increase over 2021 was driven by movements in trade and other receivables, with receivables decreasing in the current quarter versus a notable increase in 2021. This was partially offset by movements in trade and other payables, with the Company recording a greater year-over-year reduction in payables during the current quarter.

For the year-to-date, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$8.4 million, up from \$7.4 million in the corresponding prior-year period. Growth was driven by the higher profit in 2022. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$7.0 million for 2022 year-to-date, up significantly from \$3.0 million in 2021. The increase was largely driven by movements in inventories and trade & other receivables, partially offset by movements in trade and other payables.

As at June 30, 2022, cash available for operating activities totaled \$15.6 million, including a cash balance of \$5.6 million and another \$10.0 million under Imaflex's \$12.0 million revolving line of credit. This strong position was achieved despite \$5.7 million of asset payments in the quarter, namely towards the major equipment purchases announced in Q2 2022, including new extrusion equipment, a metallizer and other ancillary flexible packaging equipment. These investments further enhance the Company's production capacity and capabilities in order to heighten sales and profitability. Free cash flow² came in at negative \$2.0 million for the second quarter of 2022 as a result of the aforesaid investing activities.

Submission of ADVASEAL® Registration Package Targeted for Q4 2022

As previously disclosed, Imaflex has engaged an independent lab to prove the equivalence of certain active ingredients coated on ADAVSEAL® ("active ingredients" or "TGAI"³) with those already registered and marketed in the U.S. Important progress has been made and based on recent positive feedback from the lab, the

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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.

Corporation now expects to be in a position to submit the registration package to the U.S. Environmental Protection Agency ("EPA") in the fourth quarter of 2022. With patents in the top 20 major vegetable and fruit producing countries worldwide, and a heightened global move towards more sustainable practices, ADVASEAL® offers considerable market opportunity.

Outlook

"Looking at our performance over the last several years, we consistently generated solid profits and strong, stable cash flows," said Mr. Abbandonato. "Furthermore, Imaflex continues to evolve, with a growing portfolio of higher margin offerings, a more efficient cost structure and improved productivity. Although, parts of our business are reaching maximum production capacity, we've invested to capture future growth and the Corporation remains on track to receive the first of three multi-layer extruders later this year, barring any supply chain issues. With a strong balance sheet and excellent liquidity, we are well positioned to drive profitable growth." As usual, third quarter 2022 results will be impacted by Québec's annual construction holiday, which results in temporary plant closures across the province, including Imaflex's Montréal and Victoriaville plants.

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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