

SOURCE: Imaflex Inc.

Imaflex Announces Q4 and FY 2023 Results and Provides Business Update

Navigating Headwinds, Imaflex Well Positioned to Emerge Stronger

Highlights

- FY 2023 revenues of \$93.6 million, down from \$111.5 million in 2022; Q4 2023 up 5.6% to \$23.0 million
- FY 2023 net income of \$0.5 million (EPS¹: \$0.01), versus \$9.1 million (EPS: \$0.18) in 2022
- Q4 net loss of \$1.0 million (includes \$1.0 million non-cash write-off of obsolete production equipment), down from net income of \$0.5 million in prior year
- Strong balance sheet with cash available for operating activities totalling \$9.9 million at year end, including a cash balance of \$0.8 million and another \$9.1 million under Imaflex's \$12.0 million revolving line of credit
- During 2023, Imaflex made \$13.0 million in equipment investments to secure future growth and profitability

Montréal, Québec, CANADA – April 26, 2024 – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX) reports consolidated financial results for the fourth quarter (Q4) and fiscal year (FY) ended December 31, 2023 and provides a business update. All amounts are in Canadian dollars.

“As we reflect on 2023, I want to acknowledge the year’s complexities,” commented Mr. Joe Abbandonato, President and Chief Executive Officer of Imaflex. “Resin price fluctuations, lagging demand growth and intense price competition impacted sales and profits across the flexible packaging industry. Imaflex was not immune, experiencing a 16.1% decline in revenue and a 94.4% decrease in net income compared to fiscal 2022. Adding to this, mounting concerns about the health and environmental impact of PFAS, a long-used additive to enhance film properties, pressured the industry to adopt alternatives, although it came with reformulation and extrusion production challenges.”

“While our short-term performance was impacted by these headwinds, I am proud of the resilience and commitment our team demonstrated throughout the year as we continued to lay the groundwork for sustainable growth.”

Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended December 31,			Years ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Revenues	23,006	21,778	5.6 %	93,593	111,534	(16.1) %
Gross Profit	2,159	3,330	(35.2) %	11,005	18,047	(39.0) %
Selling & admin. expenses	1,461	2,040	(28.4) %	8,039	8,089	(0.6) %
Write-off of obsolete production equipment	962	-	n/a	962	-	n/a
Other (gains)/losses	532	189	181.5 %	597	(1,531)	139.0 %
Net income/(loss)	(1,007)	500	(301.4) %	509	9,125	(94.4) %
Basic EPS	(0.02)	0.01	(300) %	0.01	0.18	(94.4) %
Diluted EPS	(0.02)	0.01	(300) %	0.01	0.18	(94.4) %

¹ Basic and diluted earnings per share

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended December 31,			Years ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Gross margin	9.4%	15.3%	(5.9) pp	11.8%	16.2%	(4.4) pp
Selling & admin. expenses as % of revenues	6.4%	9.4%	(3.0) pp	8.6%	7.3%	1.3 pp
EBITDA ² (Excluding FX)	1,106	2,328	(52.5) %	6,602	14,089	(53.1) %
EBITDA	658	2,139	(69.2) %	6,016	15,620	(61.5) %
EBITDA margin	2.9%	9.8%	(6.9) pp	6.4%	14.0%	(7.6) pp

Financial Review: Quarter and Year Ended December 31

Revenues

Revenues were \$23.0 million for the fourth quarter of 2023, up 5.6% from \$21.8 million in 2022. The increase was driven by higher volumes, partially offset by reduced selling prices resulting largely from a competitive pricing environment.

For fiscal 2023 revenues totalled \$93.6 million, down 16.1% from the corresponding prior-year period. The year-over-year decrease was driven by lower volumes and product pricing, partially offset by favourable year-over-year movements in foreign exchange.

Gross Profit

Gross profit came in at \$2.2 million (9.4% of sales), versus \$3.3 million (15.3% of sales) in the fourth quarter of 2022. For fiscal 2023, the gross profit totalled \$11.0 million (11.8% of sales), versus \$18.0 million (16.2% of sales) for 2022.

Gross profit for the current quarter was impacted by reduced selling prices due to strong price competition. In addition, certain charges were reclassified from Selling and Administrative Expenses to Cost of Sales, including non-cash depreciation expenses largely related to right of use assets. Similarly, this affected results for fiscal 2023, along with higher labour and training costs related to new equipment purchases and employee hires.

Operating Expenses

Selling and Administrative expenses were \$1.5 million (6.4% of sales) for the current quarter, down from \$2.0 million (9.4% of sales) in the fourth quarter of 2022. The decrease largely relates to the aforesaid reclassification to cost of sales. For fiscal 2023, Selling and Administration expenses totalled \$8.0 million (8.6% of sales), versus \$8.1 million (7.3% of sales) in 2022. Results for 2023 were impacted by the aforesaid reclassification, largely offset by new employee hires, salary increases to remain competitive in the market and higher non-cash stock-based compensation expenses. As well, selling expenses as a percentage of sales were impacted by the lower year-over-year sales base seen during the first nine months of 2023.

Imaflex recorded other losses of \$0.5 million for the quarter, resulting largely from foreign exchange losses. For fiscal 2023, the Company recorded other losses of \$0.6 million, versus a gain of \$1.5 million in 2022, resulting in an unfavourable year-over-year variance of \$2.1 million. Fiscal 2023 includes foreign exchange losses of \$0.6 million, and a loss on capital assets disposal of \$0.2 million, partially offset by interest income of \$0.2 million. This compares to a foreign exchange gain of \$1.5 million in 2022, along with interest income of \$41 thousand.

² See header titled "Caution Regarding non-IFRS Financial Measures" which follows.
EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

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.

Write-off of Obsolete Production Equipment

During the Fourth quarter of 2023, Imaflex recorded a one-time non-cash impairment charge of \$1.0 million for obsolete production equipment at its U.S. manufacturing facility.

Net Income and EBITDA

The Company recorded a net loss of \$1.0 million for the fourth quarter of 2023, down from net income of \$0.5 million in 2022. The year-over-year decrease was driven by the lower 2023 gross profit, the write-off of obsolete production equipment and movements in foreign exchange.

Net income stood at \$0.5 million for fiscal 2023, down from \$9.1 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 \$0.7 million (2.9% of sales) for the fourth quarter of 2023, down from \$2.1 million (9.8% of sales) in 2022. On a constant currency basis, EBITDA came in at \$1.1 million (4.8% of sales) for the current quarter, down from \$2.3 million (10.7% of sales) in 2022.

For fiscal 2023, EBITDA stood at \$6.0 million (6.4% of sales) versus \$15.6 million (14.0% of sales) in the corresponding prior-year period. On a constant currency basis EBITDA came in at \$6.6 million (7.1% of sales) for 2023, compared with \$14.1 million (12.6% of sales) in fiscal 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 fourth quarter of 2023, down slightly from \$2.4 million in the corresponding quarter of 2022. The lower profits in the current quarter were largely offset by a one time write-off of obsolete production equipment, along with movements in the depreciation and amortization of non-current assets, and foreign exchange. Including movements in working capital and taxes paid, the Company recorded net cash inflows by operating activities of \$3.1 million for the current quarter versus inflows of \$4.8 million in the corresponding prior-year period. The \$1.7 million decrease versus 2022 is mainly due to year-over-year movements in trade & other receivables and inventories, partially offset by movements in trade & other payables, prepaid expenses and income taxes paid.

For the year-to-date, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$7.9 million, versus \$14.3 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 and the write-off of obsolete production equipment. Including movements in working capital and taxes paid, the Company recorded net cash inflows by operating activities of \$5.4 million in fiscal 2023, down from \$17.3 million in the corresponding prior-year period. The decrease is due to the aforementioned factors along with movements in trade & other receivables, and inventories, partially offset by movements in trade and other payables, and income taxes paid.

As at December 31, 2023, cash available for operating activities totaled \$9.9 million, including a cash balance of \$0.8 million and another \$9.1 million under Imaflex's \$12.0 million revolving line of credit. During the quarter the Corporation invested \$4.6 million, largely towards the new extrusion equipment announced in Q2 2022. These investments enhance our production capacity and capabilities, which should ultimately drive sales growth and profitability.

ADVASEAL® Update

While securing U.S. Environmental Protection Agency ("EPA") approval of ADVASEAL® is taking longer than expected, Imaflex remains committed. As is typical with the EPA's review process, no specific decision timeline has been provided. However, Imaflex is confident in ADVASEAL®'s value proposition and its potential to significantly expand our market reach and growth.

Outlook

"The past year has presented its challenges, but it has also showcased our commitment to building a stronger Company," said Mr. Abbandonato. "The two remaining multi-layer extruder purchases have arrived and will be coming online in the second half of 2024, further expanding our capacity for producing specialty films. In today's highly competitive market, differentiated offerings are a key to success. With a solid foundation, a dedicated team, and a clear vision for the future, Imaflex is poised to capitalize on upcoming opportunities. We are confident that 2024 will see a gradual improvement in profitability, though the pace and magnitude remain uncertain."

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.sedarplus.ca 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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