



PRESS RELEASE

## SUPREMEX ANNOUNCES Q1 2018 RESULTS AND DECLARES REGULAR QUARTERLY DIVIDEND

**Montreal, Quebec, May 9, 2018** – 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 first quarter ended March 31, 2018, and declared a regular quarterly dividend.

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### First Quarter 2018 Highlights and Recent Events

- Acquired Groupe Deux Printing Inc. and its related company Pharmaflex Labels Inc. on April 30, 2018, a leading manufacturer of premium quality folding carton packaging and labels primarily for the pharmaceutical industry. The transaction was concluded for cash consideration of \$11.25 million on a cash-free and debt-free basis.
  - Revenue increased by 8.4% year-over-year, to \$48.9 million from \$45.2 million.
  - Adjusted EBITDA<sup>1</sup> decreased by 3.9% to \$6.6 million, compared with \$6.9 million.
  - Net Earnings decreased by 18.0%, to 3.3 million (or \$0.12 per share) compared with \$4.1 million (or \$0.14 per share).
  - Adjusted Net Earnings<sup>2</sup> decreased by 11.7%, to \$3.6 million (or \$0.13 per share) compared with \$4.1 million (or \$0.14 per share).
  - Maintained strong financial flexibility with a net indebtedness to Adjusted EBITDA<sup>1</sup> ratio of 1.5 times.
  - Approved a quarterly dividend of \$0.065 per share, equivalent to the last quarter and up 8.3% year-over-year.
  - Appointed Guy Prenevoist as Chief Financial Officer and Corporate Secretary.
  - Announced the nomination of Nicole Boivin and Steven P. Richardson to the Board of Directors upon their election at Company’s upcoming Annual General Meeting to be held on May 9, 2018.
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“Revenues increased by 8.4% during the first quarter resulting from our continued diversification into the packaging market. Although the secular decline in the Canadian envelope market continued to weigh on our first quarter results, we expect the additional contribution from our recently announced acquisition of folding carton manufacturer Groupe Deux Printing Inc., to further compensate for the decline in our legacy business, said Stewart Emerson, President & CEO of Supremex. “We are well positioned to further grow in diversified markets. On a pro-forma basis, 30% of our revenues are coming from packaging. We will continue to make ongoing investments in capacity to meet the expected demand”.

“Our operations continue to generate strong cash flows, which is providing the opportunity to continue returning value to our shareholders while executing our growth and diversification strategy. And as always, we continue to prudently manage cash flow while maintaining low-leverage.” concluded Mr. Emerson.

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<sup>1</sup> Refer to the reconciliation of Net Earnings to EBITDA to Adjusted EBITDA and to the definition of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Non-IFRS Measures at the end of this press release.

<sup>2</sup> Refer to the reconciliation of Net Earnings to Adjusted Net Earnings and to the definition of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Non-IFRS Measures at the end of this press release.

## Summary of the three-month period ended March 31, 2018

Revenue for the three-month period ended March 31, 2018, increased by 8.4% reaching \$48.9 million primarily from the contribution of Stuart Packaging Inc. ("Stuart Packaging") acquired in July 2017 as part of the Company's strategy to diversify into the packaging market.

Revenue from the Canadian envelope market was at \$25.9 million, a decrease of 7.8% attributable to a reduction in volume of 9.6%, which was partially compensated by an increase in average selling prices of 2.1%. The decline in volume primarily results from the industry-wide secular decline (Canada Post Transactional Mail volume was down 5.5% during the year ended December 31, 2017<sup>3</sup>), and from the effects of timing and ebbs and flows on customer movement.

Revenue from the U.S. envelope market was at \$10.1 million, a decrease of 7.5% attributable to a reduction in the volume of units sold of 7.8%, combined with an increase in average selling prices of less than 1.0% from the strength of the Canadian dollar during the period. The reduction in volume of sales results from a combination of timing of sales and loss of volume with an existing customer. The U.S. envelope market remains highly competitive and continues to feel the effects of an oversupplied environment. Management remains confident that it is ideally positioned to benefit from these ongoing structural issues in the longer term.

Revenue from packaging products amounted to \$12.9 million, an increase of 111.5% or \$6.8 million compared to the prior year, primarily from the contribution of the acquisition of Stuart Packaging, and continued growth in the Company's e-commerce packaging business.

Adjusted EBITDA was at \$6.6 million, compared with \$6.9 million in the first quarter of 2017, a decrease of \$0.3 million or 3.9%. Although folding carton packaging operations from the acquisition of Stuart Packaging were strong contributors to EBITDA in the quarter, it did not fully compensate the effects of the secular decline in the legacy envelope business and the pressures of inflationary paper prices. An EBITDA loss of \$0.1 million attributable to the non-core operations of Printer Gateway was recorded in the first quarter of 2018 compared to \$0.3 million in the comparative period of 2017. In the first quarter of 2018, Adjusted EBITDA margins stood at 13.6% of revenues compared with 15.3% in the equivalent quarter of 2017.

Adjusted net earnings were at \$3.6 million (or \$0.13 per share) for the three-month period ended March 31, 2018, compared with \$4.1 million (or \$0.14 per share) for the equivalent period in 2017.

Operating activities generated cash of \$3.2 million compared with \$0.8 million during the same period in 2017.

## Declaration of Dividend

On May 8, 2018, the Board of Directors declared a quarterly dividend of \$0.065 per common share, payable on July 17, 2018, to the shareholders of record at the close of business on June 29, 2018. 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 ("NCIB")

On August 1, 2017, the Company announced the renewal of its Normal Course Issuer Bid after its approval by the TSX, to purchase for cancellation, up to 500,000 of its common shares, representing approximately 1.75% of its 28,482,611 issued and outstanding common shares as of July 31, 2017, for a period of twelve months, ending on August 2, 2018. During the first quarter of 2018, the Company did not purchase common shares for cancellation under the NCIB program. Since its renewal on August 1, 2017, the Company purchased a total of 77,142 common shares for cancellation under its existing NCIB program, for a total consideration of \$317,032.

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<sup>3</sup> Canada Post Corporation (May 2018), [Financial Reports](#) Annual report for the year ended December 31, 2017

## Non-IFRS Performance Measures

### Reconciliation of Net Earnings to EBITDA to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended March 31	
	2018	2017
<b>Net Earnings</b>	<b>3,345</b>	4,081
Income tax expense	1,234	1,433
Financing charges, net	363	184
Loss on disposal of property, plant and equipment	13	—
Amortization of property, plant and equipment	967	823
Amortization of intangible assets	449	374
<b>EBITDA<sup>(1)</sup></b>	<b>6,371</b>	6,895
Provision for contingent remuneration related to business combination	256	—
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>6,627</b>	6,895

<sup>(1)</sup> Refer to “Definition of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Non-IFRS measures” at the end of this press release.

### Reconciliation of Net Earnings to Adjusted Net Earnings

(In thousands of dollars)

	Three-month periods ended March 31	
	2018	2017
<b>Net Earnings</b>	<b>3,345</b>	4,081
Adjustment		
Plus: Provision for contingent remuneration related to business combination	256	—
<b>Adjusted Net Earnings<sup>(1)</sup></b>	<b>3,601</b>	4,081

<sup>(1)</sup> Refer to “Definition of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Non-IFRS measures” at the end of this press release.

### 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 or loss on disposal of property, plant and equipment. 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. References to “Adjusted EBITDA” are to EBITDA adjusted to remove the remuneration expense related to the accounting of contingent considerations in connection with business combinations as these charges are considered non-recurring. References to “Adjusted Net Earnings” are to net earnings adjusted to remove the remuneration expense related to the accounting of contingent considerations in connection with business combinations, net of income taxes as these charges are considered non-recurring.

EBITDA, Adjusted EBITDA or Adjusted Net Earnings are not recognized earnings measures 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 EBITA 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. Other non-IFRS measures include net indebtedness to Adjusted EBITDA ratio (with Adjusted EBITDA including the recently acquired companies’ last-twelve-month EBITDA). This ratio is calculated in accordance with the definition in the Company’s credit agreement as total debt net of cash divided by Adjusted EBITDA.

### **Conference Call:**

A conference call to discuss the Company's results for the first quarter ended March 31, 2018 will be held on May 9, 2018 at 9:00 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.

### **Annual Meeting of Shareholders**

Supremex will hold its Annual General Meeting of Shareholders on Wednesday, May 9, 2018 at 11:00am at the Fairmont The Queen Elizabeth Hotel in Montreal. During the event, management will provide a review of 2017 achievements and discuss its plan to continue strengthening Supremex's position as a leading North American manufacturer of envelopes, packaging and specialty products.

- Wednesday, May 9<sup>th</sup>, 2018 starting at 11:00am
- At the Fairmont The Queen Elizabeth located at 900 Rene Levesque Boulevard West, Montreal, Quebec, Canada (Crescent Street Meeting Room)

### **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 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 the year ended December 31, 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 fluctuations, raw material increases, credit risks with respect to trade receivables, increases in funding requirement 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 the year ended December 31, 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](http://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 12 facilities across seven provinces in Canada and three facilities in the United States employing approximately 865 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](http://www.supremex.com).

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