**PRESS RELEASE**

# SUPREMEX ANNOUNCES STRONG Q4 AND 2018 YEAR END RESULTS AND DECLARES REGULAR QUARTERLY DIVIDEND

**Montreal, Quebec, February 21, 2019** – 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 fourth quarter and year ended December 31, 2018, and declared a regular quarterly dividend.

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## Fourth Quarter Financial Highlights and Recent Events

- Revenue in Q4 2018 up by 9.7% year-over-year, to $54.2 million from $49.4 million.
- Revenue from packaging and specialty products accounted for 29.2% of sales, up from 26.2% in the fourth quarter of 2017.
- Adjusted EBITDA[1] stood at $8.1 million, compared with $8.0 million.
- Net Loss of $12.4 million (or $(0.44) per share) compared with Net Earnings of $2.3 million (or $0.08 per share) primarily as a result of a $16.1 million non-cash goodwill impairment charge related to the envelope operations.
- Adjusted Net Earnings[1] increased by 7.4% to $4.7 million (or $0.17 per share), compared with $4.4 million (or $0.16 per share).
- Announced and implemented a cost reduction plan to optimize envelope operations which resulted in an expense of $1.2 million and is expected to generate cost savings of approximately $2.7 million annually.
- Approved a quarterly dividend of $0.065 per share, equivalent to the same period of last year.

## Fiscal Year Financial Performance Highlights

- Revenue in 2018 up by 8.9% year-over-year, to $195.1 million from $179.1 million.
- Adjusted EBITDA[1] increased to $26.8 million from $26.5 million.
- Net Loss of $4.8 million (or $(0.17) per share) compared with Net Earnings of $12.4 million (or $0.43 per share) primarily as a result of a $16.1 million non-cash goodwill impairment charge related to the envelope operations.
- Adjusted Net Earnings[1] decreased by 4.2%, to $14.1 million (or $0.50 per share), compared with $14.7 million (or $0.52 per share).
- Declared a total of $0.26 per share in dividends, an increase of 6.1% over the prior year.
- Purchased 125,000 common shares for cancellation under the Normal Course Issuer Bid ("NCIB") program, for total consideration of $431,840.

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

“During the fourth quarter, revenue and adjusted operating profitability improved both year-over-year and sequentially, reversing the trend experienced over the last few quarters. Strong growth from our packaging and U.S. envelope platforms continued to offset the effect of the secular decline on our Canadian envelope business,” said Stewart Emerson, president and CEO of Supremex Inc.

“We are entering 2019 with growing demand in our packaging businesses, increased capacity and a stronger organization capable of extracting additional value from our 2016-2018 packaging acquisitions. With the Durabox move now complete and the integration of our most recent acquisition advancing well, we are well positioned for continued growth.”

“On the envelope side of our business, as evidenced in our Q4 average selling prices, we continue to progress on passing through input cost inflation. To further improve operating profitability and efficiency in 2019, we are implementing the recently announced cost cutting measures and are continually looking for opportunities to improve capacity allocation, raise our competitiveness and profitability. Envelope remains a very profitable part of our business and we intend to protect its contribution to our bottom-line.”

“As always, we reiterate our commitment to value creation by way of dividends and share buybacks when appropriate, while accelerating our diversification strategy to ensure long term sustainable growth and profitability,” concluded Mr. Emerson.

**Summary of three-month period ended December 31, 2018**

Revenue for the three-month period ended December 31, 2018 increased by 9.7% or $4.8 million, reaching $54.2 million compared to $49.4 million during the three-month period ended December 31, 2017. Revenue growth was experienced across all offerings, primarily from packaging and specialty products, which now represents 29.2% of the Company’s revenues in the quarter, and from U.S. envelope sales.

Revenue from the Canadian envelope market grew to $25.8 million, an increase of 1.1% or $0.3 million from $25.5 million recorded during the fourth quarter of 2017. Volume declined by 7.4%, primarily as a result of the combined effects of industry-wide secular decline, customer and contract movement and the impact of Canada Post labour friction and eventual strike action. Average selling prices increased by 9.2% following price increases required to off-set input cost inflation. For reference, Canada Post Transactional Mail volumes were down 4.6% during their third quarter ended September 29, 2018[2].

Revenue from the U.S. envelope market grew to $12.6 million, an increase of 15.1% or $1.6 million from revenue of $11.0 million in the fourth quarter of 2017. The volume of units sold increased by 3.5% despite the impact of the expiration of a strategic production alliance. Average selling prices increased by 11.2%, as a result of a combination of a more favorable product mix, increased prices implemented to mitigate rising input costs and from a favorable foreign exchange translation effect from a weaker Canadian dollar. For reference, the U.S. Postal Service First Class Mail volumes were down 3.6% during their fiscal year ended September 30, 2018[3].

Revenue from packaging products stood at $15.8 million, an increase of 22.2% or $2.9 million from $12.9 million in the equivalent quarter of the prior year, primarily from the acquisition of G2 Printing and Pharmaflex, concluded on April 30, 2018, and from organic growth in folding carton.

[2] Canada Post 2018 Third Quarter MD&A

[3] USPS 2018 Fiscal Results 10-K

Adjusted EBITDA stood at $8.1 million, an increase of $0.2 million or 2.3% compared to the fourth quarter of 2017. Solid growth in the U.S. envelope business in the fourth quarter of 2018 and selling price increases in the Canadian envelope market mitigated some of the effects of the inflationary pressures on input costs, mainly paper and transportation. Fourth quarter 2018 Adjusted EBITDA margins stood at 15.1% of revenues compared with 16.1% in the equivalent quarter of 2017.

Net loss of $12.4 million (or $(0.44) per share) for the three-month period ended December 31, 2018, compared with net earnings of $2.3 million (or $0.08 per share) for the equivalent period in 2017. Adjusted net earnings increased to $4.7 million (or $0.17 per share) for the three-month period ended December 31, 2018, compared with $4.4 million (or $0.16 per share) for the equivalent period in 2017.

**Summary of the twelve-month period ended December 31, 2018**

Revenue for the twelve-month period ended December 31, 2018, increased by 8.9% or $16.0 million, reaching $195.1 million compared to $179.1 million during the twelve-month period ended December 31, 2017. Revenue growth comes from packaging and specialty products, and to a lesser extent, from U.S. envelope sales.

Revenue from the Canadian envelope market was $94.8 million, a decrease of 7.2% or $7.3 million from $102.1 million during the twelve-month period of 2017. This variance comes from a reduction of 10.9% in units sold primarily from the combined effects of industry-wide secular decline, contract and customer movement and the impact of Canada Post labour friction and eventual strike action. Average selling prices increased by 4.2% reflecting inflation cost passthrough. For reference, Canada Post Transactional Mail volumes were down 4.9% during the first three quarters of 2018[4].

Revenue from the U.S. envelope market stood at $43.4 million, an increase of 2.5% or $1.0 million from revenue of $42.4 million recorded during the equivalent twelve-month period of 2017. The volume of units sold decreased by 4.0%, primarily from the Company's strategic decision not to renew an underpriced contract earlier in 2018 and the expiration of a strategic production alliance with a long-standing commercial partner. Average selling prices increased by 6.8%, reflecting input cost inflation pass through and the impact of the aforementioned expiration of the strategic production alliance.

Revenue from packaging products stood at $56.9 million, an increase of 64.4% or $22.3 million compared to the prior year, primarily resulting from the acquisitions of Stuart Packaging on a full year effect, G2 Printing and Pharmaflex during the year, and from organic growth in packaging offerings.

Adjusted EBITDA stood at $26.8 million for the twelve-month period ended December 31, 2018, compared with $26.5 million for the equivalent period in 2017, representing an increase of 1.1%. The positive EBITDA contribution from the Company's packaging operations was mitigated by the loss of envelope volume in Canada combined with inflationary pressures on input costs, mainly paper and transportation. Adjusted EBITDA margins stood at 13.8% compared with 14.8% in the equivalent period of last year.

Net loss of $4.8 million (or $(0.17) per share) for the twelve-month period ended December 31, 2018, compared with net earnings of $12.4 million (or $0.43 per share) for the equivalent period in 2017. Adjusted net earnings stood at $14.1 million (or $0.50 per share) for the twelve-month period ended December 31, 2018, compared with $14.7 million (or $0.52 per share) for the equivalent period in 2017.

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[4] Canada Post 2018 Third Quarter MD&A

Operating activities generated cash of $11.9 million during the twelve-month period ended December 31, 2018 compared with $15.9 million during the equivalent period of 2017, resulting mainly from lower net earnings, from inventory build-up related to the Company's decision to invest in increasing Durabox' production capacity and from the increase in input costs.

**Declaration of Dividend**

On February 20, 2019, the Board of Directors declared a quarterly dividend of $0.065 per common share, payable on April 12, 2019, to the shareholders of record at the close of business on March 29, 2019. 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 (Loss) Earnings to Adjusted EBITDA**
*(In thousands of dollars)*

| | **Three-month periods ended December 31** | | **Twelve-month periods ended December 31** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **Net (Loss) Earnings** | **(12,426)** | 2,262 | **(4,793)** | 12,391 |
| Income tax expense | **607** | 1,015 | **4,075** | 4,656 |
| Financing charges, net | **557** | 399 | **1,841** | 1,078 |
| Depreciation of property, plant and equipment | **1,286** | 1,025 | **4,295** | 3,713 |
| Amortization of intangible assets | **588** | 497 | **2,088** | 1,682 |
| **EBITDA** | **(9,388)** | 5,198 | **7,506** | 23,520 |
| Goodwill impairment | **16,137** | — | **16,137** | — |
| Restructuring expenses | **1,219** | — | **1,219** | — |
| Expense for contingent remuneration related to business combinations | **—** | 577 | **1,623** | 827 |
| New Durabox facility start-up costs | **180** | — | **333** | — |
| Shutdown of non-core operations of Printer Gateway | **—** | 2,192 | **—** | 2,192 |
| **Adjusted EBITDA(1)** | **8,148** | 7,967 | **26,818** | 26,539 |

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

**Reconciliation of Net (Loss) Earnings to Adjusted Net Earnings**
*(In thousands of dollars)*

| | Three-month periods ended December 31 | | Twelve-month periods ended December 31 | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **Net (Loss) Earnings** | **(12,426)** | 2,262 | **(4,793)** | 12,391 |
| Adjustments, net of income taxes | | | | |
| Goodwill impairment | **16,137** | — | **16,137** | — |
| Restructuring expenses | **902** | — | **902** | — |
| Expense for contingent remuneration related to business combinations | **—** | 538 | **1,623** | 722 |
| New Durabox facility start-up costs | **133** | — | **246** | — |
| Shutdown of non-core operations of Printer Gateway | **—** | 1,620 | **—** | 1,620 |
| **Adjusted Net Earnings (1)** | **4,746** | 4,420 | **14,115** | 14,733 |

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

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

References to "EBITDA" are to earnings before financing charges, income tax expense, depreciation of property, plant and equipment and amortization of intangible assets. References to "Adjusted EBITDA" are to EBITDA adjusted to remove special non-recurring items. These special items include, but are not limited to, charges for impairment of assets, restructuring expenses, contingent remuneration expenses in connection with business combinations and new facility start-up costs. Supremex believes that EBITDA or 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. Adjusted EBITDA allows readers to appreciate the Company's earnings without effect of non-recurring items making it valuable to assess ongoing operations.

References to "Adjusted net earnings" are to net earnings adjusted to remove the special non-recurring items as mentioned above, net of income taxes.

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 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 fourth quarter and year ended December 31, 2018 will be held on February 21, 2019 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, 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, 2018.

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, interest rates fluctuations and potential risk of litigation. Such risks and uncertainties are discussed throughout our MD&A for the year ended December 31, 2018 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 810 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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