



**SUPREMEX ANNOUNCES Q1 2019 RESULTS
AND DECLARES REGULAR QUARTERLY DIVIDEND**

Montreal, Quebec, May 8, 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 first quarter ended March 31, 2019, and declared a regular quarterly dividend.

First Quarter 2019 Highlights and Recent Events

- Revenue up by 1.5% to \$49.7 million from \$48.9 million compared to the first quarter of 2018.
 - Revenue from packaging and specialty products up by 10.0%, to \$14.2 million from \$12.9 million.
 - January 1, 2019, Supremex adopted IFRS 16 – Leases which specifies how IFRS will account for leases.
 - EBITDA¹ stood at \$6.4 million. Excluding the impact of IFRS 16, Supremex EBITDA would have been \$5.1 million compared with \$6.4 million in the first quarter of 2018. IFRS 16 accounting standard was adopted on January 1, 2019 resulting in a reduction of \$1.3 million in operating lease expenses for the quarter. Please refer to IFRS 16 Leases in the section New Accounting Standard of the Interim Condensed Consolidated Financial Statements.
 - Adjusted EBITDA¹ was \$6.4 million. Excluding the impact of IFRS 16, Supremex adjusted EBITDA would have been \$5.1 million compared with \$6.6 million in the first quarter of 2018.
 - Net Earnings of \$1.8 million (or \$0.06 per share) compared with Net Earnings of \$3.3 million (or \$0.12 per share).
 - Adjusted Net Earnings¹ stood at \$1.8 million (or \$0.06 per share), compared with \$3.6 million (or \$0.13 per share).
 - Purchased 8,200 shares for cancellation under the Company’s Normal Course Issuer Bid, for total consideration of \$26,524
 - Approval of a quarterly dividend of \$0.065 per share, equivalent to the same period of last year.
 - Announced a new four-year senior secured credit facility of \$115 million with improved terms and conditions.
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“During the first quarter, revenue remained solid. However, commissioning delays and inefficiencies associated with the start-up of the new Durabox facility and the adverse impact of share loss within a single packaging customer, weighed heavily on our operating profitability” said Stewart Emerson, president and CEO of Supremex Inc. “The benefits of our recent cost cutting initiatives on the Canadian envelope platform have paid dividends and we expect the full benefits of our restructuring announced in Q4 2018 to be achieved by the end of Q2. Durabox has been a solid contributor since we acquired it in 2016 but has been

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. The adoption of IFRS 16 had a material impact on the Company’s statement of financial position and its statement of earnings as nearly all operating leases were capitalized with a corresponding liability, while the rent expense was replaced by the depreciation of the right-of-use assets, and interest accretion expense from the liabilities was recorded.

a negative contributor the last 3 quarters. Durabox continues to improve its position and we have taken some aggressive steps to rectify the situation and build toward the long-term.”

“Envelope remains a very profitable part of our business and we intend to protect its contribution to our bottom-line and continue to expect strong demand from our folding carton and e-commerce fulfilment packaging offerings going forward.” We remain committed 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 March 31, 2019

Revenue for the three-month period ended March 31, 2019, increased by 1.5% or \$0.8 million, reaching \$49.7 million compared to \$48.9 million during the three-month period ended March 31, 2018. Revenue growth from packaging and specialty products and U.S. envelope sales was mitigated by lower Canadian envelope sales.

Revenue from the Canadian envelope market stood at \$24.2 million, a decrease of 6.6% or \$1.7 million from the \$25.9 million recorded during the first quarter of 2018. Volume declined by 13.8%, primarily from the combined effects of industry-wide secular decline and customer and contract movements. Average selling prices increased by 8.4% to offset input cost inflation. For reference, Canada Post Transactional Mail volumes were down 6.2% or 187 million pieces in calendar 2018 vs. 2017².

Revenue from the U.S. envelope market grew to \$11.3 million, an increase of 11.3% or \$1.2 million from revenue of \$10.1 million in the first quarter of 2018. The volume of units sold decreased by 2.5% and average selling prices increased by 14.2% driven by a combination of a more favorable product mix, increased customer prices implemented to mitigate rising input costs and from a favourable foreign exchange conversion from a weaker Canadian dollar. For reference, the U.S. Postal Service First Class Mail volumes were down 2.8% during their first quarter ended December 31, 2018³.

Revenue from packaging products stood at \$14.2 million, an increase of 10.0% or \$1.3 million from \$12.9 million in the equivalent quarter of the prior year, primarily from the contribution of the acquisition of G2 Printing and Pharmaflex, concluded on April 30, 2018.

EBITDA stood at \$6.4 million for the first quarter of 2019. Excluding the impact of IFRS 16, the EBITDA would have been at \$5.1 million compared with \$6.4 million during the first quarter of 2018. The adoption of IFRS 16 had a material impact on the Company’s statement of financial position and its statement of earnings as nearly all operating leases were capitalized with a corresponding liability, while operating expenses were reduced by \$1.3 million. The decrease, net of the IFRS 16 impact, is mainly attributable to additional costs related to the start-up of the new Durabox facility, to the reduced contribution on volume decline and the effects of inflationary pressures on input costs. Adjusted EBITDA stood at \$6.4 million. Excluding the impact of IFRS 16, the adjusted EBITDA would have been \$5.1 million or 10.4% of revenue, compared with \$6.6 in the first quarter of 2018 where adjusted EBITDA represented 13.5% of revenue.

Net earnings stood at \$1.8 million (or \$0.06 per share) for the three-month period ended March 31, 2019, compared with net earnings of \$3.3 million (or \$0.12 per share) in the equivalent period in 2018. Adjusted net earnings stood at \$1.8 million (or \$0.06 per share) in the first quarter of 2019, compared with \$3.6 million (or \$0.13 per share) for the equivalent period in 2018.

² [Canada Post 2018 Annual Report](#)

³ [USPS 2019 First Quarter Results Form 10-Q](#)

Operating activities generated cash of \$3.0 million during the three-month period ended March 31, 2019. Excluding the impact of IFRS 16, the operating activities would have generated cash of \$2.1 million compared with \$3.2 million in the equivalent period of 2018, resulting from lower net earnings.

Declaration of Dividend

On May 7, 2019, the Board of Directors declared a quarterly dividend of \$0.065 per common share, payable on July 16, 2019, to the shareholders of record at the close of business on June 28, 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 Earnings to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended March 31	
	2019	2018
Net Earnings	1,808	3,345
Income tax expense	672	1,234
Financing charges, net	833	363
Depreciation of property, plant and equipment	1,409	967
Depreciation of right-of-use assets	1,173	—
Amortization of intangible assets	546	449
EBITDA⁽¹⁾	6,441	6,358
Expense for contingent remuneration related to business combination	—	256
Adjusted EBITDA⁽¹⁾	6,441	6,614
Rent expenses included in the measurement of lease obligations	(1,284)	—
Proforma adjusted EBITDA⁽¹⁾ for IFRS 16	5,157	6,614
<i>Proforma adjusted EBITDA⁽¹⁾ margin for IFRS 16</i>	10.4%	13.5%

⁽¹⁾ Refer to “Definition of EBITDA and Adjusted EBITDA in section Non-IFRS measures”

Reconciliation of Net Earnings to Adjusted Net Earnings

(In thousands of dollars)

	Three-month periods ended March 31	
	2019	2018
Net Earnings	1,808	3,345
Adjustment, net of income taxes		
Expense for contingent remuneration related to business combination	—	256
Adjusted Net Earnings⁽¹⁾	1,808	3,601

⁽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 right-of-use assets 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 first quarter ended March 31, 2019 will be held on May 8, 2019 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 8, 2019 at 11:00 a.m. at the Fairmont The Queen Elizabeth Hotel in Montreal. During the event, management will provide a review of 2018 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 8th, 2019 starting at 11:00 a.m.
- At the Fairmont The Queen Elizabeth located at 900 Rene Levesque Boulevard West, Montreal, Quebec, Canada (Crescent 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, 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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