

SUPREMEX ANNOUNCES STRONG Q2 2021 RESULTS

Montreal, Quebec, August 12, 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 second quarter ended June 30, 2021. The Company will hold a conference call to discuss these results, today at 11:00 a.m. (Eastern Time).

Second Quarter Financial Highlights and Recent Events

- Total revenue increased by 8.7% to \$51.8 million, from \$47.7 million in the second quarter of 2020.
 - Envelope segment revenue was up 7.6% to \$35.2 million, from \$32.8 million in the second quarter of 2020.
 - Packaging and specialty products segment revenue increased by 11.1% to \$16.6 million, from \$14.9 million in the second quarter of 2020.
 - EBITDA¹ at \$8.6 million, up 24.1%, from \$6.9 million in the second quarter of 2020. EBITDA margins stood at 16.5%, up from 14.5%.
 - Net Earnings at \$3.4 million (or \$0.12 per share), up from \$1.9 million (or \$0.07 per share) in the second quarter of 2020.
 - Recorded \$0.8 million of assistance from the Canada Emergency Wage Subsidy (“CEWS”) program.
 - Purchased 488,100 shares for total consideration of \$1.1 million as part of the Company’s Normal Course Issuer Bid (“NCIB”).
 - Mary Chronopoulos was appointed CFO and Corporate Secretary effective May 31, 2021.
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“This marks our sixth consecutive quarter of year-over-year improvement in adjusted EBITDA profitability. I believe that this strong financial performance, combined with our sustained growth in the US envelope and packaging markets, demonstrate the resiliency of our business and future potential of our diversification strategy,” said Stewart Emerson, President & CEO of Supremex.

“This quarter’s profitability was supported by our ability to swiftly implement price increases to offset rapidly rising input costs, extract synergies from our envelope platform and achieve further efficiency improvements in our folding carton business, the latter benefiting notably from the recovery in the cosmetics and beauty channel.”

“Looking ahead, considering growth opportunities available in the packaging industry, we will continue to prioritize the allocation of capital towards our growth and diversification strategy. In order to deliverer additional short-term value, the Company also intends to renew its share repurchase plan,” concluded Mr. Emerson.

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.

Summary of three-month period ended June 30, 2021

Total revenue for the three-month period ended June 30, 2021, was \$51.8 million, representing an increase of \$4.1 million or 8.7% from the equivalent quarter of 2020.

Revenue from the envelope segment was \$35.2 million, representing an increase of 7.6% or \$2.4 million, from \$32.8 million in the equivalent quarter of 2020.

- Revenue from the Canadian envelope market grew by \$1.0 million or 4.5% to \$23.2 million. Average selling prices increased by 9.4% from last year's comparable period primarily resulting from price increases swiftly implemented to reflect rising input cost inflation and changes in the product mix; partially offset by a volume decrease of 4.5% from the secular decline affecting the envelope market. Canada Post's latest published financial results indicated that Transaction Mail volumes were down 6.9% year-over-year² due to the COVID-19 pandemic and businesses increasingly using digital alternatives.
- Revenue from the U.S. envelope market was \$12.0 million, representing an increase of \$1.4 million or 14.1% from \$10.6 million in the second quarter of 2020. The volume of units sold increased by 28.7% from efforts dedicated to increase penetration of the US envelope market and from the COVID-19 economic rebound. Average selling prices in Canadian dollars decreased by 11.3% mainly resulting from a negative foreign exchange translation effect. For comparison, the U.S. Postal Service's last published results indicated that the First-Class Mail volumes were up 1.1% during their third quarter ended June 30, 2021³ due to the COVID-19 pandemic and to a lesser extent, secular mail decline.

Revenue from the packaging and specialty products segment was \$16.6 million, an increase of \$1.7 million or 11.1% from the corresponding quarter of 2020. The increase resulted mainly from the contribution of the Vista Graphic Communications, LLC ("Vista"), acquisition concluded on March 8, 2021. Packaging and specialty products represented 32.0% of the Company's revenue in the quarter, up from 31.3% during the equivalent period of last year.

EBITDA and Adjusted EBITDA at \$8.6 million, up 24.1% and 24.2% respectively, from \$6.9 million in the second quarter of 2020. This increase resulted from higher sales volumes in both segments, operational efficiencies derived from the cost optimizations plan and \$0.9 million recorded in subsidies. Adjusted EBITDA margins increased to 16.5% of revenue compared to 14.5% in the equivalent quarter of 2020. Excluding the contribution of the subsidies, Adjusted EBITDA margins were at 14.9% of revenue in the second quarter of 2021.

- Envelope segment Adjusted EBITDA was \$6.3 million, up 10.6% or \$0.6 million, from \$5.7 million in the second quarter of 2020. The operating profitability of the Canadian envelope operations improved with the operational efficiencies derived from the cost optimizations plan in addition to higher sales volume. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 18.0%, up from 17.5% in the equivalent period of 2020.
- Packaging and specialty products segment Adjusted EBITDA was \$2.4 million, up 20.6% or \$0.4 million from \$2.0 million in the second quarter of 2020 primarily from the contribution of the Vista acquisition. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 14.5% compared to 13.3% in the equivalent period of 2020.
- The balance of the variance results primarily from the contribution of the CEWS.

² [Canada Post press release dated May 21, 2021 reporting Q1 2021 results.](#)

³ [U.S. Postal Service press release dated August 6, 2021 on third quarter 2021 results.](#)

Net Earnings and Adjusted Net Earnings were \$3.4 million (or \$0.12 per share) for the three-month period ended June 30, 2021, compared to \$1.9 million (or \$0.07 per share) for the equivalent period in 2020.

Summary of six-month period ended June 30, 2021

Total revenue for the six-month period ended June 30, 2021, reached \$105.4 million, a 5.3% increase from \$100.1 million for the six-month period ended June 30, 2020.

Revenue from the envelope segment increased by 2.2% to \$73.5 million from \$71.9 million in the comparable period of 2020.

- Revenue from the Canadian envelope market was \$49.4 million, an increase of 1.9% or \$1.0 million from \$48.4 million during the six-month period ended June 30, 2020. Average selling prices increased by 3.4% primarily from price increases implemented in the second quarter of 2021 partially offset by a volume decrease of 1.4% driven by the long-term secular decline of the envelope market mitigated by the contribution of the acquisition of Royal envelope concluded in the first quarter of 2020.
- Revenue from the U.S. envelope market was \$24.1 million, an increase of 2.8% or \$0.6 million from \$23.5 million in the equivalent period of 2020. The volume of units sold increased by 11.8% from efforts dedicated to increase the Company's market share in the US envelope market and the effect of the COVID-19 economic rebound in the second quarter of 2021, offset by the 8.1% decrease in average selling prices in Canadian dollars resulting mainly from a negative foreign exchange translation effect.

Revenue from packaging and specialty products was \$31.9 million, an increase of 13.2% or \$3.7 million from \$28.2 million in the equivalent period of the prior year. Revenue growth came from the acquisition of Vista in March 2021 and higher folding carton and e-commerce sales.

EBITDA increased by 23.1% to \$17.9 million in six-month period ended June 30, 2021, up from \$14.6 million in the equivalent period of 2020. Adjusted EBITDA increased by 18.9% to \$18.1 million, up from \$15.2 million in the first half of last year, resulting from higher sales volumes in both segments, operational efficiencies derived from cost optimizations, improvements in folding carton manufacturing activities and \$1.6 million recorded in subsidies. Adjusted EBITDA margins increased to 17.2% of revenue compared to 15.2% in the equivalent period of 2020. Excluding the contribution of the subsidies, Adjusted EBITDA margins were at 15.7% of revenue.

- Envelope segment Adjusted EBITDA was \$13.6 million, up 7.6% or \$0.9 million, from \$12.7 million in the equivalent period of 2020. The operating profitability of the Canadian envelope operations improved with the operational efficiencies derived from the cost optimizations plan in addition to higher sales volume. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 18.5%, up from 17.6% in the equivalent period of 2020.
- Packaging and specialty products segment Adjusted EBITDA was \$4.9 million, up 47.5% or \$1.6 million from \$3.3 million in comparable period of 2020 primarily from efficiency gains in the folding carton division combined with the contribution of the Vista acquisition. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 15.2% compared to 11.7% 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 the contribution of the CEWS which was offset by an unfavorable foreign exchange variance in the first half of 2021 compared to the equivalent period of 2020.

Net Earnings were \$7.5 million (or \$0.27 per share) for the six-month period ended June 30, 2021, compared to \$4.5 million (or \$0.16 per share) for the equivalent period in 2020. Adjusted Net Earnings were \$7.6 million (or \$0.27 per share) for the six-month period ended June 30, 2021, compared to \$4.9 million (or \$0.18 per share) for the equivalent period in 2020.

Net cash flows from operating activities were \$9.4 million during the six-month period ended June 30, 2021, compared to \$18.9 million in the equivalent period of 2020. The variation is attributable to a negative net change in working capital adjustments.

CAPITAL ALLOCATION

Normal Course Issuer Bid (“NCIB”)

During the second quarter of 2021, the Company purchased 488,100 common shares, for cancellation under its NCIB program for a total consideration of \$1,106,683. Year-to-date, the Company purchased 710,000 common shares for a total consideration of \$1,580,570. Subsequent to the end of the period, an additional 128,100 shares were purchased for cancellation for total consideration of \$301,820.

The Company intends to renew its normal course issuer bid expiring on August 16, 2021.

CORPORATE

Appointment of Chief Financial Officer

Effective May 31, 2021, Mary Chronopoulos was appointed CFO and Corporate Secretary of Supremex. Mrs. Chronopoulos is a highly accomplished financial executive with over 20 years of experience in finance with large private and public companies. Before joining Supremex, she was Chief Financial Officer of Energir, a diversified energy company with over \$2.5 billion in sales. Mrs. Chronopoulos also held various executive roles in finance with several leading retail and consumer packaged goods companies including Group BMR, Aldo Group and Saputo. Mrs. Chronopoulos holds the CPA, CMA designation and earned an MBA from the John Molson School of Business.

Financial Position and Capital Resources Summary

Following recent improvements in the epidemiological situation, federal, provincial, state and local governments across North America have gradually started lifting public health measures. Although these recent developments are very encouraging, uncertainty still remains with regards to the duration and impact of the COVID-19 pandemic on the Company’s activities and on the global economic landscape.

In the second quarter of 2021, the Company experienced a rebound in demand from certain channels that were more affected by the COVID-19 pandemic and lockdown measures in previous quarters. However, it remains impossible at this time for the Company to estimate the duration and scope of the pandemic and its ensuing economic impact. In order to continue mitigating any lingering effect of the COVID-19 pandemic on the Company’s operations and financial results, management continues to tightly control its operating expenses and working capital. In addition to these cost and liquidity preservation measures, the Company recorded a total of \$1.6 million in subsidies from the Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (“CERS”) programs in the first half of 2021.

Non-IFRS Performance Measures

Reconciliation of Net Earnings to Adjusted EBITDA

<i>(In thousands of dollars)</i>	Three-month periods		Six-month periods	
	ended June 30		ended June 30	
	2021	2020	2021	2020
Net Earnings	3,389	1,865	7,492	4,453
Income tax expense	1,206	569	2,593	1,624
Net financing charges	556	883	1,099	1,760
Depreciation of property, plant and equipment	1,356	1,315	2,721	2,504
Depreciation of right-of-use assets	1,205	1,382	2,382	2,651
Amortization of intangible assets	845	881	1,659	1,589
EBITDA⁽¹⁾	8,557	6,895	17,946	14,581
Acquisition costs related to business combinations	5	—	164	97
Value adjustment on acquired inventory through the business combination	—	—	—	555
Adjusted EBITDA⁽¹⁾	8,562	6,895	18,110	15,233
<i>Adjusted EBITDA Margin (%)</i>	16.5%	14.5%	17.2%	15.2%

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

Reconciliation of Net Earnings to Adjusted Net Earnings

<i>(In thousands of dollars)</i>	Three-month periods		Six-month periods	
	ended June 30		ended June 30	
	2021	2020	2021	2020
Net Earnings	3,389	1,865	7,492	4,453
Adjustments, net of income taxes				
Acquisition costs related to business combinations	4	—	122	72
Value adjustment on acquired inventory through the business combination	—	—	—	411
Adjusted Net Earnings⁽¹⁾	3,393	1,865	7,614	4,936

⁽¹⁾ 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.

August 12, 2021 – Second Quarter 2021 Results Conference Call:

A conference call to discuss the Company's results for the second quarter ended June 30, 2021 will be held Thursday, August 12, 2021 at 11:00 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, please dial the following numbers (updated from previous calls).

- Confirmation Number: 64657386
- 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 657386 #. The recording will be available until Thursday, August 19, 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 the MD&A for year ended December 31, 2020 and in the MD&A for the six-month period ended June 30, 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 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 11 manufacturing facilities across four provinces in Canada and three manufacturing facilities in the United States employing approximately 845 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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