

SUPREMEX ANNOUNCES STRONG Q4 AND 2020 YEAR END RESULTS

Montreal, Quebec, February 25, 2021 – 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 fiscal year ended December 31, 2020.

Fourth Quarter Financial Highlights and Recent Events

- Total revenue increased by 11.1% to \$54.6 million, from \$49.2 million in the fourth quarter of 2019.
- Envelope segment revenue was up 13.2% to \$40.5 million, from \$35.7 million in the fourth quarter of 2019.
- Packaging and specialty products segment revenue increased by 5.4% to \$14.2 million, from \$13.4 million.
- EBITDA¹ was \$4.6 million, down from \$6.8 million in the fourth quarter of 2019 resulting primarily from a non-cash asset impairment charge of \$2.8 million and a restructuring expense of \$1.8 million.
- Adjusted EBITDA¹ was up 37.5% to \$9.2 million, from \$6.7 million in the fourth quarter of 2019.
- Net Earnings at \$0.3 million (or \$0.01 per share), down from \$2.3 million (or \$0.08 per share) in the fourth quarter of 2019 from the above mentioned non-recurring items.
- Adjusted Net Earnings¹ at \$3.7 million (or \$0.13 per share), up from \$2.3 million (or \$0.08 per share).
- Recorded \$1 million of assistance from the Canadian Emergency Wage Subsidy (“CEWS”) program.
- Initiated a plan to optimize the Canadian envelope operations which resulted in the \$1.8 million restructuring expenses and an estimated annual pre-tax savings of \$2.3 million.
- Purchased 152,800 shares for total consideration of \$223,213 as part of the Company’s Normal Course Issuer Bid (“NCIB”) program.

Fiscal Year Financial Highlights

- Total revenue increased by 6.7% to \$204.6 million, from \$191.7 million in 2019.
- Envelope segment revenue was up 6.8% to \$146.5 million, from \$137.1 million in 2019.
- Packaging and specialty products segment revenue was up 6.5% to \$58.1 million, from \$54.5 million.
- EBITDA¹ was \$27.2 million, which include a fourth quarter non-cash asset impairment charge of \$2.8 million and restructuring expenses of \$1.8 million, up \$1.9 million from \$25.3 million in 2019. Adjusted EBITDA¹ was up 27.9%, or \$7.1 million, to \$32.4 million from \$25.3 million in 2019.
- Net Earnings were \$7.5 million (or \$0.27 per share), which include the above mentioned non-recurring items, increased \$0.4 million from \$7.1 million (or \$0.25 per share) in 2019.
- Adjusted Net Earnings¹ at \$11.3 million (or \$0.40 per share), up from Adjusted Net Earnings of \$7.1 million (or \$0.25 per share) in 2019.
- Net cash flows from operating activities, before working capital adjustments, reached \$24.5 million, an increase of \$5.0 million versus 2019.

¹ Refer to the definition of EBITDA, Adjusted EBITDA and Adjusted Net Earnings in the section describing Non-IFRS Measures and to the reconciliation of Net Earnings to Adjusted EBITDA and of Net Earnings to Adjusted Net Earnings in the Summary of Financial Information and Non-IFRS Measures.

- Recorded \$1.9 million of assistance from the CEWS program.
- Acquired Royal Envelope on February 18, 2020, a leading envelope manufacturer and printer, for a total purchase price of \$27.4 million.
- Purchased 305,700 common shares for cancellation under the NCIB program for total consideration of \$424,054.

“We ended the year on very solid ground with revenue and profitability growth from both our envelope and packaging platforms and a significant deleveraging of the balance sheet during the course of the year,” said Stewart Emerson, President & CEO.

“The acquisition of Royal Envelope earlier in the year provided important earnings power to our envelope business. Our packaging and specialty products segment also performed well on the strength of our e-commerce offering and improved operations in Folding Carton, which allowed margins to trend towards higher historical levels.”

“I would like to once again thank all our dedicated employees who have contributed to these results, during challenging times. Strong leadership was demonstrated at every level of the organization ensuring our success during the pandemic. We integrated one of the largest acquisitions in our history, kept employees safe and our customers well supplied all while optimally managing capital spending to position us well as we emerge from the pandemic. Our priority in 2021 will be on operational excellence as we leverage our envelope platform, focus on growing our packaging segment and work to continue to build shareholder value,” concluded Stewart Emerson, President & CEO.

Summary of three-month period ended December 31, 2020

Total revenue for the three-month period ended December 31, 2020, was \$54.6 million, representing an increase of 11.1% from the equivalent quarter of 2019.

Revenue from the Envelope segment was \$40.5 million, an increase of 13.2% or \$4.8 million, from \$35.7 million in the equivalent quarter of 2019.

- Revenue from the Canadian envelope market was \$27.5 million, up 15.0% or \$3.6 million from \$23.9 million in the fourth quarter of 2019. Volume increased by 20.4% primarily from the acquisition of Royal Envelope which more than compensated for the effect of the secular decline on the Company’s legacy envelope sales and from the effect of the COVID-19 pandemic on non-essential envelope demand. Average selling prices were lower by 4.6% from last year’s comparable period primarily resulting from changes in the envelope mix sold during the COVID-19 pandemic. Canada Post’s latest published financial results indicated that Transaction Mail volumes were down 11.5% during their third quarter ended September 26, 2020² due to the COVID-19 pandemic.
- Revenue from the U.S. envelope market was \$13.0 million, representing an increase of 9.7% or \$1.1 million from \$11.9 million in the fourth quarter of 2019. The volume of units sold increased by 13.0% from market share gains and, to a lesser extent, demand related to the vote-by-mail initiative ahead of the 2020 U.S. elections, while average selling prices decreased by 2.9% primarily as a result of changes in the product mix sold during the COVID-19 pandemic. Average selling prices include a positive foreign exchange translation effect of 1.3%. For comparison, the U.S. Postal Service’s last published results indicated that the First-Class Mail volumes were down 4.1% during their first quarter ended December 31, 2020³ due to the COVID-19 pandemic.

² [Canada Post Third Quarter 2020 Results Financial Report](#)

³ [U.S. Postal Service Reports First Quarter 2021 Results Press Release dated February 9, 2021](#)

Revenue from the Packaging and specialty products segment was \$14.1 million, an increase of 5.4% or \$0.7 million, from the equivalent quarter of 2019. Revenue growth came from the Company's e-commerce packaging business which onboarded new customer accounts in 2020. Packaging and specialty products represented 25.9% of the Company's revenue in the quarter, down from 27.3% during the equivalent period of last year.

EBITDA was \$4.6 million, down from \$6.8 million in the equivalent quarter of last year resulting from a \$2.8 million non-cash asset impairment and a \$1.8 million restructuring expense recorded in the quarter. Adjusted EBITDA was \$9.2 million, up 37.5% from \$6.7 million in the equivalent period of last year, resulting primarily from the contribution of the Royal Envelope acquisition, higher e-commerce sales, continued growth in the U.S. envelope businesses and \$1.0 million subsidy from the CEWS program. Adjusted EBITDA margins increased to 16.9% of revenue compared to 13.6% in the equivalent quarter of 2019. Excluding the contribution of the CEWS, Adjusted EBITDA margins stood at 15.0% of revenue in the fourth quarter of 2020.

- Envelope segment Adjusted EBITDA was \$7.1 million, up 7.3% or \$0.5 million, from \$6.6 million in the fourth 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 higher sales volume, provided synergies in production efficiencies and procurement. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 17.5%, down from 18.4% in the equivalent period of 2019.
- Packaging and specialty products segment Adjusted EBITDA was \$2.3 million, up \$1.5 million from \$0.8 million in the fourth quarter of 2019 primarily from higher e-commerce sales and efficiency gains in the folding carton division. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 16.4% compared with 6.0% in the equivalent period of 2019.
- The balance of the variance results primarily from an unfavorable adjustment on foreign exchange translation in the fourth quarter, an expense from the change in mark-to-market value of the Deferred Share Units (DSUs) and higher other non-allocated corporate expenses which were offset by the contribution of the CEWS.

Net Earnings were \$0.3 million (or \$0.01 per share) for the three-month period ended December 31, 2020, compared with \$2.3 million (or \$0.08 per share) for the equivalent period in 2019. Adjusted Net Earnings were \$3.7 million (or \$0.13 per share), an increase of 69.8% or \$1.5 million, from Adjusted Net Earnings of \$2.2 million (or \$0.08 per share) during the fourth quarter of 2019.

Summary of the twelve-month period ended December 31, 2020

Total revenue for the twelve-month period ended December 31, 2020 increased by 6.7% to \$204.6 million, from \$191.7 million during the twelve-month period ended December 31, 2019.

Revenue from the Envelope segment increased by 6.8%, or \$9.4 million, to \$146.5 million, from \$137.1 million in the comparable period of 2019.

- Revenue from the Canadian envelope market was \$97.6 million, an increase of 6.5% or \$6.0 million from \$91.7 million recorded during the twelve-month periods ended December 31, 2019. Volume increased by 12.3% primarily from the acquisition of Royal Envelope which more than compensated for the effect of the secular decline on the Company's legacy envelope sales and for the effect of the COVID-19 pandemic on non-essential envelope demand since the second quarter of 2020. Average selling prices decreased by 5.1% as a result of changes in the envelope mix sold during the COVID-19 pandemic.

- Revenue from the U.S. envelope market was \$48.9 million, representing an increase of 7.5% or \$3.4 million from \$45.5 million in the equivalent period of 2019, resulting from market share gains and, to a lesser extent, demand related to the vote-by-mail initiative ahead of the 2020 U.S. elections. The volume of units sold increased by 10.1% and average selling prices decreased by 2.3% primarily as a result of changes in the product mix sold during the COVID-19 pandemic. Average selling prices include a negative foreign exchange translation effect of 1.0%.

Revenue from packaging and specialty products increased by 6.5%, or \$3.6 million, to \$58.1 million, from \$54.5 million in 2019 and results mainly from growing e-commerce packaging sales since the second quarter of 2020.

EBITDA increased by 7.7% to \$27.2 million in fiscal 2020, up from \$25.3 million in fiscal 2019 primarily from, the acquisition of Royal Envelope, higher e-commerce sales, growth of the U.S. envelope businesses and \$1.9 million from the CEWS program. Adjusted EBITDA grew by 27.9% or \$7.1 million, to \$32.4 million. Adjusted EBITDA margins were 15.8% of revenues, up from 13.2% in 2019. Excluding the contribution of the CEWS, Adjusted EBITDA margins stood at 14.9% of revenue.

- Envelope segment Adjusted EBITDA was \$25.5 million, up 10.0% or \$2.3 million from \$23.2 million in 2019. The operating profitability of the Canadian envelope operations improved with the acquisition of Royal Envelope on February 18, 2020, which provided incremental revenue as well as production and procurement synergies. The cost optimization plan implemented at the beginning of December 2020 also contributed to improving the envelope platform's cost structure. As a percentage of segmented revenue, Adjusted EBITDA from the envelope operations was 17.4%, up from 16.9% in 2019.
- Packaging and specialty products segment Adjusted EBITDA increased to \$8.6 million, up 83.9% or \$4.0 million, from \$4.6 million in 2019, primarily from higher e-commerce sales since the second quarter of 2020 and efficiency gains in the folding carton division. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations increased to 14.7% compared with 8.5% in 2019.
- The corporate and unallocated costs amount to \$1.6 million and include the \$1.9 million contribution from the CEWS for the third and fourth quarters of 2020. Excluding the support from the Federal Government, corporate and unallocated costs would have been \$3.5 million, an increase of \$1.1 million compared to 2019, resulting from higher other non-allocated corporate expenses and remuneration related expenses.

Net earnings stood at \$7.5 million (or \$0.27 per share) for the twelve-month period ended December 31, 2020, compared with net earnings of \$7.1 million (or \$0.25 per share) in the equivalent period in 2019. Adjusted Net Earnings were \$11.3 million (or \$0.40 per share), up from \$7.1 million (or \$0.25 per share) in 2019.

Net cash flows from operating activities stood at \$37.0 million during the twelve-month period ended December 31, 2020, compared with \$20.2 million in the equivalent period of 2019. The improvement is mainly attributable to a \$12.5 million positive net change in working capital adjustments and higher Adjusted Net Earnings

Normal Course Issuer Bid (“NCIB”)

On August 13, 2020, the Company announced the renewal of its NCIB after its approval by the TSX, to purchase for cancellation, up to 1,406,523 of its common shares, representing approximately 5.0% of its 28,130,469 issued and outstanding common shares as of August 12, 2020. Purchases under the NCIB are made through the facilities of the TSX or alternative trading facilities in Canada, if eligible, in accordance with applicable securities laws and regulations, over a maximum period of 12 months beginning on August 17, 2020 and ending on August 16, 2021.

During the fourth quarter of 2020, the Company purchased 152,800 shares, for a total consideration of \$223,213. During fiscal 2020, the Company purchased a total of 305,700 shares, for total consideration of \$424,054. Pursuant to the end of the period, an additional 81,800 shares were purchased for cancellation for total consideration of \$158,144.

Financial Position and Capital Resources Summary

In light of the ongoing COVID-19 pandemic, it can be reasonably assumed that demand for certain of the Company’s product categories will continue to be negatively affected. Furthermore, it is impossible at this time for the Company to estimate the duration and scope of the pandemic’s ensuing economic impact. In order to mitigate the effect of the COVID-19 pandemic on the Company’s operations and financial results, management tightly controlled its operating expenses and working capital and reduced all non-critical capital expenditures. Taking a prudent approach, the Company’s Board of Directors announced on May 15, 2020 the suspension of the quarterly dividend until further notice. In the second half of 2020, the Company recorded a \$1.9 million subsidy from the CEWS program. Based on current and anticipated market conditions and management’s projections, the Company expects to have sufficient liquidity to meet its currently anticipated needs.

The Company has a secured credit facility consisting of a \$80 million revolving facility (\$80 million as at December 31, 2019) and a \$29.8 million term credit facility (\$33.3 million as at December 31, 2019). No principal repayments are required on the revolving operating facility prior to maturity. The term facility is repayable in quarterly principal installments of \$875,000. The availability of the credit facility is variable and dependant on respecting certain financial covenants. As of December 31, 2020, the credit facility stands at \$56.8 million.

Non-IFRS Performance Measures

Reconciliation of Net Earnings to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2020	2019	2020	2019
Net Earnings	309	2,289	7,495	7,088
Income tax expense	31	894	2,789	3,057
Net financing charges	620	816	3,073	3,435
Depreciation of property, plant and equipment	1,695	1,100	5,442	4,837
Depreciation of right-of-use assets	1,060	1,172	5,091	4,697
Amortization of intangible assets	885	557	3,356	2,193
EBITDA⁽¹⁾	4,600	6,828	27,246	25,307
Asset impairment	2,770	—	2,770	—
Restructuring expense (recovery)	1,836	(124)	1,836	(124)
Loss (gain) on disposal of property, plant and equipment	—	(9)	—	165
Value adjustment on acquired inventory through the business acquisition	—	—	555	—
Adjusted EBITDA⁽¹⁾	9,206	6,695	32,407	25,348
Adjusted EBITDA Margin (%)	16.9%	13.6%	15.8%	13.2%

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

Reconciliation of Net Earnings to Adjusted Net Earnings

(In thousands of dollars)

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2020	2019	2020	2019
Net Earnings	309	2,289	7,495	7,088
Adjustments, net of income taxes				
Asset impairment	2,051	—	2,051	—
Restructuring expense (recovery)	1,359	(92)	1,359	(92)
Loss (gain) on disposal of property, plant and equipment	—	(7)	—	122
Value adjustment on acquired inventory through the business acquisition	—	—	411	—
Adjusted Net Earnings⁽²⁾	3,719	2,190	11,316	7,118

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

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 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, 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. Adjusted Net Earnings refers to Net Earnings to which the items listed above have been removed, net of income taxes. Supremex

believes that EBITDA, Adjusted EBITDA and Adjusted Net Earnings 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 years.

EBITDA, Adjusted EBITDA and Adjusted Net Earnings are not recognized earnings measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, EBITDA, Adjusted EBITDA and 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 fiscal year ended December 31, 2020 will be held Thursday, February 25, 2021 at 11:30 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, please dial the following numbers. We suggest that participants call-in at least 5 minutes prior the scheduled start time:

- Local participants (Montreal area), dial: 514 807-9895
- Toronto participants, dial: 647 427-7450
- 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. To listen to a recording of the conference call, please call toll-free 1 855 859-2056 or 416 849-0833 and enter the code 6268820. The recording will be available until Thursday March 4, 2021.

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, Adjusted Net Earnings 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 this press release for year ended December 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. 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 this press release for the year ended December 31, 2020 and in particular, in "Risk Factors". Consequently, the Company 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 850 people. Supremex' growing footprint allows it to efficiently manufacture and distribute envelope 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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