

The image features a repeating pattern of light gray icons representing boxes and envelopes, arranged in a grid. The word "Supremex" is prominently displayed in the center in a bold, red, italicized sans-serif font. The 'x' at the end of the word is stylized with a diagonal slash through it.

***Supremex***

## **Management's Discussion and Analysis**

For the three and twelve-month periods ended December 31, 2024 and 2023

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## 1. BASIS OF PRESENTATION

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated February 19, 2025, of Supremex Inc. ("Supremex" or the "Company") should be read together with the accompanying audited consolidated financial statements and related notes of the Company for the year ended December 31, 2024. These consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The fiscal year of the Company ends on December 31. The Company's reporting currency is the Canadian dollar. Per share amounts are calculated using the weighted average number of common shares outstanding for the three and twelve-month periods ended December 31, 2024.

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

## 2. FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net earnings, Adjusted net earnings per share, Free cash flow, Net debt, Net debt to Adjusted EBITDA ratio<sup>1</sup>, split of revenue between its Envelope and Packaging segments, capital expenditures, dividend payments, and future performance of Supremex and similar statements or information concerning anticipated future results, circumstances, performance or expectations. Forward-looking information may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. Such information relates to future events or future performance and reflects current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and ability to attract and retain customers. Such forward-looking information reflects current assumptions, expectations and estimates of management and is based on information currently available to Supremex as at the date of this MD&A. Such assumptions, expectations and estimates are discussed throughout the MD&A for the year ended December 31, 2024. Supremex cautions that such assumptions may not materialize and that economic conditions such as economic uncertainty, downturns or recessions, or the imposition of tariffs or trade restrictions, may render such assumptions, although believed reasonable at the time they were made, subject to greater uncertainty.

Forward-looking information is subject to certain risks and uncertainties and should not be read as a guarantee of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking information. These risks and uncertainties include but are not limited to the following: decline in envelope consumption, growth and diversification strategy, key personnel, labour shortage, contributions to employee benefits plans, raw material price increases, cyber security and data protection, operational disruption, dependence on and loss of customer relationships, increase of competition, economic conditions and uncertainty, risk related to the international trade and tax environment (including tariffs, quotas and custom and other restrictions), exchange rate fluctuation, interest rate fluctuation, credit risks with respect to trade receivables, availability of capital, concerns about protection of the environment, potential risk of litigation and no guarantee to pay dividends. Such risks and uncertainties are discussed throughout this MD&A for the year ended December 31, 2024, particularly in "Risk Factors". Consequently, the Company cannot guarantee that any forward-looking information will materialize. Readers should not place any undue reliance on such forward-looking information unless otherwise required by applicable securities legislation. The Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

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

### 3. KEY HIGHLIGHTS

#### 3.1 Financial Highlights Tables

##### Selected Consolidated Financial Information

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

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2024	2023	2024	2023
<b>Statement of earnings</b>				
Revenue	69,075	72,301	281,035	302,187
Operating earnings	8,811	1,936	(4,090)	28,942
Adjusted EBITDA <sup>(1)</sup>	12,919	8,986	40,333	49,119
Adjusted EBITDA margin <sup>(1)</sup>	18.7%	12.4%	14.4%	16.3%
Net earnings (loss)	5,819	724	(11,743)	17,334
Basic and diluted net earnings (loss) per share	0.23	0.03	(0.47)	0.67
Adjusted net earnings <sup>(1)</sup>	5,211	2,236	11,874	18,335
Adjusted net earnings per share <sup>(1)</sup>	0.20	0.09	0.48	0.72
<b>Cash Flow</b>				
Net cash flows related to operating activities	9,201	14,813	32,087	43,897
Free cash flow <sup>(1)</sup>	8,676	15,112	31,698	39,969

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

#### 3.2 Highlights of the three-month period ended December 31, 2024, and recent events

- Total revenue of \$69.1 million, compared to \$72.3 million in the fourth quarter of 2023.
- Envelope segment revenue of \$48.8 million, versus \$50.6 million in the fourth quarter of 2023.
- Packaging and Specialty Products segment revenue of \$20.3 million, compared to \$21.7 million last year.
- Net earnings amounted to \$5.8 million, compared to \$0.7 million in the fourth quarter of 2023.
- Earnings per share of \$0.23, versus \$0.03 in the fourth quarter of 2023.
- Adjusted EBITDA<sup>2</sup> totaled \$12.9 million, or 18.7% of revenue, versus \$9.0 million, or 12.4% of revenue, last year.
- Free cash flow of \$8.7 million, compared to \$15.1 million in the fourth quarter of 2023.
- On February 19, 2025, the Board of Directors declared a quarterly dividend of \$0.05 per common share, payable on April 4, 2025, to shareholders of record at the close of business on March 20, 2025.

#### 3.3 Highlights of the twelve-month period ended December 31, 2024

- Total revenue of \$281.0 million, versus \$302.2 million last year.
- Envelope segment revenue of \$199.2 million, compared to \$213.6 million a year earlier.
- Packaging and Specialty Products segment revenue of \$81.9 million, versus \$88.6 million in 2023.
- Impairment expense on long-lived assets of \$23.4 million, mainly for goodwill and other assets in Packaging and Specialty Products segment.
- Net loss of \$11.7 million, compared to net earnings of \$17.3 million in 2023.
- Loss per share of \$0.47, compared to earnings per share of \$0.67 a year ago.
- Adjusted EBITDA<sup>2</sup> was \$40.3 million, or 14.4% of revenue, versus \$49.1 million, or 16.3% of revenue, last year.
- Free cash flow of \$31.7 million, compared to \$40.0 million last year.
- The Company will proceed with the sale of two properties with a book value of \$9 million and an appraised value of \$57.0 million.
- Purchased 1,106,400 shares for total consideration of \$4.5 million as part of Normal Course Issuer Bid ("NCIB") program.

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

#### 4. NON-IFRS FINANCIAL MEASURES

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

These Non-IFRS Financial Measures are defined as follows:

Non-IFRS Measure	Definition
EBITDA	<p>EBITDA represents earnings before net financing charges, income tax expense, depreciation of property, plant and equipment and right-of-use assets and amortization of intangible assets.</p> <p>The Company uses EBITDA to assess its performance. Management believes this non-IFRS measure, provides users with an enhanced understanding of its operating earnings.</p>
Adjusted EBITDA	<p>Adjusted EBITDA represents EBITDA adjusted to remove items of significance that are not in the normal course of operations and/or that do not reflect the Company's operating expenses and are not indicative of the Company's core operating performance. These items of significance include, when applicable, but are not limited to, charges for impairment of assets, restructuring expenses, value adjustment on inventory acquired and business acquisition costs.</p> <p>The Company uses Adjusted EBITDA to assess its operating performance, excluding items that are not in the normal course of operations and/or that do not reflect the Company's operating expenses and are not indicative of the Company's core operating performance. Management believes this non-IFRS measure provides users with enhanced understanding of the Company's operating earnings and increases the transparency and clarity of the Company's core results. It also allows users to better evaluate the Company's operating profitability when compared to previous years.</p>
Adjusted EBITDA margin	<p>Adjusted EBITDA margin is a percentage corresponding to the ratio of Adjusted EBITDA divided by revenue.</p> <p>The Company uses Adjusted EBITDA margin for the purpose of evaluating business performance, excluding items that are not in the normal course of operations and/or that do not reflect the Company's operating expenses and are not indicative of the Company's core operating performance. Management believes this non-IFRS measure, provides users with enhanced understanding of its results and related trends.</p>
Adjusted net earnings	<p>Adjusted net earnings represents net earnings excluding items of significance listed above under Adjusted EBITDA, net of income taxes.</p> <p>The Company uses Adjusted net earnings to assess its business performance and profitability without the effect of items that are not in the normal course of operations, and/or that do not reflect the Company's operating expenses and are not indicative of the Company's core operating performance, net of income taxes. Management believes this non-IFRS measure provides users with an alternative assessment of the Company's earnings without the effect of items that are not in the normal course of operations or reflective of operating performance, making it valuable to assess ongoing operations and trends in the business performance. Management also believes this non-IFRS measure provides users with enhanced understanding of the Company's results and provides better comparability between periods.</p>
Adjusted net earnings per share	<p>Adjusted net earnings per share represents Adjusted net earnings divided by the weighted average number of common shares outstanding for the relevant period.</p> <p>The Company uses Adjusted net earnings per share for the purpose of evaluating performance and profitability, excluding items that are not in the normal course of operations of the Company, net of income taxes, on a per share basis.</p>
Free cash flow	<p>This measure corresponds to net cash flows related to operating activities according to the consolidated statements of cash flows, less additions (net of disposals) to property, plant and equipment and intangible assets.</p> <p>Management considers Free cash flow to be a good indicator of the Company's financial strength and operating performance because it shows the amount of funds available to manage growth, repay debt and reinvest in the Company. Management considers this measure useful to provide investors with a perspective on its ability to generate liquidity, after making capital investments required to support business operations and long-term value creation.</p>

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

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

### Reconciliation of Net earnings (loss) to Adjusted EBITDA

(In thousands of dollars, except for margins)

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2024	2023	2024	2023
<b>Net earnings (loss)</b>	<b>5,819</b>	<b>724</b>	<b>(11,743)</b>	<b>17,334</b>
Income tax expense (recovery)	1,814	(68)	2,797	6,002
Net financing charges	1,178	1,280	4,856	5,606
Depreciation of property, plant and equipment	1,626	1,603	6,744	6,712
Depreciation of right-of-use assets	1,588	1,376	5,995	5,462
Amortization of intangible assets	1,715	2,027	6,917	6,663
<b>EBITDA</b>	<b>13,740</b>	<b>6,942</b>	<b>15,566</b>	<b>47,779</b>
Retroactive COVID-related subsidies	—	—	—	(1,456)
Acquisition costs related to business combinations	7	174	112	446
Asset impairment	—	—	23,412	—
Restructuring (recovery) expenses	(828)	1,870	1,297	2,272
Value adjustment on acquired inventory through a business combination	—	—	(54)	78
<b>Adjusted EBITDA</b>	<b>12,919</b>	<b>8,986</b>	<b>40,333</b>	<b>49,119</b>
<i>Adjusted EBITDA Margin (%)</i>	<b>18.7%</b>	12.4%	14.4%	16.3%

### Reconciliation of Net earnings (loss) to Adjusted net earnings and of Net earnings (loss) per share to Adjusted net earnings per share

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

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2024	2023	2024	2023
<b>Net earnings (loss)</b>	<b>5,819</b>	<b>724</b>	<b>(11,743)</b>	<b>17,334</b>
Adjustments, net of income taxes				
Retroactive COVID-related subsidies	—	—	—	(1,068)
Acquisition costs related to business combinations	5	129	83	329
Asset impairment	—	—	22,615	—
Restructuring (recovery) expenses	(613)	1,383	959	1,681
Value adjustment on acquired inventory through a business combination	—	—	(40)	59
<b>Adjusted net earnings</b>	<b>5,211</b>	<b>2,236</b>	<b>11,874</b>	<b>18,335</b>
<b>Net earnings (loss) per share</b>	<b>0.23</b>	<b>0.03</b>	<b>(0.47)</b>	<b>0.67</b>
Adjustments, net of income taxes, per share	(0.03)	0.06	0.95	0.05
<b>Adjusted net earnings per share</b>	<b>0.20</b>	<b>0.09</b>	<b>0.48</b>	<b>0.72</b>

## Reconciliation of Cash flows related to operating activities to Free cash flow

(In thousands of dollars)

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2024	2023	2024	2023
<b>Net cash flows related to operating activities</b>	<b>9,201</b>	<b>14,813</b>	<b>32,087</b>	<b>43,897</b>
Acquisitions (net of disposals) of property, plant and equipment	(487)	509	(275)	(3,576)
Acquisitions of intangible assets	(38)	(210)	(114)	(352)
<b>Free cash flow</b>	<b>8,676</b>	<b>15,112</b>	<b>31,698</b>	<b>39,969</b>

## Net debt to Adjusted EBITDA ratio

(in thousands of dollars, except for ratios)

	As at December 31, 2024	As at December 31, 2023
Total debt	43,142	56,766
Deferred financing costs	(159)	(256)
Cash	(1,794)	(1,066)
<b>Net debt</b>	<b>41,189</b>	<b>55,444</b>
Adjusted EBITDA – TTM <sup>(1)</sup>	40,333	49,119
<b>Net debt to Adjusted EBITDA ratio</b>	<b>1.0</b>	<b>1.1</b>

<sup>(1)</sup> Refer to the "Selected Quarterly Operating Results" section for more information on the results of each of the last eight quarters.

## 5. BUSINESS OVERVIEW

Supremex is a leading North American manufacturer and marketer of envelopes and a growing provider of paper-based packaging solutions. Supremex operates nine manufacturing facilities across four provinces in Canada and five manufacturing facilities in four states in the United States employing approximately 900 people. Supremex' extensive network allows it to efficiently manufacture and distribute envelope and packaging solutions designed to the specifications of major national and multinational corporations, direct mailers, resellers, government entities, SMEs and solutions providers.

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

### Reporting Segments

The Company currently operates in two reporting segments: the manufacturing and sale of envelopes and the manufacturing and sale of paper-based packaging solutions and specialty products. For nearly 50 years, Supremex has developed its core paper substrate converting expertise to become one of the largest manufacturers and distributors of envelopes in North America. Several years ago, it initiated a growth and diversification strategy into packaging and specialty products.

#### *The Envelope Segment*

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

<sup>3</sup> Conformer<sup>®</sup> is a registered trademark of Conformer Products, Inc.

<sup>4</sup> Enviro-logiX<sup>®</sup> is a registered trademark of Envirologix Inc.

## **The Packaging and Specialty Products Segment**

The Company also manufactures and distributes a diverse range of paper-based packaging solutions and specialty products, including premium quality folding carton packaging, e-commerce solutions, record sleeves and jackets, and labels. The folding carton offering is primarily aimed at corporations in the health, beauty, pharmaceutical and food-at-home markets. E-commerce solutions are eco-friendly and are designed and manufactured to optimize shipping and reduce over-packaging for e-tailers. The label offering primarily serves the Company's existing envelope and packaging customers with complementary label solutions and is an integral offering for the health, beauty and pharmaceutical customers. Other packaging and specialty products include the Conformer Products<sup>5</sup>, polyethylene bags for courier applications, bubble mailers and Enviro-logiX<sup>6</sup>.

### **6. STRATEGY**

Over the last decade, Supremex has pursued a three-pronged diversification strategy to sustain revenue and profitability growth. First, the Company strengthened its position in the Canadian envelope market by leveraging its footprint through capacity allocation and acquisitions in Western and Eastern Canada. Second, Supremex pursued growth opportunities in the U.S. envelope market by using excess capacity from Canadian facilities and through acquisitions in the Northeast and the Midwest. Third, Supremex methodically built its capabilities in growing niches of the packaging industry, mostly through acquisitions, with the objective of achieving critical mass in the value-added folding carton, e-commerce and label markets.

Evolving consumer behaviour led by e-commerce growth has been a significant driver for packaging, labels and specialty products. Beginning in 2017, Supremex established the foundation of its packaging platform by acquiring two important manufacturers of folding carton packaging solutions, complemented by a small label entity in the province of Quebec. In 2021, Supremex made its first U.S. packaging acquisition by purchasing Vista Graphic Communications, LLC ("Vista"), an Indiana-based provider of print and folding carton packaging. The Company added further critical mass in Quebec by acquiring Impression Paragraph Inc. ("Paragraph") and Graf-Pak Inc. ("Graf-Pak") in 2023.

Supremex' strategy is to leverage its Envelope capacity, know-how and cash flow to fund the pivot to Packaging and Specialty Products. The Company aims to achieve, over time, an equal revenue split between its two business segments. Supremex plans to make further strategic acquisitions to reach its strategic plan.

The following table shows the evolution of Supremex' Packaging & Specialty Products revenue over the 2017-2024 period.

#### **% Revenue in Packaging & Specialty Products**

(in thousands of dollars, except %)

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Packaging & Specialty Products revenue	34,600	56,886	54,546	58,104	69,235	72,149	88,621	81,871
Total Revenue	179,072	195,087	191,669	204,604	226,430	272,467	302,187	281,035
<b>% of Revenue</b>	<b>19.3%</b>	<b>29.2%</b>	<b>28.5%</b>	<b>28.4%</b>	<b>30.6%</b>	<b>26.5%</b>	<b>29.3%</b>	<b>29.1%</b>

### **7. OUTLOOK**

Following challenging market conditions for 2023 and 2024, demand for the Company's products is gradually returning to historical patterns, although the recovery is taking more time than anticipated. As it continues to expand in the vast and fragmented U.S. envelope market, Supremex will be increasingly subject to competitive pressures, but the Company will rely on its solid reputation and geographic reach to stimulate sales while continuing to proactively control expenses.

The Company remains focused on optimizing operating efficiency, productivity and capacity utilization throughout its network, as well as on capturing all sales and cost synergies from recent business acquisitions. In this regard, initiatives announced in July 2024 for the Envelope segment are expected to result in annual cost savings in excess of \$2.0 million

<sup>5</sup> Conformer<sup>®</sup> is a registered trademark of Conformer Products, Inc.

<sup>6</sup> Enviro-logiX<sup>®</sup> is a registered trademark of Envirologix Inc.

once all measures are implemented, while initiatives announced in October 2023 for the Packaging and Specialty Products segment are expected to yield annual cost savings of approximately \$1.5 million once all measures are implemented.

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

## 8. FOREIGN EXCHANGE RATES

The following table shows average and closing exchange rates applicable to Supremex' three and twelve-month periods ended December 31, 2024, and 2023. Average rates are used to translate sales and expenses for the periods mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities of the Canadian operations denominated in U.S. dollars.

### US\$/CDN\$ Rate

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2024	2023	2024	2023
USD Average	1.399	1.362	1.370	1.350
USD Closing	1.439	1.323	1.439	1.323

## 9. SUMMARY OF FINANCIAL INFORMATION

### 9.1 Summary of Financial Information

#### Selected Consolidated Financial Information

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

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2024	2023	2024	2023
<b>Revenue</b>	<b>69,075</b>	<b>72,301</b>	<b>281,035</b>	<b>302,187</b>
Operating expenses	48,496	54,271	201,588	214,147
Selling, general and administrative expenses	7,663	9,191	39,158	38,244
<b>Operating earnings before depreciation, amortization and other items</b>	<b>12,916</b>	<b>8,839</b>	<b>40,289</b>	<b>49,796</b>
Depreciation of property, plant and equipment	1,626	1,603	6,744	6,712
Depreciation of right-of-use assets	1,588	1,376	5,995	5,462
Amortization of intangible assets	1,715	2,027	6,917	6,663
Asset impairment	—	—	23,412	—
Restructuring (recovery) expenses	(828)	1,870	1,297	2,272
Loss (gain) on disposal of property, plant and equipment	4	27	14	(255)
<b>Operating earnings (loss)</b>	<b>8,811</b>	<b>1,936</b>	<b>(4,090)</b>	<b>28,942</b>
Net financing charges	1,178	1,280	4,856	5,606
<b>Earnings (loss) before income taxes</b>	<b>7,633</b>	<b>656</b>	<b>(8,946)</b>	<b>23,336</b>
Income tax expense (recovery)	1,814	(68)	2,797	6,002
<b>Net earnings (loss)</b>	<b>5,819</b>	<b>724</b>	<b>(11,743)</b>	<b>17,334</b>
Basic and diluted net earnings (loss) per share	0.23	0.03	(0.47)	0.67
Dividend declared per share	0.050	0.035	0.170	0.140

## Revenue Information

(in thousands of dollars, except %)

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2024	2023	2024	2023
<b>Envelope</b>	<b>48,797</b>	<b>50,571</b>	<b>199,164</b>	<b>213,566</b>
Volume change	0.5%	(15.2%)	(1.3%)	(12.3%)
Average selling price change	(4.0%)	(1.7%)	(5.5%)	21.6%
<b>Total change</b>	<b>(3.5%)</b>	<b>(16.7%)</b>	<b>(6.7%)</b>	<b>6.6%</b>
<b>Packaging &amp; specialty products</b>	<b>20,278</b>	<b>21,730</b>	<b>81,871</b>	<b>88,621</b>
<b>Total change</b>	<b>(6.7%)</b>	<b>20.2%</b>	<b>(7.6%)</b>	<b>22.8%</b>
<b>Total Revenue</b>	<b>69,075</b>	<b>72,301</b>	<b>281,035</b>	<b>302,187</b>
<b>Revenue change</b>	<b>(4.5%)</b>	<b>(8.2%)</b>	<b>(7.0%)</b>	<b>10.9%</b>

## Segmented Information

(in thousands of dollars, except %)

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2024	2023	2024	2023
<b>Segmented Revenue</b>				
Envelope	48,797	50,571	199,164	213,566
Packaging & specialty products	20,278	21,730	81,871	88,621
<b>Total Revenue</b>	<b>69,075</b>	<b>72,301</b>	<b>281,035</b>	<b>302,187</b>
<b>Segmented Adjusted EBITDA<sup>(1)</sup></b>				
Envelope	9,170	8,711	36,013	45,146
% of segmented revenue	18.8%	17.2%	18.1%	21.1%
Packaging & specialty products	2,358	1,318	8,774	8,542
% of segmented revenue	11.6%	6.1%	10.7%	9.6%
Corporate and unallocated recovery (costs)	1,391	(1,043)	(4,454)	(4,569)
<b>Total Adjusted EBITDA<sup>(1)</sup></b>	<b>12,919</b>	<b>8,986</b>	<b>40,333</b>	<b>49,119</b>
% of total revenue	18.7%	12.4%	14.4%	16.3%

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

## 10. ANALYSIS OF RESULTS

### 10.1 Results for the three-month period ended December 31, 2024

#### Revenue

Total revenue for the three-month period ended December 31, 2024, was \$69.1 million, representing a decrease of \$3.2 million, or 4.5%, from the equivalent quarter of 2023.

#### Envelope Segment

Revenue was \$48.8 million, down from \$50.6 million in the equivalent quarter of 2023. The decrease reflects an average selling price decrease of 4.0% from last year's fourth quarter primarily due to a less favourable customer and product mix between the U.S. and the Canadian markets. These factors were partially offset by a 0.5% increase in the volume of units

sold reflecting the contribution from the purchase of the Forest Envelope Group (“Forest Envelope”), and a favourable currency conversion effect. The Envelope segment represented 70.6% of total revenue in the quarter, versus 69.9% during the equivalent period of last year.

#### *Packaging & Specialty Products Segment*

Revenue was \$20.3 million, down from \$21.7 million in the corresponding quarter of 2023. The decrease reflects lower sales, partially offset by higher demand for e-commerce packaging solutions, while demand from certain sectors more closely correlated to economic conditions has stabilized compared to last year. Packaging & Specialty Products represented 29.4% of total revenue in the quarter, compared to 30.1% during the equivalent period of last year.

#### **Operating Expenses**

Operating expenses for the three-month period ended December 31, 2024, were \$48.5 million, compared to \$54.3 million in the equivalent period of 2023. This decrease of \$5.8 million, or 10.6%, is mainly due to efficiencies from optimization measures announced in July 2024 in the Envelope segment and in October 2023 in the Packaging & Specialty Products segment, benefits from procurement optimization initiatives, and a reduction in operating expenses related to lower volume. On a percentage of revenue basis, operating expenses amounted to 70.2% of revenue, down from 75.1% in the equivalent period of 2023.

#### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses totalled \$7.7 million in the fourth quarter of 2024, compared to \$9.2 million during the same period in 2023. This decrease of \$1.5 million, or 16.6%, mainly reflects a foreign exchange gain, lower compensation expenses related to Deferred Share Units (“DSU”) and Performance Share Units (“PSU”) and a reduction in performance-based remuneration. These factors were partially offset by an increase in provisions.

#### **EBITDA<sup>7</sup> and Adjusted EBITDA<sup>7</sup>**

EBITDA was \$13.7 million, up from \$6.9 million in the fourth quarter last year. This increase of \$6.8 million includes lower restructuring expenses of \$2.7 million. Adjusted EBITDA totalled \$12.9 million, up from \$9.0 million in the fourth quarter of 2023. This increase reflects lower operating expenses and lower selling, general and administrative expenses, partially offset by lower revenue, as detailed above. The Adjusted EBITDA margin reached 18.7% of revenue, up from 12.4% in the equivalent quarter of 2023.

#### *Envelope Segment*

Adjusted EBITDA was \$9.2 million, up from \$8.7 million in the fourth quarter of 2023. The increase mainly reflects benefits from optimization measures announced in July 2024 and from procurement optimization initiatives. As a percentage of segmented revenue, Adjusted EBITDA from the Envelope segment was 18.8%, compared to 17.2% in the equivalent period of 2023.

#### *Packaging & Specialty Products Segment*

Adjusted EBITDA was \$2.4 million, up from \$1.3 million in the fourth quarter of 2023. This increase is mainly due to benefits from optimization measures announced in October 2023 and from procurement optimization initiatives. As a percentage of segmented revenue, Adjusted EBITDA from the Packaging and Specialty Products operations was 11.6%, compared to 6.1% in the equivalent period of 2023.

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

### *Corporate and unallocated (recovery) costs*

The corporate and unallocated recovery amounted to \$1.4 million in the fourth quarter of 2024, as opposed to costs of \$1.0 million in the fourth quarter of 2023. The variation mainly reflects a foreign exchange gain from revaluation of foreign trade receivables and a favourable adjustment related to the DSUs and PSUs in the quarter due to different share price fluctuations this year versus last year.

### ***Depreciation and Amortization***

Aggregate depreciation and amortization expenses for the three-month period ended December 31, 2024, amounted to \$4.9 million, compared to \$5.0 million in the corresponding period of 2023. The variation reflects lower amortization of intangibles, partially offset by higher depreciation of right-of-use assets.

### ***Restructuring Recovery***

In 2024 Management announced optimization initiatives aimed at improving costs, overall efficiency, productivity and achieving synergies within the Envelope segment operations, of which restructuring expenses are expected to total \$2.1 million and were expected to be completed by end of 2024. Relocation costs associated to ongoing activities of the company were delayed and extended into early 2025. Relocation and assemble costs of \$0.8 million were consequently reversed in the three-month period ended December 31, 2024 and will be recorded in the subsequent period as incurred. In the three-month period ended December 31, 2023, the Company incurred restructuring expenses of \$1.9 million mostly related to optimization measures announced in October 2023 for the Packaging and Specialty Products segment.

### ***Net Financing Charges***

Net financing charges for the three-month period ended December 31, 2024, were \$1.2 million, down from \$1.3 million in the equivalent period of the prior year. The variation reflects lower indebtedness compared to the same period last year.

### ***Earnings Before Income Taxes***

As a result of the fluctuation in revenue and expenses described above, earnings before income taxes were \$7.6 million, or 11.1% of revenue, during the three-month period ended December 31, 2024, compared to \$0.7 million, or 0.9% of revenue, during the equivalent period of 2023.

### ***Income Tax Expense (Recovery)***

In the three-month period ended December 31, 2024, the Company recorded an income tax expense of \$1.8 million, representing an effective tax rate of 23.8%, as opposed to an income tax recovery of \$0.1 million, or an effective tax rate of (10.4%), in the equivalent quarter of last year. The absolute dollar increase is due to higher earnings before income taxes in the current period.

### ***Net Earnings, Adjusted Net Earnings, Net Earnings per share and Adjusted Net Earnings per share<sup>8</sup>***

Net earnings were \$5.8 million or net earnings of \$0.23 per share for the three-month period ended December 31, 2024, compared to \$0.7 million or net earnings of \$0.03 per share for the equivalent period last year.

Adjusted net earnings were \$5.2 million or adjusted net earnings of \$0.20 per share for the three-month period ended December 31, 2024, compared to \$2.2 million or net earnings of \$0.09 per share for the equivalent period in 2023.

### ***Other Comprehensive Income***

The discount rate used to calculate the accrued plan benefit obligations was 4.8% as at December 31, 2024, compared to 4.7% as at September 30, 2024. This variation, combined with a lower-than-expected return on assets, resulted in a net actuarial loss of \$0.3 million in the fourth quarter of 2024.

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

## 10.2 Results for the twelve-month period ended December 31, 2024

### **Revenue**

Total revenue for the twelve-month period ended December 31, 2024, reached \$281.0 million, representing a decrease of \$21.2 million, or 7.0%, from the equivalent period of 2023.

#### *Envelope Segment*

Revenue was \$199.2 million, down from \$213.6 million in 2023, which includes a record first quarter in 2023 that was positively affected by the tailwinds of the Company's ability to capitalize on the supply-chain issues of 2022. The variation reflects an average selling price decrease of 5.5% from last year primarily due to a less favourable customer and product mix in the U.S. and Canadian markets, and to a 1.3% decrease in the volume of units sold. These factors were partially offset by the contribution from the purchase of Forest Envelope and a favourable currency conversion effect. The Envelope segment represented 70.9% of the Company's revenue during the period, compared with 70.7% in the prior year.

#### *Packaging & Specialty Products Segment*

Revenue was \$81.9 million, down from \$88.6 million in 2023. The decrease reflects lower sales and lower demand from certain sectors more closely correlated to the economic conditions in the first half of the year. These factors were partially offset by higher demand for e-commerce packaging solutions. Packaging & Specialty Products represented 29.1% of the Company's revenue in 2024, compared with 29.3% in 2023.

### **Operating Expenses**

Operating expenses for the twelve-month period ended December 31, 2024, reached \$201.6 million, compared to \$214.1 million for the equivalent period in 2023. This decrease of \$12.6 million, or 5.9%, is mainly due to optimization measures, benefits from procurement optimization initiatives, and a reduction in operating expenses related to lower volume. On a percentage of revenue basis, operating expenses amounted to 71.7% of revenue, compared to 70.9% in the equivalent period of 2023.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the twelve-month period ended December 31, 2024, were \$39.2 million, compared to \$38.2 million for the equivalent period of 2023. This increase of \$0.9 million, or 2.4%, reflects higher salaries and benefits, higher compensation expenses related to DSUs and PSUs and higher provisions. These factors were partially offset by a foreign exchange gain and a reduction in performance-based remuneration.

### **EBITDA<sup>9</sup> and Adjusted EBITDA<sup>9</sup>**

EBITDA amounted to \$15.6 million in the twelve-month period ended December 31, 2024, compared to \$47.8 million in the equivalent period of 2023. The variation is essentially due to an asset impairment charge recorded in the third quarter, as well as lower restructuring expenses of \$1.0 million. Adjusted EBITDA reached \$40.3 million in the twelve-month period ended December 31, 2024, compared to \$49.1 million last year. This decrease is the result of lower revenue and operating expenses, partially offset by higher selling, general and administrative expenses, as detailed above. The Adjusted EBITDA margin stood at 14.4% of revenue, compared to 16.3% in the equivalent period of 2023.

#### *Envelope Segment*

Adjusted EBITDA was \$36.0 million, down from \$45.1 million last year. The decrease reflects lower revenue due to a decrease in the average selling price and the effect of lower volume on the absorption of fixed costs, as well as a record first quarter in 2023 that was positively affected by the tailwinds of the Company's ability to capitalize on the supply-chain

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<sup>9</sup> Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

issues of 2022. These factors were partially offset by benefits from optimization measures and procurement optimization initiatives late in the year. As a percentage of segmented revenue, Adjusted EBITDA from the Envelope segment was 18.1%, down from 21.1% in the equivalent period of 2023.

#### *Packaging & Specialty Products Segment*

Adjusted EBITDA was \$8.8 million, up from \$8.5 million in the comparable period of 2023. The increase reflects benefits from optimization measures and procurement optimization initiatives, partially offset by lower demand from certain sectors more closely correlated to economic conditions in the first half of the year, which negatively impacted the absorption of fixed costs. As a percentage of segmented revenue, Adjusted EBITDA from the Packaging & Specialty Products segment was 10.7%, compared to 9.6% in the equivalent period of 2023.

#### *Corporate and unallocated costs*

Corporate and unallocated costs amounted to \$4.5 million, versus \$4.6 million in 2023, as a foreign exchange gain resulting from the revaluation of foreign trade receivables was offset by an unfavourable adjustment related to DSUs and PSUs and last year's benefits from a retroactive COVID-related subsidy for U.S. operations.

#### ***Depreciation and Amortization***

Aggregate depreciation and amortization expenses for the twelve-month period ended December 31, 2024, amounted to \$19.7 million, compared to \$18.8 million in the corresponding period last year. The increase mainly reflects higher depreciation of right-of-use assets due to addition of new lease agreements entered in 2024 and higher amortization of intangible assets.

#### ***Asset Impairment***

In the twelve-month period ended December 31, 2024, the Company recorded an asset impairment charge related to certain long-lived assets of \$23.4 million, mainly to write down the value of goodwill as well as certain property, plant and equipment and intangible assets related to the Packaging & Specialty Products segment.

#### ***Restructuring Expenses***

In 2024, the Company implemented optimization initiatives aimed at improving costs, overall efficiency, productivity and achieving synergies within the Envelope segment operations, of which total costs of \$2.1 million are expected to be incurred over two fiscal periods. In the twelve-month period ended December 31, 2024, \$1.3 million of the estimated \$2.1 million of restructuring expenses were incurred, and remaining costs of \$0.8 million associated to ongoing operational activities of the company are expected to be incurred in the first quarter of 2025. Last year's restructuring expenses of \$2.3 million were essentially related to initiatives aimed at improving operational efficiency and achieving synergies within the Packaging and Specialty Products segment.

#### ***Net Financing Charges***

Net financing charges for the twelve-month period ended December 31, 2024, were \$4.9 million, down from \$5.6 million in the equivalent period of the prior year. The variation reflects lower indebtedness compared to the same period last year.

#### ***(Loss) Earnings Before Income Taxes***

As a result of the fluctuation in revenue and expenses described above, the loss before income taxes stood at \$8.9 million in the twelve-month period ended December 31, 2024, compared to earnings before income taxes of \$23.3 million for the equivalent period of 2023.

### **Income Tax Expense**

Income taxes were \$2.8 million in the twelve-month period ended December 31, 2024, compared to \$6.0 million in the equivalent period of last year. The absolute dollar decrease is due to a loss before income taxes in the current period, as opposed to earnings before income taxes last year.

### **Net (Loss) Earnings, Adjusted Net Earnings, Net (Loss) Earnings per share and Adjusted Net Earnings per share<sup>10</sup>**

The net loss was \$11.7 million or net loss of \$0.47 per share for the twelve-month period ended December 31, 2024, compared to net earnings of \$17.3 million or net earnings of \$0.67 per share for the equivalent period in 2023.

Adjusted net earnings were \$11.9 million or adjusted net earnings of \$0.48 per share for the twelve-month period ended December 31, 2024, compared to \$18.3 million or net earnings of \$0.72 per share for the equivalent period in 2023.

### **Other Comprehensive Income**

The discount rate used to calculate the accrued plan benefit obligations was 4.8% as at December 31, 2024, compared to 4.7% as at December 31, 2023. This variation, combined with a lower-than-expected return on assets, resulted in a net actuarial loss of \$0.5 million during the twelve-month period ended December 31, 2024.

## **10.3 Geographical Revenue and Asset Diversification**

### **Revenue by Geography**

(in thousands of dollars)

	Three-month periods ended December 31		Twelve-month periods ended December 31	
	2024	2023	2024	2023
Canada	38,296	41,012	150,369	174,037
U.S.	30,779	31,289	130,666	128,150
<b>Total Revenue</b>	<b>69,075</b>	<b>72,301</b>	<b>281,035</b>	<b>302,187</b>

For the three-month period ended December 31, 2024, the Company's revenue in Canada was \$38.3 million, compared to \$41.0 million in the equivalent quarter of 2023. In the United States, revenue was \$30.8 million, versus \$31.3 million a year earlier. The year-over-year decrease reflects a lower volume of envelope units sold and lower revenue from the Packaging and Specialty Products segment.

For the twelve-month period ended December 31, 2024, the Company's revenue in Canada was \$150.4 million, down from \$174.0 million in 2023, mainly due to lower envelope volume and lower revenue from the Packaging and Specialty Products segment. In the United States, revenue was \$130.7 million, up from \$128.2 million in 2023 reflecting a greater penetration of the envelope market.

The Company's non-current assets were \$108.9 million in Canada and \$50.9 million in the United States as at December 31, 2024, compared to \$141.0 million in Canada and \$50.3 million in the United States as at December 31, 2023.

<sup>10</sup> Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

## 11. SUMMARY OF RESULTS – SELECTED QUARTELY FINANCIAL INFORMATION

Given its diversification and expanded geographical reach, Supremex is experiencing less seasonality in its demand than in previous years. In the Envelope segment, demand related to bills and statements is stable throughout the year, while seasonal advertising and certain mailing patterns are slightly higher during the fall and winter months due to specific events (back-to-school, fundraising, holidays, tax seasons). Meanwhile, the Company's expansion in the Packaging and Specialty Products segment will allow a steadier demand during the year and only a small portion of its offering, primarily for e-Commerce related solutions, is subject to seasonal patterns related to the holidays.

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

### Selected Quarterly Operating Results

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

	Dec. 31 2024	Sep. 30 2024	Jun. 30 2024	Mar. 31 2024	Dec. 31 2023	Sep. 30 2023	Jun. 30 2023	Mar. 31 2023
Envelope	48,797	47,475	49,466	53,426	50,571	49,292	49,247	64,455
Packaging	20,278	21,880	19,871	19,842	21,730	20,506	22,419	23,967
<b>Total Revenue</b>	<b>69,075</b>	<b>69,355</b>	<b>69,337</b>	<b>73,268</b>	<b>72,301</b>	<b>69,798</b>	<b>71,666</b>	<b>88,422</b>
Adjusted EBITDA <sup>(1)</sup>	12,919	7,933	8,998	10,483	8,986	11,730	9,562	18,841
Earnings (loss) before income taxes	7,633	(23,839)	2,611	4,649	656	6,816	2,963	12,901
Net earnings (loss)	5,819	(23,038)	1,980	3,496	724	5,001	2,113	9,496
Net earnings (loss) per share	0.23	(0.92)	0.08	0.14	0.03	0.19	0.08	0.37
Adjusted net earnings <sup>(1)</sup>	5,211	1,044	2,105	3,514	2,236	4,049	2,270	9,780
Adjusted net earnings <sup>(1)</sup> per share	0.20	0.05	0.08	0.14	0.09	0.16	0.09	0.38

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

## 12. RECONCILIATION OF EBITDA, ADJUSTED EBITDA AND ADJUSTED NET EARNINGS TO THE MOST DIRECTLY COMPARABLE IFRS MEASURE

### Reconciliation of EBITDA and Adjusted EBITDA for the past eight quarters

(in thousands of dollars, except for margin amounts)

	Dec. 31 2024	Sep. 30 2024	Jun. 30 2024	Mar. 31 2024	Dec. 31 2023	Sep. 30 2023	Jun. 30 2023	Mar. 31 2023
<b>Net earnings (loss)</b>	<b>5,819</b>	<b>(23,038)</b>	<b>1,980</b>	<b>3,496</b>	<b>724</b>	<b>5,001</b>	<b>2,113</b>	<b>9,496</b>
Income tax expense (recovery)	1,814	(801)	631	1,153	(68)	1,815	850	3,405
Net financing charges	1,178	1,270	1,294	1,114	1,280	1,348	1,508	1,470
Depreciation of property, plant and equipment	1,626	1,755	1,730	1,633	1,603	1,839	1,722	1,548
Depreciation of right-of-use assets	1,588	1,575	1,478	1,354	1,376	1,361	1,380	1,345
Amortization of intangible assets	1,715	1,777	1,716	1,709	2,027	1,666	1,777	1,193
<b>EBITDA</b>	<b>13,740</b>	<b>(17,462)</b>	<b>8,829</b>	<b>10,459</b>	<b>6,942</b>	<b>13,030</b>	<b>9,350</b>	<b>18,457</b>
COVID-related subsidies	—	—	—	—	—	(1,456)	—	—
Acquisition costs related to business combinations	7	(6)	111	—	174	9	72	191
Asset impairment	—	23,337	75	—	—	—	—	—
Restructuring (recovery) expenses	(828)	2,064	37	24	1,870	147	129	126
Value adjustment on acquired inventory through a business combination	—	—	(54)	—	—	—	11	67
<b>Adjusted EBITDA</b>	<b>12,919</b>	<b>7,933</b>	<b>8,998</b>	<b>10,483</b>	<b>8,986</b>	<b>11,730</b>	<b>9,562</b>	<b>18,841</b>
<i>Adjusted EBITDA margin (%)</i>	<i>18.7%</i>	<i>11.4%</i>	<i>13.0%</i>	<i>14.3%</i>	<i>12.4%</i>	<i>16.8%</i>	<i>13.3%</i>	<i>21.3%</i>

## Reconciliation of Adjusted net earnings (loss) for the past eight quarters

(in thousands of dollars)

	Dec. 31 2024	Sep. 30 2024	Jun. 30 2024	Mar. 31 2024	Dec. 31 2023	Sep. 30 2023	Jun. 30 2023	Mar. 31 2023
<b>Net earnings (loss)</b>	<b>5,819</b>	<b>(23,038)</b>	<b>1,980</b>	<b>3,496</b>	<b>724</b>	<b>5,001</b>	<b>2,113</b>	<b>9,496</b>
Adjustments, net of income taxes								
COVID-related subsidies	—	—	—	—	—	(1,068)	—	—
Acquisition costs related to business combinations	5	(5)	83	—	129	7	53	140
Asset impairment	—	22,560	55	—	—	—	—	—
Restructuring (recovery) expenses	(613)	1,527	27	18	1,383	109	95	94
Value adjustment on acquired inventory through a business combination	—	—	(40)	—	—	—	9	50
<b>Adjusted net earnings</b>	<b>5,211</b>	<b>1,044</b>	<b>2,105</b>	<b>3,514</b>	<b>2,236</b>	<b>4,049</b>	<b>2,270</b>	<b>9,780</b>

## 13. FINANCIAL POSITION

### 13.1 Summary Financial Position Highlights

#### Selected Financial Position Information

(in thousands of dollars)

	As at December 31, 2024	As at December 31, 2023
Working capital	45,566	40,730
Total assets	236,968	263,757
Total liabilities	121,997	129,040
Total equity	114,971	134,717

### 13.2 Assets

The \$26.8 million decrease in total assets as at December 31, 2024, when compared to December 31, 2023, mostly results from a \$20.2 million reduction in goodwill mainly due to an impairment charge, a \$6.1 million decrease in the value of intangible assets and a \$3.9 million decrease in inventories. These elements were partially offset by an \$11.3 million increase in the value of right-of-use assets. As at December 31, 2024, property, plant and equipment carrying a book value of \$9.0 million has been reclassified as assets held for sale following the Company's decision to sell two properties located in Ville LaSalle, Quebec, and Etobicoke, Ontario.

### 13.3 Liabilities

The \$7.0 million decrease in total liabilities is mainly attributable to a \$13.5 million reduction in long-term debt, including the current portion but excluding deferred financing costs, and a \$4.5 million decrease in deferred income taxes. These elements were partially offset by a \$12.4 million increase in lease liabilities, including the current portion.

#### Secured Revolving Credit Facility

The Company has a three-year senior secured revolving credit facility of \$120.0 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 the Canadian Overnight Repo Rate Average ("CORRA"), plus an applicable margin that ranges between 0% and 2.75%. The agreement for this credit facility matures in May 2026, 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, 2024, the amount outstanding on the credit facility was \$42.3 million.

The secured credit facility is used for working capital, capital expenditures, acquisitions, and other general corporate purposes. 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, 2024.

### **Term loans**

The Company has four term loans totaling \$0.9 million as at December 31, 2024, that were assumed following the acquisition of Paragraph in January 2023. The loans bear interest at rates ranging from 4.23% to 4.69% and are repayable in monthly instalments totaling \$24,369, including capital and interest. The loans mature between March 2026 and July 2028.

### **Amounts owed under secured revolving credit facility and term loans**

(in thousands of dollars)

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
Secured revolving credit facility	42,251	55,630
Term loans	891	1,136
<b>Total debt</b>	<b>43,142</b>	<b>56,766</b>
Deferred financing costs	(159)	(256)
Current portion	(256)	(245)
<b>Long-term portion</b>	<b>42,727</b>	<b>56,265</b>

Total debt decreased to \$43.1 million as at December 31, 2024, compared to \$56.8 million as at December 31, 2023. The decrease reflects the repayment of \$13.6 million in long-term debt during the 12-month period ended December 31, 2024, stemming from the Company's solid free cash flow generation.

As at December 31, 2024, the ratio of Net debt to Adjusted EBITDA<sup>11</sup> was 1.0x, down from 1.1x as at December 31, 2023.

### **13.4 Contractual Obligations and Off-Balance Sheet Arrangements**

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

## **14. LIQUIDITY AND CAPITAL RESOURCES**

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

### **Summary of cash flows**

(in thousands of dollars)

	<b>Three-month periods ended December 31</b>		<b>Twelve-month periods ended December 31</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Operating activities	9,201	14,812	32,087	43,897
Investing activities	(525)	300	(2,917)	(35,496)
Financing activities	(9,181)	(15,158)	(27,362)	(9,585)
Net foreign exchange difference	(894)	321	(1,080)	321
<b>Net change in cash</b>	<b>(1,399)</b>	<b>275</b>	<b>728</b>	<b>(863)</b>

<sup>11</sup> Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

#### **14.1 Net Cash Flows Related to Operating Activities**

Net cash flows from operating activities were \$9.2 million during the three-month period ended December 31, 2024, compared to \$14.8 million in the equivalent period of 2023. The decrease is mainly attributable to working capital requirements this year as opposed to a working capital release last year, partially offset by higher profitability.

Net cash flows from operating activities were \$32.1 million during the twelve-month period ended December 31, 2024, compared to \$43.9 million in 2023. The variation essentially reflects a lower working capital release and lower profitability.

#### **14.2 Net Cash Flows Related to Investing Activities**

Net cash flows used in investing activities amounted to \$0.5 million during the three-month period ended December 31, 2024, mainly to acquire property, plant and equipment. Net cash flows from investing activities for the three-month period ended December 31, 2023, reached \$0.3 million reflecting net dispositions of property, plant and equipment.

Net cash flows used in investing activities amounted to \$2.9 million during the twelve-month period ended December 31, 2024, mainly used to fund the acquisition of Forest Envelope and to acquire property, plant and equipment. In 2023, net cash flows used in investing activities amounted to \$35.5 million, primarily used to fund the acquisitions of Paragraph and Graf-Pak, as well as to acquire property, plant and equipment.

#### **14.3 Net Cash Flows Related to Financing Activities**

Net cash flows used in financing activities were \$9.2 million during the three-month period ended December 31, 2024, mainly reflecting a \$6.4 million decrease in long-term debt, the repayment of lease liabilities of \$1.4 million and dividend payments of \$1.2 million. During the three-month period ended December 31, 2023, net cash flows used in financing activities stood at \$15.2 million, essentially to pay down long-term debt.

Net cash flows used in financing activities were \$27.4 million in the twelve-month period ended December 31, 2024, mainly reflecting a \$13.6 million decrease in long-term debt, the repayment of lease liabilities of \$5.0 million, share repurchases of \$4.5 million, and dividend payments of \$4.2 million. Net cash flows used in financing activities were \$9.6 million in the twelve-month period ended December 31, 2023, reflecting the repayment of lease liabilities, dividend payments, and share repurchases, partially offset by a net increase in long-term debt.

#### ***Free Cash Flow***<sup>12</sup>

Free cash flow amounted to \$8.7 million in the fourth quarter of 2024, compared to \$15.1 million for the same period last year, essentially reflecting lower cash flows related to operating activities.

Free cash flow amounted to \$31.7 million in the twelve-month period ended December 31, 2024, compared to \$40.0 million in the corresponding period of 2023, mainly attributable to lower cash flows related to operating activities, partially offset by lower net acquisitions of property, plant and equipment.

#### ***Normal Course Issuer Bid ("NCIB")***

During the twelve-month period ended December 31, 2024, the Company repurchased 1,106,400 common shares for cancellation through a NCIB program, for a total consideration of \$4.5 million. During the twelve-month period ended December 31, 2023, the Company repurchased 310,800 common shares for cancellation through a NCIB program, for a total consideration of \$1.4 million. The program ended on August 30, 2024.

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<sup>12</sup> Non-IFRS financial measures or ratios. Refer to the non-IFRS financial measures section for definitions and reconciliations.

## 15. SHARE CAPITAL

As at December 31, 2024 the share capital issued and outstanding of the Company consisted of 24,559,869 common shares (25,666,269 as at December 31, 2023).

The following table presents the outstanding capital stock activity for the twelve-month period ended December 31, 2024:

### Number of common shares

	Twelve-month period ended December 31, 2024
Balance – Beginning of period	25,666,269
Common shares purchased for cancellation	(1,106,400)
<b>Balance – End of period</b>	<b>24,559,869</b>

On June 20, 2024 new legislation was enacted by the Canadian government to implement tax measures on share repurchases done by public issuers on or after January 1, 2024. Under this legislation, a public company must pay a 2% tax based on fair market value of its repurchased shares. As a result, the Company has recorded \$0.1 million of accrued liabilities related to share repurchased.

As at February 19, 2025, the Company had 24,559,869 common shares outstanding.

## 16. SUBSEQUENT EVENT

- On February 19, 2025, the Board of Directors declared a quarterly dividend of \$0.05 per common share, payable on April 4, 2025, to the shareholders of record at the close of business on March 20, 2025. This dividend is designated as an "eligible" dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.

## 17. MATERIAL ACCOUNTING POLICY INFORMATION

The Company prepares its financial statements in conformity with IFRS, which requires management to make estimates and assumptions that management believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to intangible assets and goodwill, employee future benefits, leases and income taxes. Management bases its estimates on historical experience and other assumptions, which it believes are reasonable under the circumstances. Management also reassesses its estimates on an ongoing basis. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period a change occurs.

The material accounting policy information of the Company is described in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2024.

The policies the Company believes are most critical to assist in fully understanding and evaluating its reported results include the following:

### 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").

However, these projections are inherently uncertain due to the current global economic uncertainty, including heightened inflation, large interest rate hikes and the geopolitical environment. It is possible that an underperformance to these projections could occur in future periods since these uncertainties may have material impacts on the Company's anticipated revenue levels and the recoverable amount of the cash generating units ("CGU").

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.

### ***Impairment test of non-financial assets***

The Company assesses at each reporting date whether there is an indication that goodwill may be impaired. During the third quarter of 2024, the general economic and financial conditions globally from the ongoing inflationary environment and the sustained high interest rates continued to have a negative impact on certain sectors of the packaging industry. This resulted in a decrease in consumer demand, which in turn affected the Packaging CGU's earnings. As such, management concluded that these factors were indicators of impairment for the Packaging CGU. Accordingly, the Company performed impairment testing for the Packaging CGU which resulted in the recognition of \$21.1 million of impairment losses against goodwill and \$2.3 million allocated to other long-lived assets.

The Company conducted its annual goodwill impairment test for the Envelope CGU as at December 31, 2024, in accordance with their policy described in Note 2. The recoverable amount of the Envelope CGU exceeded carrying value. As a result, no goodwill impairment was recorded for the Envelope CGU.

### ***Valuation technique***

The Company uses the discounted cash flows ("DCF") method to determine the value in use of each of its CGU 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 September 30, 2024 for the Packaging CGU and as at December 31, 2024 for the Envelope CGU, 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 rates.

### ***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 share in the U.S. 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 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:

Key Assumptions	2024		2023	
	Envelope	Packaging	Envelope	Packaging
Pre-tax discount rate	14.9%	13.3%	15.6%	13.6%
Tax rate	25.9%	25.9%	25.9%	25.9%
Perpetual (decline) growth rate	(3.0%)	2.0%	(4.0%)	2.5%

### **Sensitivity**

#### *Envelope CGU*

In the most recent impairment test performed for the Envelope CGU, if the pre-tax discount rate had increased to 31.6% or the perpetual decline rate had increased to 75.3%, the recoverable amount of the Envelope CGU would have then equaled the carrying amount as at December 31, 2024.

#### *Packaging CGU*

In the most recent impairment test performed for the Packaging CGU, any increase in the discount rate used by the Packaging CGU would result in an additional impairment.

### **Employee future benefits**

The Company sponsors defined benefit plans to provide 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 increase and the expected healthcare cost trend rate. 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. Actual results will differ from estimated results which are based on assumptions.

Significant Assumptions	
Discount rate for accrued benefit obligation	4.75%
Discount rate for net pension cost	4.65%
Rate of compensation increase	2.50%
Mortality assumption	CPM Private

### **Discount rate**

As at December 31, 2024, the Company used the Fiera Capital's CIA Method Accounting Discount Rate Curve which follows the methodology suggested in the CIA Education Note on *Accounting Discount Rate Assumption for Pension and Post-Employment Benefit Plans*.

### **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 \$915 as at December 31, 2024. A 0.25% increase or decrease in the rate of compensation would have increased or decreased the pension benefit liability by approximately \$111 as at December 31, 2024. An increase of one year in the life expectancy of plan members as at December 31, 2024 would have resulted in an increase of \$682 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.

### ***Rate of compensation***

Future salary increases are based on expected future inflation rates.

### **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 18 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.

#### ***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.

### **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 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.

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.

## **18. RECENT ACCOUNTING PRONOUNCEMENTS**

### **New Accounting Standards adopted in 2024**

The Company adopted the following new accounting standard effective January 1, 2024:

- 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 amendment of IAS 1 had no impact on the Company's consolidated financial statements.

### **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, 2025 and thereafter, with an earlier application permitted:

- Amendments to IAS 21 – *The Effects of Changes in Foreign Exchange rates* (IAS 21), require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, and are not expected to have a material impact on the Company's consolidated financial statements.
- Amendments to IFRS 9 and IFRS 7 – *Classification and Measurement of Financial Instruments* (IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments Disclosures*), provide clarity on the timing of recognition and derecognition of financial assets and liabilities, the assessment of contractual cash flow characteristics, and the resulting classification and disclosure of financial assets with environmental, social, and governance linked or other contingent features. Additionally, the amendments clarify that a financial liability is derecognized on the settlement date, with the accounting policy choice to derecognize a financial liability settled using an electronic payment system before the settlement date, provided specific conditions are met. Other clarifications relate to the classification of financial assets with contingent features, non-recourse loans and contractually linked instruments. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets. The Company is evaluating the potential impact of these amendments on its consolidated financial statements.
- New Accounting Standard IFRS 18 – *Presentation and Disclosure in Financial Statements* (IFRS 18); the International Accounting Standard Board ("IASB") issued IFRS 18 to improve reporting of financial performance. IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. It carries forward many requirements from IAS 1 unchanged. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The Company is currently evaluating the impact of the adoption of IFRS 18 on its consolidated financial statements.

## **19. FINANCIAL INSTRUMENTS**

### **Interest rate and foreign exchange risk**

The Company's credit facility bear interest at a floating rate, which gives rise to the risk that its earnings and cash flows may be adversely affected by fluctuations in interest rates. The Company operates in Canada and the United States, which exposes its earnings and cash flows to fluctuations in the exchange rate between the U.S. and Canadian dollar. A portion of Supremex' revenue is earned in U.S. dollars while a large portion of its expenses, including most of its paper and other raw materials costs as well as certain capital expenditures, are incurred in U.S. dollars. Supremex also derives a portion of its revenue from Canadian dollar sales to certain customers for whom the selling price is sensitive to U.S. competition (see "Risk Factors"). Cash, accounts receivable, accounts payable and accrued liabilities, and lease liabilities include balances denominated in U.S. dollars at the end of the year.

### **Fair value**

The fair value of the Company's financial instruments is indicated in Note 25 of the Company's audited consolidated financial statements for the year ended December 31, 2024.

## **20. RISK FACTORS**

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

### **Decline in Envelope Consumption**

Supremex' envelope manufacturing business is highly dependent upon the demand for envelopes sent through the mail. Usage of the Internet and other electronic media continues to grow. Consumers use these media to purchase goods and services, and for other purposes, such as paying invoices. Advertisers use the Internet and electronic media for targeted campaigns directed at specific electronic user groups. Large and small businesses use electronic media to conduct business, send invoices and receive payments.

The North American envelope manufacturing and mailing industries are expected to continue to decline in the foreseeable future, due to a global progressive reduction in the use of traditional paper-based products. Supremex' business depends on transactional mail and direct mail activities. Transactional and direct mail volumes have declined in the last few years due in part to the increasing use of non-traditional means of communication and information transfer, such as electronic mail and the Internet. As a result, there can be no assurance that Supremex will be able to grow or even maintain historical sales levels in its envelope business.

To reduce this risk, the Company continually strives to improve operational efficiency and develop and acquire new products such as packaging products directed toward e-commerce fulfillment and other applications.

In addition, postal rates are a significant factor affecting envelope usage and any increases in postal rates, relative to changes in the cost of alternative delivery means or advertising media, could result in reductions in the volume of mail sent.

No assurance can be provided that future increases in postal rates will not have a negative effect on the level of mail sent or the volume of envelopes purchased.

### **Growth and Diversification Strategy**

The Company's growth strategy involves a further diversification of its operations through a deeper penetration in the packaging industry, both organically and through acquisitions. There can be no assurance that Supremex will successfully achieve the initiatives it puts in place towards its growth and diversification strategy, and achieving its objectives may require investments which may result in short-term costs without generating incremental revenue. The Company might also not be able to target attractive acquisition opportunities, at a reasonable cost, and to successfully compete with private equity companies and other companies actively seeking acquisitions within the industry. The Company's inability to fully

realize the benefits it expects to achieve could have a material adverse effect on its business, financial condition and results of operations.

As the Company pursues acquisitions to implement its growth and diversification strategy, it is subject to risks inherent to its ability to properly evaluate the fair value of the businesses being acquired, consolidate functions, manage costs, integrate information systems, and properly devote the time and human resources required to successfully integrate and leverage their operations and activities with the Company's procedures, controls, policies, systems, culture and personnel as well as the capability to share knowledge and realize synergies, improvements and the expected profit and returns. Although the Company performs a due diligence investigation of the businesses or assets that it acquires and anticipates continuing to do so for future acquisitions, the acquired business or assets may have liabilities that the Company fails or is unable to uncover during its due diligence investigation and for which the Company, as a successor owner, may be responsible. The Company usually seeks to minimize the impact of these types of potential liabilities by obtaining indemnities and warranties from the seller. However, these indemnities and warranties, if obtained, may not fully cover the liabilities because of their limited scope, amount or duration, or the financial resources of the indemnitor or warrantor, or for other reasons. One or more of these factors could impact the Company's ability to successfully integrate or leverage an acquisition and could negatively affect the Company's results of operations. Any failure by the Company to successfully integrate or address the risks associated with acquisitions or to take advantage of future strategic opportunities could materially adversely affect its financial position, financial performance, cash flows, business or reputation.

The successful integration of an acquired business is also subject to the risk that personnel from the acquired business and the Company may not be able to work together successfully, which could affect morale and the Company's operations. In particular, the Company may seek to require as a condition of completion of one or more acquisitions that key personnel from the acquired business enter into employment agreements for specified post-acquisition periods and/or non-competition undertakings; however, there are risks that such commitments will not be respected or that the personnel and professionals subject to same or other personnel will not be successfully integrated as productive contributors to the Company's business. In addition, all acquisitions carry the risk of the potential loss of key personnel.

## **Human Resources**

### ***Key Personnel***

The success of the Company's business strategy is dependent upon the ability and experience of a number of key personnel who have substantial expertise with its operations and industry. Supremex' senior executives and key employees have extensive experience with the business, suppliers, products and customers. The loss of management knowledge, expertise and technical proficiency as a result of the inability to retain or replace one or more members of the core management team, including the Company's President and Chief Executive Officer, or to establish an effective succession plan, could result in a diversion of management resources or a temporary executive gap, and negatively affect the Company's ability to develop and pursue other business strategies, which could materially adversely affect its business and financial results. Also, the expertise pertaining to the Company's business, including envelope manufacturing, is rare and the loss of key executives heading those functions could have a material adverse effect on the Company's ability to continue to offer a compelling product offering to its customers and pursue its continued expansion, which in turn would materially adversely affect its business and financial results.

### ***Labour Shortage***

Social, demographic and economic trends observed on a global basis, are making it more challenging to hire and retain personnel in most industries. Inflationary pressures, shortages, competitiveness in the labour markets where the Company operates, increased employee turnover and changes in the availability of its employees have resulted in, and could continue to result in, increased labour-related costs, which could have a material adverse effect on the Company's results and financial condition. In addition, these factors have impacted, and could continue to impact, its ability to meet consumer demand, which could negatively affect its financial condition, results, or cash flows. The failure to recruit, retain, motivate, effectively communicate with, and train and develop highly skilled and competent people at all levels of Supremex' organization could also result in shortages in the availability of appropriately skilled people at any particular levels within the organization and significantly affect its financial results.

## **Employee Future Benefits**

The Company maintains two registered defined benefit pension plans substantially covering all of its Canadian employees. These plans are hybrids, meaning that they include a defined benefit component, for which service accrual ceased in 2012, and a defined contribution component. In the past, the Company has also provided post retirement and post-employment benefits, including health care, dental care and life insurance, to a limited number of employees.

The level of the Company's contributions may vary depending on the realized return on the pension fund asset and the discount rate of the future liabilities, which could affect the financial condition of Supremex. In addition, contributions to fund the Company's defined benefit plans are based on actuarial valuations, which themselves are based on assumptions and estimates about the long-term operations of the plans, including assumptions on inflation, mortality, and the discount rates used to determine the liabilities of the plans. Actual results of actuarial valuations may differ from expectations. Any increase in the Company's pension expenses or liabilities, or funding obligations would divert funds the Company would otherwise apply to other uses, and could adversely affect its business, financial condition, results from operations, and cash flows.

## **Raw Material**

The primary raw materials the Company uses are paper and paper-based substrates, window material, glue and ink. Fluctuations in raw material prices and availability can have a material adverse effect on the Company's operating results.

Fluctuations in raw material and energy prices affect operations. Paper costs represent a significant portion of Supremex' material costs and they have been subject to volatility due to supply and demand in the marketplace. The cost of raw materials includes paper and other inputs, as well as energy, fuel, transportation, and logistics necessary for the production and distribution of the Company's products continue to increase. The Company anticipates the inflationary pressures on input costs to continue to affect its business in 2025. To mitigate this risk, the Company has adopted a more global approach to its supply-chain and has generally been disciplined in passing on raw material increases to its customers. However, even if such initiatives are effective, higher prices to the Company's customers may result in decrease in sales volume or market share which can have a material adverse effect on the Company's operating results.

Fluctuations in raw material availability affect operations. While global shortage levels have gradually reduced, if the Company is unable to obtain all the volume of paper it requires to produce customer orders, its operations will be affected as it will have to reduce or push-out deliveries. Similarly, the availability of suitable quality board within a reasonable distance of the Company's packaging divisions is also a risk.

Any significant increase in the price of raw materials or prolonged shortage in its availability, whether due to the aforementioned reasons or other factors, could have a material adverse effect on the Company's business and results of operations.

## **Cyber Security and Data Protection**

In the normal course of its operations, the Company relies on the continuous and uninterrupted operation of its systems, data hosting centers, cloud computing systems and computer hardware. In addition, it receives processes and transfers sensitive data, including confidential information about Supremex, its customers, its suppliers, as well as personal information regarding its employees.

Although the Company experiences minor cyber threats for time to time, if the Company were to experience material cyber threats, breaches, unauthorized accesses, viruses, other security breaches, human errors, sabotage or other similar events, it could have a material adverse impact on its activities, including system disruptions or breakdowns. This could also negatively impact Supremex' results, cause considerable damage to the Company's reputation and potentially result in legal actions against it.

Cyberattacks attempts occur more and more frequently, and their nature continuously evolves and become more refined, which increases the risk that the Company's operations be disrupted, and that the Company's data be compromised. In addition, it is possible that such a cyber breach or event might not be detected quickly enough to limit the scope of the information that could be stolen or compromised.

Furthermore, keeping, using and protecting personal data is increasingly critical and the responsibilities of entities that process such information are expanding. Mismanagement of personal data could cause considerable damage to the Company's reputation, and potentially result in court actions, fines and other claims. The multiplication of data protection regulatory frameworks in Canada and the U.S. also increases regulatory compliance risk. The Company could have to incur significant costs to enhance its systems and thus prevent future events related to confidential data, which would have an impact on its earnings.

### **Operational Disruption**

Any operational disruption at one of the Company's facilities, including the inability to meet deadlines as a result of major equipment failure, pandemic and epidemic outbreaks, armed conflicts, natural disaster, human error, supply problems, labour disputes, material labour shortages, attacks or transportation problems, could adversely impact the Company's financial results, and could result in transfer of volume from its customer to a competitor. The magnitude of the impact of these risks on results depends on certain factors, including the nature of the disruption, its duration and the facilities affected by the disrupting event.

### **Customer Relationships**

Supremex typically does not enter into long-term, written agreements with customers. As a result, there is a risk that customers may, without notice or penalty, terminate their relationship with Supremex at any time. In addition, even if customers decide to continue their relationship with Supremex, there can be no guarantee that they will purchase the same amount as they did in the past, or that purchases will be on similar terms, which could affect its revenues. Although Supremex' revenues do not materially depend on any specific client, some of its largest clients provide significant contributions to its revenue. There can be no assurance that Supremex will be able to retain its relationships with its largest clients and maintain or increase its sales levels.

In addition, certain of the Company's customers may become insolvent or bankrupt, face a sudden deterioration in their financial position or operating results, or elect to default under their contract with Supremex, in which case the recovery of accounts receivable may be doubtful. If a customer were to default on a payment obligation, the Company may be unable to collect the amounts owed, in which case some or all of such amounts would need to be written off, which could affect the Company's financial position, especially if it were to happen to one of its largest clients.

### **Competition**

#### ***Envelope***

Despite Supremex' leading market position in Canada in the envelope business, new competitors could enter the Canadian envelope market impacting sales and margins. A strengthening of the Canadian dollar against the U.S. dollar could create an incentive for U.S.-based competitors to increase market penetration in Canada. Also, as long as the U.S. market stays oversupplied, there will be pricing pressure in the Canadian market. However, the costs of freight, coupled with delivery inefficiencies are barriers to servicing any significant customer volume from a distance.

In the current market, the Canadian envelope manufacturers are more aggressive on pricing in order to generate new sales to replace their sales lost to secular decline. Given the Company's large market share in Canada, most of the gains by smaller competitors in Canada are made at the expense of Supremex.

#### ***Packaging***

The packaging industry is highly competitive and Supremex' diversification in packaging is relatively recent. Some of Supremex competitors are larger and have more fully integrated operations. If Supremex fails to further penetrate the packaging industry, the growth in its sales, could be negatively impacted. Supremex cannot assure that its efforts to increase market penetration in its existing markets and to expand into the packaging market will be successful. Failure to do so could have a material adverse effect on Supremex operating results.

### **Economic Conditions and Trade Relations**

A significant risk that Supremex faces and over which it has no control is related to economic conditions. Adverse general economic conditions, such as economic uncertainty, downturns or, increased recession fear, leading to a declining level of

commercial activity, or the imposition of tariffs or trade restrictions, could have a negative impact on Supremex' financial condition. As an example, in a soft economy, the market most affected at Supremex is its direct mail market. There is a direct correlation between growth/decline in the gross domestic product and direct mail volume. Therefore, soft economic conditions can have significant impact on direct mail volume. Although direct mail represents less than 25% of Supremex' total annual envelope volume, a decline would put pressure on the overall market. For transactional mail, which represents about 50% of Supremex' annual envelope volume, economic conditions have a lesser impact than on direct mail since businesses must still mail out invoices and statements to their customers, although the online billing and payment penetration is growing in this segment. In the long term, transactional mail volume has been declining.

In addition, as a result of the current geopolitical climate, including wars and political unrest, global financial markets have experienced and may continue to experience significant volatility and weakness, energy prices have remained high and supply chain have been disrupted, leading to increased costs and supply chain delays, all of which could have an impact on the Company's results and financial condition.

As the Company conducts more business in the United States, any material changes in the United States-Mexico-Canada Agreement ("USMCA") or trade relations between Canada and the United States could have a negative effect on both costs of raw materials and the selling price of finished goods to the Company.

### **Tariffs**

We conduct business in Canada and the US. Our cross-border operations are subject to inherent risks, including change in the free flow of products between Canada and the US and other trade partners, discriminatory fiscal policies, unexpected changes in local regulations and laws and the uncertainty of enforcement of remedies. For instance, on February 1, 2025, the US President announced a 25% tariff on imports from Canada, to become effective on February 4, 2025. However, on February 3, 2025, the tariff was paused for at least 30 days. The duration of this pause and the final decision on the tariff remain uncertain. More generally, tariffs, which depending on the effective date and duration of such tariffs, changes in the amount, scope, and nature of the tariffs in the future, any countermeasures that the target countries may take, including Canada, and any mitigating actions that may become available to the Company, could increase the Company's product costs and other costs of doing business, decrease US demand for the Company's products or the products of its customers, or otherwise have significant adverse financial impact on the Company, its business segments, and its customers.

The Company is currently assessing mitigating strategies, which may lead the Company to adjust its business strategy in order to remain competitive in Canada and the US. However, there is no guarantee mitigating strategies, if and when implemented, will be sufficient or adequate to counteract, in whole or in part, the potential negative financial impacts on the Company of tariffs. Any alterations to our business strategy or operations made in order to adapt to or comply with any such changes would be time-consuming and may be expensive, and certain of our competitors may be better suited to withstand or react to these changes.

In addition, tariffs imposed by the United States and retaliatory measures by affected countries could have a material adverse effect on global economic conditions and the stability of global financial markets, including the TSX. Sustained uncertainty about, or worsening of, current global economic conditions and further escalation of trade tensions between the US and its trading partners, including Canada, could result in a global economic slowdown and long-term changes to global trade which may be adverse to the Company.

### **Exchange Rate**

A portion of Supremex' revenue is earned in U.S. dollars while a large portion of its expenses, including most of its paper and other raw materials costs as well as certain capital expenditures are incurred in or closely tied to the U.S. dollar. Supremex also derives a portion of its revenue from Canadian dollar sales to certain customers for whom selling price is sensitive to U.S. competition.

Net exposure to the U.S. dollar continues to decrease as the Company is growing revenues in the U.S. envelope market, which compensates for the volume of raw materials it currently purchases in U.S. dollar. However, fluctuations in exchange rates between the Canadian and the U.S. dollar may have an adverse effect on the Company's results and financial condition. Future events that may significantly increase or decrease the risk of future movement in the exchange rates for these currencies cannot be predicted.

## **Interest Rate**

The Company's borrowings under its credit facility bear floating interest rates and the Company is therefore exposed to market risks related to interest rate fluctuations and volatility. Floating-rate debt bears interest based on Canadian prime rate, the U.S. base rate, the Secured Overnight Financing Rate ("SOFR") or the Canadian Overnight Repo Rate Average ("CORRA"), plus an applicable margin that ranges between 0% and 2.75%. As interest rates increase, the Company's debt service obligations on its variable rate indebtedness will increase, which could, if the Company is not able to otherwise mitigate this risk, have a material adverse effect impact the Company's financial condition.

## **Credit**

The Company is exposed to credit risk with respect to trade receivables. A specific credit limit is established for each customer and periodically reviewed by the Company. No single customer accounts for more than 10% of consolidated accounts receivable. Supremex' customer base is well diversified and consists mainly of large national customers, such as large Canadian corporations, nationwide resellers and governmental bodies, as well as paper merchants and solution and process providers. Historically, the level of bad debt has been low given the nature of the customers, but there is no guarantee that this tendency will persist over time, especially given the volatility of general economic conditions. As at December 31, 2024, the maximum credit risk exposure for receivables corresponds to their carrying value.

## **Availability of Capital**

On May 25, 2022, the Company entered into a three-year senior secured revolving credit facility of \$120 million which replaced its pre-existing and term facility (the "Credit Facility"). 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. Although the Company was then able to increase its credit facility, there is no guarantee that additional funds will be available in the future, and if they are, that they will be provided in a timeframe and under conditions acceptable to the Company.

The Credit Facility contains certain covenants that affect and, in some cases, significantly limit, among other things, the activities in which the Company may engage, the ability of the Company to incur debt, grant liens over its assets, engage in lines of business different from its own, consummate asset sales, or merge consolidate or amalgamate with another person. These restrictions and covenants could impede access to capital or prevent the Company from engaging in business activities that may be in its interest.

## **Environment**

The Company operates in an industry which uses large quantities of paper in its day-to-day operations. With society's mounting concern over the protection of the environment and sustainable development, Supremex' products and services are under pressure to be more environmentally friendly. For instance, the growing concern over the environment could change the consumption habits of consumers and new regulations could force the Company to use more expensive environmentally friendly materials in its production process. There is no assurance that any of such increased costs could be passed on to Supremex' customers. To mitigate this risk, the Company tries to be at the forefront of its industry in terms of commitment to the environment and, in collaboration with its suppliers, proactively seeks to reduce its impact on the environment. Supremex is a leader in its markets in the promotion and availability of environmentally friendly products, such as 100% recycled paper. There is no guarantee that these initiatives will be sufficient to mitigate the risk. If the price of raw materials were to increase for environmental reasons, it could negatively affect Supremex' profitability if such increase cannot be passed on to the customer.

Supremex' business and operations are also subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions, greenhouse gases, releases of hazardous substances, and remediation of contaminated sites. The Company believes that its operations are in compliance, in all material respects, with such environmental laws and regulations, but changes in environmental laws and regulations, evolving interpretation thereof, or more vigorous regulatory enforcement policies could impose additional compliance costs, capital expenditures, as well as other financial obligations, which could have a material adverse effect on Supremex' financial position and performance. For example, the advent of regulations on the extended producer responsibility (EPR) policies in several Canadian provinces is influencing the packaging industry. This regulation makes businesses that put on the market printed

materials, containers and packaging responsible for the costs associated with the end-of-life management of their products and could decrease demand, which could have an impact on the Company's results and financial position.

The environmental, social or governance (ESG) expectations and requirements of the Company's stakeholders, in particular investors, customers, consumers and governments, are constantly evolving. The fast-paced evolution of these expectations and requirements could expose the Company to reputational, market and operational risks. In the last few years, the governments of many jurisdictions have adopted laws requiring, among other things, ESG reporting, calculating carbon emissions, including the value chain, and monitoring the supply chain for issues related to deforestation, forest degradation, forced labour or child labour. These regulations may impact the Company directly or indirectly, including via its customers. These obligations could lead to rapid growth in the level of monitoring by governments, customers or investors. In addition, customers may voluntarily adopt high ESG standards that are not limited to their operations or production sites, but could also include their supply chain. If the Company is unable to meet these expectations, its customers could turn to competitors.

## **Litigation**

Supremex, like other manufacturing and sales organizations, is subject to potential liabilities in connection with its business operations, including expenses associated with product defects, compliance with changing laws and regulations performance, and reliability or delivery delays. Supremex is from time to time threatened with, or named as a defendant in, legal proceedings, including lawsuits based on product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. Supremex could also be threatened by, or named as a defendant in, legal proceedings alleging a breach of securities laws, including as a result of sudden variations in the price of common shares. A significant judgment against Supremex or the imposition of a significant fine or penalty, as a result of a finding that Supremex failed to comply with laws or regulations, or being named as a defendant on multiple claims could have a material adverse effect on Supremex' business, financial condition, results of operations and cash available for distributions.

## **No Guaranty to Pay Cash Dividends**

Decisions regarding dividends are within the discretion of the Board of Directors, and are influenced by a number of factors, including general business and economic conditions, Supremex' financial condition, operating results and restrictions imposed by its debt agreements, the emergence of acquisition opportunities, changes in business strategy and other factors. There is no guarantee that the current dividend policy of the Company will continue over time. Changes in, or the elimination of dividends could have an adverse effect on the price of Supremex' common shares.

## **21. DISCLOSURE CONTROLS AND PROCEDURES ("DC&P") AND INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")**

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

Management has designed DC&P to provide reasonable assurance that material information relating to the Company is made known to the President and Chief Executive Officer and the Chief Financial Officer, particularly during the period in which annual filings are being prepared. The President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's DC&P and concluded, based on its evaluation, that such DC&P were effective as of December 31, 2024.

Management has also designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Company's ICFR and concluded, based on its evaluation, that such ICFR was effective as of December 31, 2024. In making its evaluation, the President and Chief Executive Officer and the Chief Financial Officer, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

Finally, there has been no change in the Company's ICFR during the year ended December 31, 2024, that materially affected, or is likely to materially affect, the Company's ICFR.

In accordance with the provisions of National Instrument 52-109, Supremex has limited the scope of its design of Supremex' DC&P and ICFR to exclude controls, policies and procedures of a business acquired not more than 365 days before December 31, 2024. The scope limitation is primarily due to the time required for Supremex' management to assess DC&P and ICFR in a manner consistent with Supremex' other operations.

The Company expects that its business acquisition of Forest Envelope will be covered by its certification no later than the second quarter of 2025.

### **Additional Information**

Additional information relating to the Company, including the Company's annual information form, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).