

SUPREMEX ANNOUNCES RECORD Q1 2023 RESULTS
Acquisitions and organic growth driving revenue and earnings increases

Montreal, Quebec, May 9, 2023 – 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, 2023. The Company will hold a conference call to discuss these results, tomorrow at 8:00 a.m. (Eastern Time).

First Quarter Financial Highlights and Recent Events

- Total revenue increased by 39.8% to \$88.4 million, from \$63.3 million in the first quarter of 2022.
- Envelope segment revenue was up 44.4% to \$64.5 million, from \$44.6 million in the first quarter of 2022.
- Packaging and specialty products segment revenue rose by 28.7% to \$24.0 million, from \$18.6 million last year.
- Net earnings increased 50.7% to \$9.5 million, from \$6.3 million in the first quarter of 2022.
- Adjusted EBITDA¹ was \$18.8 million, or 21.3% of revenue, versus \$12.1 million, or 19.1% of revenue, last year.
- Earnings per share increased to \$0.37, up from \$0.24 in the first quarter of 2022.
- Acquisitions of Impression Paragraph Inc. (“Paragraph”), on January 16, 2023 and of Graf-Pak Inc. (“Graf-Pak”) on May 8, 2023.
- On May 9, 2023, the Board of Directors declared a quarterly dividend of \$0.035 per common share.

Financial Highlights

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

	Three-month periods ended March 31	
	2023	2022
Statement of Earnings		
Revenue	88,422	63,269
Operating earnings	14,371	8,829
Adjusted EBITDA ⁽¹⁾	18,841	12,083
Adjusted EBITDA margin ⁽¹⁾	21.3%	19.1%
Net earnings	9,497	6,302
Basic and diluted net earnings per share	0.37	0.24
Adjusted net earnings ⁽¹⁾	9,780	6,311
Adjusted net earnings per share ⁽¹⁾	0.38	0.24
Cash Flow		
Net cash flows related to operating activities	7,541	211
Free Cash Flow ⁽¹⁾	3,403	(104)

⁽¹⁾ Non-IFRS financial measures or ratios. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to the non-IFRS financial measures section for definitions and reconciliations.

“Supremex posted solid first-quarter results with recent acquisitions driving revenue growth, leading to a thirteenth consecutive period of year-over-year improvement in Adjusted EBITDA. Our robust performance in the Envelope segment reflects a focused penetration of the U.S. market and a continued emphasis on improving customer and product mix. In Packaging, revenue and profitability were affected by residual inefficiencies from a recent relocation of our primary folding carton facility in the Montreal area, and we continue to focus on leveraging the benefits from a larger and more efficient facility,” said Stewart Emerson, President & CEO of Supremex.

¹ Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

“For the balance of 2023, our focus remains on integrating recent acquisitions with a priority on capturing all sales and cost synergies. Looking to the immediate future, both segments we operate in are experiencing a slowdown in new orders as customers throughout the supply chain focus on reducing inventory levels built in 2022. Beyond this temporary ebb, we believe our solid position in the North American envelope market combined with a greater presence in the growing folding carton and e-commerce fulfilment packaging markets should drive further earnings and cash flow growth,” concluded Mr. Emerson.

Summary of three-month period ended March 31, 2023

Revenue

Total revenue for the three-month period ended March 31, 2023, was \$88.4 million, representing an increase of \$25.1 million, or 39.8%, from the equivalent quarter of 2022. The contribution from the Royal Envelope Corporation (“Royal Envelope”) acquisition was \$12.0 million, while the contribution from the Paragraph acquisition amounted to \$7.8 million.

Envelope Segment

Revenue was \$64.5 million, representing an increase of 44.4%, from \$44.6 million in the equivalent quarter of 2022. The higher revenue reflects the contribution of the Royal Envelope acquisition, an average selling price increase of 40.1% from last year’s first quarter primarily stemming from a more favourable customer and product mix in U.S. operations and from price increases that were implemented throughout 2022 to mitigate input cost inflation, as well as a favourable currency conversion effect. The envelope segment represented 72.9% of the Company’s revenue in the quarter, versus 70.6% during the equivalent period of last year.

Packaging & Specialty Products Segment

Revenue was \$24.0 million, up 28.7% from \$18.6 million in the first quarter of 2022. The increase is attributable to the Paragraph acquisition and higher demand for e-commerce packaging solutions. These factors were partially offset by the wind down of the Durabox operations and the residual effect on sales from interrupted and sub-optimal production due to the relocation of the Town of Mount Royal folding carton operations executed primarily in the fourth quarter of 2022. Packaging & specialty products represented 27.1% of the Company’s revenue in the quarter, compared to 29.4% during the equivalent period of last year.

EBITDA² and Adjusted EBITDA²

EBITDA was \$18.5 million, up 52.9% from \$12.1 million in the first quarter last year. Adjusted EBITDA was \$18.8 million, up 55.9%, from \$12.1 million in the first quarter of 2022. This increase was the result of higher total revenue, partially offset by the higher cost of materials and higher selling, general and administrative expenses. The Adjusted EBITDA margin reached 21.3% of revenue, up from 19.1% in the equivalent quarter of 2022.

Envelope Segment

Adjusted EBITDA was \$17.3 million, up 73.0%, from \$10.0 million in the first quarter of 2022. This increase is primarily the result of the Royal Envelope acquisition and improved gross margin primarily stemming from a more favourable customer and product mix in U.S. operations. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 26.8%, compared to 22.4% in the equivalent period of 2022.

Packaging & Specialty Products Segment

Adjusted EBITDA was \$3.8 million, compared to \$4.2 million in the first quarter of 2022. This decrease is largely explained by the residual effect on profitability from the relocation of the Town of Mount Royal folding carton operations. This factor was partially offset by the acquisition of Paragraph. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 16.1%, compared to 22.5% in the equivalent period of 2022.

² Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Corporate and unallocated costs

The Corporate and unallocated costs were \$2.3 million compared to \$2.1 million in the first quarter of 2022. This increase is essentially attributable to higher remuneration related expenses.

Net Earnings, Adjusted Net Earnings, Net Earnings per share and Adjusted Net Earnings per share³

Net earnings were \$9.5 million or \$0.37 per share for the three-month period ended March 31, 2023, compared to \$6.3 million or \$0.24 per share for the equivalent period last year.

Adjusted net earnings were \$9.8 million or \$0.38 per share for the three-month period ended March 31, 2023, compared to \$6.3 million or \$0.24 per share for the equivalent period in 2022.

Liquidity and Capital Resources

Cash Flow

Net cash flows from operating activities were \$7.5 million during the three-month period ended March 31, 2023, compared to \$0.2 million in the equivalent period of 2022. The increase is mainly attributable to higher profitability and to lower working capital requirements this year compared to last year.

Free cash flow³ amounted to \$3.4 million in the first quarter of 2023, compared to negative \$0.1 million for the same period last year, mainly attributable to higher cash flow from operations, partially offset by higher acquisitions of property, plant and equipment.

Debt and Leverage

The Company's total debt increased to \$81.4 million as at March 31, 2023, compared to \$54.7 million as at December 31, 2022. The increase is essentially attributable to the acquisition of Paragraph for a consideration of \$27.1 million, net of cash acquired.

Dividend Declaration

On May 9, 2023, the Board of Directors declared a quarterly dividend of \$0.035 per common share, payable on June 23, 2023, to the shareholders of record at the close of business on June 8, 2023. This dividend is designated as an "eligible" dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.

Subsequent Event

On May 8, 2023, the Company announced the acquisition of substantially all of the assets of Graf-Pak Inc., a provider of folding carton packaging solutions to a variety of commercial markets, based in Pointe-Claire, Quebec. The transaction was concluded for a total consideration of approximately \$6.0 million, on a cash-free and debt-free basis, subject to customary closing adjustments, financed through the Company's existing credit facility. The Company announced that it would tuck Graf-Pak's operations into Montreal-area folding carton locations within 90 days.

Outlook

Driven by its solid backlogs amassed in the second half of 2022 and early in the first quarter of 2023, Supremex has been operating at high capacity levels given its current labour force. Since the beginning of 2023, market conditions in the supply chain have returned to more normal levels, and new order intake from customers working through excess inventory built via over-ordering in a time of tight supply in 2022 has slowed down through the first quarter. Given these conditions, the Company expects some sales softness in the second quarter and potentially into the third

³ Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

quarter, but will rely on its solid reputation and geographic reach to assist in mitigating a slowdown while continuing to tightly control expenses.

The Company will continue to focus on the integration of the Royal Envelope, Paragraph and Graf-Pak acquisitions, including the merger of the latter's operation into Lachine over the next 90 days, while actively seeking to capture all sales and cost synergies.

With respect to capital deployment for 2023, the Company will continue to look for strategic acquisitions, mainly in the Packaging and specialty products segment, while sustaining capital returns to shareholders.

May 10, 2023 - First Quarter Results Conference Call:

A conference call to discuss the Company's results for the first quarter ended March 31, 2023 will be held Wednesday, May 10, 2023 at 8:00 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: 98010853
- Local participants (Toronto area), dial: 416 764-8658
- International participants, dial: 416 764-8658
- North-American participants, dial toll-free: 1 888 886-7786

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 1 877 674-7070 or 416 764-8692 and enter the code 010853. The recording will be available until Wednesday, May 17, 2023.

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	EBITDA represents earnings before net financing charges, income tax expense, depreciation of property, plant and equipment and right-of-use assets and amortization of intangible assets. The Company uses EBITDA to assess its performance. Management believes this non-IFRS measure, provides users with an enhanced understanding of its operating earnings.
Adjusted EBITDA	Adjusted EBITDA represents EBITDA adjusted to remove items of significance that are not in the normal course of operations. These items of significance include, when applicable, but are not limited to, charges for impairment of assets, restructuring expenses, value adjustment on inventory acquired and business acquisition costs. The Company uses Adjusted EBITDA to assess its operating performance, excluding items that are not in the normal course of operations. Management believes this non-IFRS measure, provides users with enhanced understanding of the Company's operating earnings and increase the transparency and clarity of the Company's core results. It also allows users to better evaluate the Company's operating profitability when compared to previous years.

Non-IFRS Measure	Definition
Adjusted EBITDA margin	<p>Adjusted EBITDA margin is a percentage corresponding to the ratio of Adjusted EBITDA divided by revenue.</p> <p>The Company uses Adjusted EBITDA margin for purpose of evaluating business performance, excluding items that are not in the normal course of operations. Management believes this non-IFRS measure, provides users with enhanced understanding of its results and related trends.</p>
Adjusted net earnings	<p>Adjusted net earnings represents net earnings excluding items of significance listed above under Adjusted EBITDA, net of income taxes.</p> <p>The Company uses Adjusted net earnings to assess its business performance and profitability without the effect of items that are not in the normal course of operations, net of income taxes. Management believes this non-IFRS measure, provides users with an alternative assessment of the Company's earnings without the effect of items that are not in the normal course of operations making it valuable to assess ongoing operations and trends in the business performance. Management also believes this non-IFRS measure provides users with enhanced understanding of the Company's results and provides better comparability between period.</p>
Adjusted net earnings per share	<p>Adjusted net earnings per share represents Adjusted net earnings divided by the weighted average number of common shares outstanding for the relevant period.</p> <p>The Company uses Adjusted net earnings per share for purposes of evaluating performance and profitability, excluding items that are not in the normal course of operations of the Company, net of income taxes, on a per share basis.</p>
Free Cash Flow	<p>This measure corresponds to net cash flows related to operating activities according to the consolidated statements of cash flows less additions (net of disposals) to property, plant and equipment and intangible assets.</p> <p>Management considers Free Cash Flow to be a good indicator of the Company's financial strength and operating performance because it shows the amount of funds available to manage growth, repay debt and reinvest in the Company. Management considers this measure useful to provide investors with a perspective on its ability to generate liquidity, after making capital investments required to support business operations and long-term value creation.</p>

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

Reconciliation of Net earnings to Adjusted EBITDA

(In thousands of dollars, except for margins)

	Three-month periods ended March 31	
	2023	2022
Net earnings	9,497	6,302
Income tax expense	3,404	2,084
Net financing charges	1,470	443
Depreciation of property, plant and equipment	1,547	1,250
Depreciation of right-of-use assets	1,346	1,084
Amortization of intangible assets	1,193	908
EBITDA	18,457	12,071
Acquisition costs related to business combinations	191	12
Restructuring expenses	126	—
Value adjustment on acquired inventory through a business combination	67	—
Adjusted EBITDA	18,841	12,083
<i>Adjusted EBITDA margin (%)</i>	<i>21.3%</i>	<i>19.1%</i>

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	
	2023	2022
Net earnings	9,497	6,302
Adjustments, net of income taxes		
Acquisition costs related to business combinations	140	9
Restructuring expenses	93	—
Value adjustment on acquired inventory through a business combination	50	—
Adjusted net earnings	9,780	6,311
Net earnings per share	0.37	0.24
Adjustments, net of income taxes, per share	0.01	—
Adjusted net earnings per share	0.38	0.24

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

(In thousands of dollars)

	Three-month periods ended March 31	
	2023	2022
Cash flows related to operating activities	7,541	211
Acquisitions (net of disposals) of property, plant and equipment	(4,133)	(206)
Acquisitions of intangible assets	(5)	(109)
Free Cash Flow	3,403	(104)

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 EBITDA margin, Adjusted Net Earnings, Adjusted net earnings per share, Free Cash Flow⁴, capital expenditures, dividend payments 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 ability 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 year ended December 31, 2022. Supremex cautions that such assumptions may not materialize and that economic conditions such as heightened inflation and central banks’ large interest rate hikes, economic downturns or recessions, may 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: decline in envelope consumption, growth and diversification strategy, key personnel, labour shortage, contributions to

⁴ Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

employee benefits plans, cyber security and data protection, raw material price increases, operational disruption, dependence on and loss of customer relationships, increase of competition, economic cycles, exchange rate fluctuation, interest rate fluctuation, credit risks with respect to trade receivables, availability of capital, concerns about protection of the environment, potential risk of litigation, no guarantee to pay dividends and global health crisis. 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, inflationary pressures on input costs and incapacity to pass raw material increases to customers, 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, 2022, 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 eleven manufacturing facilities across four provinces in Canada and six manufacturing facilities in four states in the United States employing over 1,000 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, direct mailers, resellers, government entities, SMEs and solutions providers.

For more information, please visit www.supremex.com.

Contact:

Stewart Emerson
President & CEO

investors@supremex.com

514 595-0555, extension 2316

Martin Goulet, M.Sc., CFA
MBC Capital Markets Advisors

mgoulet@maisonbrison.com

514 731-0000, extension 229