

Consolidated Financial Statements

**Supremex Inc.**

December 31, 2023 and 2022

All amounts expressed in Canadian dollars

# Independent auditor's report

To the Shareholders of  
**Supremex Inc.**

## Opinion

We have audited the consolidated financial statements of Supremex Inc. and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addresses the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Key audit matter	How our audit addressed the key audit matter
<i>Business combinations</i>	
<p>On January 16, 2023 and May 8, 2023, the Group acquired, respectively, the shares of Impression Paragraph Inc. ("Paragraph") for a cash consideration of \$25,677,870 and all of the assets of Graf-Pak Inc. ("Graf-Pak") for a cash consideration of \$5,890,153. As per Note 4 in the consolidated financial statements, the cost of an acquisition is measured as the aggregate fair values of the assets acquired and liabilities assumed as at the date of the exchange of control of the acquiree. Where the amounts allocated to the assets and liabilities are less than the overall consideration given, the difference is accounted for as goodwill. Goodwill amounted to \$8,084,339 from these two business acquisitions. Auditing the measurement of certain assets such as intangible assets and machinery and equipment is complex due to their sensitivity to assumptions made by the Group primarily on the sales and margins projections, discount rate and growth rate as well as the state of the acquired machinery and equipment, which led us to conclude that the valuation of intangible assets and goodwill is a key audit matter for Paragraph business combination while the valuation of machinery and equipment part of both business combinations is also a key audit matter.</p>	<p>In evaluating the Group's purchase price allocations for Paragraph and Graf-Pak, our audit procedures included, among others, procedures over the valuation of the machinery and equipment acquired. In particular, we inspected a sample of machinery and equipment and compared the Group's estimates of their fair value to publicly available market data when available, quotations from manufacturers and invoices for recently purchased assets. For the Paragraph purchase price allocation, our procedures also covered the intangible assets consisting primarily of customer relationships, we evaluated the Group's key assumptions related to the sales projections, discount rate and sales growth rate in determining the fair value by comparing them to historical financial data and publicly market data, when available. We involved our valuation specialists to support us in these procedures. We also performed certain sensitivity analyses on some of these assumptions to assess their effect on the purchase price allocation, including the margin percentage, growth rate and discount rate assumptions.</p> <p>Finally, we assessed the adequacy of the Group's disclosures included in Note 4 of the accompanying consolidated financial statements in relation to this matter.</p>

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of goodwill and other non-financial assets</i></p> <p>As at December 31, 2023, goodwill and other non-financial assets comprised of intangible assets, right of use assets, and property, plant and equipment, amounted to \$180,072,690 and were recorded on the consolidated statement of financial position. As disclosed in Note 2, Significant Accounting Policies, for each cash generating unit ["CGU"], management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of these CGUs. The Group uses a value in use discounted cash flow model to determine a recoverable amount for each of the Envelope and Packaging CGUs. Recoverable amounts for the Envelope and Packaging CGUs are based on the Group's estimates of key assumptions such as sales and margins projections for each of the Canadian and U.S. markets, expected future growth or decline rates in sales and an appropriate discount rate. The challenging economy and market conditions combined with the fact that the market capitalization of the Group was below the net assets' carrying amount as at December 31, 2023 increase the complexity and risk related to the impairment assessment. This combined with the significance and sensitivity of other assumptions such as the discount rates, annual/perpetual growth rates and earnings multiples led us to conclude that the goodwill and other non-financial assets' impairment test for the Group's CGUs is a key audit matter.</p>	
	<p>Our audit procedures included, among others, evaluating and recalculating the Group's assumptions relating to sales and margins projections, discount rates and growth or decline rates. We performed sensitivity analyses on these key assumptions to assess the potential effect of a significant change to the assumptions. We also compared the assumptions related to sales and margins projections as well as for the annual/perpetual growth and decline rates to historical data from the Group's Envelope and Packaging CGUs, and market and industry data when publicly available. We reviewed the use of a discounted cash flow model for the purpose of the value-in-use determination. We involved our valuation specialists to assist in reviewing the Group's valuation models for each CGU and the discount rates. Finally, we assessed the adequacy of the Group's disclosures included in Note 11 of the accompanying consolidated financial statements in relation to this matter.</p>

## Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wajih Chemali.

*Ernst & Young LLP*<sup>1</sup>

Montréal, Canada  
February 21, 2024

<sup>1</sup> CPA auditor, public accountancy permit no. A121006

Supremex Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31		2023	2022
	Notes	\$	\$
<b>ASSETS</b>	<b>15</b>		
<b>Current assets</b>			
Cash		1,066,103	1,928,539
Accounts receivable	6	33,640,427	39,334,457
Income taxes recoverable	17	2,506,316	1,021,175
Inventories	7	33,422,745	44,872,153
Prepaid expenses		1,857,533	1,545,974
<b>Total current assets</b>		<b>72,493,124</b>	<b>88,702,298</b>
Derivative financial instruments	23	184,480	26,456
Property, plant and equipment	8	51,559,194	42,184,888
Right-of-use assets	9	30,115,990	32,027,920
Accrued pension benefit net assets	10	11,470,900	14,678,400
Intangible assets	11	38,226,398	31,698,639
Goodwill	12	59,707,030	51,237,278
<b>Total assets</b>		<b>263,757,116</b>	<b>260,555,879</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13, 18	26,493,856	34,838,428
Income taxes payable	17	—	3,421,131
Restructuring provisions	14	582,084	25,220
Current portion of contingent consideration payable	5	114,399	265,030
Current portion of lease liabilities	16	4,328,242	4,118,931
Current portion of long-term debt	15	244,570	—
<b>Total current liabilities</b>		<b>31,763,151</b>	<b>42,668,740</b>
Contingent consideration payable	5	237,122	316,778
Long-term debt	15	56,265,424	54,414,272
Deferred tax liabilities	17	11,607,709	8,566,286
Lease liabilities	16	28,412,686	29,568,761
Other long-term liabilities	10, 18	754,433	702,914
<b>Total liabilities</b>		<b>129,040,525</b>	<b>136,237,751</b>
<b>Total equity</b>		<b>134,716,591</b>	<b>124,318,128</b>
<b>Total liabilities and equity</b>		<b>263,757,116</b>	<b>260,555,879</b>

Contingencies and guarantees [note 26]; Subsequent event [note 27]

See accompanying notes

On behalf of the Directors:

By: signed (Robert B. Johnston)  
Director

By: signed (Steven P. Richardson)  
Director

**Supremex Inc.**

**CONSOLIDATED STATEMENTS OF EARNINGS**

<b>Years ended December 31</b>	<b>Notes</b>	<b>2023 \$</b>	<b>2022 \$</b>
<b>Revenue</b>		<b>302,187,383</b>	<b>272,467,276</b>
Operating expenses	7, 10, 19, 21	214,146,636	181,733,453
Selling, general and administrative expenses	10, 19, 21	38,244,302	34,978,257
<b>Operating earnings before depreciation, amortization and other items</b>		<b>49,796,445</b>	<b>55,755,566</b>
Depreciation of property, plant and equipment	8	6,712,260	5,798,521
Depreciation of right-of-use assets	9	5,462,662	4,529,462
Amortization of intangible assets	11	6,663,847	3,761,866
Restructuring expenses	14	2,271,623	1,409,740
Gain on disposal of property, plant and equipment and right-of-use assets		(255,033)	(408,277)
<b>Operating earnings</b>		<b>28,941,086</b>	<b>40,664,254</b>
Net financing charges	15	5,605,644	2,571,577
<b>Earnings before income taxes</b>		<b>23,335,442</b>	<b>38,092,677</b>
Income tax expense	17	6,001,754	9,656,539
<b>Net earnings</b>		<b>17,333,688</b>	<b>28,436,138</b>
<b>Basic and diluted net earnings per share</b>		<b>0.67</b>	<b>1.09</b>
<b>Weighted average number of shares outstanding</b>		<b>25,898,269</b>	<b>26,152,557</b>

*See accompanying notes*



Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31	Notes	2023 \$	2022 \$
<b>Net earnings</b>		<b>17,333,688</b>	<b>28,436,138</b>
<b>Other comprehensive (loss) income</b>			
<i>Other comprehensive (loss) income to be reclassified to earnings in subsequent periods</i>			
Unrealized gain on derivative financial instruments, net of income tax expense of \$40,905 [2022 income tax expense - \$6,850]		<b>117,118</b>	19,606
Foreign currency translation adjustments		<b>(390,390)</b>	1,074,641
Net other comprehensive (loss) income to be reclassified to earnings in subsequent periods		<b>(273,272)</b>	1,094,247
<i>Items not to be reclassified to earnings in subsequent periods</i>			
Recognized actuarial (loss) gain on defined benefit pension plans, net of income tax recovery of \$569,252 [2022 income tax expense – \$823,300]	<b>10</b>	<b>(1,629,848)</b>	2,356,300
Recognized actuarial (loss) gain on other post-retirement benefit, net of income tax recovery of \$958 [2022 income tax expense – \$16,779]	<b>10</b>	<b>(2,742)</b>	48,021
Net other comprehensive (loss) income not to be reclassified to earnings in subsequent periods		<b>(1,632,590)</b>	2,404,321
Other comprehensive (loss) income		<b>(1,905,862)</b>	3,498,568
<b>Total comprehensive income</b>		<b>15,427,826</b>	<b>31,934,706</b>

See accompanying notes

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## Years ended December 31

	Share capital \$	Contributed surplus \$	Deficit \$	Foreign currency translation reserve \$	Total equity \$
<b>As at December 31, 2021</b>	<b>9,016,207</b>	<b>274,229,083</b>	<b>(185,280,855)</b>	<b>(559,897)</b>	<b>97,404,538</b>
Net earnings	—	—	28,436,138	—	28,436,138
Other comprehensive income	—	—	2,404,321	1,094,247	3,498,568
Total comprehensive income	—	—	30,840,459	1,094,247	31,934,706
Dividends declared <i>[note 20]</i>	—	—	(3,531,138)	—	(3,531,138)
Shares repurchased and cancelled <i>[note 18]</i>	(149,636)	(1,340,342)	—	—	(1,489,978)
<b>As at December 31, 2022</b>	<b>8,866,571</b>	<b>272,888,741</b>	<b>(157,971,534)</b>	<b>534,350</b>	<b>124,318,128</b>
Net earnings	—	—	17,333,688	—	17,333,688
Other comprehensive (loss)	—	—	(1,632,590)	(273,272)	(1,905,862)
Total comprehensive income	—	—	15,701,098	(273,272)	15,427,826
Dividends declared <i>[note 20]</i>	—	—	(3,623,567)	—	(3,623,567)
Shares repurchased and cancelled <i>[note 18]</i>	(106,083)	(1,299,713)	—	—	(1,405,796)
<b>As at December 31, 2023</b>	<b>8,760,488</b>	<b>271,589,028</b>	<b>(145,894,003)</b>	<b>261,078</b>	<b>134,716,591</b>

See accompanying notes

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31	Notes	2023 \$	2022 \$
<b>OPERATING ACTIVITIES</b>			
Net earnings		17,333,688	28,436,138
Non-cash adjustments to reconcile net earnings to net cash flows			
Depreciation of property, plant and equipment	8	6,712,260	5,798,521
Depreciation of right-of-use assets	9	5,462,662	4,529,462
Amortization of intangible assets	11	6,663,847	3,761,866
Amortization of deferred financing costs	15	230,466	209,956
Gain on disposal of property, plant and equipment and right-of-use assets		(255,033)	(408,277)
Interest on contingent consideration payable		20,762	31,181
Deferred tax recovery	17	(1,612,479)	(695,085)
Restructuring expenses		456,239	—
Change in accrued pension benefit net assets		1,008,400	941,700
Change in other long-term liabilities		67,219	563,214
		36,088,031	43,168,676
Variations in working capital accounts			
Variation in accounts receivable		11,219,381	952,576
Variation in income taxes recoverable or payable		(4,943,236)	(1,762,742)
Variation in inventories		15,215,606	(14,933,703)
Variation in prepaid expenses		(76,130)	(177,928)
Variation in accounts payable and accrued liabilities		(14,142,664)	53,640
Variation in provisions	14	556,864	(380,180)
Change in other long-term liabilities		(19,400)	(6,800)
<b>Net cash flows related to operating activities</b>		<b>43,898,452</b>	<b>26,913,539</b>
<b>INVESTING ACTIVITIES</b>			
Business combinations, net of cash acquired	5	(31,568,023)	(29,171,074)
Acquisition of property, plant and equipment	8	(5,911,009)	(2,723,070)
Acquisition of intangible assets	11	(352,152)	(372,074)
Proceeds from disposal of property, plant and equipment		2,334,925	543,259
<b>Net cash flows related to investing activities</b>		<b>(35,496,259)</b>	<b>(31,722,959)</b>
<b>FINANCING ACTIVITIES</b>			
Net change in secured revolving credit facility	15	881,554	11,094,000
Repayment of term loans	15	(214,452)	(875,000)
Repayment of lease liabilities	16	(4,829,214)	(4,346,616)
Dividends paid	20, 27	(3,623,567)	(3,531,138)
Deferred financing costs	15	(152,382)	(365,509)
Purchase of share capital for cancellation	18	(1,405,796)	(1,489,978)
Payment of contingent consideration payable	5	(243,348)	(534,605)
<b>Net cash flows related to financing activities</b>		<b>(9,587,205)</b>	<b>(48,846)</b>
Net change in cash during the year		(1,185,012)	(4,858,266)
Net foreign exchange difference		322,576	422,143
Cash, beginning of year		1,928,539	6,364,662
<b>Cash, end of year</b>		<b>1,066,103</b>	<b>1,928,539</b>
<b>Supplemental information<sup>(1)</sup></b>			
Interest paid		6,427,861	2,512,365
Interest received		164,902	29,079
Income taxes paid		12,556,499	12,084,679
Income taxes received		109,753	—

<sup>(1)</sup> Amounts paid and received for interest and for income taxes were reflected as cash flows from operating activities in the consolidated statements of cash flows.

See accompanying notes

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 1. CORPORATE INFORMATION

Supremex Inc. (the “Company” or “Supremex”) was incorporated on March 31, 2006 under the *Canadian Business Corporations Act*. The common shares of the Company are listed on the Toronto Stock Exchange (“TSX”) under the symbol SXP. The Company’s registered office is located at 7213 Cordner Street in LaSalle, in Quebec.

Supremex is a leading North American manufacturer and marketer of envelopes and a growing provider of paper-based packaging solutions and specialty products. Supremex’ revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of envelopes sold by Supremex is generally higher during fall and winter mainly due to the higher number of mailings related to events including the return to school, fundraising, the holidays and tax seasons. The number of envelopes sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer.

Most revenue from packaging and specialty products is not subject to seasonal patterns (i.e., specialty folding cartons for large multinational customers). Only a small portion, primarily the e-commerce offering, is subject to seasonal patterns related to the holidays. As such, there is currently little to no seasonal effect from packaging and specialty products on Supremex’ total revenue.

These consolidated financial statements were approved by the Company’s Board of Directors on February 21, 2024.

### 2. MATERIAL ACCOUNTING POLICY INFORMATION

#### Basis of preparation and statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”).

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for the following items:

- contingent consideration payable, the Deferred Share Unit (“DSU”) Plan and the Performance Share Unit (“PSU”), plan liabilities and the derivative financial instruments, which are measured at fair value;
- provisions, which are measured based on the best estimates of the expenditures required to settle the obligation; and
- accrued pension benefit net assets, which are measured at the fair value of plan assets reduced by the estimated fair value of the defined benefit obligations.

#### Principles of consolidation

The consolidated financial statements comprise the financial statements of Supremex Inc. and its wholly owned subsidiaries, Supremex USA Inc., Supremex Midwest LLC, Buffalo Envelope LLC, Classic Envelope LLC, Impression Paragraph Inc. and Imprimerie Dumaine Inc.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, revenue and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the fair value at the date of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. The consideration transferred also includes the fair value of any contingent consideration payable to the seller. The contingent consideration is classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the consolidated statements of earnings.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated as at the date of a business combination to a cash-generating unit ("CGU") for purpose of impairment testing. The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisitions.

### Segment reporting

The Company operates in two reporting segments: the manufacturing and sale of a broad range of standard and custom envelopes and the manufacturing and sale of paper-based packaging solutions and specialty products.

### Foreign currency translation

Supremex' consolidated financial statements are presented in Canadian dollars, which is also its functional currency. Supremex and its subsidiaries each determine their own functional currency and items included in their respective financial statements which are measured using that functional currency.

#### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statements of earnings.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

#### *Subsidiaries*

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date, and their statements of earnings are translated at average exchange rates of the year. The exchange differences arising on translation are recognized in other comprehensive income (loss). On disposal of a foreign operation, the component of other comprehensive income (loss) relating to that particular foreign operation is recognized in the consolidated statements of earnings.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts, and after eliminating intercompany sales. Discounts are estimated based on the most likely amount method and using contractual terms with customers.

Revenue from the sale of goods is recognized in a manner that depicts the transfer of promised goods or services to a customer, which is at a point in time representing the delivery of products coinciding with the transfer of control to the customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

The Company applies specific revenue recognition for bill and hold transactions. When customers request a bill and hold, revenue is recognized when the customer is invoiced for goods that have been produced, packaged and made ready for shipment. These goods are shipped within a specified period of time and are segregated from other inventory, the control is transferred to the customer, and the terms and collection experience on the related billings are consistent with all other sales.

### Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of earnings except to the extent it is related to items recognized in other comprehensive income (loss) or directly in equity.

#### *Current tax*

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *Deferred tax*

Deferred tax is recognized, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

#### *Deferred tax liabilities:*

- Are generally recognized for all taxable temporary differences;
- Are recognized for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### *Deferred tax assets:*

- Are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences (carry-forward of unused tax credits and unused tax losses) can be utilized; and
- Are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and the transaction does not affect accounting profit or taxable profit upon completion. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

### **Employee future benefits**

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected unit credit method. The past service cost is recognized in the consolidated statements of earnings on the earlier of the date of the plan amendment or curtailment, and the date the Company recognizes pension plan restructuring related costs.

The net asset or net liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets and the effect of the ceiling, if any. The present value of the defined benefit obligation for service accrued at year-end is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses, the effect of the asset ceiling and the return on plan assets, excluding net interest, are recognized immediately in other comprehensive income (loss). For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable taking into account future contributions for unfunded liability. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan. The interest expense of defined benefit obligation is calculated by applying the prior year's discount rate to the beginning balance of the accrued pension benefit liability and to the year's cash inflows. It is recognized in the financing charges of the consolidated statements of earnings. All the other administrative defined benefit plan expense components are recognized in the selling, general and administrative expenses of the consolidated statements of earnings.

Payments to defined contribution plans are expensed as incurred, i.e., as the related employee service is rendered.

### **Termination benefits**

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### Basic and diluted net earnings per share

The Company presents basic net earnings per share for its common shares, calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. There are no dilutive elements affecting the calculation of diluted earnings per share.

### Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price in the normal course of business, less applicable variable selling expenses.

### Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings	10 to 35 years
Leasehold improvements	Lease term
Machinery and equipment	5 to 15 years
Office equipment	3 to 5 years
Computer equipment	3 to 5 years

Residual values, method of depreciation and useful lives are reviewed annually prior to year-end and adjusted if appropriate.

### Intangible assets

Upon acquisition, identifiable intangible assets are recorded at fair value if they result from a business combination, if not, at cost and are carried at cost less accumulated amortization. Intangible assets acquired are mainly comprised of customer relationships which are amortized on a straight-line basis over 5 to 10 years. Software is amortized on a straight-line basis over 3 to 10 years.

### Impairment of non-financial assets

Impairment is recorded when the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Impairment losses, other than those relating to goodwill, are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

The carrying values of all intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. The Company bases its impairment calculation on detailed budgets and forecast calculations, which generally cover a period of four years.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### Impairment testing of goodwill

Goodwill is tested for impairment annually as at December 31 or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the recoverable amount of the CGU to which goodwill is assigned with its carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to earnings in the period in which the impairment occurs.

### Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a financing charge.

For restructuring provisions, the Company has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right-of-use asset and lease liability are recognized at the lease commencement date.

#### *Right-of-use assets:*

- The right-of-use assets are measured at cost. The cost is based on the initial amount of the lease liability plus initial direct costs incurred and estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, if any.
- The cost of the right-of-use assets is periodically reduced by depreciation expenses and impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities. The right-of-use assets are depreciated to the lesser of the useful life or the lease term using the straight-line method as this reflects the expected pattern of consumption of the future economic benefits. The lease term includes the renewal option only if it is reasonably certain that the Company will exercise that option. Lease terms range from 1 to 20 years.
- The Company does not recognize a right-of-use asset and liability for the leases where the total lease term is less than or equal to 12 months and for the leases of low-value assets in nature; such as, but not limited to, office equipment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### *Lease liabilities:*

- At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the reporting period in which the event or condition that triggers the payment occurs.
- In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### **Financial instruments**

#### *(i) Classification and subsequent measurement categories:*

- A financial asset is classified as subsequently measured at amortized cost; fair value through other comprehensive income ("FVTOCI"); or fair value through profit or loss ("FVTPL"). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion"). The Company's financial assets are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion and are classified and subsequently measured at amortized cost. They consist of cash, accounts receivable and other long-term asset.
- A financial liability is classified as subsequently measured at amortized cost or FVTPL. The Company's financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities, dividends payable, provisions and secured credit facility and are classified as liabilities amortized at cost. They are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently carried at amortized cost using the effective interest method. The contingent consideration payable is a financial liability measured initially at fair value at a business acquisition date then remeasured periodically at FVTPL. The DSU and PSU liabilities are measured periodically at their fair value based on the Company's share price and vested DSUs and PSUs at the end of each period while changes to the fair value are recorded in the consolidated statements of earnings.

#### *(ii) Impairment of financial assets measured at amortized cost:*

- The Company applies the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.
- The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is considered at a higher credit risk as soon as it is 30 days past

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

due and the Company regularly monitors these accounts receivable to ensure its credit risk is not significant with such customers. In some cases, the fact that certain accounts receivable are past due does not necessarily represent a higher credit risk and subsequent collection is successful based on contractual payment terms or particular arrangements with customers to resolve commercial differences. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, which generally occurs if the account receivable is 120 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging criterion is more appropriate.

- To measure the ECL, accounts receivable have been grouped based on shared risk characteristics and the days past due. As at December 31, 2023 and 2022, ECL was not significant.

*(iii) Derecognition of financial assets and liabilities:*

- Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when substantially all the risks and rewards of ownership and cash flows have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition are recognized within finance income and finance expenses, respectively.

*(iv) Derivative financial instruments and hedging relationships:*

- The Company holds derivative financial instruments to hedge its interest rate risk exposures. At inception of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship, as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated.
- Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges:

- When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or highly probable anticipated transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (loss) and presented in accumulated other comprehensive income (loss) in equity. The amount recognized in other comprehensive income (loss) is transferred to net earnings in the same period as the hedged cash flows under the same line item in the consolidated statements of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings as net financing charges.
- If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold or terminated, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income (loss) and presented in accumulated other comprehensive income (loss) in equity then remains there until the anticipated transaction affects net earnings. If it is probable that the transaction will not occur, then the balance in other comprehensive income (loss) is recognized immediately in net earnings.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### Government assistance

Government assistance, including wage subsidies, and investment tax credits, is recognized when there is a reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions. Government assistance related to the cost of an asset is recorded as a reduction of the cost of the related asset. Government assistance related to incurred expenses is recorded as a reduction of the related expenses. Wage subsidies are recorded as a reduction of inventories or the related wage expenses.

### 3. SIGNIFICANT JUDGMENTS AND ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent consideration payable at the end of the reporting period.

#### Intangible assets and goodwill

Intangible assets and goodwill arise out of business combinations for which the Company has applied the acquisition method of accounting. The acquisition method involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair value. As part of this allocation process, the Company must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital ("WACC").

These estimates and assumptions determine the amount allocated to other identifiable intangible assets and goodwill as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges in the future. The Company also used other estimates and assumptions related to the impairment test of goodwill [note 12].

#### Employee future benefits

The Company sponsors defined benefit plans providing pension and other post-employment benefits to covered employees. The determination of expense and obligations associated with employee future benefits requires the use of assumptions such as the discount rate to measure obligations, the expected rate of mortality, the expected retirement age, the expected rate of future compensation increases and the expected healthcare cost trend rate. Because the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process [note 10]. Actual results will differ from estimated results which are based on assumptions.

#### Income taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before they expire. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

The Company is subject to taxation in multiple jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the normal course of business. The Company maintains a provision for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that, at some future date, an additional liability could result from audits by taxing authorities.

Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

### 4. RECENT ACCOUNTING PRONOUNCEMENTS

#### New Accounting Standards adopted in 2023

The Company adopted the following new accounting standards effective January 1, 2023, which are not expected to have a material impact on its consolidated financial statements:

- Amendments to IAS 1 – *Presentation of Financial Statements* (IAS 1), change the requirements in IAS 1 with regard to disclosure of accounting policies. When applying the amendments, an entity must, disclose its material accounting policies instead of its significant accounting policies. Further amendments to IAS 1 provide explanation as to how an entity can identify a material accounting policy. Following the amendments to the existing standard only the material accounting methods are presented in the consolidated financial statements of the Company.
- Amendments to IAS 12 – *Income Taxes* (IAS 12), clarify how companies account for deferred tax related to assets and liabilities arising from a single transaction, such as leases. The main change is an exemption from the initial recognition exemption, so that it does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition. Instead, companies are required to recognize equal deferred tax assets and liabilities.

#### Future Changes of Accounting Standards

The following amendments to existing standard have been issued and are applicable by the Company for its annual period beginning on January 1, 2024 and thereafter, with an earlier application permitted:

- Amendments to IAS 1 – *Presentation of Financial Statements* (IAS 1), clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The Company does not expect the adoption of these amendments to have a material impact on its consolidated financial statements.

### 5. BUSINESS COMBINATIONS

#### 2023 Business Combinations

##### *Graf-Pak Inc.*

On May 8, 2023, the Company acquired the assets of Graf-Pak Inc. ("Graf-Pak"), for a cash consideration of \$5,890,153, net of working capital adjustments and on a cash-free and debt-free basis. Graf-Pak is a provider of folding carton packaging solutions to a variety of commercial markets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2023 and 2022

The Company has not disclosed revenue or net earnings for Graf-Pak as it is impractical to do so given that the activities of the acquired business have been integrated into the pre-existing operations of the Company.

The goodwill related to the acquisition is composed of expected growth and operational synergies and is allocated to the packaging CGU. Goodwill deductible for tax purposes is expected to amount to \$291,059.

#### *Impression Paragraph Inc.*

On January 16, 2023, the Company acquired the shares of Impression Paragraph Inc. ("Paragraph"), for a cash consideration of \$25,677,870, net of cash acquired and working capital adjustments. Paragraph is an integrated provider of paper-based packaging, print and point of sale products for a broad range of commercial markets, which operates a facility located in Ville Saint-Laurent, in Quebec.

The Company's consolidated statements of earnings include revenue and net earnings, excluding restructuring expenses of \$1,019,537, net of tax and amortization of customer relationships of \$1,207,500, net of tax, from Paragraph of \$29,010,745 and \$99,183, respectively, since the acquisition date. The fair value of trade receivables acquired of \$4,034,811, of which no amount was considered uncollectible at the acquisition date, is included in total current assets in the table below. If the acquisition had occurred on January 1, 2023, revenue and net earnings for the twelve-month period ended December 31, 2023 would have been approximately \$30,254,000 and \$103,000, respectively.

The goodwill related to the acquisition is composed of expected growth and operational synergies and is allocated to the packaging CGU. The goodwill is non-deductible for tax purposes.

#### 2022 Business Combinations

##### *Niagara Envelope Inc.*

On February 4, 2022, the Company acquired the manufacturing assets and inventory of Niagara Envelope Inc. ("Niagara"), for a cash consideration of \$904,400 (US\$708,889). Niagara is a regional envelope manufacturer based in Niagara, New York. In addition to the consideration paid, the Company has a contingent consideration payable to the previous owner on the realization of certain financial targets over a five-year period, fair valued at the acquisition date at an amount of \$363,492 (US\$284,913). A first payment of contingent consideration in the amount of \$65,203 (US\$47,911) took place in February 2023. The fair value of the contingent consideration payable as at December 31, 2023 is \$351,521, representing the maximum amount of the obligation. This acquisition will provide additional volume and support to two long-term strategic customers in the Western New York market.

The goodwill related to the acquisition is composed of expected growth and operational synergies and is allocated to the envelope CGU. Goodwill deductible for tax purposes was \$363,492 (US\$284,913).

##### *Royal Envelope Corporation*

On November 1, 2022, the Company acquired substantially all of the assets of Royal Envelope Corporation ("Royal Envelope"), for a cash consideration of \$28,266,674 (US\$20,709,703). Royal Envelope is an envelope manufacturer and lithography company located in Chicago, Illinois. This acquisition expands the Company's reach in the fragmented U.S. envelope market and gives a significant manufacturing presence in the U.S. Midwest. Royal Envelope has established itself as one of the preeminent direct mail envelope manufacturers in North America.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 2023 and 2022

The goodwill related to the acquisition is composed of expected growth and operational synergies and is allocated to the envelope CGU. Goodwill deductible for tax purposes amounted to \$1,629,702 (US\$1,194,008).

Purchase Price Allocations

As at December 31, 2023, the Company had finalized the allocation of the consideration paid for the Paragraph, Niagara and Royal Envelope acquisitions and the purchase price allocations presented below for those acquisitions are final. An adjustment in the amount of \$560,262 was made during 2023 to the purchase price allocation of Royal which affected the amount of accounts receivable and goodwill. The final determination of the fair values of Graf-Pak will be made within 12 months of the acquisition date due to final working capital adjustments. Accordingly, the fair values of the assets acquired and the liabilities assumed, including goodwill, are subject to change. The purchase price allocation that reflects the estimated fair value of assets acquired and liabilities assumed at the acquisition date, using the acquisition method, is as follows:

	Final purchase price allocation	Preliminary purchase price allocation	2023	Final purchase price allocation	Final purchase price allocation Royal Envelope	2022
	Paragraph \$	Graf-Pak \$	Total \$	Niagara \$	Envelope \$	Total \$
<b>Net assets acquired</b>						
Cash	549,556	—	549,556	—	—	—
Accounts receivable	5,447,800	637,813	6,085,613	—	6,744,052	6,744,052
Inventories	3,004,487	761,711	3,766,198	585,450	4,428,612	5,014,062
Prepaid expenses	235,429	—	235,429	—	—	—
<b>Total current assets</b>	<b>9,237,272</b>	<b>1,399,524</b>	<b>10,636,796</b>	<b>585,450</b>	<b>11,172,664</b>	<b>11,758,114</b>
Property, plant and equipment	8,094,253	4,346,700	12,440,953	318,950	10,652,005	10,970,955
Right-of-use assets	3,706,700	—	3,706,700	215,129	10,485,077	10,700,206
Software	301,184	—	301,184	—	—	—
Customer relationships	12,000,000	830,000	12,830,000	—	12,147,610	12,147,610
Goodwill	7,793,280	291,059	8,084,339	363,492	1,629,702	1,993,194
<b>Total assets</b>	<b>41,132,689</b>	<b>6,867,283</b>	<b>47,999,972</b>	<b>1,483,021</b>	<b>46,087,058</b>	<b>47,570,079</b>
Accounts payable and accrued liabilities	4,820,342	977,130	5,797,472	—	7,335,488	7,335,488
Income taxes payable	36,964	—	36,964	—	—	—
Long-term debt	1,351,153	—	1,351,153	—	—	—
Lease liabilities	3,456,700	—	3,456,700	215,129	10,484,896	10,700,025
Deferred tax liabilities	5,240,104	—	5,240,104	—	—	—
<b>Net assets acquired</b>	<b>26,227,426</b>	<b>5,890,153</b>	<b>32,117,579</b>	<b>1,267,892</b>	<b>28,266,674</b>	<b>29,534,566</b>
Less:						
Contingent consideration payable	—	—	—	363,492	—	363,492
Cash acquired	549,556	—	549,556	—	—	—
<b>Cash consideration</b>	<b>25,677,870</b>	<b>5,890,153</b>	<b>31,568,023</b>	<b>904,400</b>	<b>28,266,674</b>	<b>29,171,074</b>
Total acquisition-related costs	445,253	251,017	696,270	30,173	306,702	336,875
Total acquisition-related costs recognized as an expense in 2023	132,094	251,017	383,111	—	62,699	62,699

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## 6. ACCOUNTS RECEIVABLE

	December 31, 2023 \$	December 31, 2022 \$
Trade receivables	33,600,666	39,303,419
Less: Allowance for doubtful accounts	766,472	545,402
Net trade receivables	32,834,194	38,758,017
Other receivables	806,233	576,440
	<b>33,640,427</b>	<b>39,334,457</b>

Trade receivables are non-interest bearing and are generally on 30-60 days terms.

The aging analysis of trade receivables at each reporting date was as follows:

	December 31, 2023 \$	December 31, 2022 \$
Current	21,379,518	22,584,397
31-60 days	8,486,063	12,443,543
61-90 days	1,957,289	2,892,831
91-120 days	835,675	928,940
Over 120 days	942,121	453,708
	<b>33,600,666</b>	<b>39,303,419</b>

## Allowance for doubtful account

The changes in the allowance for doubtful accounts were as follows:

	December 31, 2023 \$	December 31, 2022 \$
Balance, beginning of year	545,402	466,288
Business combinations	105,403	20,316
Charge for the year	152,237	141,481
Utilized	(33,277)	(67,702)
Unused amount reversed	(122)	(21,561)
Impact of foreign exchange losses	(3,171)	6,580
<b>Balance, end of year</b>	<b>766,472</b>	<b>545,402</b>

The Company is exposed to normal credit risk with respect to its accounts receivable and maintains provisions for potential credit losses. Potential for such losses is mitigated because there is no significant exposure to any single customer and because customer creditworthiness is evaluated before credit is extended. Historically, the estimated credit losses from trade receivables have not been significant.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## 7. INVENTORIES

	December 31, 2023 \$	December 31, 2022 \$
Raw materials	14,292,788	24,253,289
Work in progress	1,910,354	2,162,180
Finished goods	17,219,603	18,456,684
	<b>33,422,745</b>	<b>44,872,153</b>

The cost of inventories recognized as an expense and included in operating expenses, including the related depreciation of property, plant and equipment and depreciation of right-of-use assets allocated to inventories during the year ended December 31, 2023 is \$216,131,835 [2022 — \$179,854,636].

## 8. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings and leasehold improvements \$	Machinery and equipment \$	Office and computer equipment \$	Total \$
<b>Cost:</b>					
As at December 31, 2021	3,578,895	13,234,282	71,121,321	3,259,164	91,193,662
Additions	—	1,534,078	672,539	516,453	2,723,070
Business combinations [note 5]	—	—	10,882,237	88,718	10,970,955
Disposals	—	—	(4,312,749)	(20,467)	(4,333,216)
Translation adjustment	—	21,969	629,298	8,402	659,669
<b>As at December 31, 2022</b>	<b>3,578,895</b>	<b>14,790,329</b>	<b>78,992,646</b>	<b>3,852,270</b>	<b>101,214,140</b>
Additions	—	1,278,680	4,356,153	276,176	5,911,009
Business combinations [note 5]	—	176,439	11,980,427	284,087	12,440,953
Disposals	—	(383,760)	(7,945,354)	(556,245)	(8,885,359)
Translation adjustment	—	(9,370)	(509,313)	(7,405)	(526,088)
<b>As at December 31, 2023</b>	<b>3,578,895</b>	<b>15,852,318</b>	<b>86,874,559</b>	<b>3,848,883</b>	<b>110,154,655</b>
<b>Accumulated depreciation:</b>					
As at December 31, 2021	—	6,498,912	47,744,086	2,809,214	57,052,212
Depreciation	—	626,543	4,942,366	229,612	5,798,521
Disposals	—	—	(4,177,618)	(20,467)	(4,198,085)
Translation adjustment	—	10,441	357,880	8,282	376,603
<b>As at December 31, 2022</b>	<b>—</b>	<b>7,135,896</b>	<b>48,866,714</b>	<b>3,026,641</b>	<b>59,029,251</b>
Depreciation	—	715,959	5,587,848	408,453	6,712,260
Disposals	—	(452,006)	(5,952,606)	(547,017)	(6,951,629)
Translation adjustment	—	(5,824)	(184,332)	(4,265)	(194,421)
<b>As at December 31, 2023</b>	<b>—</b>	<b>7,394,025</b>	<b>48,317,624</b>	<b>2,883,812</b>	<b>58,595,461</b>
<b>Net book value:</b>					
As at December 31, 2022	3,578,895	7,654,433	30,125,932	825,629	42,184,888
<b>As at December 31, 2023</b>	<b>3,578,895</b>	<b>8,458,293</b>	<b>38,556,935</b>	<b>965,071</b>	<b>51,559,194</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## 9. RIGHT-OF-USE ASSETS

	Buildings \$	Machinery and equipment \$	Office equipment \$	Total \$
<b>Cost:</b>				
As at December 31, 2021	33,523,066	701,934	76,879	34,301,879
Additions	35,710	—	78,724	114,434
Business combinations [note 5]	10,687,733	—	12,473	10,700,206
Disposals	(4,194,648)	—	(19,088)	(4,213,736)
Reassessments	3,412,771	(2,797)	—	3,409,974
Translation adjustment	707,275	11,983	3,126	722,384
<b>As at December 31, 2022</b>	<b>44,171,907</b>	<b>711,120</b>	<b>152,114</b>	<b>45,035,141</b>
Business combinations [note 5]	3,116,458	531,281	58,961	3,706,700
Disposals	(15,893)	(275,276)	—	(291,169)
Impairment charge [note 14]	(767,358)	—	—	(767,358)
Reassessments	912,124	—	—	912,124
Translation adjustment	(535,012)	(4,402)	(1,956)	(541,370)
<b>As at December 31, 2023</b>	<b>46,882,226</b>	<b>962,723</b>	<b>209,119</b>	<b>48,054,068</b>
<b>Accumulated depreciation:</b>				
As at December 31, 2021	12,196,467	273,682	35,944	12,506,093
Depreciation	4,376,819	126,825	25,818	4,529,462
Disposals	(4,194,648)	—	(16,880)	(4,211,528)
Translation adjustment	179,829	2,215	1,150	183,194
<b>As at December 31, 2022</b>	<b>12,558,467</b>	<b>402,722</b>	<b>46,032</b>	<b>13,007,221</b>
Depreciation	5,227,012	188,516	47,134	5,462,662
Disposals	(7,284)	(239,937)	—	(247,221)
Impairment charge [note 14]	(163,160)	—	—	(163,160)
Translation adjustment	(119,003)	(1,415)	(1,006)	(121,424)
<b>As at December 31, 2023</b>	<b>17,496,032</b>	<b>349,886</b>	<b>92,160</b>	<b>17,938,078</b>
<b>Net book value:</b>				
As at December 31, 2022	31,613,440	308,398	106,082	32,027,920
<b>As at December 31, 2023</b>	<b>29,386,194</b>	<b>612,837</b>	<b>116,959</b>	<b>30,115,990</b>

## 10. EMPLOYEE DEFINED BENEFIT PLANS

## (a) Pension plans

Following the Company's requests to the applicable regulatory authorities to merge certain pension plans, which were approved in 2023, the Company now offers two (previously four) pension plans covering substantially all of its Canadian employees. These plans are hybrids, i.e. they include a defined benefit component ("DB component"), for which service accrual ceased in 2012, and a defined contribution component. Both DB components are fully funded.

One plan is governed by the *Pension Benefits Act* (Ontario), and its DB component pension benefits are based on the members' average earnings prior to retirement. The second plan is governed by *Quebec's Supplemental Pension Plans Act*, administered by Retraite Québec. The pension benefits under the DB component of this plan are also based on the members' average earnings prior to retirement.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 2023 and 2022

The key risks pension plans are exposed to include interest rate risks, investment risks and change in the life expectancy for pensioners. Recently, the Company executed a series of transactions in order to reduce the risk profile and volatility associated with its defined benefit pension plans and further secure the Company's members' benefits.

Effective August 31, 2023, the Company implemented a new de-risking strategy for its defined benefit plans' assets whereby 71% of assets are now invested in fixed income and 29% in money market.

The defined benefit and defined contribution plans expenses included in operating and selling, general and administrative expenses are as follows:

	2023 \$	2022 \$
Defined benefit plans expense (administration expenses)	166,300	329,100
Defined contribution plan expense	1,352,235	1,437,139
<b>Pension plans expense [note 19]</b>	<b>1,518,535</b>	<b>1,766,239</b>

Interest income on pension defined benefit plan obligation of \$698,100 [2022 — \$357,900] is included in the net financing charges in the consolidated statements of earnings [note 15].

The following table presents the changes in the accrued benefit obligation and the fair value of plan assets, as well as the funded status of the defined benefit plans.

	December 31, 2023 \$	December 31, 2022 \$
<b>Change in accrued benefit obligation:</b>		
Benefit obligation, beginning of year	33,568,100	46,736,000
Interest cost	1,601,500	1,349,900
Actuarial loss (gain) from change in financial assumptions	1,869,100	(10,983,400)
Actuarial loss (gain) from experience	1,663,400	(58,700)
Benefits paid	(3,710,500)	(3,475,700)
Benefit obligation, end of year	34,991,600	33,568,100
<b>Change in plan assets:</b>		
Fair value of plan assets, beginning of year	48,246,500	59,176,500
Interest income on plan assets	2,299,600	1,707,800
Actuarial (loss) gain	1,333,400	(7,862,500)
Use of surplus to pay for employer defined contributions	(1,540,200)	(970,500)
Benefits paid	(3,710,500)	(3,475,700)
Plan administration expenses	(166,300)	(329,100)
Fair value of plan assets, end of year	46,462,500	48,246,500
<b>Amount recognized as accrued pension benefit net assets</b>	<b>11,470,900</b>	<b>14,678,400</b>

The defined benefit plans amount recognized in other comprehensive income (loss), before taxation, is as follows:

	2023 \$	2022 \$
Total actuarial (losses) gains	(2,199,100)	3,179,600

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 2023 and 2022

The cumulative amount of actuarial gains recognized in the consolidated statements of comprehensive income is \$8,204,200 as at December 31, 2023 [2022 — \$10,403,300].

The key assumptions used in computing the benefit obligation and net pension cost were as follows:

	<b>2023</b> %	<b>2022</b> %
Discount rate for accrued benefit obligation	<b>4.65</b>	5.05
Discount rate for net pension cost	<b>5.05</b>	3.00
Rate of compensation increase	<b>2.50</b>	2.50
Mortality assumption <sup>1</sup>	<b>CPM</b> <b>Private</b>	CPM Private

The weighted average allocation of plan assets, excluding annuity contracts of \$5.5 million in two pension plans [2022 — \$5.7 million] as at December 31, is as follows:

	<b>2023</b> %	<b>2022</b> %
Equity securities		
Canadian Equity Funds	<b>0.0</b>	12.1
US Equity Funds	<b>0.0</b>	5.4
Foreign Global Equity Funds	<b>0.0</b>	12.6
	<b>0.0</b>	30.1
Fixed income funds		
Canadian	<b>72.6</b>	69.9
Money Market Fund	<b>27.4</b>	—
<b>Total</b>	<b>100.0</b>	100.0

As at December 31, 2023, all financial instruments and investment funds are classified as Level 2 in the fair value hierarchy, including fixed income funds and \$5.5 million of annuity contracts (inputs other than quoted prices that are observable). As at December 31, 2022, all financial instruments and investment funds are classified as Level 2 in the fair value hierarchy, including fixed income funds and \$5.7 million of annuity contracts (inputs other than quoted prices that are observable).

Both pension plans have an investment policy with the following target asset allocation: 71% in fixed income securities and 29% in money market funds [2022 — 70% in fixed income securities and 30% in equity securities]. As at December 31, 2023 and 2022, the pension plans were in compliance with their investment policy allocations.

As at December 31, 2023 and 2022, there were no Supremex shares held in the Company's pension plans.

The average duration of the defined benefit plan obligation is 15.0 years as at December 31, 2023 [2022 — 15.1 years].

<sup>1</sup> CPM 2004 Private Sector Mortality table projected generationally using improvement scale MI-2017

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 2023 and 2022

*Sensitivity analysis*

For the Company, a 0.25% increase or decrease in the discount rate would have decreased or increased the defined benefit liability by approximately \$1.2 million as at December 31, 2023. A 0.25% increase or decrease in the rate of compensation would have increased or decreased the pension benefit liability by approximately \$0.1 million as at December 31, 2023. An increase of one year in the life expectancy of plan members as at December 31, 2023 would have resulted in an increase of \$0.9 million in total projected defined benefit obligation of pension plans. The sensitivity analysis has been determined based on a method that determines the impact on the defined benefit liability of a 0.25% change in the key assumptions. There have been no changes in the methods and assumptions used to determine the sensitivity analysis from the comparative year.

## (b) Post-retirement benefits other than pension

The following table provides a reconciliation of the change in the accrued benefit obligation of the plans, which is presented under the caption other long-term liabilities in the consolidated statements of financial position.

	December 31, 2023 \$	December 31, 2022 \$
<b>Change in accrued benefit obligation:</b>		
Other post-retirement benefit obligations, beginning of year	146,000	211,300
Interest cost [note 15]	6,900	6,300
Actuarial loss (gain) from change in financial assumptions	3,700	(64,800)
Benefits paid	(19,400)	(6,800)
<b>Other post-retirement benefit obligations, end of year</b>	<b>137,200</b>	<b>146,000</b>

Post-retirement benefits other than pension are not funded.

The post-retirement benefits amount recognized in other comprehensive income (loss), before taxation, consists of an actuarial loss of \$3,700 [2022 — gain of \$64,800]. The cumulative amount of actuarial losses recognized in the consolidated statements of comprehensive income is \$273,500 as at December 31, 2023 [2022 — \$269,800].

The assumptions used in the measurement of the Company's other post-retirement benefit cost were as follows:

	2023 %	2022 %
<b>Weighted-average assumptions</b>		
Discount rate for benefit obligation	4.65	5.05
Discount rate for net periodic benefit cost	5.05	3.00

As at December 31, 2023, no coverage is provided to retirees for healthcare and dental. The average duration of the post-retirement benefits' obligation is 6.1 years as at December 31, 2023 and [2022 — 6.1 years].

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## 11. INTANGIBLE ASSETS

	Customer relationships \$	Software \$	Total \$
<b>Cost:</b>			
As at December 31, 2021	91,200,261	4,151,051	95,351,312
Additions	—	372,074	372,074
Business combinations [note 5]	12,147,610	—	12,147,610
Translation adjustment	160,780	—	160,780
<b>As at December 31, 2022</b>	<b>103,508,651</b>	<b>4,523,125</b>	<b>108,031,776</b>
Additions	—	352,152	352,152
Business combinations [note 5]	12,830,000	301,184	13,131,184
Translation adjustment	(376,307)	—	(376,307)
<b>As at December 31, 2023</b>	<b>115,962,344</b>	<b>5,176,461</b>	<b>121,138,805</b>
<b>Accumulated amortization:</b>			
As at December 31, 2021	70,908,818	1,543,248	72,452,066
Amortization	3,245,367	516,499	3,761,866
Translation adjustment	119,205	—	119,205
<b>As at December 31, 2022</b>	<b>74,273,390</b>	<b>2,059,747</b>	<b>76,333,137</b>
Amortization	5,975,923	687,924	6,663,847
Translation adjustment	(84,577)	—	(84,577)
<b>As at December 31, 2023</b>	<b>80,164,736</b>	<b>2,747,671</b>	<b>82,912,407</b>
<b>Net book value:</b>			
As at December 31, 2022	29,235,261	2,463,378	31,698,639
<b>As at December 31, 2023</b>	<b>35,797,608</b>	<b>2,428,790</b>	<b>38,226,398</b>

## 12. GOODWILL

	\$
<b>Cost:</b>	
As at December 31, 2021	49,453,832
Business combinations [note 5]	1,432,932
Translation adjustment	350,514
<b>As at December 31, 2022</b>	<b>51,237,278</b>
Business combinations [note 5]	8,084,339
Purchase price allocation adjustment	542,899
Translation adjustment	(157,486)
<b>As at December 31, 2023</b>	<b>59,707,030</b>

The net carrying amount of goodwill as at December 31, 2023 was allocated to the following significant CGUs:

	December 31, 2023 \$	December 31, 2022 \$
<b>CGUs:</b>		
Envelope	38,672,927	38,278,298
Packaging	21,034,103	12,958,980
<b>Total</b>	<b>59,707,030</b>	<b>51,237,278</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**Impairment test of goodwill**

The Company conducted its annual goodwill impairment test as at December 31, 2023, in accordance with their policy described in Note 2. The recoverable amount of the Envelope CGU and the Packaging CGU exceeded carrying value, respectively. As a result, no goodwill impairment was recorded for these CGUs.

**Valuation technique**

The Company uses the discounted cash flows ("DCF") method to determine the value in use of each of its CGUs and has not made any changes to the valuation methodology used to assess goodwill impairment since the last annual impairment test.

**Significant assumptions**

The income approach is predicated upon the value of the future cash flows that a business will generate going forward. The DCF method, which was used as at December 31, 2023 for the Envelope and Packaging CGUs, involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth or decline rates, operating margins, tax rate and discount rate.

*Growth or decline of revenue*

The assumptions used were based on the Company's internal annual budget approved by the Board of Directors. The Company projected revenue, operating margins and cash flows for a period of four years for each of the Envelope and Packaging CGUs. Specific assumptions are used for each CGU. Forecasts for the Envelope CGU considered a lower demand in the Canadian envelope market, a capacity to gain market share in the US envelope market and applied a perpetual long-term decline rate for the periods thereafter. Forecasts for the Packaging CGU considered a perpetual long-term growth for this market. In arriving at its forecasts, the Company considered past experience, recent acquisitions, economic trends as well as industry and market trends.

*Discount rate*

The Company assumed a pre-tax discount rate in order to calculate the present value of its projected cash flows. The discount rate represented the Company's estimated WACC. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows.

The key assumptions used in performing the impairment test were as follows:

	2023		2022	
	Envelope	Packaging	Envelope	Packaging
Pre-tax discount rate	15.6%	13.6%	15.2%	14.0%
Tax rate	25.9%	25.9%	25.9%	25.9%
Perpetual (decline) growth rate	(4.0%)	2.5%	(3.0%)	2.5%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

*Sensitivity*

Envelope CGU — In the most recent impairment test performed for the Envelope CGU, if the pre-tax discount rate had increased to 28.5% or the perpetual decline rate had increased to 29.6%, the recoverable amount of the Envelope CGU would have then equaled the carrying amount as at December 31, 2023.

Packaging CGU — In the most recent impairment test performed for the Packaging CGU, if the pre-tax discount rate had increased to 16.2% or the perpetual growth rate had decreased to (0.4%), the recoverable amount of the Packaging CGU would have then equaled the carrying amount as at December 31, 2023.

**13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2023 \$	December 31, 2022 \$
Trade payables	11,254,376	16,288,415
Accrued rebates liabilities	2,335,696	2,609,041
Salaries and benefits payable	9,514,731	12,993,057
Other accrued liabilities	3,389,053	2,947,915
	<b>26,493,856</b>	<b>34,838,428</b>

Trade payables are non-interest bearing and are normally settled on 20 to 60-day terms.

**14. PROVISIONS AND IMPAIRMENT OF ASSETS**

In the fourth quarter of 2023, the Company announced optimization initiatives in its packaging and specialty products segment. The initiatives mainly include the closing of its Saint-Hyacinthe, Quebec, facility, acquired as part of the Impression Paragraph Inc. transaction completed earlier this year. Restructuring expenses related to these initiatives, mainly comprised of employee related charges, decommissioning costs, impairment of right-of-use asset and costs to relocate machinery and inventory, amounted to \$1,316,436 during 2023.

In 2022, the Company had approved a restructuring initiative to accelerate the move of its folding carton plant in the Town of Mount Royal, Quebec, following receipt of an early termination notice from the lessor. As a result of this initiative, the affected folding carton business was transferred to the Durabox corrugated packaging facility in Lachine, Quebec. Consequently, the Durabox business was wound down. Restructuring expenses related to these activities, mainly comprised of employee related charges, inventory write-downs and costs incurred to relocate the business, amounted to \$955,187 during 2023 [2022 — \$1,409,740].

The following is a summary of amounts accrued and paid relating to restructuring expenses:

	December 31, 2023 \$	December 31, 2022 \$
Balance, beginning of year	25,220	405,400
Restructuring expenses	2,271,623	1,409,740
Impairment of right-of-use assets [note 9]	(604,198)	—
Gain on disposal of assets	147,959	—
Payments	(1,258,520)	(1,789,920)
<b>Balance, end of year</b>	<b>582,084</b>	<b>25,220</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## 15. LONG-TERM DEBT

	December 31, 2023 \$	December 31, 2022 \$
Secured revolving credit facility	55,629,700	54,748,146
Term loans	1,136,084	—
Total debt	56,765,784	54,748,146
Deferred financing costs	(255,790)	(333,874)
Current portion	(244,570)	—
<b>Long-term portion</b>	<b>56,265,424</b>	<b>54,414,272</b>

**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 2026, following the approval of a one-year extension in May 2023, 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 December 31, 2023, the amount outstanding on the credit facility was \$55,855,100.

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 December 31, 2023.

The following table presents a reconciliation between the opening and closing balances of the secure credit facility:

	December 31, 2023 \$	December 31, 2022 \$
Secured revolving credit facility, beginning of year	54,414,272	44,350,825
Increase in term loans	1,350,536	—
Repayment of term loans	(214,452)	(875,000)
Increase in revolving facility	881,554	11,094,000
Deferred financing costs	(152,382)	(365,509)
Amortization of deferred financing cost	230,466	209,956
<b>Secured revolving credit facility, end of year</b>	<b>56,509,994</b>	<b>54,414,272</b>

**Term loans**

The Company has four term loans totaling \$1,136,084 as at December 31, 2023, that were assumed following the acquisition of Paragraph [note 5]. 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## Other

As at December 31, 2023, the Company had outstanding letters of credit totaling of \$241,000 [\$10,000 as at December 31, 2022].

The effective interest rate on the secured credit facility was 5.74 % as at December 31, 2023 [5.70% as at December 31, 2022].

Net financing charges are as follows:

	2023 \$	2022 \$
Interest on secured credit facility	4,534,809	1,719,906
Interest on lease liabilities	1,569,918	954,005
Interest income on defined benefit plan obligations [note 10]	(698,100)	(357,900)
Interest on post-retirement benefits [note 10]	6,900	6,300
Other interest (income) expense	(38,349)	39,310
Amortization of deferred financing costs	230,466	209,956
	5,605,644	2,571,577

## 16. LEASE LIABILITIES

	December 31, 2023 \$	December 31, 2022 \$
Lease liabilities, beginning of year	33,687,692	23,247,245
Additions	—	114,183
Business combinations [note 5]	3,456,700	10,700,025
Disposals	(45,745)	(2,357)
Reassessments	912,124	3,409,974
Lease repayments	(6,399,132)	(5,300,621)
Interest expense on lease liabilities	1,569,918	954,005
Translation adjustment	(440,629)	565,238
	32,740,928	33,687,692
Less: Current portion	4,328,242	4,118,931
<b>Long-term portion of lease liabilities</b>	<b>28,412,686</b>	<b>29,568,761</b>

The expense relating to short-term leases during the year ended December 31, 2023 was \$910,910 [2022 — \$739,600]. The expense relating to leases of low-value assets during the year ended December 31, 2023 was \$7,927 [2022 — \$5,443]. The expense relating to variable lease payments not included in the measurement of lease liabilities during the year ended December 31, 2023 was \$2,025,927 [2022 — \$1,635,995]. Total cash outflow for leases during the year ended December 31, 2023 was \$9,343,896 [2022 — \$7,681,659].

The maturity analysis of lease liabilities is disclosed in note 23.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## 17. INCOME TAXES

## Income tax expense

The major components of income tax expense recognized in the consolidated statements of earnings were as follows:

	2023 \$	2022 \$
<b>Current income tax:</b>		
Current income tax expense	7,614,233	10,351,624
<b>Deferred income tax:</b>		
Recovery of deferred income tax expense	(1,612,479)	(695,085)
<b>Income tax expense</b>	<b>6,001,754</b>	<b>9,656,539</b>

Income taxes on items recognized in other comprehensive (loss) income were as follows:

	2023 \$	2022 \$
Deferred income tax related to items imputed directly to equity during the year:		
Deferred tax (benefit) expense on recognized actuarial (loss) gain on defined benefit pension plans	(569,252)	823,300
Deferred tax (benefit) expense on recognized actuarial (loss) gain on other post-retirement benefits	(958)	16,779
Deferred tax expense on recognized gain on interest rate swap agreements	40,905	6,850
<b>Income tax (recovery) expense recorded to other comprehensive (loss) income</b>	<b>(529,305)</b>	<b>846,929</b>

The income tax expense differs from the expense that would be obtained by applying the combined Canadian income tax rate (federal and provincial) as follows:

	2023 \$	2022 \$
Earnings before income taxes	23,335,442	38,092,677
Income tax expense at combined federal and provincial statutory rate of 26% [2022 – 26%]	6,042,293	9,863,413
Adjustment of prior periods	(118,785)	(74,018)
Income tax rate differential for U.S. subsidiaries	(80,230)	(53,432)
Non-deductible expenses and other	158,476	(79,424)
<b>Income tax expense</b>	<b>6,001,754</b>	<b>9,656,539</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## Deferred income tax

Deferred income tax relates to the following:

	Consolidated statements of financial position		Consolidated statements of earnings	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	\$	\$	\$	\$
<b>Deferred tax assets:</b>				
Goodwill	—	168,065	—	186,336
Lease liabilities	8,210,195	9,309,251	1,080,355	3,373,443
Non-capital losses	1,033,166	1,519,332	395,851	(1,009,844)
Deferred and performance share unit plans	663,110	726,601	63,491	(726,601)
Reserve for restructuring	133,255	—	(133,255)	—
Other	144,733	51,787	2,313	30,856
	10,184,459	11,775,036	1,408,755	1,854,190
<b>Deferred tax liabilities:</b>				
Goodwill	90,815	—	(245,289)	—
Accrued pension benefit net asset	2,969,323	3,800,707	262,132	244,061
Right-of-use assets	7,635,880	8,879,400	1,216,218	3,432,622
Property, plant and equipment	8,141,398	6,667,482	452,693	(1,634,936)
Intangible assets	2,862,136	956,131	1,273,409	614,125
Other	92,616	37,602	62,071	(106,597)
	21,792,168	20,341,322	3,021,234	2,549,275
<b>Recovery of deferred income tax expense</b>			1,612,479	695,085
<b>Net deferred tax liabilities</b>	<b>11,607,709</b>	<b>8,566,286</b>		

## Reconciliation of net deferred tax liabilities

	2023 \$	2022 \$
Balance, beginning of year	(8,566,286)	(8,361,769)
Tax recovery during the year recognized in the consolidated statements of earnings	1,612,478	695,085
Tax expense (recovery) recognized in other comprehensive income (loss)	529,305	(846,929)
Business acquisitions	(5,240,104)	—
Translation adjustment on net deferred tax	56,898	(52,673)
<b>Balance, end of year</b>	<b>(11,607,709)</b>	<b>(8,566,286)</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## 18. SHARE CAPITAL

An unlimited number of common shares are issuable. Each common share represents a shareholder's proportionate undivided interest in the Company. Each common share confers to its holder the right to one vote at any meeting of shareholders and to participate equally and rateably in any dividends of the Company, if any, and, in the event of any required distribution of all of the property of the Company, in the net assets of the Company remaining after satisfaction of all liabilities.

The change in share capital was as follows:

	Number of common shares	Share capital \$
Balance, as at December 31, 2021	26,415,469	9,016,207
Purchase of share capital for cancellation	(438,400)	(149,636)
<b>Balance, as at December 31, 2022</b>	<b>25,977,069</b>	<b>8,866,571</b>
Purchase of share capital for cancellation	(310,800)	(106,083)
<b>Balance, as at December 31, 2023</b>	<b>25,666,269</b>	<b>8,760,488</b>

On August 29, 2023, the Company announced that it had received approval from the TSX to purchase by way of a normal course issuer bid ("NCIB") for cancellation, up to 1,294,058 of its common shares, representing approximately 5.0% of its 25,881,169 issued and outstanding common shares as at August 18, 2023, for a period of twelve months, beginning on August 31, 2023.

During the year ended December 31, 2023, the Company repurchased 310,800 [2022 — 438,400] common shares for cancellation through the NCIB in consideration of \$1,405,796 [2022 — \$1,489,978]. The excess of the purchase price over the carrying value in the amount of \$1,299,713 [2022 — \$1,340,342] was recorded as a reduction of contributed surplus.

**Deferred Share Unit (DSU) Plan**

In 2015, the Company adopted a DSU Plan for its members of the Board of Directors and senior executives. The DSU Plan enables its participants to receive compensation in cash at the termination date equal to the market price of the Company's common share for each DSU.

Each participant in the DSU Plan may elect, each fiscal year, to receive up to 100% of their director's annual retainer fees in DSUs. Such DSUs are expensed on an earned basis and their costs are determined using a valuation model and all issued and outstanding DSUs are measured at each reporting period.

As at December 31, 2023, the financial liability resulting from the DSU Plan of \$2,268,438 [December 31, 2022 — \$2,749,467] is presented under Accounts payable and accrued liabilities.

During the twelve-month period ended December 31, 2023, an amount of nil [2022 — \$126,065] of variable executive compensation was allocated in DSUs and an amount of \$19,785 [2022 — \$40,368] was paid out. The net compensation recovery for the DSU Plan amounted to \$461,244 [2022 — expense of \$1,577,471] during the year ended December 31, 2023 and is recognized under Selling, general and administrative expenses.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## Performance Share Unit (PSU) Plan

In February 2022, the Company adopted a PSU Plan for its executive officers. Under the PSU Plan, participants are entitled to receive an amount equivalent to the quoted price of the Company's common shares at the end of a three-year performance cycle for each vested PSU if pre-determined performance objectives are achieved. PSUs are expensed on an earned basis over the three-year performance cycle and their value is determined based on their underlying shares. All issued and outstanding PSUs are measured at each reporting period.

As at December 31, 2023, the financial liability resulting from the PSU Plan of \$617,233 [2022 — \$556,914] is presented under Other long-term liabilities. During the twelve-month period ended December 31, 2023, the net compensation expense for the PSU Plan amounted to \$60,319 [2022 — \$556,914] and is recognized under Selling, general and administrative expenses.

## 19. OPERATING AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2023 \$	2022 \$
Wages and salaries [note 21]	71,798,957	63,751,857
Social security costs	11,385,119	8,933,257
Pension plans expense [note 10]	1,518,535	1,766,239
Employee benefits expenses	84,702,611	74,451,353
Raw materials and other purchases	132,614,653	109,104,779
General manufacturing costs	17,204,117	14,020,820
Distribution costs	8,971,448	11,265,224
Other	8,898,109	7,869,534
	<b>252,390,938</b>	<b>216,711,710</b>

## 20. DIVIDENDS

Dividends declared from January 1, 2023 to December 31, 2023 were as follows:

Declaration date	Record date	Payment date	Per share \$	Dividend \$
February 22, 2023	March 23, 2023	April 7, 2023	0.035	909,197
May 9, 2023	June 8, 2023	June 23, 2023	0.035	909,072
August 9, 2023	September 7, 2023	September 22, 2023	0.035	903,951
November 8, 2023	December 7, 2023	December 22, 2023	0.035	901,347
<b>Total</b>				<b>3,623,567</b>

Dividends declared from January 1, 2022 to December 31, 2022 were as follows:

Declaration date	Record date	Payment date	Per share \$	Dividend \$
January 5, 2022	January 31, 2022	February 15, 2022	0.025	658,912
February 23, 2022	March 24, 2022	April 8, 2022	0.025	658,494
May 11, 2022	June 9, 2022	June 27, 2022	0.025	654,034
August 10, 2022	September 8, 2022	September 23, 2022	0.030	780,386
November 10, 2022	December 8, 2022	December 23, 2022	0.030	779,312
<b>Total</b>				<b>3,531,138</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

## 21. GOVERNMENT ASSISTANCE

During 2023, the Company received and recorded net subsidies in the amount of \$1,456,378 (US\$1,102,067) [2022 - nil] under the U.S. Employment Retention Credit ("ERC") program. Of this amount, \$823,368 was allocated against operating expenses while \$633,010 was allocated against selling, general and administrative expenses.

## 22. RELATED PARTY TRANSACTIONS

Compensation of key management personnel, including members of the Board of Directors of Supremex, recognized as an expense is as follows:

	2023 \$	2022 \$
Short-term employee benefits	2,983,206	5,083,229
Post-employment benefits	135,050	112,324
	<b>3,118,256</b>	<b>5,195,553</b>

## 23. FINANCIAL INSTRUMENTS

## Financial assets and liabilities

Financial assets and liabilities in the consolidated statements of financial position were as follows:

	Assets at amortized cost \$	Derivative at fair value \$	Liabilities at amortized cost \$	Liabilities at fair value through profit or loss \$	Total \$
Cash	1,066,103	—	—	—	1,066,103
Accounts receivable	33,640,427	—	—	—	33,640,427
Derivative financial instruments	—	184,480	—	—	184,480
Accounts payable and accrued liabilities excluding sales tax payable and DSU liability	—	—	(22,493,523)	—	(22,493,523)
Restructuring provisions	—	—	(582,084)	—	(582,084)
DSU liability	—	—	—	(2,268,438)	(2,268,438)
Total debt	—	—	(56,521,214)	—	(56,521,214)
PSU liability	—	—	—	(617,233)	(617,233)
Contingent consideration payable	—	—	—	(351,521)	(351,521)
<b>Total</b>	<b>34,706,530</b>	<b>184,480</b>	<b>(79,596,821)</b>	<b>(3,237,192)</b>	<b>(47,943,003)</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

December 31, 2022				Liabilities at fair value through profit or loss	
	Assets at amortized cost \$	Derivative at fair value \$	Liabilities at amortized cost \$		Total \$
Cash	1,928,539	—	—	—	1,928,539
Accounts receivable	39,334,457	—	—	—	39,334,457
Derivative financial instruments	—	26,456	—	—	26,456
Accounts payable and accrued liabilities excluding sales tax payable and DSU liability	—	—	(31,230,001)	—	(31,230,001)
Restructuring provisions	—	—	(25,220)	—	(25,220)
DSU liability	—	—	—	(2,749,467)	(2,749,467)
Total debt	—	—	(54,748,146)	—	(54,748,146)
PSU liability	—	—	—	(556,914)	(556,914)
Contingent consideration payable	—	—	—	(581,808)	(581,808)
<b>Total</b>	<b>41,262,996</b>	<b>26,456</b>	<b>(86,003,367)</b>	<b>(3,888,189)</b>	<b>(48,602,104)</b>

**Fair values**

The carrying amount of accounts receivable and accounts payable and accrued liabilities approximates their fair value given their short-term nature. The carrying amount of secured credit facility approximates its fair value given it carries a floating interest rate.

For the senior secured revolving credit facility, the Company categorized the fair value measurement as Level 2, as it is primarily derived from observable market inputs, that is, interest rates.

For the contingent consideration payable, the Company categorizes the fair value measurement as Level 3, as it is primarily derived from unobservable inputs upon the realization of certain financial targets over a certain period after the acquisition date.

**Management of risks arising from financial instruments**

In the normal course of business, the Company is exposed to a range of financial risks, which include credit risk, liquidity risk and market risk. To limit the effects of these risks on revenue, expenses and cash flows, the Company can avail itself of various derivative financial instruments. The Company's management is responsible for determining the acceptable level of risk and uses derivative financial instruments only to manage existing or anticipated risks, commitments or obligations based on past experience.

**Credit risk**

Credit risk arises from cash and accounts receivable. In order to minimize the credit exposure, the Company's cash is placed with major Canadian banks and their U.S. subsidiaries.

Credit risk stems primarily from the potential inability of clients to discharge their obligations. Accounts receivable credit risk is mitigated through established monitoring activities, lack of customer concentration and the Company's diversified customer base. Historically, the Company has never made any significant



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 2023 and 2022

write-off of accounts receivable. As at December 31, 2023 and 2022, total trade accounts receivable over 90 days past due amounted to less than 6% [2022 — less than 4%] [note 6] of total trade receivables. The Company does not hold collateral as a security. As at December 31, 2023, the Company had not identified significant negative trend from its accounts receivable collection.

**Liquidity risk**

The Company is exposed to the risk of being unable to honour its financial commitments within the deadlines set out under the terms of such commitments and at a reasonable price. The Company manages liquidity risk by maintaining adequate cash balances and by appropriately using the Company's secured credit facility. The Company continuously reviews both actual and forecasted cash flows to ensure that it has adequate credit facility capacity and continuously reviews its exposure to interest rate fluctuations. It also is continuously seeking cost savings opportunities and manages its capacity to respond to demand fluctuations including workplace reductions if needed.

The table below sets forth the contractual undiscounted cash flows of financial liabilities and lease liabilities by maturity based on the remaining period from December 31, to the contractual maturity date.

<b>December 31, 2023</b>	<b>Less than 1 year \$</b>	<b>1 to 5 years \$</b>	<b>More than 5 years \$</b>	<b>Total \$</b>
Accounts payable and accrued liabilities				
excluding sales tax payable	24,761,961	—	—	24,761,961
Restructuring provisions	582,084	—	—	582,084
Total debt	244,570	56,521,214	—	56,765,784
Contingent consideration payable	114,399	237,122	—	351,521
Lease liabilities	5,702,404	16,162,683	20,613,552	42,478,639
	<b>31,405,418</b>	<b>72,921,019</b>	<b>20,613,552</b>	<b>124,939,989</b>
<hr/>				
<b>December 31, 2022</b>	<b>Less than 1 year \$</b>	<b>1 to 5 years \$</b>	<b>More than 5 years \$</b>	<b>Total \$</b>
Accounts payable and accrued liabilities				
excluding sales tax payable	33,979,468	—	—	33,979,468
Restructuring provisions	25,220	—	—	25,220
Secured credit facility	—	54,748,146	—	54,748,146
Contingent consideration payable	265,030	316,778	—	581,808
Lease liabilities	5,500,815	15,155,928	23,992,708	44,649,451
	<b>39,770,533</b>	<b>70,220,852</b>	<b>23,992,708</b>	<b>133,984,093</b>

**Market risk**

Market risk is the risk that changes in market prices due to foreign exchange rates and interest rates will affect the value of the Company's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### *Interest rate risk*

The Company is exposed to interest rate fluctuations mainly on its secured credit facility. The Company manages interest rate exposure by maintaining a balanced portfolio of fixed and variable loans and borrowings depending on the level of the Company's exposure. Furthermore, interest rate fluctuations could have an impact on interest expense on its credit facility and on earnings the Company derives from cash.

The Company has entered into two interest rate swap agreements covering \$10.0 million of its outstanding credit facility at a fixed rate of 3.76% plus a stamping fee of 1.25% for a period of three years ending in January 2026 and \$10.0 million of its outstanding credit facility at a fixed rate of 3.49% plus a stamping fee of 1.25% for a period of three years ending in January 2027. This derivative instrument was designated as an eligible hedging instrument for accounting purposes. The fair value of this financial instrument is presented in accumulated other comprehensive income (loss) in equity. Unrealized gains on this interest rate swap agreement amounted to \$184,480 as at December 31, 2023 [2022 — \$26,456].

The Company invests, when applicable, its cash in highly liquid investment instruments to safeguard its capital while generating a reasonable return.

On December 31, 2023, a 25 basis-point rise or fall in interest rates, assuming all other variables remained unchanged, would have resulted, respectively, in a \$339,936 decrease or increase in the Company's net earnings for the year ended December 31, 2023 [2022 — \$262,344].

### *Foreign exchange risk*

The Company is exposed to fluctuations in U.S. exchange rates because a portion of its activities are conducted in the U.S. and a portion of its purchases and capital expenditures are made in U.S. dollars. The Company continuously reviews its exposure to fluctuations in the U.S. exchange rate and has decided at this time not to enter into derivatives as the net exposure is not significant.

As at December 31, 2023, net financial assets of the Company in Canadian dollars, denominated in U.S. dollars, totalled \$8,356,593 [2022 — \$10,490,292].

On December 31, 2023, a 5% rise or fall in the Canadian dollar against the U.S. dollar on financial instruments held at that date, assuming all other variables remained unchanged, would have resulted, respectively, in a \$417,830 decrease or increase in the Company's net earnings for the year then ended [2022 — \$524,515], whereas other comprehensive income (loss) would have decreased or increased by \$950,223 [2022 — \$946,813].

## 24. CAPITAL MANAGEMENT

The Company's capital consists of equity and the secured credit facility. The Company maintains a capital level that enables it to meet several objectives:

- Assure the longevity of its capital to support continued operations;
- Satisfy certain financial covenants under the secured credit facility;
- Preserve its financial flexibility to benefit from potential opportunities as they arise; and
- Sustain growth in share value.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 2023 and 2022

The Company continually assesses the adequacy of its capital structure and capacity and makes adjustments in view of the Company's strategy, economic conditions and the risk characteristics of the business to achieve the above objectives. The Company also monitors its capital to ensure full adherence to the "secured revolving credit facility / EBITDA" and "fixed charge coverage" ratios as defined in the credit facility agreement.

The Company's capital structure is composed of equity and secured credit facility less cash. The capital structure is as follows:

	December 31, 2023 \$	December 31, 2022 \$
Secured credit facility	56,265,424	54,414,272
Cash	(1,066,103)	(1,928,539)
Net debt	55,199,321	52,485,733
Equity	134,716,591	124,318,128

The Company is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its secured credit facility.

## 25. SEGMENTED INFORMATION

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. The segmented information is prepared using the accounting policies described in Note 2, "Significant accounting policies".

The following tables provide the segmented Adjusted EBITDA before Corporate and other non-allocated expenses:

			2023 \$
	Envelope	Packaging & Specialty Products	Total
Revenue	213,565,559	88,621,824	302,187,383
Operating expenses	148,657,066	66,832,337	215,489,403
Selling, general and administrative expenses	19,762,641	13,246,897	33,009,538
<b>Segmented Adjusted EBITDA<sup>(1)</sup></b>	<b>45,145,852</b>	<b>8,542,590</b>	<b>53,688,442</b>
Corporate and other non-allocated (recovery) expenses			4,568,938
Depreciation of property, plant and equipment [note 8]			6,712,260
Depreciation of right-of-use assets [note 9]			5,462,662
Amortization of intangible assets [note 11]			6,663,847
Retroactive COVID-related ERC subsidies			(1,456,378)
Inventory revaluation related to business acquisitions			78,594
Acquisition costs [note 5]			445,810
Restructuring expenses [note 14]			2,271,623
Net financing charges [note 15]			5,605,644
<b>Earnings before income taxes</b>			<b>23,335,442</b>

(1) The Chief Executive Officer uses adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), as a measure of financial performance for assessing the performance of each of the Company's segments. Adjusted EBITDA equals EBITDA adjusted to remove items of significance that are not in the normal course of operations and corporate and other non-allocated expenses. These items of significance include, but are not limited to, charges for impairment of assets, restructuring expenses, value adjustment on inventory acquired and acquisition costs.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

			2022 \$
	Envelope	Packaging & Specialty Products	Total
Revenue	200,318,303	72,148,973	272,467,276
Operating expenses	132,920,132	49,430,014	182,350,146
Selling, general and administrative expenses	17,454,389	7,532,070	24,986,459
<b>Segmented Adjusted EBITDA<sup>(1)</sup></b>	<b>49,943,782</b>	<b>15,186,889</b>	<b>65,130,671</b>
Corporate and other non-allocated expenses			8,289,814
Depreciation of property, plant and equipment <i>[note 8]</i>			5,798,521
Depreciation of right-of-use assets <i>[note 9]</i>			4,529,462
Amortization of intangible assets <i>[note 11]</i>			3,761,866
Inventory revaluation related to business acquisitions			126,936
Acquisition costs <i>[note 5]</i>			550,078
Restructuring expenses <i>[note 14]</i>			1,409,740
Net financing charges <i>[note 15]</i>			2,571,577
<b>Earnings before income taxes</b>			<b>38,092,677</b>

<sup>(1)</sup> The Chief Executive Officer uses adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), as a measure of financial performance for assessing the performance of each of the Company's segments. Adjusted EBITDA equals EBITDA adjusted to remove items of significance that are not in the normal course of operations and corporate and other non-allocated expenses. These items of significance include, but are not limited to, charges for impairment of assets, restructuring expenses, value adjustment on inventory acquired and acquisition costs.

The Company's non-current assets amounted to \$140,934,841 in Canada and \$50,329,151 in the U.S. as at December 31, 2023 [\$115,908,885 and \$55,944,696, respectively, as at December 31, 2022]. The Company's revenue amounted to \$174,036,912 in Canada and \$128,150,471 in the U.S. for the twelve-month period ended December 31, 2023 based on the customer's locations [2022 — \$155,213,221, in Canada and \$117,254,155 in the U.S].

## 26. CONTINGENCIES AND GUARANTEES

## Legal claims

In the normal course of its operations, the Company is exposed to various claims, disputes and legal proceedings. These disputes may involve numerous uncertainties and the outcome of individual cases is unpredictable. The Company believes these disputes should not have a significant negative impact on the Company's financial position.

## Guarantees under leases

In the normal course of business, the Company has entered into lease agreements that contain features which meet the definition of a guarantee. These agreements may require the Company to compensate counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services, and environmental liabilities. The nature of these indemnification agreements prevents the Company from estimating the total potential amount it would have to pay to lessors, since these events have not occurred yet. Historically, the Company has not made any significant payments under such agreements, has insurance coverage for certain of the obligations undertaken and, as at December 31, 2023, has not recorded any liability associated with these indemnifications.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**27. SUBSEQUENT EVENT**

**Dividend declaration**

On February 21, 2024, the Board of Directors declared a quarterly dividend of \$0.04 per common share, payable on April 5, 2024, to the shareholders of record at the close of business on March 21, 2024. This dividend is designated as an "eligible" dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial legislation.