



SUPREMEX ANNOUNCES Q3 2021 RESULTS

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

Third Quarter Financial Highlights and Recent Events

- Total revenue increased by 9.9% to \$54.8 million, from \$49.9 million in the third quarter of 2020.
 - Envelope segment revenue was up 8.5% to \$37.0 million, from \$34.1 million in the third quarter of 2020.
 - Packaging and specialty products segment revenue increased by 12.8% to \$17.8 million, from \$15.8 million in the third quarter of 2020.
 - EBITDA¹ at \$8.7 million, up 8.0%, from \$8.1 million in the third quarter of 2020.
 - Net Earnings at \$3.4 million (or \$0.12 per share), up from \$2.7 million (or \$0.10 per share) in the third quarter of 2020.
 - The Company renewed its Normal Course Issuer Bid (“NCIB”) over a maximum period of 12 months beginning on August 31, 2021 and ending on August 30, 2022.
 - Purchased 292,400 shares for total consideration of \$0.7 million as part of the Company’s NCIB program.
 - The Company entered into series of annuity buy-out transactions in order to reduce the risk profile associated with its defined benefit pension plans.
 - Appointed Joe Baglione to the newly created position of President, Envelope, effective November 15, 2021.
 - Appointed Leslie Sutherland to the newly created position of Vice President, People & Culture, effective November 1, 2021.
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“We are very pleased with our third quarter performance which included strong sales growth in both segments and the seventh consecutive quarter of year-over-year improvement in adjusted EBITDA. We achieved these results in spite of a negative currency conversion, an extremely tight supply chain for all paper grades and rapidly escalating costs across the board. This is a testament to our product and geographic diversification, the resilience of our business model and a commitment to passing through inflation,” said Stewart Emerson, President & CEO of Supremex.

“Operationally, the integration of Vista Graphic Communications is on track and the new equipment has arrived and is in the process of commissioning. Once complete, this will provide our e-Commerce team with much needed capacity in local US markets in addition to improved efficiencies. Furthermore, to position ourselves for the future, we strengthened our management bench by creating two new senior executive roles namely, President, Envelope and Vice President, People & Culture. These two important roles will immediately support our growth efforts.”

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.

“Looking ahead, we expect the demand for our products to remain strong in the fourth quarter and into 2022 as our backlogs are solid. We are confident we can successfully manage through a tight supply chain and persistent inflationary pressures given our strong supplier relationships and the ability of our team to pass through price increases. Longer-term, we remain focused on our 2025 objective of generating 50% of total revenue from the packaging segment and as such are intensifying our search for strategic acquisitions,” concluded Mr. Emerson.

Financial Highlights

(In thousands of dollars, except per share data and margin)

	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Revenue	54,823	49,890	160,227	149,968
Operating earnings	5,276	4,561	16,460	12,398
Adjusted EBITDA ⁽¹⁾	8,714	8,065	26,823	23,298
Adjusted EBITDA%	15.9%	16.2%	16.7%	15.5%
Net earnings	3,364	2,733	10,856	7,186
Net earnings per share	0.12	0.10	0.39	0.26
Adjusted net earnings ⁽²⁾	3,364	2,733	10,978	7,669
Adjusted net earnings per share	0.12	0.10	0.39	0.28

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

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

Summary of three-month period ended September 30, 2021

Total revenue for the three-month period ended September 30, 2021, was \$54.8 million, representing an increase of \$4.9 million or 9.9% from the equivalent quarter of 2020.

Revenue from the envelope segment was \$37.0 million, representing an increase of \$2.9 million or 8.5%, from \$34.1 million in the equivalent quarter of 2020. The envelope segment represented 67.6% of the Company’s revenue in the quarter, down slightly from 68.4% during the equivalent period of last year.

- Revenue from the Canadian envelope market grew by \$0.6 million or 2.7% to \$22.3 million, from \$21.7 million in the third quarter of 2020. Average selling prices increased by 8.5% 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 5.3% from the secular decline affecting the envelope market. Canada Post’s latest published financial results indicated that Transaction Mail volumes were up 4.1% year-over-year² due to the 2021 Census mailing combined with continued above-normal retail usage fuelled by COVID-19 lockdowns.
- Revenue from the U.S. envelope market was \$14.7 million, representing an increase of \$2.3 million or 18.7% from \$12.4 million in the third quarter of 2020. The volume of units sold increased by 18.9% from efforts dedicated to increase penetration of the US envelope market and from the rebound in demand in recent quarters from certain channels that were more affected by the pandemic and lockdown measures. Average selling prices in Canadian dollars decreased by 0.2%, 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.

² [Canada Post press release dated August 20, 2021 reporting Q2 2021 results](#)

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

Revenue from the packaging and specialty products segment was \$17.8 million, an increase of \$2.0 million or 12.8% 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, coupled with organic growth. Packaging and specialty products represented 32.4% of the Company’s revenue in the quarter, up from 31.6% during the equivalent period of last year.

EBITDA and Adjusted EBITDA were \$8.7 million, up 8.0%, from \$8.1 million in the third quarter of 2020. This increase resulted from higher sales volumes in both segments and operational efficiencies derived from the cost optimizations plan. It was partially offset by the higher cost of materials and lower recorded subsidies (\$0.6 million versus \$0.9 million for the same period last year). Adjusted EBITDA margins decreased to 15.9% of revenue compared to 16.2% in the equivalent quarter of 2020.

- Envelope segment Adjusted EBITDA was \$6.9 million, up 19.5% or \$1.1 million, from \$5.8 million in the third quarter of 2020. The operating profitability of the Canadian envelope operations improved due to higher sales volume and the operational efficiencies derived from the cost optimizations plan. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 18.6%, up from 16.9% in the equivalent period of 2020.
- Packaging and specialty products segment Adjusted EBITDA was \$2.6 million, down 12.2% or \$0.3 million from \$2.9 million in the third quarter of 2020. These results reflect an unfavorable product mix, partially offset by increased sales volume and the contribution of the Vista acquisition. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 14.4% compared to 18.5% in the equivalent period of 2020.

Net Earnings and Adjusted Net Earnings were \$3.4 million (or \$0.12 per share) for the three-month period ended September 30, 2021, compared to \$2.7 million (or \$0.10 per share) for the equivalent period in 2020.

Summary of nine-month period ended September 30, 2021

Total revenue for the nine-month period ended September 30, 2021, reached \$160.2 million, a 6.8% increase from \$150.0 million for the nine-month period ended September 30, 2020.

Revenue from the envelope segment was \$110.5 million, an increase of \$4.5 million or 4.3%, from \$106.0 million in the comparable period of 2020.

- Revenue from the Canadian envelope market was \$71.7 million, an increase of 2.2% or \$1.6 million from \$70.1 million during the nine-month period ended September 30, 2020. Average selling prices increased by 5.0% primarily from price increases implemented in the second and third quarters of 2021, partially offset by a volume decrease of 2.6% 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 \$38.8 million, an increase of 8.3% or \$2.9 million from \$35.9 million in the equivalent period of 2020. The volume of units sold increased by 14.4% from efforts dedicated to increase the Company’s market share in the US envelope market and the continued effect of the COVID-19 economic rebound in the third quarter of 2021, partially offset by the 5.3% decrease in average selling prices in Canadian dollars resulting mainly from a negative foreign exchange translation effect.

Revenue from packaging and specialty products was \$49.7 million, an increase of 13.1% or \$5.7 million from \$44.0 million in the equivalent period of the prior year. Revenue growth came mainly from the acquisition of Vista in March 2021 and from organic growth.

EBITDA increased by 17.7% to \$26.7 million in the nine-month period ended September 30, 2021, up from \$22.6 million in the equivalent period of 2020. Adjusted EBITDA increased by 15.1% to \$26.8 million, up from \$23.3 million in the first nine months of last year, resulting from higher sales volumes in both segments, operational efficiencies derived from cost optimizations, improvements in folding carton manufacturing activities and higher recorded subsidies (\$2.2 million versus \$0.9 million for the same period last year). Adjusted EBITDA margins increased to 16.7% of revenue compared to 15.5% in the equivalent period of 2020.

- Envelope segment Adjusted EBITDA was \$20.5 million, up 11.3% or \$2.1 million, from \$18.4 million in the equivalent period of 2020. The operating profitability of the Canadian envelope operations improved due to higher sales volume and the operational efficiencies derived from the cost optimizations plan. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 18.6%, up from 17.4% in the equivalent period of 2020.
- Packaging and specialty products segment Adjusted EBITDA was \$7.4 million, up 19.5% or \$1.2 million from \$6.2 million in the comparable period of 2020 primarily driven by efficiency gains in the folding carton division combined with the contribution of the Vista acquisition. This growth was partially offset by changes to the product mix. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 15.0% compared to 14.1% in the equivalent period of 2020.

Net Earnings were \$10.9 million (or \$0.39 per share) for the nine-month period ended September 30, 2021, compared to \$7.2 million (or \$0.26 per share) for the equivalent period in 2020. Adjusted Net Earnings were \$11.0 million (or \$0.39 per share) for the nine-month period ended September 30, 2021, compared to \$7.7 million (or \$0.28 per share) for the equivalent period in 2020.

Net cash flows from operating activities were \$16.2 million during the nine-month period ended September 30, 2021, compared to \$26.1 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”)

On August 27, 2021, the Company announced that it has received approval from the TSX to purchase by a way of a NCIB, for cancellation, up to 1,346,648 of its common shares, representing approximately 5.0% of its 26,932,969 issued and outstanding common shares as of August 18, 2021. Purchases under the NCIB will be made through the facilities of the TSX and/or alternative trading systems in Canada, if eligible, in accordance with applicable securities laws and regulations, over a maximum period of 12 months beginning on August 31, 2021 and ending on August 30, 2022.

During the three and nine-month periods ended September 30, 2021, the Company repurchased 292,400 and 1,002,400 common shares for cancellation through the current and prior NCIB which expired on August 16, 2021, in consideration of \$695,535 and \$2,276,106, respectively.

Subsequent to the end of the period, an additional 150,300 shares were purchased for cancellation for total consideration of \$347,855.

BALANCE SHEET

Employee Future Benefits

Recently, the Company executed a series of transactions in order to reduce the risk profile associated with its defined benefit pension plans.

On June 23, 2021 and September 1, 2021 the Company has entered into annuity buy-out transactions with Brookfield Annuity Company and RBC Insurance to transfer \$7.0 million and \$43.4 million, respectively, of its defined benefit pension obligations. These completed transactions fully transfer and discharge the pension plan of its related obligations. Supremex will not be required to make any cash contribution to complete the transactions. Finally, effective September 28, 2021, the Company implemented a new de-risking strategy for its defined benefit plans' assets whereby 70% of assets are now invested in bonds.

In addition to the above-mentioned objectives, these transactions reduce the volatility related to the Company's defined benefit pension plans and further secure plan members' benefits.

CORPORATE

Appointment of President, Envelope

Effective November 15, 2021, Joe Baglione will be appointed to the newly created position of President, Envelope. Mr. Baglione started working at Supremex as a student in the warehouse and later joined as a full-time employee in 1991 in the production planning and scheduling department. Over the years he progressively took on sales, marketing and management roles and successfully progressed through the organization becoming Vice President & General Manager of US Envelope in 2018. He most recently held the position of Vice President & General Manager, Eastern Canada Envelope & Label.

Appointment of Vice President, People & Culture

Effective November 1, 2021, Leslie Sutherland was appointed Vice President, People & Culture of Supremex. Mrs. Sutherland is a highly accomplished strategic human resources leader with over 25 years of experience with large private and public companies as well as governmental organizations. Before joining Supremex, she was Vice President, Human Resources & Business Operations at Toronto Global, an arms-length organization representing municipalities in the Toronto region. Mrs. Sutherland also held various executive roles in human resources with several leading financial institutions and parapublic pension plans including Scotiabank, OMERS Capital Markets, Healthcare of Ontario Pension Plan, Citibank Canada and Honda Canada. Mrs. Sutherland holds a Bachelor of Arts from St. Thomas University and an MBA from York University.

OUTLOOK

As a provider of envelopes to government entities, financial institutions, utilities and other large organizations, and a provider of packaging solutions to essential businesses operating in the pharmaceutical, food and e-commerce industries, Supremex has remained in operation since the start of the COVID-19 pandemic. The Company quickly put in place a robust business continuity plan which include enhanced safety measures for its employees and customers and various other initiatives aimed at preserving the Company's balance sheet and cash flow, including limiting capital expenditures and suspending its regular quarterly dividend starting in May 2020.

As the epidemiological situation improves, 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 respect to the duration and impact of the COVID-19 pandemic on the Company's activities and on the global economic landscape:

- Certain assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.
- Persistent supply chain issues primarily with paper procurement, creating missed sales opportunities. Expected to last into 2023.
- Labor shortages constraining the Company from additional production hours and improving capacity utilization.

In an effort to mitigate the 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.

As Supremex navigates the business impacts of the pandemic, the Company has experienced a rebound in demand in recent quarters from certain channels that were more affected by the pandemic and lockdown measures. The Company has solid backlogs and is currently operating at full capacity given the labor at its disposal and its teams continue to successfully pass through input cost inflation.

In the second quarter of 2022, the Company will move its folding carton plant in Town Mount Royal, Quebec to an alternative location necessitated by the expropriation of its current facility for the Royalmount project. The Company will incur one-time costs for the move, which will be largely recorded in the first two quarters of 2022. In addition, the Company expects its new rent to exceed what it is currently paying.

In order to achieve its pivot to packaging objective, with 50% of sales generated in the Packaging segment by 2025, Supremex is ramping up its search for strategic acquisitions.

Non-IFRS Performance Measures

Reconciliation of Net Earnings to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2021	2020	2021	2020
Net Earnings	3,364	2,733	10,856	7,186
Income tax expense	1,345	1,134	3,938	2,758
Net financing charges	567	694	1,666	2,454
Depreciation of property, plant and equipment	1,279	1,243	3,999	3,747
Depreciation of right-of-use assets	1,304	1,379	3,686	4,030
Amortization of intangible assets	855	882	2,514	2,471
EBITDA⁽¹⁾	8,714	8,065	26,659	22,646
Acquisition costs related to business combinations	—	—	164	97
Value adjustment on acquired inventory through a business combination	—	—	—	555
Adjusted EBITDA⁽¹⁾	8,714	8,065	26,823	23,298
Adjusted EBITDA Margin (%)	15.9%	16.2%	16.7%	15.5%

⁽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 September 30		Nine-month periods ended September 30	
	2021	2020	2021	2020
Net Earnings	3,364	2,733	10,856	7,186
Adjustments, net of income taxes				
Acquisition costs related to business combinations	—	—	122	72
Value adjustment on acquired inventory through a business combination	—	—	—	411
Adjusted Net Earnings⁽¹⁾	3,364	2,733	10,978	7,669

⁽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.

November 12, 2021 – Third Quarter 2021 Results Conference Call:

A conference call to discuss the Company’s results for the third quarter ended September 30, 2021 will be held Friday, November 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: 10914812
- 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 914812 #. The recording will be available until Friday, November 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 the nine-month period ended September 30, 2021 and, in the Company's Annual Information Form dated 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 nine-month period ended September 30, 2021 and, in the Company's Annual Information Form dated March 31, 2021, 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 ten manufacturing facilities across four provinces in Canada and three manufacturing facilities in the United States employing approximately 825 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.

-30-

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