



PRESS RELEASE

## SUPREMEX ANNOUNCES Q3 2016 RESULTS AND DECLARES A 9.1% DIVIDEND INCREASE

**Montreal, Quebec, November 4, 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 its results for the third quarter and nine-month period ended September 30, 2016, and declared a 9.1% increase to its regular quarterly dividend.

---

### Third Quarter Highlights:

- 2016 Q3 revenues increased by 12.6% year-over-year, to \$36.5 million.
  - Revenue from the Canadian envelope market decreased by 1.2%, to \$24.1 million.
  - Revenue from the U.S. envelope market continued to increase significantly, growing by 81.0% year-over-year to \$9.9 million.
  - Revenue from packaging and specialty products decreased by 1.6%, at \$2.5 million.
  - EBITDA<sup>1</sup> was \$5.5 million, a decrease of 16.4%.
  - Net earnings grew by 2.2% to \$2.8 million (or \$0.10 per share).
  - Maintained strong financial flexibility with a low debt ratio of 0.9x EBITDA<sup>2</sup>
  - The Board of Directors approved a 9.1% increase to the quarterly dividend payment of \$0.06 per share.
  - Concluded the acquisition of Indiana-based Bowers Envelope Company, Inc. (“Bowers Envelope”) a manufacturer and printer of envelopes strategically located at the ‘Crossroads of America’ in a robust envelope market.
- 

“The third quarter was challenging as a result of the effects of the traditional seasonal mailing patterns, the Canada Post labour disruption threat and an exceptional comparable quarter last year. On a year-to-date basis, our strategy to diversify into growth markets and strengthening our envelope platform continues to yield positive results and sets the path for sustained future profitability,” said Stewart Emerson, President and CEO of Supremex.

“We are very happy with the integration of Premier Envelope Ltd. in Western Canada, which has demonstrated its ability to contribute to revenue growth while supporting our bottom line. With a strong operating base in Canada we were able to further pursue growth opportunities in the U.S. To this effect, our recent acquisition of Bowers Envelope in the Mid-West provides the capability and scale to serve approximately 60% of the U.S. envelope market cost-effectively, further entrenching our position as one of the largest envelope manufacturers in North America.”

“We are steadfastly committed and focused on diversifying the business, while remaining true to our philosophy of building manufacturing and operating synergies, focused on cash flow generation and optimal capital allocation,” concluded Mr. Emerson.

### Corporate updates:

- The Board of Directors appointed Mr. Drew Sullivan as Director of the Company. Mr. Sullivan recently retired as President of RR Donnelley Canada, a position which he held since February 2012. RR Donnelley (Nasdaq: RRD) is the one of the world’s largest printing companies providing

---

<sup>1</sup> Refer to definition of EBITDA.

<sup>2</sup> Computed as revolving credit facility (net of deferred financing costs) less cash, divided by EBITDA.

the industry's most diverse platform of products and services, with sales of \$11.3 Billion US in 2015 and employed 1,500 people in Canada. Prior to his role as President, Mr. Sullivan held various sales executive positions with RR Donnelley/Moore Corporation which he joined in 2001 after spending 23 years with Relizon Canada. Mr. Sullivan has worked in the printing business since 1978. He was instrumental in transforming RR Donnelley Canada from a traditional Business Forms manufacturer to a leading edge and diversified provider of print and content management services utilizing many new and emerging technologies. Mr. Sullivan will bring invaluable industry knowledge and vast experience to the Board of Supremex.

- The Company announces that Benoît Crowe, Vice President of Finance, has resigned, effective November 18, 2016, from the Company to pursue other opportunities. Mr. Crowe has been with Supremex since January 2014. As part of the executive team, Mr. Crowe contributed to several important projects in support of Supremex's strategic vision while also overseeing the Company's financial planning and reporting activities. Management and the Board of Directors wish to thank Mr. Crowe for his contribution. Mr. Crowe will assist the Company with the transition over the next few weeks.
- The company announces that Lyne Bégin, Corporate Controller, has been appointed interim Vice President of Finance. Ms. Bégin has been with the Company since 2014 and is a seasoned executive, having been involved in every aspect of Supremex's financial reporting, treasury management, planning and analysis.

### **Financial Results for the Third Quarter of 2016**

Revenue in the third quarter of 2016 was up 12.6%, to \$36.5 million, on strong growth in the U.S. envelope market, mostly from the contribution of the acquisition of Classic Envelope Inc. located in Massachusetts, and of the recent acquisition of substantially all of the assets of Bowers Envelope located in Indiana.

Revenue from the Canadian envelope market was \$24.1 million in the third quarter of 2016, down by 1.2% or \$0.3 million. Although the acquisition of substantially all of the assets of Premier Envelope Ltd. located in Western Canada helped offset the secular decline in the overall Canadian envelope market, the threat of a work stoppage at Canada Post during the summer negatively affected the volume of orders from customers. Additionally, last year's third quarter revenues benefited from the effects of a large order for the government that only occurs every four years. Overall, Canadian envelope volumes decreased by 2.4% and average unit selling prices grew by 1.3% due to product mix change.

Revenue from the U.S. envelope market was \$9.9 million, up by 81.0% or \$4.4 million, on volume increases of 74.6% and higher average selling prices, which increased by 3.6% in CAD, with the depreciation of the USD having a negative impact of 0.3%. The acquisitions of Classic Envelope Inc. concluded in October 2015 and Bowers Envelope at the end of August 2016 contributed to this growth.

Revenue from packaging and specialty products decreased by 1.6%, from \$2.6 million in the third quarter of last year to \$2.5 million in the third quarter of 2016, on variations in the product mix.

EBITDA stood at \$5.5 million for the three-month period ended September 30, 2016, compared with \$6.6 million for the same period in 2015, a decrease of \$1.1 million or 16.4%. The challenging environment in the Canadian envelope market and changes in the product mix weighted on this quarter's EBITDA. As a result of these factors and of a growing presence in the U.S. where the envelope margins are lower, EBITDA margins stood at 15.1% in the third quarter of 2016 compared to 20.3% during the third quarter of last year. Last year's third quarter EBITDA was also positively affected by the contribution of the large order for the government that only repeats every 4 years.

Net earnings grew by 2.2% to \$2.8 million (or \$0.0989 per share) comparable to the same period of 2015 (or \$0.0964 per share).

Operating activities generated cash of \$3.1 million compared with \$5.2 million during the same period of 2015. During the third quarter of last year, the large order for the government contributed to sustain operating profitability while a challenging Canadian envelope market landscape in the third quarter of this year combined with higher working capital requirements reduced the level of cash flow generated by operating activities.

### **Financial Results for the Nine-Month Period**

Revenue for the nine-month period ended September 30, 2016, was \$117.2 million compared with \$101.0 million for the nine-month period ended September 30, 2015, an increase of \$16.2 million or 16.0%.

Revenue from the Canadian envelope market increased by \$4.2 million or 5.5%, to \$82.0 million during the first nine months of 2016. Although the Premier Envelope Ltd. acquisition performed well year-to-date and helped compensate for the secular decline in the envelope market, the recent Canada Post labor disruption threat impacted revenue during the third quarter. During the nine-month period ended September 30, 2016, the number of units sold increased by 0.9% combined with higher average selling prices of 4.5% when compared to the equivalent period of last year, resulting from changes in the product mix and higher costs of raw materials.

Revenue from the U.S. envelope market continued to grow significantly as a result of the Classic Envelope Inc. acquisition and to a lesser extent from the acquisition of Bowers Envelope. During the first nine months of the year, revenue from the U.S. envelope market reached \$27.3 million, representing an increase of \$11.4 million or 71.4% over last year, on volume increases of 58.6% and 8.1% higher average selling prices denominated in CAD, of which 5.0% results from the appreciation of the USD.

Revenue from packaging and specialty products was \$7.9 million during the nine-month period ended September 30, 2016, an increase of 7.9% from \$7.3 million in the comparable period of 2015.

EBITDA stood at \$19.6 million for the nine-month period ended September 30, 2016, compared with \$25.0 million for the same period in 2015, a decrease of \$5.4 million or 21.7%. Excluding the non-cash gains totaling \$5.0 million on amendments to the pension and post-retirement benefits plans recorded in 2015, the Adjusted EBITDA stood at \$19.6 million for the nine-month period ended September 30, 2016, compared with \$20.0 million last year, a decrease of \$0.4 million or 2.4%. Adjusted EBITDA margins stood at 16.7% in the first nine months of 2016 compared to 19.8% during the comparable period of last year, mostly on the increase in operating expenses resulting from the Company's strategy to grow its presence in the U.S. envelope market and strengthen its platform in Canada, which resulted in the acquisition and integration of three businesses in the last twelve months.

Net earnings amounted to \$10.0 million for the nine-month period ended September 30, 2016, compared with \$12.1 million for the same period in 2015, a decrease of \$2.1 million or 18.0%. Earnings per share amounted to \$0.35 in the first nine months of 2016 compared with \$0.42 in the comparative period of 2015. Adjusted net earnings grew by 17.6% to \$10.0 million (or \$0.35 per share) for the nine-month period ended September 30, 2016, up from \$8.5 million (or \$0.29 per share) for the same period in 2015.

Cash of \$12.5 million was generated by operating activities during the nine-month period ended September 30, 2016, compared with \$12.0 million during the same period of 2015 on efficient working capital management and increased profitability.

As at September 30, 2016, the Company had 28,632,751 common shares outstanding, down from 28,644,771 common shares on July 28, 2016 upon execution of the Normal Course Issuer Bid.

## Declaration of Dividend

On November 3, 2016, the Board of Directors declared a quarterly dividend of \$0.06 per share, representing a 9.1% increase over the prior year and to the dividend per share declared in the previous three quarters. The dividend is payable on January 13, 2017, to shareholders of record at the close of business on December 30, 2016. This dividend is designed as an “eligible” dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.

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

(In thousands of dollars)

	Three-month periods ended		Nine-month periods ended	
	Sept. 30, 2016	Sept. 30, 2015	Sept.30, 2016	Sept. 30, 2015
	\$	\$	\$	\$
<b>Net Earnings</b>	<b>2,832</b>	<b>2,771</b>	<b>9,950</b>	<b>12,127</b>
Income tax expense	994	1,054	3,588	4,470
Financing charges, net	198	185	650	785
(Gain) loss on disposal of property, plant and equipment	(29)	19	24	19
Amortization of property, plant and equipment	1,264	1,016	3,743	2,958
Amortization of intangible assets	249	1,541	1,601	4,623
<b>EBITDA<sup>(1)</sup></b>	<b>5,508</b>	<b>6,586</b>	<b>19,556</b>	<b>24,982</b>
Adjustments				
Less: Gains on pension plans amendment	—	—	—	(4,341)
Less: Gain on post-retirement benefits plans amendment	—	—	—	(614)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>5,508</b>	<b>6,586</b>	<b>19,556</b>	<b>20,027</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		Nine-month periods ended	
	Sept.30, 2016	Sept.30, 2015	Sept.30, 2016	Sept. 30, 2015
	\$	\$	\$	\$
<b>Net Earnings</b>	<b>2,832</b>	<b>2,771</b>	<b>9,950</b>	<b>12,127</b>
Adjustments				
Less: Gains on pension plans amendments	—	—	—	(4,341)
Less: Gain on post-retirement benefits plans amendment	—	—	—	(614)
Deferred income tax on gains on pension and post-retirement benefits plans amendments	—	—	—	1,290
<b>Adjusted Net Earnings<sup>(1)</sup></b>	<b>2,832</b>	<b>2,771</b>	<b>9,950</b>	<b>8,462</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 (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 third-quarter results will be held today, Friday, November 4, 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 September 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 September 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](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 three (3) facilities in the United States and employs approximately 700 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)

-30-

### **Contact:**

Investor Relations

[investors@supremex.com](mailto:investors@supremex.com)

(514) 595-0555