



PRESS RELEASE

SUPREMEX ANNOUNCES Q2 2017 RESULTS AND DECLARES REGULAR QUARTERLY DIVIDEND

Montreal, Quebec, August 1, 2017 – Supremex Inc. (“Supremex” or the “Company”) (TSX: SXP), a leading North American manufacturer and marketer of envelopes and a growing provider of packaging and specialty products, today announced its results for the second quarter ended June 30, 2017, and declared a regular quarterly dividend.

Second Quarter Highlights and Recent Events

- Acquired Stuart Packaging Inc. on July 20, 2017, a leading provider of premium quality folding carton packaging for the consumer market. The transaction was concluded for cash consideration of \$17.5 million on a cash-free debt-free basis, plus an amount of up to \$2.1 million over 24 months subject to the realization of certain financial targets.
 - 2017 Q2 revenues increased by 4.4% year-over-year, reaching \$41.1 million.
 - Net earnings decreased to \$2.8 million (or \$0.10 per share) compared with \$3.9 million (or \$0.14 per share).
 - EBITDA¹ stood at \$5.4 million, down by \$1.5 million from the prior year’s result of \$6.9 million.
 - Maintained strong financial flexibility with a low net indebtedness to EBITDA¹ ratio of 1.1 times.
 - Approved a quarterly dividend of \$0.06 per share, equivalent to the last quarter and up 9.1% year-over-year.
 - Purchased a total of 100,640 common shares for cancellation under the Normal Course Issuer Bid (“NCIB”) program, for total considerations of \$482,369.
 - Renewed the Company’s NCIB program to repurchase up to 500,000 common shares for cancellation during a period of 12 months ending August 2, 2018.
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“Revenues grew by 4.4% in the quarter with the largest growth area coming from packaging and specialty products, followed by revenues from the US envelope market. I am pleased that our strategy to diversify the business continues to progress, allowing us to compensate for the significant volume decline of Canadian envelopes during the quarter.” said Stewart Emerson, President & CEO of Supremex. “The recently announced acquisition of Stuart Packaging, our first acquisition in the folding carton packaging market, will serve to reinforce this diversification strategy and help us to continue to grow.”

“We are pleased with our ability to manage product mix, average selling prices and manufacturing costs, however, the impact of the lower volume of Canadian envelopes has had a direct impact on our profitability. While we do not believe that the volume decline in the quarter is indicative of long-term trends, it reinforces the need to actively manage our market share in a declining envelope market and make strategic acquisitions to diversify our revenue streams and access markets that will enable us to grow.”

“During the quarter, we maintained a fortress balance sheet with a very healthy debt level and returned significant shareholder value by way of dividends and share repurchase programs while

¹ Refer to the reconciliation of Net Earnings to EBITDA and to the definition of EBITDA and non-IFRS measures.

maintaining the necessary financial flexibility to further allocate capital to accretive or strategic diversification opportunities should they arise.” concluded Mr. Emerson.

Summary of the three-month period ended June 30, 2017

Revenue for the three-month period ended June 30, 2017, increased by 4.4% or \$1.7 million to \$41.1 million compared with \$39.4 million during the three-month period ended June 30, 2016, primarily from the contribution of the fiscal 2016 acquisitions as part of the Company’s stated diversification strategy, partially offset by the lower sales volume of Canadian envelopes.

Revenue from the Canadian envelope market stood at \$24.5 million down by \$3.9 million or 13.5% from the second quarter of 2016. The decline was driven mainly by a 14.9% reduction in volume, which was slightly mitigated by an increase of 1.6% in average selling prices. Management believes that the 14.9% reduction is not completely indicative of overall market conditions. Volume of Canadian envelopes increased somewhat artificially in the second quarter of last year as direct mail processors accelerated mailings ahead of the announced threat of a work stoppage at Canada Post in the summer of 2016. In addition, a key account in the financial industry was lost to competition in the second quarter of 2016 but actually resulted in higher than normal sales to this client during the second quarter of 2016 in anticipation of the transition. Canada Post’s most recently available information indicates transaction mail volume is 5.9% lower than 2016 and direct mail is 0.3% lower than 2016, which is likely the most accurate reflection of current volume trends for Canadian envelopes.

Revenue from the U.S. envelope market grew to \$10.4 million, representing an increase of 27.1% mainly from the contribution of the acquisition of Bowers Envelope Company, Inc. located in the Midwestern United States. The number of units sold grew by 16.1% and average selling prices increased by 9.5% primarily from a weaker Canadian dollar during the period compared to the equivalent period of last year.

Revenue from packaging and specialty products reached \$6.2 million, an increase of 117.6% resulting primarily from the acquisition of Quebec-based Durabox Paper Inc. and to a lesser extent, Ontario-based Printer Gateway Inc.

EBITDA stood at \$5.4 million for the three-month period ended June 30, 2017, compared with \$6.9 million for the same period in 2016, a decrease of \$1.5 million or 21.8%. EBITDA margins stood at 13.1% compared to 17.5% during the second quarter of last year.

The Company’s strategy to grow its presence in the U.S. envelope market and diversify into packaging resulted in three acquisitions during fiscal 2016, all in the second half of the year. During this period, the acquisition of Bowers Envelope Company, Inc. significantly grew the Company’s presence in the U.S., a much larger and competitive envelope market. Furthermore, the company continues to integrate all three businesses and position them for future growth.

Net earnings decreased to \$2.8 million (or \$0.10 per share) for the three-month period ended June 30, 2017, compared to \$3.9 million (or \$0.14 per share) for the same period in 2016, primarily due the lower sales volume of Canadian envelopes.

Operating activities generated cash of \$5.2 million compared with \$7.5 million during the same period of 2016, primarily due to variations in non-cash working capital items and to lower net earnings.

Summary of the six-month period ended June 30, 2017

Revenue for the six-month period ended June 30, 2017 increased by 7.0% or \$5.6 million to \$86.3 million compared with \$80.7 million during the six-month period ended June 30, 2016, primarily from

the contribution of the fiscal 2016 acquisitions as part of the Company's stated diversification strategy, partially offset by the lower sales volume of Canadian envelopes.

Revenue from the Canadian envelope market stood at \$52.6 million down by \$5.3 million or 9.0% from the first six months of 2016. The decline was driven by a 10.0% reduction in volume, which was slightly mitigated by an increase of 1.1% in average selling prices. Management believes that the 10.0% reduction is not completely indicative of overall market conditions. Volume of Canadian envelopes increased somewhat artificially in the second quarter of last year as direct mail processors accelerated mailings ahead of the announced threat of a work stoppage at Canada Post in the summer of 2016. In addition, a key account in the financial industry was lost to competition in the second quarter of 2016 but actually resulted in higher than normal sales to this client during the second quarter of 2016 in anticipation of the transition. Canada Post's most recently available information indicates transaction mail volume is 5.9% lower than 2016 and direct mail is 0.3% lower than 2016, which is likely the most accurate reflection of current volume trends for Canadian envelopes.

Revenue from the U.S. envelope market grew to \$21.4 million, representing an increase of 22.9% mainly from the contribution of the acquisition of Bowers Envelope Company Inc. located in the Midwestern United States. The number of units sold grew by 20.4% and average selling prices increased by 2.1%.

Revenue from packaging and specialty products reached \$12.3 million, an increase of 127.2% resulting primarily from the acquisition of Quebec-based Durabox Paper Inc. and to a lesser extent, Ontario-based Printer Gateway Inc.

EBITDA stood at \$12.3 million for the six-month period ended June 30, 2017, compared with \$14.0 million for the same period in 2016, a decrease of \$1.7 million or 12.5%. EBITDA margins stood at 14.2% compared to 17.4% during the first six months of last year.

Net earnings amounted to \$6.9 million (or \$0.24 per share) for the six-month period ended June 30, 2017, compared with \$7.1 million (or \$0.25 per share) for the equivalent period in 2016.

Operating activities generated cash of \$6.0 million compared with \$9.5 million during the same period of 2016, primarily due to variations in non-cash working capital items and to lower net earnings.

Declaration of Dividend

On July 31, 2017, the Board of Directors declared a quarterly dividend of \$0.06 per share, payable on October 13, 2017, to shareholders of record at the close of business on September 30, 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 prior 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 31, 2017, Supremex received approval for a new NCIB whereby the Company can repurchase, for cancellation, up to 500,000 common shares, for a maximum period of twelve months that will expire on August 2, 2018. During the second quarter of 2017, the Company purchased for cancellation, a total of 100,640 shares, for total considerations of \$482,369 under its existing NCIB.

Reconciliation of Net Earnings to EBITDA
(In thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2017	2016	2017	2016
Net earnings	2,833	3,890	6,914	7,118
Income tax expense	1,184	1,374	2,617	2,594
Financing charges, net	183	195	367	452
(Gain) loss on disposal of property, plant and equipment	(1)	(5)	(1)	53
Amortization of property, plant and equipment	817	1,232	1,640	2,479
Amortization of intangible assets	381	217	755	1,352
EBITDA⁽¹⁾	5,397	6,903	12,292	14,048

⁽¹⁾ Refer to "Definition of EBITDA and non-IFRS measures."

Definition of EBITDA 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 or loss on disposal of property, plant and equipment. EBITDA is not an earnings measure recognized under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA 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 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 obligations. Other non-IFRS measures include net indebtedness to EBITDA ratio. This ratio is calculated in accordance with the definition in the Company's credit agreement as total debt net of cash divided by EBITDA.

Conference Call:

A conference call to discuss the Company's 2017 second quarter results will be held on August 1, 2017 at 10:00 a.m. (Eastern Time). A live broadcast of the conference call will be available on the Company's website, in the Investors section under Webcast.

To participate (professional investment community only) 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
- A 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 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 and for the second quarter ended June 30, 2017.

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 for the second quarter ended June 30, 2017 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 envelopes and a growing provider of packaging and specialty products. Supremex operates facilities across seven provinces in Canada and three facilities in the United States employing approximately 845 people. Supremex' growing footprint allows it to efficiently manufacture and distribute paper and packaging solutions designed to the specifications of major national and multinational corporations, resellers, government entities, SMEs and solutions providers. For more information, please visit www.supremex.com.

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