



PRESS RELEASE

SUPREMEX ANNOUNCES STRONG Q2 2016 RESULTS AND DECLARES REGULAR QUARTERLY DIVIDEND

Montreal, Quebec, July 29, 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 second quarter and first half of 2016, and declared a regular quarterly dividend.

Second Quarter Highlights:

- 2016 Q2 revenues increased by 16.4% year-over-year, reaching \$39.4 million.
 - Revenue from the Canadian envelope market increased by 8.6%, to \$28.4 million.
 - Revenue from the U.S. envelope market continued to increase significantly, growing by 54.4% year-over-year reaching \$8.2 million.
 - Revenue from packaging and specialty products grew by 17.0%, reaching \$2.8 million.
 - Adjusted EBITDA¹ grew by 7.4%, reaching \$6.9 million.
 - Net earnings stood at \$3.9 million (or \$0.14 per share) compared to \$5.6 million (or to \$0.19 per share).
 - Adjusted net earnings² grew by 45.7% to \$3.9 million (or \$0.14 per share) up from \$2.7 million (or \$0.09 per share).
 - Strong financial flexibility with low debt ratio of 0.7x EBITDA³
 - The Board of Directors approved a quarterly dividend payment of \$0.055 per share, equivalent to the last quarter and up 10% year-over-year.
 - Earlier today, the Company announced the approval of a Normal Course Issuer Bid to repurchase up to 500,000 common shares outstanding for cancellation, during a period of a maximum of 12 months.
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“We are pleased by our second quarter and year-to-date results which again delivered solid revenue, adjusted net earnings and cash flow growth. With our growing presence in the U.S. we are now among the five largest envelope manufacturers in North America. Our strategy to leverage our Canadian envelope platform and diversify into growth markets continues to bear fruit,” said Stewart Emerson, President and CEO of Supremex.

“During the second quarter, we continued the integration of our recently acquired businesses. With most of the integration work behind us, we are starting to see manufacturing and operating synergies, the benefits of which should help our operating profitability in the coming quarters. Looking ahead, we will continue to focus on cash flow generation and disciplined capital allocation in order to maximize shareholder value while sustaining future earnings growth. We plan to achieve this by maintaining low debt levels, a healthy dividend yield and completing small accretive M&A opportunities to further strengthen our envelope platform and diversify into value-added markets.”

“Our strategy to push into the U.S. and diversify into packaging and specialty products also has the benefit of limiting the potential disruptive effects of a Canada Post work stoppage on our Canadian envelope sales. We have seen limited impact to date, and what adverse effect we experienced was toward the end of the Quarter, and primarily in our Direct Mail business. We continue to monitor the situation carefully and its effects on our volumes,” concluded Mr. Emerson.

¹ Refer to the reconciliation of Net Earnings to EBITDA and Adjusted EBITDA and to their definition.

² Refer to the reconciliation of Adjusted Net Earnings and to the definition.

³ Computed as revolving credit facility (net of deferred financing costs) less cash, divided by EBITDA.

Financial Results for the Second Quarter of 2016

Revenue in the second quarter of 2016 was up 16.4%, reaching \$39.4 million as a result of the acquisition of Classic Envelope Inc. in the US, the acquisition of Premier Envelope Ltd. operating primarily in Western Canada and from growing sales of packaging and specialty products.

Revenue from the Canadian envelope market reached \$28.4 million in the second quarter of 2016, up by 8.6% or \$2.3 million on volume increases of 3.2% and price increases of 5.3% on changes in product mix and higher cost of raw materials. Revenue from the U.S. envelope market reached \$8.2 million, up by 54.4% or \$2.9 million on volume increases of 45.6% and 6.1% higher average selling prices denominated in CAD, of which 4.8% resulted from the appreciation of the USD. Revenue from packaging and specialty products grew by 17.0%, to reach \$2.8 million.

Adjusting for the non-cash gain totalling \$3.9 million on amendment to the pension plan recorded in the second quarter of 2015, Adjusted EBITDA grew by 7.4% or \$0.5 million in the second quarter of 2016, reaching \$6.9 million. Adjusted EBITDA margins stood at 17.5% compared to 19.0% last year as a result of a growing presence in the U.S. envelope market and business integration costs.

Net earnings reached \$3.9 million in the second quarter of 2016 (or \$0.14 per share), compared with \$5.6 million (or \$0.19 per share) in the equivalent quarter of 2015. Adjusted net earnings grew by 45.7% reaching \$3.9 million (or \$0.14 per share) compared with \$2.7 million (or \$0.09 per share) for the comparable period of 2015.

Operating activities generated cash of \$7.5 million compared with \$5.6 million during the same period of 2015 on efficient working capital management and increased profitability.

Financial Results for the Six-Month Period

Revenue for the six-month period ended June 30, 2016, grew by 17.7% or \$12.1 million, reaching \$80.7 million on strong growth from the U.S. envelope market (up by \$7.0 million or 66.5%), the Canadian envelope market (up by \$4.5 million, or 8.5%) and packaging and specialty products (up \$0.6 million or 13.1%). The Company's further push into the U.S. market with the acquisition of Classic Envelope Inc. and the acquisition of Premier Envelope Ltd. operating mostly in Western Canada (both transactions concluded in the fourth quarter of 2015), helped compensate for the general secular decline of the envelope market by freeing up capacity and improving Supremex' ability to capture market share in the vast North Eastern U.S. market.

Excluding the non-cash gains totalling \$5.0 million on amendments to the pension and post-retirement benefits plans recorded in the first half of 2015, Adjusted EBITDA grew by \$0.6 million or 4.5% reaching \$14.0 million. Adjusted EBITDA margins stood at 17.4% in the first half of 2016 compared to 19.6% during the comparable period of last year. Higher levels of expenses from the two business acquisitions, a growing presence in the U.S., increased cost of goods denominated in USD and one-time business integration costs explain most of the variance in operating profitability.

Net earnings reached \$7.1 million in the first six months of 2016 (or \$0.25 per share), compared with \$9.4 million (or \$0.32 per share) in the equivalent period of 2015. Adjusted net earnings grew by 25.1% to \$7.1 million (or \$0.25 per share) for the six-month period ended June 30, 2016, up from \$5.7 million (or \$0.19 per share) for the same period in 2015.

Cash of \$9.5 million was generated by operating activities during the six-month period ended June 30, 2016, compared with \$6.8 million during the same period of 2015 on efficient working capital management and increased profitability.

Declaration of Dividend

On July 28, 2016, the Board of Directors declared a quarterly dividend of \$0.055 per share, representing a 10% increase over the prior year and equal to the dividend per share declared in the previous three quarters. The dividend is payable on October 14, 2016, to shareholders of record at the close of business on September 30, 2016.

Normal Course Issuer Bid (“NCIB”)

Earlier today, the Company announced that it received approval from the Toronto Stock Exchange (“TSX”) to purchase by way of a NCIB, for cancellation, up to 500,000 of its common shares during a period of up to 12 months, representing approximately 1.7% of its 28,644,771 issued and outstanding common shares as of July 28, 2016.

Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended		Six-month periods ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Net Earnings	3,890	5,552	7,118	9,356
Income tax expense	1,374	2,016	2,594	3,416
Financing charges, net	195	239	452	601
(Gain) loss on disposal of property, plant and equipment	(5)	—	53	—
Amortization of property, plant and equipment	1,232	980	2,479	1,941
Amortization of intangible assets	217	1,541	1,352	3,082
EBITDA⁽¹⁾	6,903	10,328	14,048	18,396
Adjustments				
Less: Gains on pension plans amendments	—	(3,898)	—	(4,341)
Less: Gain on post-retirement benefits plans amendment	—	—	—	(614)
Adjusted EBITDA⁽¹⁾	6,903	6,430	14,048	13,441

⁽¹⁾ 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		Six-month periods ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Net Earnings	3,890	5,552	7,118	9,356
Adjustments				
Less: Gains on pension plans’ amendments	—	(3,898)	—	(4,341)
Less: Gain on post-retirement benefits plans amendment	—	—	—	(614)
Deferred income tax on gains on pension and post-retirement benefits plans amendments	—	1,016	—	1,290
Adjusted Net Earnings⁽¹⁾	3,890	2,670	7,118	5,691

⁽¹⁾ 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 (gain) 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 second-quarter results will be held today, Friday, July 29, 2016, at 10:00 a.m. (Eastern Time). A live audio 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.

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 June 30, 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 June 30, 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 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

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