



PRESS RELEASE

SUPREMEX ANNOUNCES Q4 AND 2016 YEAR-END RESULTS AND DECLARES REGULAR QUARTERLY DIVIDEND

Montreal, Quebec, February 16, 2017 – 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 quarter and year ended December 31, 2016, and declared a regular quarterly dividend.

Fourth Quarter Highlights:

- 2016 Q4 revenues increased by 5.1% year-over-year, reaching \$43.4 million.
- Revenue from the Canadian envelope market was down by 3.5%, to \$28.0 million.
- Revenue from the U.S. envelope market continued to significantly increase, by 21.6% year-over-year, reaching \$11.1 million.
- Revenue from packaging and specialty products also grew, by 36.5%, reaching \$4.3 million.
- EBITDA¹ stood at \$7.8 million, down by 3.5% from \$8.1 million.
- Net earnings increased by 22.0%, reaching \$4.6 million (or \$0.16 per share) compared with \$3.8 million (or \$0.13 per share).
- Maintained strong financial flexibility with a low debt ratio of 0.9x EBITDA²
- Acquired substantially all of the assets of Durabox Paper Inc. (“Durabox Paper”), a manufacturer of specialty corrugated paper boxes located in Lachine, Quebec.
- Approved a quarterly dividend payment of \$0.06 per share, equivalent to the last quarter and up 9.1% year-over-year.

Other Development During the Quarter:

On December 23, 2016, Supremex concluded a strategic acquisition of Printer Gateway Inc. (“Printer Gateway”), a nationally recognized Toronto-based Web-to-Print printer servicing the communications and graphic arts industry. In addition to its e-commerce based B2B store front, Printer Gateway developed a proprietary leading edge integrated technology that allows it to efficiently service small orders. Supremex intends to deploy this technology across certain product lines to improve machinery utilization and turnaround time. Printer Gateway generated approximately \$4.0 million of revenues on annual basis from the sale of various marketing materials (such as postcards, brochures, booklets and flyers) over the last twelve-month period.

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

² Computed as revolving credit facility (net of deferred financing costs) less cash, divided by EBITDA

2016 Fiscal Highlights:

- 2016 revenues increased by 12.8% year-over-year, reaching \$160.6 million.
- Revenue from the Canadian envelope market grew by 3.0%, to \$110.8 million.
- Revenue from the U.S. envelope market continued to significantly increase, by 53.3%, reaching \$38.4 million.
- Revenue from packaging and specialty products also grew, by 16.4%, to \$12.2 million.
- Adjusted EBITDA stood at \$27.4 million, down 2.7% from \$28.1 million.
- EBITDA¹ stood at \$27.4 million, down 17.3% from \$33.1 million which included non-cash gains from amendments to the pension and post-retirement benefit plans in 2015.
- Net earnings decreased by 8.4% to \$14.6 million (or \$0.51 per share) compared with \$15.9 million (or \$0.55 per share).
- Acquired, during the third quarter, substantially all of the assets of Indiana-based Bowers Envelope Company, Inc. ("Bowers Envelope") a manufacturer and printer of envelopes strategically located at the "Crossroads of America".
- Purchased a total of 139,616 common shares during the year for cancellation under the Normal Course Issuer Bid programs in effect during the year, for total considerations of \$668,938.
- Appointed Mr. Drew Sullivan as Director for the Company, former President of RR Donnelley Canada.

"I am very pleased with our both our fourth quarter and full year results for 2016. During the fourth quarter, we continued to execute on our diversification strategy, by completing two additional acquisitions, bringing our total to five in the last sixteen months. This fueled 12% growth in revenues during 2016 which enabled us to maintain comparable EBITDA year over year. Almost one third of Supremex revenue now comes from U.S. envelope and packaging and specialty products sales, making us less dependent on a mature Canadian envelope market." said Stewart Emerson, President & CEO of Supremex.

"Our fourth quarter results further demonstrate the benefits of our diversification strategy. Profitability and margins are trending closer to pre-M&A activity levels. As we further onboard these acquired operations we expect to see additional benefits through geographic expansion, complementary offerings, and operational synergies. Our current and future success lies in our ability to diversify the business while efficiently operating our platform to generate strong cashflow. I am confident in our ability to deliver on this and proud to say that we achieved all of this in 2016, even as we executed a very ambitious M&A diversification strategy." added Mr. Emerson

"Concurrently, our debt remained at pre-M&A levels and by way of a dividend increase and active share repurchasing program, we returned more value to our shareholders. Looking ahead to 2017, we will continue to optimally allocate capital towards opportunities that have the potential to sustain long term revenue growth, cashflow generation and to optimize this cost of capital to drive shareholder value." concluded Mr. Emerson.

Summary of 2016 Fourth Quarter Financial Results

Revenue for the three-month period ended December 31, 2016, increased by 5.1% or \$2.1 million reaching to \$43.4 million compared with \$41.3 million during the three-month period ended December 31, 2015, mostly on the execution of the Company's diversification strategy with the acquisitions of Bowers Envelope and Durabox Paper.

Revenue from the Canadian envelope market was down by \$1.0 million or 3.5%, to \$28.0 million. Revenue from the U.S. envelope market increased by \$2.0 million or 21.6%, reaching \$11.1 million mostly from the contribution of Bowers Envelope, acquired in August 2016. Revenue from packaging

and specialty products increased by 36.5% to reach \$4.3 million, mostly explained by the acquisition of Durabox Paper on November 28, 2016.

EBITDA stood at \$7.8 million for the three-month period ended December 31, 2016, compared with \$8.1 million for the same period in 2015, a decrease of \$0.3 million or 3.5%. EBITDA margins stood at 18.0% compared to 19.6% during the fourth quarter of 2015, mainly the result of a higher level of selling and administration expenses from a growing organization.

Net earnings increased by 22.0%, amounting to \$4.6 million (or \$0.16 per share) for the three-month period ended December 31, 2016, compared with \$3.8 million (or \$0.13 per share) for the same period in 2015.

Operating activities generated cash of \$9.1 million compared with \$8.1 million during the same period of 2015 explained by positive net changes in working capital balances, mostly on tight management of accounts receivable.

Summary of Financial Results for Fiscal 2016

Revenue for the year ended December 31, 2016, increased by 12.8% or \$18.3 million, reaching \$160.6 million. During the last sixteen months, the Company focused on executing its acquisition strategy to maintain a strong envelope platform in Canada, diversify into the U.S. envelope and packaging and specialty products markets.

Revenue from the Canadian envelope market increased by \$3.2 million or 3.0% reaching \$110.0 million. Although the acquisition of substantially all of the assets of Premier Envelope Ltd. performed well during the year and helped mitigate the secular decline of the Canadian envelope market, disruptions caused by the threat of a work stoppage at Canada Post over the summer affected revenues. Additionally, last year's results benefited from the effects of a large order for the government that only occurs every four years.

Continued strength in the U.S. envelope market came mostly from the acquisitions of Classic Envelope Inc., concluded in October 2015, and of Bowers Envelope at the end of August 2016. This market contributed \$13.3 million revenue growth in 2016 and revenues increased by 53.3% to \$38.4 million. Revenue from packaging and specialty products also increased, by 16.4% or \$1.7 million reaching \$12.2 million. The acquisition of Durabox Paper concluded in November 2016 and legacy product growth contributed to this increase.

EBITDA stood at \$27.4 million (or 17.1% of revenues) for the year ended December 31, 2016, compared with \$33.1 million (or 23.3% of revenues) in 2015, a decrease of \$5.7 million or 17.3%. In 2015, gains on amendments to the pension and post-retirement benefits plans amounting to \$5.0 million were recognized. On an adjusted basis, EBITDA stood at \$27.4 million (or 17.1% of revenues) compared with \$28.1 million (or 19.8% of revenues) in 2015. Weakness in the Canadian envelope market brought on by the threat of labour disruptions at Canada Post, the execution in 2015 of a large order for the government that only occurs every four years, a growing presence in a more competitive U.S. envelope market and additional costs incurred to integrate the acquired businesses explain a weaker EBITDA in 2016.

Net earnings amounted to \$14.6 million (or \$0.51 per share) for the year ended December 31, 2016, compared with the net earnings of \$15.9 million (or \$0.55 per share) for the same period in 2015, a decrease of \$1.3 million or 8.4%.

Operating activities generated net cash of \$21.6 million during the year ended December 31, 2016, compared with \$20.1 million during the same period of 2015.

Declaration of Dividend:

On February 15, 2017, the Board of Directors declared a quarterly dividend of \$0.06 per share, payable on April 14, 2017, to shareholders of record at the close of business on March 31, 2017. The dividend is equivalent to the dividend declared during the last quarter and represents an increase of 9.1% over the dividend paid in the fourth quarter of last year. This dividend is designated as an “eligible” dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.

Execution of Normal Course Issuer Bid:

On July 29, 2016 Supremex received approval for a new Normal Course Issuer Bid (“NCIB”) whereby the Company can repurchase, for cancellation, up to 500,000 common shares, for a maximum period of twelve months. During 2016, the Company purchased for cancellation under the NCIB programs in effect, a total of 139,616 shares, for total considerations of \$668,939. After year end, the Company purchased an additional 2,300 shares following execution of the NCIB, for total considerations of \$11,492.

Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended		Twelve-month periods ended	
	December 31	December 31	December 31	December 31
	2016	2015	2016	2015
	\$	\$	\$	\$
Net Earnings	4,643	3,804	14,593	15,931
Income tax expense	1,886	1,407	5,474	5,877
Financing charges, net	202	181	852	966
Amortization of property, plant and equipment	777	1,153	4,520	4,111
Amortization of intangible assets	316	1,588	1,917	6,211
Loss (gain) on disposal of property, plant and equipment	3	(26)	27	(7)
EBITDA ⁽¹⁾	7,827	8,107	27 383	33,089
Adjustments				
Less: Gains on pension plans amendments	—	—	—	(4,341)
Less: Gain on post-retirement benefits plans amendment	—	—	—	(614)
Adjusted EBITDA ⁽¹⁾	7,827	8,107	27,383	28,134

⁽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 December 31		Twelve-month periods ended December 31	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net Earnings	4,643	3,804	14,593	15,931
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
Adjusted Net Earnings ⁽¹⁾	4,643	3,804	14,593	12,266

(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 loss (gain) 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 and Adjusted Net Earnings are not earnings measures recognized under IFRS and do 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 fourth quarter and year-end results will be held today, Thursday, February 16, 2017, at 10 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 into (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 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, credit risks with respect to trade receivables, increase in funding of the Company’s pension plans, postal services deficiencies, interest rates fluctuations and potential risk of litigation. Such risks and uncertainties are discussed throughout our MD&A for fiscal 2016 and 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 provinces and three facilities in the United States and employs approximately 780 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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