



PRESS RELEASE

## SUPREMEX ANNOUNCES STRONG Q1 2016 RESULTS AND DECLARES REGULAR QUARTERLY DIVIDEND

**Montreal, Quebec, May 6, 2016** – Supremex Inc. (“Supremex” or the “Company”) (TSX: SXP), a leading North American manufacturer and marketer of a broad range of stock and custom envelopes and growing provider of packaging and specialty products, today announced continued strong results for the first quarter ended March 31, 2016, and declared a regular quarterly dividend.

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### First Quarter Highlights:

- 2016 Q1 revenues increased by 18.9% year-over-year, reaching \$41.3 million.
  - Revenue from the Canadian envelope market increased by 8.4%, to \$29.5 million.
  - Revenue from the U.S. envelope market continued to increase significantly, growing by 78.9% year-over-year reaching \$9.2 million.
  - Revenue from packaging and specialty products grew by 8.9%, reaching \$2.6 million.
  - Adjusted EBITDA<sup>1</sup> grew by 1.9%, reaching \$7.1 million and Adjusted EBITDA<sup>1</sup> margins stood at 17.3% of revenues compared to 20.2%.
  - Net earnings reached \$3.2 million (or \$0.11 per share) compared with \$3.8 million (or \$0.13 per share).
  - Adjusted net earnings<sup>2</sup> grew by 6.8% to 3.2 million (or \$0.11 per share compared to \$0.10 per share).
  - The Company’s Board of Directors approved a quarterly dividend payment of \$0.055 per share, equivalent to the last quarter and up 10% year-over-year.
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“Our strategy to push into the U.S. market, expand our footprint and gradually diversify into packaging and specialty products continues to provide revenue growth, compensating for the secular decline in the overall envelope market,” said Stewart Emerson, President and CEO of Supremex. “While this strategy puts pressure on this quarter’s operating expenses, I am pleased by the pace of integration of our recent acquisitions, which are already starting to provide manufacturing and operating synergies.”

“Our disciplined approach to controlling costs and maintain a fortress balance sheet continued to serve us well during the quarter. Our net earnings grew on an adjusted basis and we maintained low leverage. As we complete the integration of the new businesses, our focus remains on growth, prudent cost control and strategically building shareholder value,” concluded Mr. Emerson.

### Financial Results for the First Quarter of 2016

Revenue in the first quarter of 2016 was \$41.3 million compared with \$34.7 million in the equivalent quarter of 2015, an increase of 18.9% or \$6.6 million. This increase is mainly attributable to Supremex’ expanding footprint in the U.S., with a large contribution from Classic Envelope Inc. (acquired in October 2015) and organic growth from existing U.S. operations. The Premier Envelope Ltd. acquisition also contributed to revenue growth in the quarter, compensating for the secular decline in the Canadian envelope market.

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<sup>1</sup> Refer to the reconciliation of Net Earnings to EBITDA and Adjusted EBITDA and to their definition.

<sup>2</sup> Refer to the reconciliation of Adjusted Net Earnings and to the definition.

Revenue from the Canadian envelope market reached \$29.5 million in the first quarter of 2016, up by 8.4% or \$2.3 million, on an increase of 1.5% in the volume of units sold and increase of 6.7% in average selling prices necessitated by increased costs of raw material denominated in USD throughout the year. Revenue from the U.S. envelope market reached \$9.2 million, up by 78.9% or \$4.1 million, on an increase of 56.1% in the volume of units sold and an increase of 14.6% in average selling prices, 10.7% of which comes from the USD appreciation.

Revenue from packaging and specialty products also contributed to this quarter's growth, growing by 8.9% to reach \$2.6 million.

Adjusted EBITDA stood at \$7.1 million for the three-month period ended March 31, 2016, compared with \$7.0 million last year, an increase of \$0.1 million or 1.9%. Adjusted EBITDA margins stood at 17.3% in the first quarter of 2016 compared to 20.2% last year as a result of a growing footprint in the U.S., effects of a stronger USD on costs of goods and anticipated business integration costs.

Net earnings in the first quarter of 2016 totaled \$3.2 million, or \$0.11 per share, compared with \$3.8 million, or \$0.13 per share in the first quarter of 2015. During the first quarter of last year, non-cash gains on amendments to the pension and post-retirement benefits plans were recorded. Adjusted net earnings stood at \$3.2 million or \$0.11 per share for the three-month period ended March 31, 2016 compared with 3.0 million or \$0.10 per share for the comparable period of 2015.

Operating activities generated cash of \$2.0 million compared with \$1.2 million during the same period of 2015, on efficient management of working capital items and lower inventory levels.

#### **Capitalization and Normal Course Issuer Bid**

As at May 5, 2016, the Company had 28,644,771 common shares outstanding, a decrease of 106,196 shares following the repurchase done under the NCIB program during the three-month period ended March 31, 2016.

#### **Declaration of Dividend**

On May 5, 2016, the Board of Directors declared a quarterly dividend of \$0.055 per share, representing a 10% increase over last year and equal to the dividend per share paid in the last two quarters. The dividend is payable on July 14, 2016, to shareholders of record at the close of business on June 30, 2016

### Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended	
	March 31, 2016	March 31, 2015
	\$	\$
<b>Net Earnings</b>	<b>3,228</b>	<b>3,804</b>
Income tax expense	1,220	1,400
Financing charges, net	258	362
Amortization of property, plant and equipment	1,247	961
Amortization of intangible assets	1,135	1,541
Loss on disposal of property, plant and equipment	57	—
<b>EBITDA<sup>(1)</sup></b>	<b>7,145</b>	<b>8,068</b>
Adjustments		
Less: Gain on pension plans' amendments	—	(443)
Less: Gain on post-retirement benefits plans amendment	—	(614)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>7,145</b>	<b>7,011</b>

<sup>(1)</sup> See "Definition of EBITDA." EBITDA (or Adjusted EBITDA) is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA (or Adjusted EBITDA) may not be comparable to similar measures presented by other issuers.

### Reconciliation from Net Earnings to Adjusted Net Earnings

(In thousands of dollars)

	Three-month periods ended	
	March 31, 2016	March 31, 2015
	\$	\$
<b>Net Earnings</b>	<b>3,228</b>	<b>3,804</b>
Adjustments		
Less: Gain on pension plans' amendments	—	(443)
Less: Gain on post-retirement benefits plans amendment	—	(614)
Income tax on gains on pension and post-retirement benefits plans' amendments	—	274
<b>Adjusted Net Earnings<sup>(1)</sup></b>	<b>3,228</b>	<b>3,021</b>

<sup>(1)</sup> See "Definition of Adjusted Net Earnings". Adjusted Net Earnings is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Adjusted Net Earnings may not be comparable to similar measures presented by other issuers.

### Definition of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Non-IFRS Measures

References to "EBITDA" are to earnings before financing charges, income tax expense, amortization of property, plant and equipment and of intangible assets, and loss on disposal of property, plant and equipment.

References to "Adjusted EBITDA" are to EBITDA adjusted to remove non-recurring items such as gains on amendments to pension and post-retirement benefits plans in 2015.

References to "Adjusted net earnings" are to Net earnings adjusted to remove non-recurring items such as gains on amendments to pension and post-retirement benefits plans, net of tax.

EBITDA, Adjusted EBITDA or Adjusted Net Earnings is not an earnings measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA, Adjusted EBITDA or Adjusted Net Earnings may not be comparable to similar measures presented by other entities.

Investors are cautioned that EBITDA, Adjusted EBITDA or Adjusted Net Earnings should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. Supremex believes that EBITDA, Adjusted EBITDA or Adjusted Net Earnings is a measurement commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial earnings.

### **Conference Call**

A conference call to discuss the Company's 2016 first quarter results will be held today, Friday May 6<sup>th</sup> 2016, at 8:30 a.m. (Eastern Time). A live broadcast will be available on the Company's website, in the Investors section under Webcast.

To participate or to listen to the live conference call:

- Local participants (Montreal area), dial in to (514) 807-9895
- North-American participants, dial toll-free 1 888 231-8191

The replay of the conference call will be available on the Company's website in the Investors section under Webcast.

### **Annual General Meeting**

Following the Conference Call to discuss Supremex' 2016 first quarter results, the Company will hold its Annual General Meeting of Shareholders, today at 10:00 am at Hôtel Le Crystal Montreal. During the event, management will provide a review of achievements and discuss its plan to continue strengthening Supremex' position as a leading North American manufacturer of envelopes, packaging and specialty products.

Details:

- Friday May 6<sup>th</sup>, 2016, at 10:00 am
- Hôtel le Crystal, 2<sup>nd</sup> floor, 1100 rue de la Montagne, Montreal, Quebec, H3G 0A1.

### **Forward-Looking Information**

This press release contains "forward-looking information" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA (or Adjusted EBITDA) and future performance of Supremex and similar statements or information concerning anticipated future results, circumstances, performance or expectations. Forward-looking information may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. Such information relates to future events or future performance and reflects current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and liability to attract and retain customers. Such forward-looking information reflects current assumptions, expectations and estimates of management and is based on information currently available to Supremex as at the date of this press release. Such assumptions, expectations and estimates are discussed throughout our MD&A for fiscal 2015 and for the quarter ended March 31, 2016.

Forward-looking information is subject to certain risks and uncertainties, and should not be read as a guarantee of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking information. These risks and uncertainties include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuation, raw material increases, credits risks with respect to trade receivables, increase in funding of the Company's pension plans, postal services deficiencies, interest rates fluctuation and potential risk of litigation.

Such risks and uncertainties are discussed throughout our MD&A for fiscal 2015 and for the quarter ended March 31, 2016, in particular, in “Risk Factors”. Consequently, we cannot guarantee that any forward-looking information will materialize. Readers should not place any undue reliance on such forward-looking information unless otherwise required by applicable securities legislation. The Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

The Management Discussion and Analysis and Financial Statements can be found on [www.sedar.com](http://www.sedar.com) and on Supremex’ website.

### **About Supremex**

Supremex Inc. is a leading North American manufacturer and marketer of a broad range of stock and custom envelopes and growing provider of packaging and specialty products. Supremex is the only national envelope manufacturer in Canada, with facilities across seven (7) provinces and two (2) facilities in the United States and employs approximately 650 people. Supremex’ growing footprint allows it to efficiently manufacture and distribute products tailored to the specifications of major corporations, national resellers, government entities, as well as paper merchants, statement processors and solutions providers. For more information, please visit [www.supremex.com](http://www.supremex.com)

**Contact:** Benoit Crowe, CPA, CA  
Vice-President, Finance  
(514) 595-0555