

SOURCE: Imaflex Inc.

## Imaflex Reports Third Quarter 2016 Results

- Q3 2016 revenues of \$17.0 million, Q4 sales pipeline strong, full-year 2016 sales on-track to exceed 2015
- Q3 2016 gross margin of 9.9%, up from 7.9% in Q3 2015
- Q3 2016 EBITDA<sup>1</sup> excluding FX up 150%
- Testing to determine ADVASEAL<sup>®</sup> coating equipment requirements positive

**Montreal, Québec, CANADA – November 25, 2016** – Imaflex Inc. (“Imaflex” or the “Corporation”) (TSX-V: IFX), announces its consolidated financial results for the third quarter ended September 30, 2016.

“We continue to strengthen the Corporation operationally and financially, laying the groundwork for future success,” said President and Chief Executive Officer, Joe Abbandonato. This is translating into much stronger year-to-date results, with improved margins, increased profitability (excluding foreign exchange: “FX”) and better cash flows. “After three quarters, we have been able to increase our year-over-year EBITDA by 139% excluding FX, while cash generated by operating activities is up 110%. With a robust fourth quarter sales funnel, we expect full-year 2016 revenues to surpass the \$69 million achieved in 2015.”

### Consolidated Financial Highlights (unaudited)

CDN \$ thousands, except per share amounts (or otherwise indicated)	Three months ended September 30			Nine months ended September 30		
	2016	2015	% Change	2016	2015	% Change
Revenue	<b>16,997</b>	17,441	(2.5)%	<b>54,570</b>	52,067	4.8 %
Gross Profit	<b>1,683</b>	1,375	22.4 %	<b>6,428</b>	4,736	35.7 %
Selling & Admin. expenses	<b>1,632</b>	1,596	2.3 %	<b>4,874</b>	4,736	2.9 %
Foreign exchange loss (gain)	<b>(121)</b>	(869)	(86.1)%	<b>453</b>	(1,420)	(131.9)%
Profit (loss)	<b>(104)</b>	444	(123.4)%	<b>247</b>	496	(50.2)%
Basic and diluted EPS	<b>(0.002)</b>	0.009	(122.2)%	<b>0.005</b>	0.010	(50.0)%
Gross margin	<b>9.9%</b>	7.9%	2.0 pp	<b>11.8%</b>	9.1%	2.7 pp
Selling & Admin. expenses as % of revenues	<b>9.6%</b>	9.2%	0.4 pp	<b>8.9%</b>	9.1%	(0.2) pp
EBITDA <sup>(1)</sup>	<b>632</b>	1,073	(41.1)%	<b>2,476</b>	2,647	(6.5)%
EBITDA margin	<b>3.7%</b>	6.2%	(2.5) pp	<b>4.5%</b>	5.1%	(0.6) pp
EBITDA (Excluding FX)	<b>511</b>	204	150.5 %	<b>2,929</b>	1,227	138.7 %

<sup>1</sup> See “Caution Regarding Non-IFRS Financial Measures” which follows.

## **Financial Review: Quarter and Year-to-Date Ending September 30**

### **Revenue**

Quarterly revenues were \$17.0 million, down slightly from \$17.4 million in 2015. The decrease was largely due to competitive pressures and a decrease in resin prices.

Revenues for the nine months ended September 30, 2016 were up 5%, coming in at \$54.6 million. The improvement was largely driven by sales volume increases at the Canadian operations, along with foreign exchange gains in the first half of 2016.

### **Gross Profit**

Despite top-line pressure, quarterly gross profit as a percent of sales was up two percentage points versus the third quarter of 2015, coming in at 9.9%. The improvement reflects the Corporation's continued focus on driving operating efficiencies throughout the business, along with changes in product mix.

For the year-to-date, the Corporation saw an even greater year-over-year improvement with the gross margin coming in at 11.8%, up 2.7 percentage points over 2015. The improvement was driven by the same factors outlined in the current quarter, along with higher year-over-year revenues.

### **Operating Expenses**

Quarterly Selling and Administrative expenses were relatively unchanged, coming in at \$1.6 million for both years. For the nine-month period, Selling and Administrative expenses were \$4.9 million, up modestly from \$4.7 million in the prior year. However, as a percentage of sales, Selling and Administrative expenses were down for the year-to-date, declining from 9.1% in 2015 to 8.9% in 2016, as a result of management's on-going focus on maintaining sound financial controls.

The Company recorded a foreign exchange gain of \$0.1 million in the third quarter of 2016, versus a gain of \$0.9 million in 2015, when the Canadian dollar depreciated sharply against the US dollar. For the year-to-date, Imaflex recorded a \$0.5 million loss due to currency fluctuations, versus a \$1.4 million gain in 2015, representing a \$1.9 million year-over-year variance. The 2016 loss largely reflects the impact of a stronger Canadian dollar in the translation of foreign currencies, versus a weaker Canadian dollar in 2015.

### **Net Income (Loss) and EBITDA**

Profitability for the third quarter and year-to-date 2016 was negatively impacted by the appreciation of the Canadian dollar versus the US dollar. This compares to 2015, when the Corporation benefited significantly from positive foreign exchange fluctuations. Excluding the impact of foreign exchange, quarterly EBITDA came in at \$0.5 million, up 150% over 2015. For the year-to-date, EBITDA totaled \$2.9 million excluding foreign exchange, up 139% over the prior year.

### **Liquidity and Capital Resources**

Operating activities generated \$2.3 million of cash flows during the quarter, compared to \$2.6 million in the corresponding prior-year period. For the year-to-date, operating activities generated \$3.6M of cash flows, up 110% over the \$1.7 million recorded for the corresponding prior-year period.

As at September 30, 2016, Imaflex had more than \$4.2 million of cash available for operating activities, including the unused portion under its \$10.0 million revolving line of credit. During the third quarter of 2016, the Corporation reimbursed \$1.2 million on its line of credit. Following quarter end, the Corporation increased its long-term debt on an outstanding loan by \$1.0 million, which will be used to fund the purchase of capital assets. Due to the Corporation's healthy capital structure, it was also able to reduce the interest rate applicable to the overall term loan outstanding.

## **ADVASEAL® Commercialization**

Work to establish the customized coating equipment (the “coater”) needed for the production of ADVASEAL® continues to advance. During the third quarter, results of another lab trial were positive, indicating that management remains on the right track. An additional lab trial is planned for the coming months. Once completed and prior to placing an equipment order, the Corporation also intends to conduct a field trial to ensure ADVASEAL® performs to specifications with the proposed equipment.

“ADVASEAL® is a next-generation crop protection product, and represents a significant growth platform for Imaflex,” highlighted Mr. Abbandonato. Most of the plastic mulch used annually worldwide, is applied in conjunction with the spraying of herbicides and pesticides or the application of fumigants. ADVASEAL® simplifies this process by allowing for the controlled release of crop protection products using a patent protected mulch film that has been coated with the active ingredients.

“Our film is not only more efficient at delivering expensive chemicals, eliminating the need for spraying, it is safe to handle, environmentally-friendly and cost-effective,” continued Mr. Abbandonato. “As previously announced, we estimate that ADVASEAL® will save growers between \$200 and \$800 per acre, depending on the crop grown. This puts us in a strong position to disrupt the market”. In the US alone, there are approximately 130 million pounds of mulch film being used, resulting in an estimated total addressable market of approximately US \$750 million.

## **Outlook**

“Management continues to advance the ADVASEAL® project, while also fine-tuning operations to generate greater sales and profitability,” said Mr. Abbandonato. “To date, our fourth quarter 2016 order bookings are strong and we expect full-year 2016 revenues to surpass the \$69 million seen in 2015. Going forward, we are targeting sustained long-term revenue growth and margin expansion by increasing sales volumes, improving product and customer mix, maintaining disciplined cost controls and investing strategically. The underlying technology platform behind ADVASEAL® also brings substantial upside potential. This focus on offering best-in-class, innovative solutions with compelling value puts us in a solid position.”

## **Caution Regarding Non-IFRS Measure**

The Company’s management uses a non-IFRS measure in this press release, namely EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). Management wishes to specify that in the performance of the Company’s financial results, EBITDA is calculated as “Earnings before finance expenses, taxes, the change in fair value of the derivative financial instrument, depreciation and amortization. While EBITDA is not a standard 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

## **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 consumer, industrial and agriculture 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](http://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](http://www.sedar.com) and on the investor section of the Corporation's website at [www.imaflex.com](http://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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### **Imaflex Contact:**

John Ripplinger

Vice-President Corporate Affairs

Tel: (514) 935-5710

Fax: (514) 935-0264

[johnr@imaflex.com](mailto:johnr@imaflex.com)

[www.imaflex.com](http://www.imaflex.com)