

SUPREMEX ANNOUNCES Q1 2020 RESULTS

Montreal, Quebec, May 15, 2020 – 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, 2020.

First Quarter Financial Highlights and Recent Events

- Net Earnings of \$2.6 million (or \$0.09 per share), up from \$1.8 million (or \$0.06 per share) in the first quarter of 2019.
 - EBITDA¹ was \$7.7 million, up \$1.3 million from \$6.4 million in the first quarter of 2019. Adjusted EBITDA¹ was \$8.2 million, up \$1.7 million from \$6.5 million in the first quarter of 2019.
 - Total revenue increased 5.6% to \$52.4 million from \$49.7 million in the first quarter of 2019.
 - Envelope segment revenue increased by 10.3% to 39.1 million from \$35.5 million in the first quarter of 2019.
 - Packaging and specialty products segment revenue was down by 6.3% to \$13.3 million from \$14.2 million in the first quarter of 2019.
 - Acquired Royal Envelope on February 18, 2020, a leading envelope manufacturer and printer, for a total purchase price of \$27.4 million. Integration plan executing as expected at time of acquisition.
 - Hired Robert B. Young, an industry veteran, to the newly created position of President, Supremex Packaging Division to drive future profitable growth in the segment.
 - Suspended the regular quarterly dividend as a prudent and preventative measure as a result of the COVID-19 pandemic.
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“We delivered strong overall performance in the first quarter of 2020. Profitability improved on solid results from Canadian envelope operations, including the recent acquisition of Royal Envelope in Eastern Canada, and from our growing U.S. envelope platform, which continues to gain market share. Envelope remains a highly profitable segment and a key driver to our bottom line and cash flow generation,” said Stewart Emerson, President & CEO of Supremex. “On the packaging side, we continue to improve our operations, grow sales and recently hired a highly experienced executive to lead this segment to profitable expansion.”

“We experienced a decline in activity towards the end of March however the impact of the COVID-19 pandemic on our operations was limited in the first quarter of 2020. Overall in April, including the effects of COVID19, Canadian Envelope secular decline and U.S. Envelope growth, we experienced a revenue decline of approximately 20% on our legacy businesses. Including Royal Envelope operations, sales were down approximately 6% in April. The second quarter will be a challenge as the duration and scope of the pandemic and its effect on the economy remains uncertain. As a result, we are taking a very prudent approach to managing our business through this crisis by tightly controlling variable expenses, preserving cash and suspending the quarterly dividend to further de-leverage our balance sheet. We have a diversified product offering and customer base, many of whom are or supply essential businesses with a wide range of

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

envelopes and packaging. All of our businesses and markets will be affected differently, and we are focused on navigating them through these changing times,” said Mr. Emerson. “We remain dedicated to the health and safety of our employees who are critical to our ability to manufacture and supply these essential businesses with the products they require. I am extremely proud of their dedication and hard work”. concluded Stewart Emerson, President & CEO of Supremex.

Summary of three-month period ended March 31, 2020

Total revenue for the three-month period ended March 31, 2020, was \$52.4 million, representing a 5.6% increase from \$49.7 million in the first quarter of 2019.

Revenue from the envelope segment increased to \$39.1 million, up 10.3% or \$3.6 million compared to the first quarter of 2019.

- Canadian envelope revenue was \$26.2 million, up 8.5% or \$2.0 million from \$24.2 million in the first quarter of 2019. Canadian envelope volume increased by 8.5% from the contribution of the acquisition of Royal Envelope concluded on February 18, 2020 which compensated for the effects of the industry-wide secular decline on Supremex’ legacy Canadian envelope business. Average selling prices remained unchanged from last year’s comparable period. As a basis of comparison, Canada Post last published results indicated that the Transactional Mail volumes were down 11.3% during their third quarter ended September 28, 2019².
- Revenue from the U.S. envelope market was \$12.9 million, representing an increase of 14.0% from \$11.3 million in the first quarter of 2019. The volume of units sold increased by 14.6% from this business unit’s continued growth while average selling prices decreased by 0.5%. For comparison, U.S. Postal Service last published results indicated that the First Class Mail volumes were down 0.2% during their second quarter fiscal 2020³.

Revenue from the packaging and specialty products segment was \$13.3 million, a decrease of 6.3% or \$0.9 million compared to the equivalent quarter of 2019. Weaker revenue was experienced across all three packaging business lines, more noticeably in folding carton where growing demand from the pharmaceutical industry was mitigated by slower demand from the cosmetics and beauty industry. Packaging and specialty products represented 25.3% of the Company’s revenue in the quarter, down from 28.5% during the equivalent period of last year.

EBITDA was \$7.7 million, compared with an EBITDA of \$6.4 million in the equivalent period of last year, representing an increase of 19.3% primarily resulting from a higher contribution of the Canadian envelope platform and a decrease of selling, general and administrative expenses. Adjusted EBITDA for the first quarter of 2020 was \$8.2 million compared with \$6.5 million in the equivalent quarter of 2019. Adjusted EBITDA margins increased to 15.7% of revenue compared with 13.0% in the equivalent quarter of 2019.

- Envelope segment Adjusted EBITDA was \$6.9 million, up \$0.8 million from \$6.1 million in the first quarter of 2019. The operating profitability of the Canadian envelope operations improved with the acquisition of Royal Envelope on February 18, 2020, which, in addition to additional revenues, provided synergies in production efficiencies and procurement. On a percentage of segmented revenue, Adjusted EBITDA from the envelope operations was 17.7%, up from 17.3% in the equivalent period of 2019.

² [Canada Post Third Quarter Results Press Release dated November 22, 2019](#)

³ [US Postal Service Second Quarter 2020 Press Release dated May 8, 2020](#)

- Packaging and specialty products segment Adjusted EBITDA remained unchanged at \$1.3 million. Operational efficiency gains in folding carton compensated for production inefficiencies and lower sales at the new Durabox facility and lower e-commerce sales. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 9.9% compared with 8.9% in the equivalent period of 2019.
- The balance of the variance results from improvements mostly attributable to a gain on foreign exchange translation in the three-month period ended March 31, 2020 versus a loss in the comparable period of 2019 and to a lesser extent, a positive adjustment for the mark-to-market value of the Deferred Share Units (DSUs) recorded in the three-month period ended March 31, 2020 compared to a negative adjustment in the comparable period in 2019.

Net Earnings were \$2.6 million (or \$0.09 per share) for the three-month period ended March 31, 2020, compared with \$1.8 million (or \$0.06 per share) for the equivalent period in 2019.

Net cash flows from operating activities stood at \$8.1 million during the three-month period ended March 31, 2020, compared with \$3.0 million in the equivalent period of 2019. The improvement is mainly attributable to higher net earnings and to a positive net change in working capital adjustments.

Appointment of Robert B. Young as President, Packaging Division

On May 15, 2020, the Company announces the appointment of Robert B. Young as President of the Packaging Division. Mr. Young has over 40 years of experience in the printing, digital communications and packaging industries, most recently as Executive Vice President of Operations of Pollard Banknote Limited. He previously held the positions of CEO of Western Concord Manufacturing, President of Transcontinental Direct and has held various executive and sales positions at Cenvéo Inc. As President of the Supremex Packaging Division, a newly created position, Mr. Young will be in charge of leveraging the Supremex platform and packaging capabilities to lead its profitable expansion.

Financial Position and Capital Resources Summary

In light of the recent COVID-19 pandemic, the Company expects its operations and financial results to be negatively affected, but it is not possible at this time for the Company to reliably estimate the duration and scope of the pandemic's ensuing economic impact. Although there was no material impact on demand in March, overall in April, including the effects of COVID19, Canadian Envelope secular decline and U.S. Envelope growth, the Company experienced a revenue decline of approximately 20% on our legacy businesses. Including Royal Envelope operations, sales were down approximately 6% in April. In order to mitigate the effect that this situation will have on the Company's operations and financial results, management is tightly controlling variable expenses and working capital and has reduced all non-critical capital expenditures. The Company is at an advanced stage of discussion with its lenders to obtain a more favorable Debt to EBITDA covenant ratio for the remainder of fiscal year 2020. Furthermore, the Company's Board of Directors announced that it had decided to suspend the quarterly dividend until further notice. Based on current and anticipated market conditions and management's projections, the Company expects to have sufficient liquidity to meet its currently anticipated needs for the next twelve months. However, these projections are inherently uncertain due to the evolving impact of the COVID-19 pandemic.

Dividends

Supremex' previous practice was to declare quarterly dividends. Dividends are subject to the discretion of the Board of Directors and may vary depending on, among other things, Supremex' earnings, financial requirements, compliance to the covenants of the Secured Credit Facility (the "Credit Agreement") and the

satisfaction of the solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time. Due to the unpredictable impact of the COVID-19 pandemic and potential future impact on the Company's results and its available cash, the Company's Board of Directors announced that it had decided to suspend the Company's quarterly dividend until further notice.

Non-IFRS Performance Measures

Reconciliation of Net Earnings to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended March 31	
	2020	2019
Net Earnings	2,588	1,808
Income tax expense	1,055	672
Financing charges, net	877	833
Depreciation of property, plant and equipment	1,189	1,409
Depreciation of right-of-use assets	1,269	1,173
Amortization of intangible assets	708	546
EBITDA⁽¹⁾	7,686	6,441
Value adjustment on acquired inventory	555	—
Loss on disposal of property, plant and equipment and right-of-use assets	—	36
Adjusted EBITDA⁽¹⁾	8,241	6,477
Adjusted EBITDA Margin (%)	15.7%	13.0%

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

Non-IFRS measures: Definition of EBITDA and Adjusted EBITDA

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 items of significance that are not in the normal course of operations. These items of significance include, but are not limited to, charges for impairment of assets, restructuring expenses, contingent remuneration expenses in connection with certain business combinations, new facility start-up costs value adjustment on inventory acquired and losses (gains) on disposal of property, plant and equipment and right-of-use assets. Supremex believes that EBITDA and Adjusted EBITDA are measurements 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 and to better evaluate the Company's operating profitability when compared to the previous year.

EBITDA and Adjusted EBITDA are not recognized earnings measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance.

Annual General Meeting of Shareholders Details:

The AGM of Supremex will be held today, May 15, 2020 at 11:00 a.m. (Eastern Time) at the Company's head office located at 7213 Cordner Street, LaSalle, Québec.

In the context of the COVID-19 pandemic and strict government guidelines concerning social distancing measures, no director or officer of Supremex will be present at the AGM, except as will be required for the proper conduct of the meeting. Furthermore, the Company will limit admittance at the AGM to the furthest extent possible and, as such, only admit shareholders and validly appointed proxyholders at the meeting location. Moreover, the Company may be required to refuse to all shareholders' entry to the meeting location if deemed necessary or appropriate in accordance with any recommendation, guideline, decree, order of any applicable governmental authority.

Live Broadcast of the AGM, Management Presentation and First Quarter Earnings Call:

Shareholders are invited to listen to the AGM via a live broadcast of the AGM, which will be available on the Company's website at www.supremex.com, in the Investors section under "Webcast", and via conference call by following the instructions below. The AGM will be followed by management's presentation of results for fiscal 2019, the first quarter of fiscal 2020 and a discussion of recent events.

Following this presentation, shareholders, validly appointed proxyholders (registered with Computershare) and analysts will be able to ask questions to management via the conference call by following instructions below. In order to ask questions, shareholders will be requested to identify themselves by confirming the 15-digit control number (printed on the proxy or voting instruction form) and validly appointed proxyholders (registered with Computershare) will also need to identify themselves. Please note that shareholders will not be able to vote at the AGM via live broadcast or conference call.

Conference ID: 4887766

- Local participants (Montreal area), dial: 514-807-9895
- Toronto participants, dial: 647-427-7450
- North-American participants, dial toll-free: 1 888 231-8191

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 quarter ended Marc 31, 2020. Supremex cautions that such assumptions may not materialize and that current economic conditions, including all of the current uncertainty resulting from the ongoing COVID-19 health crisis and its broader repercussions on the global economy, render such assumptions, although believed reasonable at the time they were made, subject to greater uncertainty.

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: global health crisis, economic cycles, decline in envelope consumption, increase of competition, growth by acquisition, reliance on key personnel, raw material price increases, exchange rate fluctuation, concerns about protection of the environment, availability of capital, credit risks with respect to trade receivables, interest rate fluctuation, potential risk of litigation, contributions to employee benefits plans, cyber security and data protection, no guarantee to pay dividends and past cash payments. In addition, risks and uncertainties arising as a result of the COVID-19 pandemic that could cause results to differ from those expected include, but are not limited to: potential government actions, changes in consumer behaviors and demand, changes in customer requirements, disruptions of the Company's suppliers and supply chain, availability of personnel and uncertainty about the extent and duration of the pandemic. Such risks and uncertainties are discussed throughout the MD&A for the year ended December 31, 2019 and the Company's Annual Information Form dated March 30, 2020, and, in particular, in "Risk Factors" in both these documents." 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 is a leading North American manufacturer and marketer of envelopes and a growing provider of paper-based packaging solutions. Supremex operates 13 facilities across six provinces in Canada and three facilities in the United States employing approximately 935 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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