

SUPREMEX ANNOUNCES SOLID Q1 2022 RESULTS AND DECLARES REGULAR QUARTERLY DIVIDEND

Montreal, Quebec, May 12, 2022 – 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, 2022. The Company will hold a conference call to discuss these results, today at 11:00 a.m. (Eastern Time).

First Quarter Financial Highlights and Recent Events

- Total revenue increased by 18.0% to \$63.3 million, from \$53.6 million in the first quarter of 2021.
- Packaging and specialty products segment revenue increased by 21.5% to \$18.6 million, from \$15.3 million in the first quarter of 2021.
- Envelope segment revenue was up 16.7% to \$44.7 million, from \$38.3 million in the first quarter of 2021.
- Adjusted EBITDA¹ increased to \$12.1 million, from \$9.5 million in the first quarter of 2021.
- Net Earnings increased significantly to \$6.3 million, from \$4.1 million in the first quarter of 2021.
- Earnings per share increased significantly to \$0.24, up from \$0.15 in the first quarter of 2021.
- Recorded no assistance from the Canada Emergency Wage Subsidy (“CEWS”) and Canada Emergency Rent Subsidy (“CERS”) programs in the first quarter of 2022, compared to \$0.7 million in the first quarter of 2021.
- Purchased 106,000 shares for a total consideration of \$0.3 million as part of the Company’s NCIB program.
- On May 11, 2022, the Board of Directors declared a quarterly dividend of 0.025 per common share, payable on June 27, 2022, to the shareholders of record at the close of business on June 9, 2022.

“We had a very strong start to the year. Revenue increased 18%, adjusted EBITDA improved 27% and net earnings were up more than 50%. This solid growth was driven by improved margin and mix, increased volume across all lines of business, as well as benefits from ongoing operational improvements and a relatively resilient supply chain. These factors helped to mitigate the impact of a tight paper market, which constrained growth in the quarter,” said Stewart Emerson, President & CEO, Supremex.

“In the first quarter, we deployed our cash to make a tuck-in acquisition, invest in capital expenditures and provide a return to shareholders in the form of dividends and share repurchases. We also continued to make progress on our organizational design initiative, creating and aligning roles in keeping with a larger-company structure, and continued to actively search for strategic acquisitions in packaging.

Looking ahead, we still expect revenues and profitability for 2022 to be ahead of 2021 in the aggregate, however, the quarterly distribution of results is contingent on paper availability. We anticipate increased tightness in the second and third quarters and are actively seeking alternative sources of paper to alleviate this effect. That said, we are well-positioned to continue to grow given strong demand fundamentals, full backlogs, broad product offering, geographic diversification and solid relationships with suppliers,” concluded Mr. Emerson.

¹ This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Financial Highlights

(in thousands of dollars, except for per share amounts and margins)

	Three-month periods ended March 31	
	2022	2021
Statement of Earnings		
Revenue	63,269	53,603
Operating earnings	8,829	6,033
Adjusted EBITDA ⁽¹⁾	12,083	9,548
Adjusted EBITDA margin ⁽¹⁾	19.1%	17.8%
Net earnings	6,302	4,103
Basic and diluted net earnings per share	0.24	0.15
Adjusted Net earnings ⁽¹⁾	6,311	4,221
Adjusted Net earnings per share ⁽¹⁾	0.24	0.15
Cash Flow		
Free Cash Flow ⁽¹⁾	(104)	4,236

⁽¹⁾ This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Non-IFRS Financial Measures

Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies and should not be viewed as alternatives to measures of financial performance prepared in accordance with IFRS. Management considers these metrics to be information which may assist investors in evaluating the Company's profitability and enable better comparability of the results from one period to another. These Non-IFRS Financial Measures are defined as follows:

Non-IFRS Measure	Definition
EBITDA	Earnings before financing charges, income tax expense, depreciation of property, plant and equipment and right-of-use assets and amortization of intangible assets.
Adjusted EBITDA	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
EBITDA and Adjusted EBITDA margins	EBITDA margin or Adjusted EBITDA margin is a percentage corresponding to the ratio of EBITDA or Adjusted EBITDA to revenue.
Adjusted Net Earnings	Net Earnings excluding items of significance listed above under Adjusted EBITDA, net of income taxes.
Adjusted Net earnings per share	Diluted earnings per share calculated on the basis of Adjusted Net Earnings.
Free Cash Flow	Net Cash flows related to operating activities according to the consolidated statements of cash flows less net additions to property, plant and equipment and intangible assets.
Total debt to Adjusted EBITDA ratio	Total debt comprised of revolving facility and term facility divided by Adjusted EBITDA.

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.

Supremex considers free cash flow to be a good indicator of financial strength and profitability because it shows how much of the cash generated by operations is available for distribution, to repay debt or fund other investments.

The following tables provide the reconciliation of Non-IFRS Financial Measures:

Reconciliation of Non-IFRS Performance Measures

Reconciliation of Net earnings to Adjusted EBITDA

(in thousands of dollars, except for margins)

	Three-month periods ended March 31	
	2022	2021
Net earnings	6,302	4,103
Income tax expense	2,084	1,387
Net financing charges	443	543
Depreciation of property, plant and equipment	1,250	1,364
Depreciation of right-of-use assets	1,084	1,177
Amortization of intangible assets	908	815
EBITDA	12,071	9,389
Acquisition costs related to business combinations	12	159
Adjusted EBITDA	12,083	9,548
Adjusted EBITDA Margin (%)	19.1%	17.8%

Reconciliation of Net earnings to Adjusted net earnings and of Net earnings per share to Adjusted net earnings per share

(in thousands of dollars, except for per share amounts)

	Three-month periods ended March 31	
	2022	2021
Net earnings	6,302	4,103
Adjustment, net of income taxes		
Acquisition costs related to business combinations	9	118
Adjusted net earnings	6,311	4,221
Net earnings per share	0.24	0.15
Adjustment, net of income taxes, in dollar per share	—	—
Adjusted net earnings per share	0.24	0.15

Reconciliation of Cash flows related to operating activities to Free Cash Flow

(in thousands of dollars)

	Three-month periods ended March 31	
	2022	2021
Cash flows related to operating activities	211	4,532
Net acquisitions of property, plant and equipment	(206)	(289)
Net acquisitions of intangible assets	(109)	(7)
Free Cash Flow	(104)	4,236

Summary of three-month period ended March 31, 2022

Revenue

Total revenue for the three-month period ended March 31, 2022, was \$63.3 million, representing an increase of \$9.7 million, or 18.0%, from the equivalent quarter of 2021.

Envelope Segment (Canada and U.S.)

Revenue was \$44.7 million, representing an increase of \$6.4 million, or 16.7%, from \$38.3 million in the first quarter of 2021. Envelope represented 70.6% of the Company's revenue in the quarter, down from 71.4% during the equivalent period of last year. The increase in average selling prices was 14.2% from last year's comparable period, primarily resulting from price increases swiftly implemented to reflect rising input cost inflation. The volume of units sold increased by 2.2% from efforts dedicated to increase penetration of the U.S. envelope market and from the rebound in demand in recent quarters from certain channels that were more affected by the pandemic and lockdown measures. The Company's strong supply chain and dedicated workforce also played in its favor.

Packaging & Specialty Products Segment

Revenue was \$18.6 million, an increase of \$3.3 million, or 21.5%, from \$15.3 million in the corresponding quarter of 2021. The increase resulted mainly from the contribution of the Vista acquisition concluded on March 8, 2021, coupled with organic growth across all lines of the packaging business. Packaging & Specialty Products represented 29.4% of the Company's revenue in the quarter, up from 28.6% during the equivalent period of last year.

EBITDA² and Adjusted EBITDA²

Consolidated EBITDA and Adjusted EBITDA

EBITDA was \$12.1 million, up \$2.7 million, from \$9.4 million in the first quarter last year. Adjusted EBITDA was \$12.1 million, up \$2.6 million, or 26.6%, from \$9.5 million in the first quarter of 2021. This increase resulted from higher revenue in both segments, driven by increased volume and sales prices. It was partially offset by the higher cost of materials and the phasing out of the CEWS and CERS programs (no subsidies recorded in the first quarter ended March 31, 2022 compared to \$0.7 million of subsidies recorded for the same period last year). Adjusted EBITDA margins increased to 19.1% of revenue, compared to 17.8% in the equivalent quarter of 2021.

Segment EBITDA and Adjusted EBITDA

Envelope Segment

Adjusted EBITDA was \$10.0 million, up 36.9%, or \$2.7 million, from \$7.3 million in the first quarter of 2021. This increase was primarily due to higher revenue, driven by an increase in the average selling price, partially offset by an unfavorable product mix. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 22.4%, up from 19.1% in the equivalent period of 2021.

Packaging & Specialty Products Segment

Adjusted EBITDA was \$4.2 million, up 69.9% or \$1.7 million, from \$2.5 million in the first quarter of 2021. This significant increase is mainly explained by higher revenue, driven by increased volume and the average selling price. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 22.5%, compared to 16.1% in the equivalent period of 2021.

² This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Corporate and unallocated costs

The Corporate and unallocated costs was \$2.1 million compared to \$0.2 million in the first quarter of 2021 which includes the contribution of \$0.7 million from the CEWS and CERS programs. Excluding the subsidiaries, corporate and unallocated costs in the first quarter of 2021 would have been \$0.9 million. The increase of \$1.2 million resulted mainly from severances and unfavorable adjustment of the DSUs due to share price appreciation.

Net Earnings and Adjusted Net Earnings³

Net Earnings were \$6.3 million (or \$0.24 per share) for the three-month period ended March 31, 2022, compared to \$4.1 million (or \$0.15 per share) for the equivalent period last year. Adjusted Net Earnings were \$6.3 million (or \$0.24 per share) for the three-month period ended March 31, 2022, compared to \$4.2 million (or \$0.15 per share) for the equivalent period in 2021.

Liquidity and Capital Resources

Cash Flow

Net cash flows from operating activities were \$0.2 million during the three-month period ended March 31, 2022, compared to \$4.5 million in the equivalent period of 2021. The decrease is mainly attributable to the unfavorable movements in working capital partially offset by higher profitability.

Free cash flow³ amounted to negative \$0.1 million in the first quarter of 2022, versus \$4.2 million for the same period last year, mainly attributable to investments in working capital partially offset by higher profitability.

Normal Course Issuer Bid (“NCIB”)

During the three-month period ended March 31, 2022, the Company repurchased 106,000 common shares for cancellation under its NCIB program, in consideration of \$336,001.

Subsequent to the end of the period, an additional 105,100 shares were purchased for cancellation for total consideration of \$356,436.

Debt and Leverage

The Company's total debt slightly increased to \$44.9 million as at March 31, 2022, compared to \$44.5 million as at December 31, 2021.

As at March 31, 2022 and as at December 31, 2021, the ratio of total debt to last twelve months Adjusted EBITDA³ was 1.1x.

Subsequent Events

- Recently, the Company announced the nomination of Mr. Murray Rundle as Vice President Marketing and Innovation. Mr. Rundle joined Supremex more than 30 years ago and brings extensive sales and sales management experience on the Envelope side and, more recently, in e-commerce.
- On April 25, 2022, Mr. Islem Yezza, Vice-President and General Manager, Folding Carton, announced he would be leaving the Company effective May 13, 2022.
- On May 11, 2022, the Board of Directors declared a quarterly dividend of \$0.025 per common share, payable on June 27, 2022, to the shareholders of record at the close of business on June 9, 2022. This dividend is designated as an “eligible” dividend for the purpose of the *Income Tax Act (Canada)* and any similar provincial legislation.

³ This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Outlook

The Company has solid backlogs and is currently operating at full capacity given current labor shortages and its teams continue to successfully pass through input cost inflation. However, the Company is faced with increasingly challenging supply chain issues, primarily related to paper procurement, which is forcing it to reduce or push-out delivery orders creating missed sales opportunities. The envelope acquisition in New York recently completed should help to mitigate this impact in the short term.

The Company's plan to move its folding carton plant in Town Mount Royal, Quebec necessitated by the expropriation of its facility will be delayed to 2023 following a one-year lease extension.

The Company is committed to efficiently deploy its capital in 2022 with the expected payment of quarterly dividends, the repurchase of common shares in line with its NCIB and investments in capital expenditures. The Company also continues to look for strategic acquisitions in the packaging segment.

May 12, 2022 – First Quarter Results Conference Call:

A conference call to discuss the Company's results for the first quarter ended March 31, 2022 will be held Thursday, May 12, 2022 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. We suggest that participants call-in at least 5 minutes prior to the scheduled start time:

- Confirmation Number: 8256335
- Local participants (Montreal area), dial: 438 803-0546
- International participants, dial: 438 803-0546
- North-American participants, dial toll-free: 1 888 440-2009

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 1 800 770-2030 or 647-362-9199 and enter the code 8256335. The recording will be available until Thursday, May 19, 2022.

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, Adjusted net earnings per share, Free Cash Flow, Total debt to Adjusted EBITDA ratio 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 three-month period ended March 31, 2022 and, in the Company's Annual Information Form dated March 30, 2022. 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, decline in envelope consumption, increase of competition, economic cycles, key personnel, labor shortage, contributions to employee benefits plans, raw material price increases and availability, operational disruption, exchange rate fluctuation, growth by acquisitions, availability of capital, credit risks with respect to trade receivables, interest rate fluctuation, concerns about protection of the environment, potential risk of litigation, cyber security and data protection and 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 MD&A for three-month period ended March 31, 2022 and, in the Company's Annual Information Form dated March 30, 2022 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 four 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.

Contact:

Mary Chronopoulos

Chief Financial Officer

investors@supremex.com

514 595-0555, extension 2316