



Management's Discussion and Analysis

For the three-month periods ended March 31, 2023 and 2022

TABLE OF CONTENTS

| | |
|---|-----------|
| 1. BASIS OF PRESENTATION | 3 |
| 2. FORWARD-LOOKING STATEMENTS | 3 |
| 3. KEY QUARTERLY HIGHLIGHTS..... | 4 |
| 3.1 FINANCIAL HIGHLIGHTS TABLE | 4 |
| 3.2 HIGHLIGHTS OF THE THREE-MONTH PERIOD ENDED MARCH 31, 2023 AND RECENT EVENTS..... | 4 |
| 4. NON-IFRS FINANCIAL MEASURES | 4 |
| 5. BUSINESS OVERVIEW..... | 7 |
| 6. OUTLOOK..... | 8 |
| 7. FOREIGN EXCHANGE RATES | 8 |
| 7.1 FOREIGN EXCHANGE RATES..... | 8 |
| 8. SUMMARY OF FINANCIAL INFORMATION..... | 9 |
| 8.1 SUMMARY OF FINANCIAL INFORMATION..... | 9 |
| 9. ANALYSIS OF RESULTS | 10 |
| 9.1 RESULTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023 | 10 |
| 9.2 GEOGRAPHICAL REVENUE AND ASSET DIVERSIFICATION..... | 12 |
| 10. SUMMARY OF RESULTS – SELECTED QUARTERLY FINANCIAL INFORMATION | 12 |
| 11. FINANCIAL POSITION..... | 13 |
| 11.1 SUMMARY FINANCIAL POSITION HIGHLIGHTS..... | 13 |
| 11.2 ASSETS | 13 |
| 11.3 LIABILITIES | 13 |
| 11.4 CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS..... | 14 |
| 12. LIQUIDITY AND CAPITAL RESOURCES | 14 |
| 12.1 CASH FLOWS RELATED TO OPERATING ACTIVITIES | 14 |
| 12.2 CASH FLOWS RELATED TO INVESTING ACTIVITIES | 15 |
| 12.3 CASH FLOWS RELATED TO FINANCING ACTIVITIES | 15 |
| 13. SHARE CAPITAL | 15 |
| 14. SUBSEQUENT EVENTS | 15 |
| 15. RISK FACTORS | 16 |
| 16. DISCLOSURE CONTROLS AND PROCEDURES (“DC&P”) AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (“ICFR”)..... | 16 |

1. BASIS OF PRESENTATION

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated May 9, 2023, of Supremex Inc. ("Supremex" or the "Company") should be read together with the accompanying unaudited interim condensed consolidated financial statements and related notes of the Company for the three-month period ended March 31, 2023. These unaudited interim condensed consolidated financial statements of the Company have been prepared by management in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). Therefore, certain information and disclosures have been omitted or condensed. The accounting principles are consistent with those set out in the Company's audited consolidated financial statements for the year ended December 31, 2022. The fiscal year of the Company ends on December 31. The Company's reporting currency is the Canadian dollar. Per share amounts are calculated using the weighted average number of common shares outstanding for the three-month period ended March 31, 2023. The consolidated financial statements for the three-month period ended March 31, 2023 have not been audited or reviewed by the Company's auditors.

The Company's common shares are traded on the Toronto Stock Exchange (the "TSX") under the symbol SXP. Additional information on Supremex, including the Company's Annual Information Form, may be found on SEDAR at www.sedar.com and on the Company's website at www.supremex.com.

2. FORWARD-LOOKING STATEMENTS

This MD&A 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 Flow, Net debt, Net debt to Adjusted EBITDA ratio¹, 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 MD&A. Such assumptions, expectations and estimates are discussed throughout the MD&A for the year ended December 31, 2022 and, in the Company's Annual Information Form dated March 31, 2023. 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 employee benefits plans, cyber security and data protection, raw material price increases, operational disruption, dependence on and lost 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 the Company's Annual Information Form dated March 31, 2023 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.

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

3. KEY QUARTERLY HIGHLIGHTS

3.1 Financial Highlights Table

Selected Consolidated Financial Information

(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.

3.2 Highlights of the three-month period ended March 31, 2023 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 increased 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 EBITDA² reached \$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.
- Acquisition on January 16, 2023 of Impression Paragraph Inc. ("Paragraph"), an integrated provider of paper-based packaging, print and point-of-sale products with two facilities in the province of Quebec.
- Acquisition on May 8, 2023 of Graf-Pak Inc. ("Graf-Pak"), a provider of folding carton packaging solutions located in the province of Quebec.
- On May 9, 2023, the Board of Directors declared a quarterly dividend of \$0.035 per common share, payable on June 23, 2023, to shareholders of record at the close of business on June 8, 2023.

4. 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.

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

These Non-IFRS Financial Measures are defined as follows:

| Non-IFRS Measure | Definition |
|-----------------------------------|---|
| EBITDA | <p>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.</p> <p>The Company uses EBITDA to assess its performance. Management believes this non-IFRS measure, provides users with an enhanced understanding of its operating earnings.</p> |
| Adjusted EBITDA | <p>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.</p> <p>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.</p> |
| 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> |
| Net debt | <p>Net debt represents the Company's total debt, net of deferred financing costs and cash.</p> <p>The Company uses Net debt as an indicator of its indebtedness level and financial leverage as it represents the amount of debt that is not covered by available cash. Management believes that investors could benefit from the use of net debt to determine a company's financial leverage.</p> |
| Net debt to Adjusted EBITDA ratio | <p>Net debt to Adjusted EBITDA ratio represents Net debt divided by trailing 12-month (TTM) Adjusted EBITDA.</p> <p>This ratio is used by management to monitor the Company's financial leverage and management believes certain investors use this ratio as a measure of financial leverage.</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) |

Net debt to Adjusted EBITDA ratio
(in thousands of dollars)

| | As at March 31, 2023 | As at December 31, 2022 |
|--|----------------------|-------------------------|
| Total debt | 81,352 | 54,748 |
| Deferred financing costs | (267) | (334) |
| Cash | (2,119) | (1,929) |
| Net debt | 78,966 | 52,485 |
| Adjusted EBITDA – TTM ⁽¹⁾ | 63,599 | 56,841 |
| Net debt to Adjusted EBITDA ratio | 1.2 | 0.9 |

⁽¹⁾ Refer to the “Selected Quarterly Operating Results” section for more information on the results of each of the last eight quarters.

5. BUSINESS OVERVIEW

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.

The Company manufactures a broad range of stock and custom envelopes in an array of styles, shapes and colours, which allows it to offer a high degree of flexibility and customization. It also manufactures and distributes a diverse range of packaging and specialty products, including premium quality folding carton packaging and e-Commerce fulfillment packaging solutions. Other packaging and specialty products include the Conformer Products^{®3}, labels, polyethylene bags for courier applications, bubble mailers and Enviro-logiX^{®4}.

Reporting Segments

The Company currently operates in two reporting segments: the manufacturing and sale of envelopes and the manufacturing and sale of paper-based packaging solutions and specialty products. For over 40 years, Supremex has developed its core paper substrate and converting expertise to become one of the largest manufacturers and distributors of envelopes in North America. Several years ago, it initiated a growth and diversification strategy into packaging and specialty products.

The Envelope Segment

The Company manufactures a broad range of stock and custom envelopes in an array of styles, shapes and colours, which allows it to offer a high degree of flexibility and customization. Products are designed to the specifications of major national and multinational corporations, direct mailers, resellers, government entities, SMEs and solutions providers.

The Packaging and Specialty Products Segment

The Company also manufactures and distributes a diverse range of paper-based packaging solutions and specialty products, including premium quality folding carton packaging, e-commerce solutions, and labels. The folding carton offering is primarily aimed at corporations in the health, beauty, pharmaceutical and food-at-home markets. E-commerce solutions are eco-friendly and are designed and manufactured to optimize shipping and reduce over-packaging for e-tailers. The label offering primarily serves the Company’s existing envelope and packaging customers with complementary label solutions and is an integral offering for the health, beauty and pharmaceutical customers. Other packaging and specialty products include the Conformer Products[®], labels, polyethylene bags for courier applications, bubble mailers and Enviro-logiX[®].

³ Conformer[®] is a registered trademark of Conformer Products, Inc.

⁴ Enviro-logiX[®] is a registered trademark of Envirologix Inc.

6. 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 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 Corporation (“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.

7. FOREIGN EXCHANGE RATES

7.1 Foreign Exchange Rates

The following table shows average and closing exchange rates applicable to Supremex’ three-month periods ended March 31, 2023 and 2022. Average rates are used to translate sales and expenses for the periods mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities of the Canadian operations denominated in U.S. dollars.

US\$/CDN\$ Rate

| | Three-month periods ended March 31 | |
|-------------|---------------------------------------|-------|
| | 2023 | 2022 |
| USD Average | 1.352 | 1.266 |
| USD Closing | 1.353 | 1.250 |

8. SUMMARY OF FINANCIAL INFORMATION

8.1 Summary of Financial Information

Selected Consolidated Financial Information

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

| | Three-month periods ended March 31 | |
|---|---------------------------------------|---------------|
| | 2023 | 2022 |
| Revenue | 88,422 | 63,269 |
| Operating expenses | 58,061 | 43,069 |
| Selling, general and administrative expenses | 11,811 | 8,316 |
| Operating earnings before depreciation, amortization and other items | 18,550 | 11,884 |
| 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 |
| Restructuring expenses | 126 | — |
| Gain on disposal of property, plant and equipment | (33) | (187) |
| Operating earnings | 14,371 | 8,829 |
| Net financing charges | 1,470 | 443 |
| Earnings before income taxes | 12,901 | 8,386 |
| Income tax expense | 3,404 | 2,084 |
| Net earnings | 9,497 | 6,302 |
| Basic and diluted net earnings per share | 0.37 | 0.24 |
| Dividend declared per share | 0.035 | 0.05 |

Revenue Information

(in thousands of dollars, except %)

| | Three-month periods ended March 31 | |
|---|---------------------------------------|---------------|
| | 2023 | 2022 |
| Envelope | 64,455 | 44,639 |
| Volume change | 3.1% | 2.2% |
| Average selling price change | 40.1% | 14.2% |
| Total change | 44.4% | 16.7% |
| Packaging & specialty products | 23,967 | 18,630 |
| Total change | 28.7% | 21.5% |
| Total revenue | 88,422 | 63,269 |
| Revenue change | 39.8% | 18.0% |

Segmented Information

(in thousands of dollars, except %)

| | Three-month periods ended March 31 | |
|--|------------------------------------|---------------|
| | 2023 | 2022 |
| Segmented revenue | | |
| Envelope | 64,455 | 44,639 |
| Packaging & specialty products | 23,967 | 18,630 |
| Total revenue | 88,422 | 63,269 |
| Segmented Adjusted EBITDA⁽¹⁾ | | |
| Envelope | 17,268 | 9,981 |
| % of segmented revenue | 26.8% | 22.4% |
| Packaging & specialty products | 3,849 | 4,188 |
| % of segmented revenue | 16.1% | 22.5% |
| Corporate and unallocated costs | (2,276) | (2,086) |
| Total Adjusted EBITDA⁽¹⁾ | 18,841 | 12,083 |
| % of total revenue | 21.3% | 19.1% |

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

9. ANALYSIS OF RESULTS

9.1 Results for the 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 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.

Operating Expenses

Operating expenses for the three-month period ended March 31, 2023 were \$58.1 million, compared to \$43.1 million in the equivalent period of 2022. This 34.8% increase is mainly due to the acquisitions of Royal Envelope and Paragraph as well as to higher material and labour costs. On a percentage of revenue basis, operating expenses stood at 65.7% of revenues, compared to 68.1% in the equivalent period of 2022.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totalled \$11.8 million in the three-month period ended March 31, 2023, compared to \$8.3 million during the same period in 2022. This increase of \$3.5 million or 42.0% is essentially attributable to expenses from Royal Envelope and Paragraph, as well as acquisition costs of \$0.2 million related to the Company's recent acquisitions.

EBITDA⁵ and Adjusted EBITDA⁵

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.

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.

Depreciation and Amortization

Aggregate depreciation and amortization expenses for the three-month period ended March 31, 2023, amounted to \$4.1 million, compared to \$3.2 million in the first quarter of 2022 mainly due to the acquisitions of Royal Envelope and Paragraph.

Restructuring expenses

In the three-month period ended March 31, 2023, the Company incurred restructuring expenses of \$0.1 million related to the relocation of the folding carton plant.

Net Financing Charges

Net financing charges for the three-month period ended March 31, 2023 were \$1.5 million, up from \$0.4 million in the equivalent period of the prior year. The variation reflects higher indebtedness in the first quarter of 2023, compared to the same period in 2022, due to the financing of the Royal Envelope and Paragraph acquisitions and a higher effective interest rate on the Company's secured credit facility.

⁵ Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Earnings Before Income Taxes

As a result of the fluctuation in revenue and expenses described above, earnings before income taxes were \$12.9 million, or 14.6% of revenue, during the three-month period ended March 31, 2023, compared to \$8.4 million, or 13.3% of revenue, during the equivalent period of 2022.

Income Tax Expense

Income taxes were \$3.4 million, or an effective tax rate of 26.4%, in the three-month period ended March 31, 2023, compared to \$2.1 million, or an effective tax rate of 24.9%, in the equivalent quarter of last year. The absolute dollar increase is due to higher earnings before income taxes in the current period.

Net Earnings, Adjusted Net Earnings, Net Earnings per share and Adjusted Net Earnings per share⁶

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.

Other Comprehensive Income

The discount rate used to calculate the accrued plan benefit obligations was 4.9% as at March 31, 2023, compared to 5.1% as at December 31, 2022. This variation combined with a higher-than-expected return on assets, resulted in a net actuarial gain of \$0.1 million in the first quarter of 2023.

9.2 Geographical Revenue and Asset Diversification

Revenue by Geography

(in thousands of dollars)

| | Three-month periods ended March 31 | |
|----------------------|------------------------------------|---------------|
| | 2023 | 2022 |
| Canada | 51,278 | 37,788 |
| U.S. | 37,144 | 25,481 |
| Total revenue | 88,422 | 63,269 |

For the three-month period ended March 31, 2023, the Company's revenue in Canada was \$51.3 million, up 35.7% from \$37.8 million in the equivalent quarter of 2022. In the United States, revenue was \$37.1 million, representing an increase of 45.8% from \$25.5 million in 2022.

The Company's non-current assets were \$147.1 million in Canada and \$54.6 million in the United States as at March 31, 2023, compared to \$115.9 million in Canada and \$55.9 million in the United States as at December 31, 2022.

10. SUMMARY OF RESULTS – SELECTED QUARTERLY FINANCIAL INFORMATION

Supremex' revenue is subject to some seasonal patterns, mainly driven by the Envelope segment. This segment is subject to the seasonal advertising and mailing patterns of its customers which is generally higher during the fall and winter months. The first and fourth quarters have a higher number of mailings related to specific events (i.e. return to school, fundraising, the holidays and tax seasons) than the spring and summer months. As a result, the second and third quarters tend to have less activity. To maintain production efficiencies, Supremex uses warehouse capabilities to stock envelopes as required and thereby counter predictable seasonal variations in sales volume. Only a small portion of the Packaging and specialty products segment, primarily the e-Commerce offering, is subject to seasonal patterns related to the holidays. Therefore, Supremex' revenue and financial performance for any single quarter may not be extrapolated for the full year.

⁶ Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

The following table sets forth selected financial information for the Company's past eight quarters.

Selected Quarterly Operating Results

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

| | Mar. 31 2023 | Dec. 31 2022 | Sep. 30 2022 | Jun. 30 2022 | Mar. 31 2022 | Dec. 31 2021 | Sep. 30 2021 | Jun. 30 2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Envelope | 64,455 | 60,686 | 49,115 | 45,878 | 44,639 | 46,650 | 37,050 | 35,230 |
| Packaging | 23,967 | 18,075 | 18,804 | 16,640 | 18,630 | 19,553 | 17,773 | 16,571 |
| Total revenue | 88,422 | 78,761 | 67,919 | 62,518 | 63,269 | 66,203 | 54,823 | 51,801 |
| Adjusted EBITDA ⁽¹⁾ | 18,841 | 15,332 | 15,512 | 13,914 | 12,083 | 12,218 | 8,714 | 8,562 |
| Earnings before income taxes | 12,901 | 9,005 | 10,881 | 9,822 | 8,386 | 6,259 | 4,709 | 4,595 |
| Net earnings | 9,497 | 6,660 | 8,110 | 7,364 | 6,302 | 4,896 | 3,364 | 3,389 |
| Net earnings per share | 0.37 | 0.26 | 0.31 | 0.28 | 0.24 | 0.18 | 0.13 | 0.12 |
| Adjusted net earnings ⁽¹⁾ | 9,780 | 7,854 | 8,451 | 7,364 | 6,311 | 6,431 | 3,364 | 3,393 |
| Adjusted net earnings per share ⁽¹⁾ | 0.38 | 0.31 | 0.32 | 0.28 | 0.24 | 0.24 | 0.13 | 0.12 |

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

11. FINANCIAL POSITION

11.1 Summary Financial Position Highlights

Selected Financial Position Information

(in thousands of dollars)

| | As at March 31, 2023 | As at December 31, 2022 |
|-------------------|-------------------------|----------------------------|
| Working capital | 55,649 | 46,034 |
| Total assets | 298,189 | 260,556 |
| Total liabilities | 165,187 | 136,238 |
| Total equity | 133,002 | 124,318 |

11.2 Assets

The increases in total assets and total liabilities as at March 31, 2023, when compared to December 31, 2022, mostly result from the Paragraph acquisition on January 16, 2023. Meanwhile, the increase in total equity mainly reflects net earnings of \$9.5 million for the three-month period ended March 31, 2023.

11.3 Liabilities

Secured Revolving Credit Facility

The Company has a three-year senior secured revolving credit facility of \$120 million which bears interest at a floating rate based on the Canadian prime rate, the U.S. base rate, the Secured Overnight Financing Rate ("SOFR") or bankers' acceptance rates, plus an applicable margin that ranges between 0% and 2.75%. The agreement for this credit facility matures in May 2025 and no principal repayments are required prior to maturity. The Company may request that the agreement be extended by one year on every anniversary date. The extension is dependent upon the approval of the lenders. As at March 31, 2023, the amount outstanding on the credit facility was \$80.1 million.

The secured credit facility is used for working capital, capital expenditure, acquisitions and other general corporate purpose. It is collateralized by mortgage and a security interest covering all assets of the Company and its subsidiaries and is subject to certain covenants, which the Company is required, among other conditions, to meet. The Company was in compliance with these covenants as at March 31, 2023.

Term loans

The Company has four term loans totaling \$1.3 million as at March 31, 2023, that were assumed following the acquisition of Paragraph. The loans bear interest at rates ranging from 4.23% to 4.69% and are repayable in monthly instalments totaling \$24,369, including capital and interest. The loans mature between March 2026 and July 2028.

Amounts owed under secured revolving credit facility and term loans:

(in thousands of dollars)

| | As at March 31, 2023 | As at December 31, 2022 |
|-----------------------------------|-------------------------|----------------------------|
| Secured revolving credit facility | 80,056 | 54,748 |
| Term loans | 1,296 | — |
| Total debt | 81,352 | 54,748 |
| Deferred financing costs | (267) | (334) |
| Current portion | (236) | — |
| Long-term portion | 80,849 | 54,414 |

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.

As at March 31, 2023, the ratio of Net debt⁷ to Adjusted EBITDA⁷ was 1.2x compared to 0.9x as at December 31, 2022.

11.4 Contractual Obligations and Off-Balance Sheet Arrangements

The Company has no other off-balance sheet arrangements, except for the operating leases with terms of twelve months or less or leases of low-value assets, which do not have a current or future material effect on the Company's performance.

12. LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth summarized cash flow components for the periods indicated.

Summary of cash flows

(in thousands of dollars)

| | Three-month periods ended March 31 | |
|---------------------------------|---------------------------------------|----------------|
| | 2023 | 2022 |
| Operating activities | 7,541 | 211 |
| Investing activities | (31,205) | (1,220) |
| Financing activities | 23,842 | (2,243) |
| Net foreign exchange difference | 12 | (63) |
| Net change in cash | 190 | (3,315) |

12.1 Cash Flows Related to Operating Activities

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.

⁷ Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

12.2 Cash Flows Related to Investing Activities

Net cash flows used in investing activities amounted to \$31.2 million during the three-month period ended March 31, 2023, primarily to fund the acquisition of Paragraph for a consideration of \$27.1 million, net of cash acquired, while acquisitions of property, plant and equipment, net of disposals, amounted to \$4.1 million. In the equivalent period of 2022, net cash flows used in investing activities were \$1.2 million, mainly to finance the acquisition of Niagara Envelope.

12.3 Cash Flows Related to Financing Activities

Net cash flows from financing activities were \$23.8 million during the three-month period ended March 31, 2023, essentially reflecting an increase in the credit facility to finance the acquisition of Paragraph. During the three-month period ended March 31, 2022, net cash flows used by financing activities stood at \$2.2 million, primarily for the payment of capital on lease obligations, dividend payments and share repurchase.

Free Cash Flow⁸

Free cash flow 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.

Normal Course Issuer Bid ("NCIB")

During the three-month period ended March 31, 2023, the Company did not repurchase any common shares through its NCIB program.

13. SHARE CAPITAL

As at March 31, 2023 the share capital issued and outstanding of the Company consisted of 25,977,069 common shares (25,977,069 as at December 31, 2022).

The following table presents the outstanding capital stock activity for the three-month period ended March 31, 2023:

Number of common shares

| | Three-month period ended March 31, 2023 |
|--|--|
| Balance, as at December 31, 2022 | 25,977,069 |
| Common shares purchased for cancellation | — |
| Balance, as at March 31, 2023 | 25,977,069 |

As at May 9, 2023, the Company had 25,977,069 common shares outstanding.

14. SUBSEQUENT EVENTS

- 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. 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.

Founded in 1995, Graf-Pak operates a facility located in Pointe-Claire, Quebec, near the Company's primary folding carton plant in Lachine. Its offering is comprised primarily of the printing and manufacturing of folding carton packaging products, mainly for the food and cosmetics markets. For its last fiscal year, Graf-Pak generated sales of approximately \$6.7 million.

⁸ Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

- 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.

15. RISK FACTORS

The results of operations, business prospects and financial condition of Supremex are subject to a number of risks and uncertainties, and are affected by a number of factors outside the control of Supremex’ management.

Details are provided in the “Risk Factors” section of the Company’s Annual Information Form date March 31, 2023, which can be found on www.sedar.com.

16. DISCLOSURE CONTROLS AND PROCEDURES (“DC&P”) AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (“ICFR”)

In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*, the Company has filed certifications signed by the President and Chief Executive Officer and the interim Chief Financial Officer, that, among other things, report on the design and effectiveness of DC&P, and the design and effectiveness of ICFR.

As indicated in such certifications, management has designed DC&P to provide reasonable assurance that:

- material information relating to the Company is made known to the President and Chief Executive Officer and the interim Chief Financial Officer, particularly during the period in which interim filings are being prepared, and
- information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management has also designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework management used to design the Company’s ICFR is the Committee of Sponsoring Organizations (“COSO”).

There were no changes in the Company’s ICFR that occurred during the period from January 1, 2023 to March 31, 2023 that have materially affected, or is reasonably likely to materially affect, the Company’s ICFR.

In accordance with the provisions of National Instrument 52-109, Supremex has limited the scope of its design of Supremex’ DC&P and ICFR to exclude controls, policies and procedures of a business acquired not more than 365 days before March 31, 2023. The scope limitation is primarily due to the time required for Supremex’ management to assess DC&P and ICFR in a manner consistent with Supremex’ other operations.

The Company expects that its business acquisition of Royal Envelope will be covered by its certification no later than the fourth quarter of 2023 and its business acquisition of Paragraph no later than the first quarter of 2024.

Additional Information

Additional information relating to the Company, including the Company’s annual information form, is available on SEDAR at www.sedar.com.