

## SUPREMEX ANNOUNCES STRONG Q1 2021 RESULTS

**Montreal, Quebec, May 13, 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 first quarter ended March 31, 2021. The Company will hold a conference call to discuss these results, today at 11:00 a.m. (Eastern Time).

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### First Quarter Financial Highlights and Recent Events

- Total revenue increased by 2.3% to \$53.6 million, from \$52.4 million in the first quarter of 2020.
  - Envelope segment revenue was down 2.3% to \$38.3 million, from \$39.1 million in the first quarter of 2020.
  - Packaging and specialty products segment revenue increased by 15.6% to \$15.3 million, from \$13.3 million in the first quarter of 2020.
  - EBITDA<sup>1</sup> increased by 22.1% to \$9.4 million, up from \$7.7 million in the first quarter of 2020 resulting primarily from growing packaging and specialty sales and operational efficiencies.
  - Adjusted EBITDA<sup>1</sup> was up by 14.5% to \$9.5 million, from \$8.3 million in the first quarter of 2020.
  - Net Earnings at \$4.1 million (or \$0.15 per share), up from \$2.6 million (or \$0.09 per share) in the first quarter of 2020.
  - Adjusted Net Earnings<sup>1</sup> at \$4.2 million (or \$0.15 per share), up from \$3.1 million (or \$0.11 per share) in the first quarter of 2020.
  - Recorded \$0.6 million of assistance from the Canada Emergency Wage Subsidy (“CEWS”) program.
  - Acquired Vista Graphic Communications, LLC, a print and folding carton supplier that brings the Company’s manufacturing closer to its American e-commerce packaging customers.
  - Purchased 221,900 shares for total consideration of \$473,887 as part of the Company’s Normal Course Issuer Bid (“NCIB”) program.
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“We continue to experience strong results from an expanded geographic reach and a diversified product offering and customer base. Increased revenues from packaging and specialty products offset the effects of secular decline and a temporary COVID related reduction in non-essential mail in the envelope segment. These revenue gains coupled with stringent cost optimization measures buoyed profitability,” said Stewart Emerson, President & CEO.

“We continue to focus on the health and safety of our employees and take a prudent approach to managing cash flow and capital allocation while continuing to push on the revenue side. We are well advanced with the integration of the recent bolt-on acquisition of Vista Graphic Communications in Indianapolis which provides a turn-key platform close to our US customer base and needed capacity for continued growth in the e-commerce packaging business,” concluded Stewart Emerson, President & CEO.

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<sup>1</sup> 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.

### Summary of three-month period ended March 31, 2021

Total revenue for the three-month period ended March 31, 2021, was \$53.6 million, representing an increase of 2.3% from the equivalent quarter of 2020.

Revenue from the envelope segment was \$38.3 million, representing a decrease of 2.3% or \$0.8 million, from \$39.1 million in the equivalent quarter of 2020.

- Revenue from the Canadian envelope market remained stable at \$26.2 million. Volume increased by 1.3% from the acquisition of Royal Envelope in February 2020, which compensated for the effect of the secular decline on the Company's legacy envelope sales and from the continued effect of the COVID-19 pandemic on non-essential envelope demand. Average selling prices were lower by 1.5% from last year's comparable period primarily resulting from changes in the envelope mix sold. Canada Post's latest published financial results indicated that Transaction Mail volumes were down 10.5% for the year ended December 31, 2020<sup>2</sup> due to the COVID-19 pandemic.
- Revenue from the U.S. envelope market was \$12.1 million, representing a decrease of 6.5% or \$0.8 million from \$12.9 million in the first quarter of 2020. The volume of units sold decreased by 1.4% while average selling prices decreased by 5.2% mainly due to a negative foreign exchange translation effect of 6.0%. For comparison, the U.S. Postal Service's last published results indicated that the First-Class Mail volumes were down 7.9% during their second quarter ended March 31, 2021<sup>3</sup> due to the COVID-19 pandemic.

Revenue from the packaging and specialty products segment was \$15.3 million, an increase of 15.6% or \$2.0 million, from the corresponding quarter of 2020. The increase was the result of e-commerce packaging new customer growth and organic growth with existing customers, the contribution of our Vista acquisition on March 8, 2021 and higher folding carton sales in the pharmaceutical market. Packaging and specialty products represented 28.6% of the Company's revenue in the quarter, up from 25.3% during the equivalent period of last year.

EBITDA increased by 22.1% to \$9.4 million in the first quarter of 2021, up from \$7.7 million in the first quarter of 2020. Adjusted EBITDA increased by 14.5% to \$9.5 million, up from \$8.3 million in the equivalent quarter of last year as a result of higher packaging and specialty products sales, operational efficiencies derived from cost optimizations, improvements in folding carton manufacturing activities, and from the support of the CEWS. Adjusted EBITDA margins increased to 17.8% of revenue compared to 15.9% in the equivalent quarter of 2020. Excluding the contribution of the CEWS, Adjusted EBITDA margins stood at 16.7% of revenue in the first quarter of 2021.

- Envelope segment Adjusted EBITDA was \$7.3 million, up 5.0% or \$0.4 million, from \$6.9 million in the first quarter of 2020. 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 19.1%, up from 17.7% in the equivalent period of 2020.

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<sup>2</sup> [Canada Post press release dated April 30, 2021 on 2020 annual results.](#)

<sup>3</sup> [U.S. Postal Service press release dated May 7, 2021 on second quarter 2021 results.](#)

- Packaging and specialty products segment Adjusted EBITDA was \$2.5 million, up 88.6% or \$1.2 million from \$1.3 million in the first quarter of 2020 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 16.1% compared to 9.9% in the equivalent period of 2020 which is in line with the gradual margin improvement lived throughout 2020 due to operational efficiencies.
- The balance of the variance is primarily from an unfavorable foreign exchange variance in the first quarter of 2021 compared to the equivalent quarter of 2020, which was partially offset by the contribution of the CEWS.

Net Earnings were \$4.1 million (or \$0.15 per share) for the three-month period ended March 31, 2021, compared to \$2.6 million (or \$0.09 per share) for the equivalent period in 2020. Adjusted Net Earnings were \$4.2 million (or \$0.15 per share) for the three-month period ended March 31, 2021, compared to \$3.1 million (or \$0.11 per share) for the equivalent period in 2020.

Net cash flows from operating activities were \$4.5 million during the three-month period ended March 31, 2021, compared to \$8.1 million in the equivalent period of 2020. The variation is attributable to a negative net change in working capital adjustments.

### **Corporate Update**

Robert. B. Young, President of the Supremex Packaging Division, will be leaving the Company on May 28<sup>th</sup>, 2021. Mr. Young joined the Company in May 2020. Supremex will initiate a process to fill this position.

### **Focus on Folding Carton and E-Commerce Packaging**

On March 8, 2021, the Company acquired substantively all of the assets of Vista Graphic Communications, LLC ("Vista"), for a cash consideration of \$2,666,790 (\$2,100,000 US). Vista is an Indianapolis, Indiana-based provider of print and folding carton packaging. In addition to the consideration paid, the Company has a contingent consideration payable to the previous owner on the realization of certain financial targets over the first 24 months after the acquisition date in the amount of \$774,846 (\$625,000 US). The fair value of the contingent consideration payable as at March 31, 2021 is \$767,445.

This acquisition brings the Company's manufacturing closer to its growing e-commerce customer base in the U.S. and provides it with much needed print and converting capacity to meet existing and growing demand for its packaging solutions.

### **Normal Course Issuer Bid**

During the first quarter of 2021, the Company purchased 221,900 common shares, for cancellation under its NCIB program for a total consideration of \$473,887. Subsequent to the end of the period, an additional 191,900 shares were purchased for cancellation for total consideration of \$429,093.

### **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 continued to tightly control its operating expenses and working capital. 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 first quarter 2021, the Company recorded a \$0.6 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, 2020) and a \$28.9 million term credit facility (\$29.8 million as at December 31, 2020). 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 March 31, 2021, the total amount outstanding on the credit facility was \$54.9 million, down \$1.9 million from \$56.8 million at the end of Fiscal 2020.

## Non-IFRS Performance Measures

### Reconciliation of Net Earnings to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended March 31	
	2021	2020
<b>Net Earnings</b>	<b>4,103</b>	2,588
Income tax expense	1,387	1,055
Net financing charges	543	877
Depreciation of property, plant and equipment	1,364	1,189
Depreciation of right-of-use assets	1,177	1,269
Amortization of intangible assets	815	708
<b>EBITDA<sup>(1)</sup></b>	<b>9,389</b>	7,686
Value adjustment on acquired inventory through the business acquisition	—	555
Acquisition costs	159	97
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>9,548</b>	8,338
<b>Adjusted EBITDA Margin (%)</b>	<b>17.8%</b>	15.9%

<sup>(1)</sup> 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 March 31	
	2021	2020
<b>Net Earnings</b>	<b>4,103</b>	2,588
Adjustments, net of income taxes		
Acquisition costs	118	72
Value adjustment on acquired inventory through the business acquisition	—	411
<b>Adjusted Net Earnings<sup>(1)</sup></b>	<b>4,221</b>	3,071

<sup>(1)</sup> 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, value adjustment on inventory acquired, acquisition costs 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.

### **May 13, 2021 – First Quarter 2021 Results Conference Call:**

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 (updated from previous calls).

- Confirmation Number: 88227712
- Local participants (Montreal area), dial: 514 225-6998
- Toronto participants, dial: 416 764-8682
- North-American participants, dial toll-free: 1 888 390-0549

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 1 888-390-0541 or 416 764-8677 and enter the code 227712 #. The recording will be available until May 20, 2021.

### **May 20, 2021 – Annual Meeting of Shareholders:**

The Company will hold a virtual Annual Meeting of Shareholders ("AGM") on Thursday, May 20, 2021, at 11:00 a.m. (Eastern Time). All Shareholders will be able to attend, participate, submit questions and vote at the Meeting by logging in online at <https://web.lumiagm.com/239052433> and following the instructions set forth in the Management Information Circular dated March 31, 2021 and available on [www.sedar.com](http://www.sedar.com).

### **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

the MD&A for year ended December 31, 2020 and in the MD&A for the three-month period ended March 31, 2021. 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 the MD&A 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](http://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 12 manufacturing facilities across five provinces in Canada and three manufacturing facilities in the United States employing approximately 865 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](http://www.supremex.com).

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