



PRESS RELEASE

SUPREMEX ANNOUNCES Q3 2018 RESULTS AND DECLARES REGULAR QUARTERLY DIVIDEND

Montreal, Quebec, November 9, 2018 – Supremex Inc. (“Supremex” or the “Company”) (TSX: SXP), a leading North American manufacturer and marketer of envelopes and a growing provider of paper-based packaging solutions, today announced its results for the third quarter ended September 30, 2018, and declared a regular quarterly dividend.

Third Quarter 2018 Highlights and Recent Events

- Revenue up by 4.0% year-over-year, to \$45.2 million from \$43.4 million.
- Revenue from packaging and specialty products now account for 28.7% of sales, up from 21.6% in the third quarter of 2017.
- Adjusted EBITDA¹ at \$5.0 million, compared with \$6.4 million.
- Net Earnings decreased to \$1.2 million (or \$0.04 per share) compared with \$3.2 million (or \$0.11 per share) partly from the acceleration of a \$1.1 million earnout expense. Adjusted Net Earnings¹ decreased by 40.7% to \$2.1 million.
- Approved a quarterly dividend of \$0.065 per share, equivalent to the same period of last year.
- Purchased a total of 25,000 common shares for cancellation under the Normal Course Issuer Bid (“NCIB”) program, for total consideration of \$82,506.

“Revenues increased 4% in the quarter resulting from our diversification strategy into the growing packaging market. Although we have experienced growth in the packaging side, profitability was dragged down by a combination of envelope volume reduction and margin pressures related to rapidly rising input costs. The loss of volume was exclusively from the envelope business, primarily from secular decline, the impact of Q3 and Q4 2017 customer movement and the potential effect of a Canada Post disruption.” said Stewart Emerson, President & CEO of Supremex.

“We remain focused on our objective of prudently achieving our goal of a 50-50% envelope-packaging revenue split. In order to accelerate that shift, we are prioritizing resource allocation to our organizational and sales structure on the packaging side. We are disappointed with this quarter’s results and will take further measures to accelerate organic and non-organic growth in packaging as well as scrutinize our operating and cost structure. Envelope remains a very profitable part of our business and we intend to protect its contribution to profitability while working to accelerate our pivot towards value and growth packaging markets.”

“Finally, we remain committed to creating shareholder value by way of dividends and share buybacks while accelerating our diversification strategy to ensure long term sustainable growth and profitability,” concluded Mr. Emerson.

¹ Refer to the reconciliation of Net Earnings to Adjusted EBITDA and to the definition of Adjusted EBITDA and Adjusted NetEarnings in section Non-IFRS Measures.

Summary of the three-month period ended September 30, 2018

Revenue for the three-month period ended September 30, 2018, increased by 4.0% or \$1.8 million, reaching \$45.2 million compared to \$43.4 million during the three-month period ended September 30, 2017. Revenue growth comes primarily from packaging and specialty products, which now represents 28.7% of the Company's revenues in the quarter.

Revenue from the Canadian envelope market was \$21.2 million, a decrease of 11.5% or \$2.8 million from \$24.0 million recorded during the third quarter of 2017. Volume declined by 14.6%, primarily as a result of the combined effects of industry-wide secular decline, Q3 and Q4 2017 customer movement and pricing decisions aligned with the Company's strategy to maintain a disciplined market approach with price leadership and differentiation. Average selling prices increased by 3.6% mitigating some of the effect of significant input cost inflation. For reference, Canada Post Transactional Mail volumes were down 5.9% during their second quarter ended June 30, 2018².

Revenue from the U.S. envelope market was \$11.0 million, an increase of 9.4% from revenue of \$10.0 million in the third quarter of 2017. The volume of units sold decreased by 5.4% primarily from the company's strategic decision not to renew an underpriced contract and the expiration of a strategic production alliance with a long standing commercial partner. Excluding the effects of the expired strategic alliance and the underpriced contract, the volume of units sold increased by 9.0%. Average selling prices increased by 15.7% as a result of the aforementioned expired strategic production alliance, a more favorable product mix, increased customer prices to mitigate rising input costs and a favorable foreign exchange translation effect from a weaker Canadian dollar.

Revenue from packaging products was \$13.0 million, an increase of 37.7% or \$3.5 million compared to the equivalent quarter of the prior year, primarily resulting from the acquisition of G2 Printing and Pharmaflex, concluded on April 30, 2018, and from organic growth in the folding carton, corrugate and e-commerce packaging offerings.

Adjusted EBITDA stood at \$5.0 million, compared with \$6.4 million in the third quarter of 2017, representing a decrease of \$1.4 million or 21.8%, from the loss of envelope sales volume combined with inflationary pressures on input costs, mainly paper and transportation. Third quarter 2018 Adjusted EBITDA margins stood at 11.0% of revenues compared with 14.6% in the equivalent quarter of 2017.

Net Earnings reached \$1.2 million (or \$0.04 per share) for the three-month period ended September 30, 2018, compared with \$3.2 million (or \$0.11 per share) for the equivalent period in 2017. Adjusted Net Earnings reached \$2.1 million (or \$0.07 per share) for the three-month period ended September 30, 2018, compared with \$3.5 million (or \$0.12 per share) for the equivalent period in 2017.

Summary of the nine-month period ended September 30, 2018

Revenue for the nine-month period ended September 30, 2018, increased by 8.7% or \$11.2 million, reaching \$140.9 million compared with \$129.7 million during the nine-month period ended September 30, 2017. Revenue growth comes entirely from packaging and specialty products and was experienced across all packaging offerings.

² [Canada Post Reports 2018 Second Quarter Results](#)

Revenue from the Canadian envelope market was \$69.0 million, a decrease of 9.9% or \$7.6 million from \$76.6 million during the nine-month period of 2017. This variance comes from a reduction of 12.1% in units sold primarily from the combined effects of industry-wide secular decline, Q3 and Q4 2017 customer movement and pricing decisions aligned with the Company's strategy to maintain a disciplined market approach with price leadership and differentiation. This was partially mitigated by an increase in average selling prices of 2.5%.

Revenue from the U.S. envelope market stood at \$30.8 million, a decrease of 1.9% from revenue of \$31.4 million recorded during the equivalent nine-month period of 2017. The volume of units sold decreased by 6.6% from the company's strategic decision not to renew an underpriced contract and the expiration of a strategic production alliance with a long standing commercial partner. Excluding the effects of the expired strategic alliance and the underpriced contract, the volume of units sold increased by 4.8%. Average selling prices increased by 5.0%, slightly impacted by a negative foreign exchange translation effect from a stronger Canadian dollar when compared to the equivalent period of last year.

Revenue from packaging products stood at \$41.1 million, an increase of 89.7% or \$19.4 million compared to the prior year, primarily resulting from the acquisitions of Stuart Packaging and of G2 Printing and Pharmaflex, and from organic growth in the corrugate and e-commerce packaging offerings.

Adjusted EBITDA stood at \$17.7 million for the nine-month period ended September 30, 2018, compared with \$18.6 million for the equivalent period in 2017, representing a decrease of 4.9% from the loss of envelope sales volume combined with inflationary pressures on input costs, mainly paper and transportation. Adjusted EBITDA margins stood at 12.6% compared with 14.4% in the equivalent period of last year.

Net Earnings stood at \$7.6 million (or \$0.27 per share) for the nine-month period ended September 30, 2018, compared with \$10.1 million (or \$0.36 per share) for the equivalent period in 2017. Adjusted Net Earnings stood at \$8.6 million (or \$0.30 per share) for the nine-month period ended September 30, 2018, compared with \$10.4 million (or \$0.36 per share) for the equivalent period in 2017.

Operating activities generated cash of \$9.0 million compared with \$9.7 million during the equivalent period in 2017, resulting from lower net earnings and from inventory build-up related to the Company's decision to invest in increasing Durabox' production capacity, the acquisition of G2 Printing and Pharmaflex and the increase in input costs.

Declaration of Dividend

On November 8, 2018, the Board of Directors declared a quarterly dividend of \$0.065 per common share, payable on January 16, 2019, to the shareholders of record at the close of business on December 31, 2018. This dividend is designated as an "eligible" dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.

Non-IFRS Performance Measures

Reconciliation of Net Earnings to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Net Earnings	1,153	3,214	7,633	10,129
Income tax expense	842	1,024	3,468	3,641
Financing charges, net	477	313	1,284	679
Amortization of property, plant and equipment	1,035	1,048	3,009	2,688
Amortization of intangible assets	557	430	1,500	1,185
EBITDA	4,064	6,029	16,894	18,322
(Gain) loss on disposal of property, plant and equipment	(203)	76	(777)	75
Provision for contingent remuneration related to business combination	1,111	250	1,623	250
Adjusted EBITDA⁽¹⁾	4,972	6,355	17,740	18,647

(1) Refer to "Definition of Adjusted EBITDA in the section Non-IFRS measures"

Reconciliation of Net Earnings to Adjusted Net Earnings

(In thousands of dollars)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Net Earnings	1,153	3,214	7,633	10,129
Adjustments				
Plus : (Gain) loss on disposal of property, plant and equipment, net of income taxes	(203)	76	(624)	74
Plus : Provision for contingent remuneration related to business combination	1,111	185	1,623	185
Adjusted Net Earnings⁽¹⁾	2,061	3,475	8,632	10,388

(1) Refer to "Adjusted Net Earnings in the section Non-IFRS measures"

Non-IFRS measures: Definition of Adjusted EBITDA and Adjusted Net Earnings

References to "Adjusted EBITDA" are to earnings before financing charges, income tax expense and amortization of property, plant and equipment and of intangible assets, adjusted to remove the gain or loss on disposal of property, plant and equipment and the expenses related to the remuneration expense related to the accounting of contingent considerations in connection with business combinations, as these charges are considered non-recurring. Supremex believes that Adjusted 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 Net Earnings" are to net earnings adjusted to remove the gain or loss on disposal of property, plant and equipment and 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.

Adjusted EBITDA or Adjusted Net Earnings are not recognized earnings measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA or Adjusted Net Earnings may not be comparable to similar measures presented by other entities. Investors are cautioned that Adjusted EBITDA and 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.

Conference Call:

A conference call to discuss the Company's results for the third quarter ended September 30, 2018 will be held on November 9, 2018 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 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 and on Supremex' website.

About Supremex

Supremex Inc. is a leading North American manufacturer and marketer of envelopes and a growing provider of paper-based packaging solutions. Supremex operates 12 facilities across seven provinces in Canada and three facilities in the United States employing approximately 830 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.

Contact:

Stewart Emerson

investors@supremex.com

(514) 595-0555 extension 2316