PRESS RELEASE

SOURCE: Imaflex Inc.

Imaflex Announces Q2 2023 Results and Provides Business Update

Q2 2023 Highlights

- *Revenues of $24.5 million, versus $32.1 million in Q2 2022*
- *Net income of $0.4 million, versus $3.4 million in prior year*
- *Cash available for operating activities totaled $14.3 million at quarter end, including a cash balance of $3.0 million and another $11.3 million under Imaflex's $12.0 million revolving line of credit*
- *New extruder and metalizer at our Victoriaville facility are now fully operational*

Montréal, Québec, CANADA – August 29, 2023 – Imaflex Inc. ("Imaflex" or the "Corporation") (TSX-V: IFX) reports consolidated financial results for the second quarter (Q2) ended June 30, 2023 and provides a business update. All amounts are in Canadian dollars.

"We successfully navigated another challenging quarter in a demanding operating environment," commented Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. "Sales volumes strengthened versus the first quarter of 2023 and we remain cautiously optimistic they will continue to build over the remainder of the year. The new extruder and metalizer at our Victoriaville facility are now fully operational and we are working hard to boost equipment utilization levels across the business, while also heightening profitability."

Consolidated Financial Highlights (unaudited)

	Three months ended June 30,			Six months ended June 30,		
CDN $ thousands, except per share amounts (or otherwise indicated)	**2023**	2022	% Change	**2023**	2022	% Change
Revenues	**24,494**	32,123	(23.7) %	**47,730**	63,187	(24.5) %
Gross Profit	**3,428**	5,598	(38.8) %	**6,608**	10,368	(36.3) %
Selling & admin. expenses	**2,412**	2,105	14.6 %	**4,355**	4,032	8.0 %
Other (gains) losses	**395**	(644)	161.3 %	**391**	(351)	211.4 %
Net income	**438**	3,419	(87.2) %	**1,361**	5,502	(75.3) %
Basic EPS	**0.01**	0.07	(85.7) %	**0.03**	0.11	(72.7) %
Diluted EPS	**0.01**	0.07	(85.7) %	**0.03**	0.11	(72.7) %
Gross margin	**14.0%**	17.4%	(3.4) pp	**13.8%**	16.4%	(2.6) pp
Selling & admin. expenses as % of revenues	**9.8%**	6.6%	3.2 pp	**9.1%**	6.4%	2.7 pp
EBITDA[1] (Excluding FX)	**2,115**	4,479	(52.8) %	**4,286**	8,307	(48.4) %
EBITDA	**1,689**	5,123	(67.0) %	**3,895**	8,658	(55.0) %
EBITDA margin	**6.9%**	15.9%	(9.0) pp	**8.2%**	13.7%	(5.5) 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 June 30

Revenues

Revenues were $24.4 million for the second quarter of 2023, down 23.7% from $32.1 million in 2022. The decrease was driven by lower volumes and reduced selling prices resulting from the passthrough of a drop in resin costs and a competitive pricing environment. This was partially offset by favourable year-over-year movements in foreign exchange. As Imaflex has no long-term contracts, it can adjust product pricing in accordance with resin input costs.

Revenues came in at $47.7 million for the first six months of 2023, down 24.5% versus the corresponding prior-year period. The decrease was driven by the same factors outlined for the quarter.

Gross Profit

Gross profit came in at $3.4 million (14.0% of sales) in the current quarter, versus $5.6 million (17.4% of sales) in the prior year. For 2023 year-to-date, the gross profit came in at $6.6 million (13.8% of sales), versus $10.4 million (16.4% of sales) in 2022.

For both the current quarter and first half of 2023, the impact of the decreased gross profit on the gross margin was reduced by the lower 2023 sales base and favourable year-over-year movements in foreign exchange.

Operating Expenses

Selling and Administrative expenses were $2.4 million (9.8% of sales) for the quarter, up 14.6% from $2.1 million (6.6% of sales) in 2022. For the year-to-date, Selling and Administrative expenses came in at $4.4 million (9.1% of sales) up from $4.0 million (6.4% of sales) in 2022. The year-over-year expense increases for the quarter and first six 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. Selling expenses as a percentage of sales were also impacted by the lower sales base in 2023.

Imaflex recorded other losses of $0.4 million for the current quarter, versus a gain of $0.6 million in the prior year quarter, resulting in a $1.0 million unfavourable year-over-year variance. The current quarter includes $31 thousand of interest income (nil in 2022), along with a $0.4 million foreign exchange (FX) loss. For 2023 year-to-date, the Company had losses of $0.4 million versus gains of $0.3 million in the corresponding prior-year period, resulting in a year-over-year unfavourable variance of $0.7 million. The first six months of 2023 include $86 thousand of interest income (nil in 2022) and a $0.5 million foreign exchange loss.

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 $0.4 million for the current quarter, down from $3.4 million in the second quarter of 2022. The year-over-year decrease was driven by the lower 2023 gross profit, along with the aforementioned foreign exchange losses, and higher selling and administrative expenses. For the year-to-date, net income stood at $1.4 million, down from $5.5 million in the corresponding period of 2022. The decrease from 2022 was due to the same factors outlined for the quarter.

EBITDA came in at $1.7 million (6.9% of sales) for the current quarter, down from $5.1 million (15.9% of sales) in 2022. On a constant currency basis, EBITDA came in at $2.1 million (8.6% of sales) for the current quarter, down from $4.5 million (13.9% of sales) in 2022. For the first six months of 2023, EBITDA stood at $3.9 million (8.2% of sales) versus $8.7 million (13.7% of sales) in the corresponding prior-year period. On a constant currency basis EBITDA came in at $4.3 million (9.0% of sales) for 2023 year-to-date, compared with $8.3 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 $2.3 million for the current quarter, down from $4.6 million in 2022. The $2.2 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 outflows by operating activities of $1.8 million for the current quarter. This compares to cash inflows of $3.7 million in the corresponding prior-year period. The decrease versus 2022 is mainly due to the lower profit, along with movements in inventories, prepaid expenses, and trade receivables.

For the year-to-date, cash flows generated by operating activities, including movements in working capital and taxes paid, stood at $1.7 million, versus $7.0 million in the corresponding prior-year period. The decrease versus 2022 is mainly due to the lower profit in 2023, along with movements in inventories and prepaid expenses, partially offset by movements in trade and other payables.

As at June 30, 2023, cash available for operating activities totaled $14.3 million, including a cash balance of $3.0 million and another $11.3 million under Imaflex's $12.0 million revolving line of credit. This strong position was achieved despite $2.8 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.

Outlook

"Economic headwinds, customer destocking and a competitive pricing environment impacted results for the first half of 2023," said Mr. Abbandonato. "While these challenges persist, we anticipate their impact to ease as the year unfolds. We are optimistic market softness will gradually stabilize, resulting in stronger performance for the latter half of 2023. Our financial position remains strong, and we are working hard to fill unused capacity and find new opportunities. We remain steadfast in our approach and believe we are well positioned to navigate these dynamic markets and build for a promising future."

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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