

The logo features the word "Supremex" in a bold, italicized, red sans-serif font. The text is centered and overlaid on a light gray background that consists of a grid of alternating icons: a 3D box and a 2D envelope. The grid is 10 columns wide and 12 rows high. The word "Supremex" is positioned in the middle of the grid, spanning approximately the 4th to the 10th columns and the 4th to the 6th rows.

Supremex

Management's Discussion and Analysis

For the three and six-month periods ended June 30, 2024, and 2023

TABLE OF CONTENTS

1.	BASIS OF PRESENTATION	3
2.	FORWARD-LOOKING STATEMENTS	3
3.	KEY HIGHLIGHTS	4
3.1	FINANCIAL HIGHLIGHTS TABLES	4
3.2	HIGHLIGHTS OF THE THREE-MONTH PERIOD ENDED JUNE 30, 2024, AND RECENT EVENTS	4
3.3	HIGHLIGHTS OF THE SIX-MONTH PERIOD ENDED JUNE 30, 2024	4
4.	NON-IFRS FINANCIAL MEASURES	5
5.	BUSINESS OVERVIEW	7
6.	OUTLOOK	8
7.	FOREIGN EXCHANGE RATES	8
7.1	FOREIGN EXCHANGE RATES	8
8.	SUMMARY OF FINANCIAL INFORMATION	9
8.1	SUMMARY OF FINANCIAL INFORMATION	9
9.	ANALYSIS OF RESULTS	10
9.1	RESULTS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2024	10
9.2	RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024	12
9.3	GEOGRAPHICAL REVENUE AND ASSET DIVERSIFICATION	14
10.	SUMMARY OF RESULTS – SELECTED QUARTERLY FINANCIAL INFORMATION	14
11.	FINANCIAL POSITION	15
11.1	SUMMARY FINANCIAL POSITION HIGHLIGHTS	15
11.2	ASSETS	15
11.3	LIABILITIES	15
11.4	CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS	16
12.	LIQUIDITY AND CAPITAL RESOURCES	16
12.1	CASH FLOWS RELATED TO OPERATING ACTIVITIES	16
12.2	CASH FLOWS RELATED TO INVESTING ACTIVITIES	17
12.3	CASH FLOWS RELATED TO FINANCING ACTIVITIES	17
13.	SHARE CAPITAL	17
14.	SUBSEQUENT EVENTS	18
15.	RISK FACTORS	18
16.	DISCLOSURE CONTROLS AND PROCEDURES (“DC&P”) AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (“ICFR”)	18

1. BASIS OF PRESENTATION

The following management's discussion and analysis of financial condition and results of operations ("MD&A") dated August 7, 2024, of Supremex Inc. ("Supremex" or the "Company") should be read together with the accompanying unaudited interim condensed consolidated financial statements and related notes of the Company for the three and six-month periods ended June 30, 2024. These unaudited interim condensed consolidated financial statements of the Company have been prepared by management in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). Therefore, certain information and disclosures have been omitted or condensed. The accounting principles are consistent with those set out in the Company's audited consolidated financial statements for the year ended December 31, 2023. 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 six-month periods ended June 30, 2024. The consolidated financial statements for the three and six-month periods ended June 30, 2024, have not been audited or reviewed by the Company's auditors.

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

2. FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net earnings, Adjusted net earnings per share, free cash flow, Net debt, Net debt to Adjusted EBITDA ratio¹, capital expenditures, dividend payments, and future performance of Supremex and similar statements or information concerning anticipated future results, circumstances, performance or expectations. Forward-looking information may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. Such information relates to future events or future performance and reflects current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and ability to attract and retain customers. Such forward-looking information reflects current assumptions, expectations and estimates of management and is based on information currently available to Supremex as at the date of this MD&A. Such assumptions, expectations and estimates are discussed throughout the MD&A for the year ended December 31, 2023, and, in the Company's Annual Information Form dated March 28, 2024. Supremex cautions that such assumptions may not materialize and that economic conditions such as heightened inflation and central banks' large interest rate hikes, economic downturns or recessions, may render such assumptions, although believed reasonable at the time they were made, subject to greater uncertainty.

Forward-looking information is subject to certain risks and uncertainties and should not be read as a guarantee of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking information. These risks and uncertainties include but are not limited to the following: decline in envelope consumption, growth and diversification strategy, key personnel, labour shortage, contributions to employee benefits plans, cyber security and data protection, raw material price increases, operational disruption, dependence on and loss of customer relationships, increase of competition, economic cycles, exchange rate fluctuation, interest rate fluctuation, credit risks with respect to trade receivables, availability of capital, concerns about protection of the environment, potential risk of litigation, no guarantee to pay dividends and other external risks such as global health crisis and pandemic and inflation. Such risks and uncertainties are discussed throughout the MD&A for the year ended December 31, 2023, and, in the Company's Annual Information Form dated March 28, 2024, in particular, in "Risk Factors". Consequently, the Company cannot guarantee that any forward-looking information will materialize. Readers should not place any undue reliance on such forward-looking information unless otherwise required by applicable securities legislation. The Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

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

3. KEY 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 June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
Statements of Earnings				
Revenue	69,337	71,666	142,605	160,088
Operating earnings	3,905	4,471	9,668	18,842
Adjusted EBITDA ⁽¹⁾	8,998	9,562	19,481	28,403
Adjusted EBITDA margin ⁽¹⁾	13.0%	13.3%	13.7%	17.7%
Net earnings	1,980	2,113	5,476	11,609
Basic and diluted net earnings per share	0.08	0.08	0.22	0.45
Adjusted net earnings ⁽¹⁾	2,105	2,270	5,619	12,050
Adjusted net earnings per share ⁽¹⁾	0.08	0.09	0.22	0.47
Cash Flow				
Net cash flows related to operating activities	10,222	10,006	15,318	17,547
Free cash flow ⁽¹⁾	10,920	9,808	15,653	13,211

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

3.2 Highlights of the three-month period ended June 30, 2024, and recent events

- Total revenue of \$69.3 million, down 3.3% from \$71.7 million in the second quarter of 2023.
- Envelope segment revenue of \$49.5 million, up 0.4% from \$49.2 million in the prior year.
- Packaging and specialty products segment revenue of \$19.9 million, down 11.4% from \$22.4 million last year.
- Net earnings were \$2.0 million, compared to \$2.1 million last year.
- Earnings per share of \$0.08, stable from a year ago.
- Adjusted EBITDA² of \$9.0 million, or 13.0% of revenue, versus \$9.6 million, or 13.3% of revenue, a year ago.
- Acquisition on May 1, 2024, of the assets of Forest Envelope Group (“Forest Envelope”), a regional leader in specialty envelope manufacturing located in Bolingbrook, Illinois.
- On July 24, 2024, the Company announced optimization initiatives designed to improve costs, overall efficiency, productivity and achieving synergies within its Envelope segment operations which are expected to result in annual cost savings in excess of \$2.0 million once all measures are implemented.
- On August 7, 2024, the Board of Directors declared a quarterly dividend of \$0.04 per common share, payable on September 20, 2024, to shareholders of record at the close of business on September 5, 2024.

3.3 Highlights of the six-month period ended June 30, 2024

- Total revenue of \$142.6 million, down 10.9% from \$160.1 million in the six-month period ended June 30, 2023.
- Envelope segment revenue of \$102.9 million, down 9.5% from \$113.7 million a year ago.
- Packaging and specialty products segment revenue of \$39.7 million, down 14.4% from \$46.4 million last year.
- Net earnings of \$5.5 million, compared to \$11.6 million in the first half of 2023.
- Earnings per share of \$0.22 versus \$0.45 in the same period last year.
- Adjusted EBITDA² of \$19.5 million, or 13.7% of revenue, versus \$28.4 million, or 17.7% of revenue last year.

² 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. These items of significance include, when applicable, but are not limited to, charges for impairment of assets, restructuring expenses, value adjustment on inventory acquired and business acquisition costs.</p> <p>The Company uses Adjusted EBITDA to assess its operating performance, excluding items that are not in the normal course of operations. Management believes this non-IFRS measure provides users with enhanced understanding of the Company's operating earnings and increase the transparency and clarity of the Company's core results. It also allows users to better evaluate the Company's operating profitability when compared to previous years.</p>
Adjusted EBITDA margin	<p>Adjusted EBITDA margin is a percentage corresponding to the ratio of Adjusted EBITDA divided by revenue.</p> <p>The Company uses Adjusted EBITDA margin for the purpose of evaluating business performance, excluding items that are not in the normal course of operations. Management believes this non-IFRS measure, provides users with enhanced understanding of its results and related trends.</p>
Adjusted net earnings	<p>Adjusted net earnings represents net earnings excluding items of significance listed above under Adjusted EBITDA, net of income taxes.</p> <p>The Company uses Adjusted net earnings to assess its business performance and profitability without the effect of items that are not in the normal course of operations, net of income taxes. Management believes this non-IFRS measure, provides users with an alternative assessment of the Company's earnings without the effect of items that are not in the normal course of operations making it valuable to assess ongoing operations and trends in the business performance. Management also believes this non-IFRS measure provides users with enhanced understanding of the Company's results and provides better comparability between 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 purposes of evaluating performance and profitability, excluding items that are not in the normal course of operations of the Company, net of income taxes, on a per share basis.</p>
Free cash flow	<p>This measure corresponds to net cash flows related to operating activities according to the consolidated statements of cash flows less additions (net of disposals) to property, plant and equipment and intangible assets.</p> <p>Management considers Free cash flow to be a good indicator of the Company's financial strength and operating performance because it shows the amount of funds available to manage growth, repay debt and reinvest in the Company. Management considers this measure useful to provide investors with a perspective on its ability to generate liquidity, after making capital investments required to support business operations and long-term value creation.</p>

Non-IFRS Measure	Definition
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 to Adjusted EBITDA

(in thousands of dollars, except for margins)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
Net earnings	1,980	2,113	5,476	11,609
Income tax expense	631	850	1,784	4,255
Net financing charges	1,294	1,508	2,408	2,978
Depreciation of property, plant and equipment	1,730	1,722	3,363	3,269
Depreciation of right-of-use assets	1,478	1,380	2,832	2,726
Amortization of intangible assets	1,716	1,777	3,425	2,970
EBITDA	8,829	9,350	19,288	27,807
Acquisition costs related to business combinations	111	72	111	263
Asset impairment	75	—	75	—
Restructuring expenses	37	129	61	255
Value adjustment on acquired inventory through a business combination	(54)	11	(54)	78
Adjusted EBITDA	8,998	9,562	19,481	28,403
<i>Adjusted EBITDA margin (%)</i>	<i>13.0%</i>	<i>13.3%</i>	<i>13.7%</i>	<i>17.7%</i>

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

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
Net earnings	1,980	2,113	5,476	11,609
Adjustments, net of income taxes				
Acquisition costs related to business combinations	82	53	82	194
Asset impairment	56	—	56	—
Restructuring expenses	27	95	45	188
Value adjustment on acquired inventory through a business combination	(40)	9	(40)	59
Adjusted net earnings	2,105	2,270	5,619	12,050
Net earnings per share	0.08	0.08	0.22	0.45
Adjustments, net of income taxes, per share	—	0.01	—	0.02
Adjusted net earnings per share	0.08	0.09	0.22	0.47

Reconciliation of Cash flows related to operating activities to Free cash flow
(in thousands of dollars)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
Cash flows related to operating activities	10,222	10,006	15,318	17,547
Acquisitions (net of disposals) of property, plant and equipment	764	(164)	401	(4,297)
Acquisitions of intangible assets	(66)	(34)	(66)	(39)
Free cash flow	10,920	9,808	15,653	13,211

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

	As at June 30, 2024	As at December 31, 2023
Total debt	51,833	56,766
Deferred financing costs	(186)	(256)
Cash	(1,279)	(1,066)
Net debt	50,368	55,444
Adjusted EBITDA – TTM ⁽¹⁾	40,197	49,119
Net debt to Adjusted EBITDA ratio	1.3	1.1

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

5. BUSINESS OVERVIEW

Supremex is a leading North American manufacturer and marketer of envelopes and a growing provider of paper-based packaging solutions. Supremex operates ten manufacturing facilities across four provinces in Canada and five manufacturing facilities in three 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 fulfillment packaging solutions. Other packaging and specialty products include the Conformer Products^{®3}, labels, record sleeves and jackets, polyethylene bags for courier applications, bubble mailers and Enviro-logiX^{®4}.

Reporting Segments

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

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

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

The Envelope Segment

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

The Packaging and Specialty Products Segment

The Company also manufactures and distributes a diverse range of paper-based packaging solutions and specialty products, including premium quality folding carton packaging, e-commerce solutions, 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®, labels, polyethylene bags for courier applications, bubble mailers and Enviro-logiX®.

6. OUTLOOK

Demand for the Company's products is gradually returning to historical patterns, although market recovery is taking more time than anticipated as it remains somewhat impacted by persisting high interest rates and inflation. 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 on July 24 for the Envelope segment are expected to result in annual cost savings in excess of \$2.0 million 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.

7. FOREIGN EXCHANGE RATES

7.1 Foreign Exchange Rates

The following table shows average and closing exchange rates applicable to Supremex' three and six-month periods ended June 30, 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 June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
USD Average	1.368	1.343	1.359	1.347
USD Closing	1.369	1.324	1.369	1.324

8. SUMMARY OF FINANCIAL INFORMATION

8.1 Summary of Financial Information

Selected Consolidated Financial Information

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
Revenue	69,337	71,666	142,605	160,088
Operating expenses	50,057	52,164	102,517	110,225
Selling, general and administrative expenses	10,343	10,029	20,661	21,840
Operating earnings before depreciation, amortization and other items	8,937	9,473	19,427	28,023
Depreciation of property, plant and equipment	1,730	1,722	3,363	3,269
Depreciation of right-of-use assets	1,478	1,380	2,832	2,726
Amortization of intangible assets	1,716	1,777	3,425	2,970
Asset impairment	75	—	75	—
Restructuring expenses	37	129	61	255
Gain on disposal of property, plant and equipment	(4)	(6)	3	(39)
Operating earnings	3,905	4,471	9,668	18,842
Net financing charges	1,294	1,508	2,408	2,978
Earnings before income taxes	2,611	2,963	7,260	15,864
Income tax expense	631	850	1,784	4,255
Net earnings	1,980	2,113	5,476	11,609
Basic and diluted net earnings per share	0.08	0.08	0.22	0.45
Dividend declared per share	0.04	0.035	0.08	0.07

Revenue Information

(in thousands of dollars, except %)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
Envelope	49,466	49,247	102,892	113,702
Volume change	8.4%	(19.7%)	(5.7%)	(8.1%)
Average selling price change	(7.4%)	33.6%	(4.0%)	36.6%
Total change	0.4%	7.3%	(9.5%)	25.6%
Packaging & specialty products	19,871	22,419	39,713	46,386
Total change	(11.4%)	34.7%	(14.4%)	31.5%
Total revenue	69,337	71,666	142,605	160,088
Revenue change	(3.3%)	14.6%	(10.9%)	27.3%

Segmented Information

(in thousands of dollars, except %)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
Segmented revenue				
Envelope	49,466	49,247	102,892	113,702
Packaging & specialty products	19,871	22,419	39,713	46,386
Total revenue	69,337	71,666	142,605	160,088
Segmented Adjusted EBITDA⁽¹⁾				
Envelope	8,013	9,655	18,917	26,923
% of segmented revenue	16.2%	19.6%	18.4%	23.7%
Packaging & specialty products	2,722	1,661	3,932	5,510
% of segmented revenue	13.7%	7.4%	9.9%	11.9%
Corporate and other non-allocated expenses	(1,737)	(1,754)	(3,368)	(4,030)
Total Adjusted EBITDA⁽¹⁾	8,998	9,562	19,481	28,403
% of total revenue	13.0%	13.3%	13.7%	17.7%

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

9. ANALYSIS OF RESULTS

9.1 Results for the three-month period ended June 30, 2024

Revenue

Total revenue for the three-month period ended June 30, 2024, was \$69.3 million, representing a decrease of \$2.3 million, or 3.3%, from the equivalent quarter of 2023.

Envelope Segment

Revenue was \$49.5 million, representing an increase of 0.4%, from \$49.2 million in the second quarter of 2023. The variation is mainly attributable to a 9.8% increase in the volume of units sold, reflecting the Company's efforts to further penetrate the U.S. market, and the contribution from the purchase of the Forest Envelope assets. These factors were partially offset by an average selling price decrease of 7.4% compared to last year. The Envelope segment represented 71.3% of the Company's revenue in the quarter, versus 68.7% of revenue in the equivalent period of last year.

Packaging & Specialty Products Segment

Revenue was \$19.9 million, down 11.4% from \$22.4 million in the second quarter of 2023. The decrease reflects lower demand from certain sectors more closely correlated to economic conditions, partially offset by higher demand for e-commerce packaging solutions. The Packaging & Specialty Products segment represented 28.7% of the Company's revenue in the quarter, versus 31.3% of revenue in the equivalent period of last year.

Operating Expenses

Operating expenses for the three-month period ended June 30, 2024, were \$50.1 million, compared to \$52.2 million in the equivalent period of 2023. This decrease of \$2.1 million, or 4.0%, is mainly due to lower revenue and lower labour costs as a percentage of revenue, partially offset by slightly higher raw material costs as a percentage of revenue compared to last year. Operating expenses represented 72.2% of revenue in the second quarter of 2024, compared to 72.8% in the equivalent period of 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totalled \$10.3 million in the three-month period ended June 30, 2024, compared to \$10.0 million during the same period in 2023. This increase of \$0.3 million is essentially attributable to higher compensation expenses, partially offset by favourable adjustments for Deferred Share Units (“DSUs”) and Performance Share Units (“PSUs”), as well as a foreign exchange gain.

EBITDA⁵ and Adjusted EBITDA⁵

EBITDA was \$8.8 million, compared to \$9.4 million in the second quarter last year. Adjusted EBITDA was \$9.0 million, versus \$9.6 million in the second quarter of 2023. The decrease reflects lower revenue and higher selling, general and administrative expenses, partially offset by lower operating expenses. The Adjusted EBITDA margin was 13.0% of revenue, versus 13.3% in the equivalent quarter of 2023.

Envelope Segment

Adjusted EBITDA was \$8.0 million, down from \$9.7 million in the second quarter of 2023. The decrease is primarily attributable to lower average selling prices, mainly in the U.S. market, partially offset by a higher volume of units sold. On a percentage of segmented revenue, Adjusted EBITDA from the Envelope segment was 16.2%, compared with 19.6% in the equivalent period of 2023.

Packaging & Specialty Products Segment

Adjusted EBITDA was \$2.8 million, versus \$1.7 million in the second quarter of 2023. This increase mainly reflects benefits from cost reduction measures implemented in late 2023 to improve profitability and efficiency and, to a lesser extent, the reversal of a provision related to a previous acquisition. On a percentage of segmented revenue, Adjusted EBITDA from the Packaging & Specialty Products segment was 13.7%, compared to 7.4% in the equivalent period of 2023.

Corporate and other non-allocated expenses

The Corporate and other non-allocated expenses for the second quarter of 2024 remained relatively stable at \$1.7 million, versus \$1.8 million a year ago.

Depreciation and Amortization

Aggregate depreciation and amortization expenses for the three-month period ended June 30, 2024, was stable at \$4.9 million compared to the same period in 2023, as a slight increase in depreciation of right-of-use assets was offset by a similar decline in the amortization of intangible assets.

Restructuring Expenses and Asset Impairment

In the three-month period ended June 30, 2024, the Company incurred restructuring expenses of \$37,000 related to the optimization of folding carton activities following the closure of the St-Hyacinthe facility in October 2023. The Company also recorded a non-cash asset impairment charge of \$0.1 million related to certain equipment. Last year’s results included restructuring expenses of \$0.1 million related to the relocation expenses of the folding carton plant.

Net Financing Charges

Net financing charges for the three-month period ended June 30, 2024, were \$1.3 million, versus \$1.5 million in the equivalent period of the prior year. The variation reflects lower indebtedness in the second quarter of 2024, compared to the same period in 2023.

Earnings Before Income Taxes

As a result of the fluctuation in revenue and expenses described herein, earnings before income taxes were \$2.6 million, or 3.8% of revenue, during the three-month period ended June 30, 2024, compared to \$3.0 million, or 4.1% of revenue, during the equivalent period of 2023.

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

Income Tax Expense

Income taxes were \$0.6 million, or an effective tax rate of 24.2%, in the three-month period ended June 30, 2024, compared to \$0.9 million, or an effective tax rate of 28.7%, in the equivalent quarter of last year. The absolute dollar decrease is due to lower earnings before income taxes in the current period.

Net Earnings, Adjusted Net Earnings⁶, Net Earnings per share and Adjusted Net Earnings per share⁶

Net earnings were \$2.0 million or \$0.08 per share for the three-month period ended June 30, 2024, compared to \$2.1 million or \$0.08 per share for the equivalent period last year.

Adjusted net earnings were \$2.1 million or \$0.08 per share for the three-month period ended June 30, 2024, compared to \$2.3 million or \$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 5.0% as at June 30, 2024, compared to 4.9% as at March 31, 2024. This variation, combined with a lower-than-expected return on assets, resulted in a net actuarial gain of \$0.1 million in the second quarter of 2024.

9.2 Results for the six-month period ended June 30, 2024

Revenue

Total revenue for the six-month period ended June 30, 2024, was \$142.6 million, representing a decrease of \$17.5 million, or 10.9%, from the equivalent period of 2023.

Envelope Segment

Revenue was \$102.9 million, representing a decrease of \$10.8 million, or 9.5%, from \$113.7 million in the six-month period ended June 30, 2023. The variation is attributable to a 5.7% decrease in the volume of units sold compared to last year, with a reduction in the first quarter partially offset by an increase in the second quarter, and to an average selling price decrease of 4.0%. These factors were partially offset by the contribution from the Forest Envelope assets. Envelope represented 72.2% of the Company's revenue in the period, versus 71.0% during the equivalent period of last year.

Packaging & Specialty Products Segment

Revenue was \$39.7 million, down \$6.7 million, or 14.4%, from \$46.4 million in the corresponding period of 2023. The variation reflects lower demand from certain sectors more closely correlated to economic conditions, partially offset by higher demand for e-commerce packaging solutions. Packaging & Specialty Products represented 27.8% of the Company's revenue in the first half of 2024, compared with 29.0% during the equivalent period of last year.

Operating Expenses

Operating expenses for the six-month period ended June 30, 2024, were \$102.5 million, compared to \$110.2 million in the equivalent period of 2023. This decrease of \$7.7 million, or 7.0% is mainly due to lower revenue partially offset by higher raw material and labour costs as a percentage of revenue compared to last year. On a percentage of revenue basis, operating expenses were 71.9% of revenue, compared with 68.9% in the equivalent period of 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totalled \$20.7 million in the six-month period ended June 30, 2024, compared to \$21.8 million for the same period in 2023. This decrease of \$1.1 million reflects favourable adjustment related to DSUs and PSUs, a foreign exchange gain and lower professional fees, partially offset by higher compensation expenses.

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

EBITDA⁷ and Adjusted EBITDA⁷

EBITDA was \$19.3 million, down from \$27.8 million in the first six months of 2023. Adjusted EBITDA was \$19.5 million, down from \$28.4 million for the same period a year ago. The decrease reflects lower revenue, partially offset by lower operating expenses as well as lower selling, general and administrative expenses. The Adjusted EBITDA margin reached 13.7% in the first half of 2024, versus 17.7% in the first half of 2023.

Envelope Segment

Adjusted EBITDA was \$18.9 million, down from \$26.9 million in the first half of 2023. The decrease was primarily attributable to lower average selling prices, mainly in the U.S. market. On a percentage of segmented revenue, Adjusted EBITDA from the Envelope segment was 18.4%, compared to 23.7% in the equivalent period of 2023.

Packaging & Speciality Products Segment

Adjusted EBITDA was \$3.9 million, compared to \$5.5 million in the first half of 2023. This decrease mostly reflects lower demand from certain sectors more closely correlated to economic conditions which impacted the absorption of fixed costs. This factor was partially offset by benefits from cost reduction measures and, to a lesser extent, the reversal of a provision related to a previous acquisition. On a percentage of segmented revenue, Adjusted EBITDA from the Packaging & Speciality Products segment was 9.9%, compared to 11.9% in the equivalent period of 2023.

Corporate and other non-allocated expenses

The Corporate and other non-allocated expenses were \$3.4 million compared to \$4.0 million in the first half of 2023. The decrease resulted mainly from a favourable adjustment related to DSUs and PSUs and a foreign exchange gain.

Depreciation and Amortization

Aggregate depreciation and amortization expenses for the six-month period ended June 30, 2024, amounted to \$9.6 million, versus \$9.0 million for the same period in 2023, mainly reflecting depreciation and amortization expenses from acquisitions completed in the first half of 2023.

Restructuring expenses and Asset Impairment

In the six-month period ended June 30, 2024, the Company incurred restructuring expenses of \$0.1 million related to the optimization of packaging activities following the closure of the St-Hyacinthe facility in October 2023. The Company also recorded a non-cash asset impairment charge of \$0.1 million related to certain equipment. In the six-month period ended June 30, 2023, the Company incurred restructuring expenses of \$0.3 million related to the relocation of the folding carton plant.

Net Financing Charges

Net financing charges for the six-month period ended June 30, 2024, stood at \$2.4 million, compared to \$3.0 million for the equivalent period of the prior year. The decrease reflects lower indebtedness in the first half of 2024, 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 \$7.3 million, or 5.1% of revenue, during the six-month period ended June 30, 2024, compared to \$15.9 million, or 9.9% of revenue, during the equivalent period of 2023.

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

Income Tax Expense

Income taxes were \$1.8 million, representing an effective tax rate of 24.6%, in the six-month period ended June 30, 2024, compared to \$4.3 million, or an effective tax rate of 26.8%, in the equivalent period of last year. The absolute dollar decrease is due to lower earnings before income taxes in the current period.

Net Earnings, Adjusted Net Earnings⁸, Net Earnings per share and Adjusted Net Earnings per share⁸

Net earnings were \$5.5 million or \$0.22 per share for the six-month period ended June 30, 2024, compared to \$11.6 million or \$0.45 per share for the equivalent period last year.

Adjusted net earnings amounted to \$5.6 million or \$0.22 per share for the six-month period ended June 30, 2024, compared to \$12.1 million or \$0.47 per share for the equivalent period in 2023.

Other Comprehensive Income

The discount rate used to calculate the accrued plan benefit obligations increased to 5.0% as at June 30, 2024 from 4.7% as at December 31, 2023. This increase partially offset by a lower-than-expected return on assets, resulted in a net actuarial loss of \$0.2 million in the first half of 2024.

9.3 Geographical Revenue and Asset Diversification

Revenue by Geography

(in thousands of dollars)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
Canada	37,630	43,412	78,622	94,690
U.S.	31,707	28,254	63,983	65,398
Total revenue	69,337	71,666	142,605	160,088

For the three-month period ended June 30, 2024, the Company's revenue in Canada was \$37.6 million, down 13.3% from \$43.4 million in the equivalent quarter of 2023. In the United States, revenue was \$31.7 million, representing an increase of 12.2% from \$28.3 million in 2023.

For the six-month period ended June 30, 2024, the Company's revenue in Canada was \$78.6 million, down 17.0% from \$94.7 million in the equivalent period of 2023. In the United States, revenue was \$64.0 million, representing a decrease of 2.2% from \$65.4 million in the equivalent period of 2023.

The Company's non-current assets were \$148.7 million in Canada and \$51.3 million in the United States as at June 30, 2024, compared to \$141.0 million in Canada and \$50.3 million in the United States as at December 31, 2023.

10. SUMMARY OF RESULTS – SELECTED QUARTERLY 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.

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

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

Selected Quarterly Operating Results

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

	Jun. 30 2024	Mar. 31 2024	Dec. 31 2023	Sep. 30 2023	Jun. 30 2023	Mar. 31 2023	Dec. 31 2022	Sep. 30 2022
Envelope	49,466	53,426	50,571	49,292	49,247	64,455	60,686	49,115
Packaging	19,871	19,842	21,730	20,506	22,419	23,967	18,075	18,804
Total revenue	69,337	73,268	72,301	69,798	71,666	88,422	78,761	67,919
Adjusted EBITDA ⁽¹⁾	8,998	10,483	8,986	11,730	9,562	18,841	15,332	15,512
Earnings before income taxes	2,611	4,649	656	6,816	2,963	12,901	9,005	10,881
Net earnings	1,980	3,496	724	5,001	2,113	9,497	6,660	8,110
Net earnings per share	0.08	0.14	0.03	0.19	0.08	0.37	0.26	0.31
Adjusted net earnings ⁽¹⁾	2,105	3,514	2,236	4,049	2,270	9,780	7,854	8,451
Adjusted net earnings per share ⁽¹⁾	0.08	0.14	0.09	0.16	0.09	0.38	0.31	0.32

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

11. FINANCIAL POSITION

11.1 Summary Financial Position Highlights

Selected Financial Position Information

(in thousands of dollars)

	As at June 30, 2024	As at December 31, 2023
Working capital	39,243	40,730
Total assets	273,659	263,757
Total liabilities	138,184	129,040
Total equity	135,475	134,717

11.2 Assets

The \$9.9 million increase in total assets as at June 30, 2024, when compared to December 31, 2023, mostly results from a \$13.5 million increase in the value of rights-of-use assets, partially offset by decreases of \$3.0 million and \$2.0 million, respectively, in the value of intangible assets and property, plant and equipment.

11.3 Liabilities

The \$9.1 million increase in total liabilities as at June 30, 2024, when compared to December 31, 2023, is mainly due to a \$14.0 million increase in lease liabilities, including the current portion, partially offset by a \$4.9 million reduction in long-term debt, including the current portion but excluding deferred financing costs, resulting from free cash flow generation.

Secured Revolving Credit Facility

The Company has a three-year senior secured revolving credit facility of \$120 million which bears interest at a floating rate based on the Canadian prime rate, the U.S. base rate, the Secured Overnight Financing Rate ("SOFR") or 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, following the approval of a one-year extension in May 2023, and no principal repayments are required prior to maturity. The Company may request that the agreement be extended by one year on every anniversary date. The extension is dependent upon the approval of the lenders. As at June 30, 2024, the amount outstanding on the credit facility was \$50.8 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 June 30, 2024.

Term loans

The Company has four term loans totaling \$1.0 million as at June 30, 2024, that were assumed following the acquisition of Paragraph. The loans bear interest at rates ranging from 4.23% to 4.69% and are repayable in monthly instalments totaling \$24,369, including capital and interest. The loans mature between March 2026 and July 2028.

Amounts owed under secured revolving credit facility and term loans

(in thousands of dollars)

	As at June 30, 2024	As at December 31, 2023
Secured revolving credit facility	50,818	55,630
Term loans	1,015	1,136
Total debt	51,833	56,766
Deferred financing costs	(186)	(256)
Current portion	(250)	(245)
Long-term portion	51,397	56,265

The Company's total debt decreased to \$51.8 million as at June 30, 2024, compared to \$56.8 million as at December 31, 2023. The variation is essentially attributable to debt repayment resulting from free cash flow generation.

As at June 30, 2024, the ratio of Net debt⁹ to Adjusted EBITDA⁹ was 1.3x compared to 1.1x as at December 31, 2023.

11.4 Contractual Obligations and Off-Balance Sheet Arrangements

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

12. LIQUIDITY AND CAPITAL RESOURCES

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

Summary of cash flows

(in thousands of dollars)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2024	2023	2024	2023
Operating activities	10,222	10,006	15,318	17,547
Investing activities	(1,692)	(4,768)	(2,055)	(35,971)
Financing activities	(8,161)	(6,614)	(12,708)	17,228
Net foreign exchange difference	(96)	249	(343)	259
Net change in cash	273	(1,127)	212	(937)

12.1 Cash Flows Related to Operating Activities

Net cash flows from operating activities were \$10.2 million for the three-month period ended June 30, 2024, compared to \$10.0 million in the equivalent period of 2023. The increase is mainly attributable to lower working capital requirements this year compared to last year, partially offset by lower profitability.

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

For the six-month period ended June 30, 2024, net cash flows from operating activities reached \$15.3 million, compared to \$17.5 million in the equivalent period of 2023. The decrease essentially reflects lower profitability, partially offset by lower working capital requirements this year compared to last year.

12.2 Cash Flows Related to Investing Activities

Net cash flows used in investing activities amounted to \$1.7 million during the three-month period ended June 30, 2024, mainly reflecting the acquisition of Forest Envelope for a consideration of \$2.4 million, partially offset by net disposals of property, plant and equipment amounting to \$0.7 million. In the equivalent period of 2023, net cash flows used in investing activities were \$4.8 million, mainly to fund the acquisition of Graf-Pak.

For the six-month period ended June 30, 2024, net cash flows used in investing activities totaled \$2.1 million, mainly due to the acquisition of Forest Envelope for a consideration of \$2.4 million, partially offset by net disposals of property, plant and equipment amounting to \$0.3 million. In the equivalent period of 2023, net cash flows used in investing activities were \$36.0 million, mainly to fund the acquisitions of Impression Paragraph and Graf-Pak.

12.3 Cash Flows Related to Financing Activities

Net cash flows used in financing activities were \$8.2 million during the three-month period ended June 30, 2024, reflecting a \$3.0 million decrease in the credit facility, \$2.0 million in dividend payment, \$1.9 million in share repurchase and \$1.2 million in repayment of lease liabilities. During the three-month period ended June 30, 2023, net cash flows used in financing activities stood at \$6.6 million, primarily reflecting net repayment of the revolving credit facility and dividend payment.

For the six-month period ended June 30, 2024, net cash flows used in financing activities stood at \$12.7 million reflecting a \$4.8 million decrease in the credit facility, \$3.3 million in share repurchase, \$2.4 million in repayment of lease liabilities, and \$2.0 million in dividend payment. For the six-month period ended June 30, 2023, net cash flows from financing activities amounted to \$17.3 million, primarily reflecting an increase in the revolving credit facility to finance business acquisitions.

Free Cash Flow¹⁰

Free cash flow amounted to \$10.9 million in the second quarter of 2024, compared to \$9.8 million for the same period last year. The increase is mainly attributable to net disposals of property, plant and equipment this year, as opposed to net additions last year, and to slightly higher cash flow from operating activities.

For the six-month period ended June 30, 2024, free cash flow reached \$15.7 million, compared to \$13.2 million for the same period in 2023. The increase reflects net disposals of property, plant and equipment this year, as opposed to net additions last year, partially offset by lower cash flow from operating activities.

Normal Course Issuer Bid (“NCIB”)

During the three and six-month periods ended June 30, 2024, the Company repurchased 492,800 and 811,400 common shares for cancellation under its NCIB program for total considerations of \$1.9 million and \$3.3 million, respectively.

Subsequent to the end of the period, an additional 157,800 shares were purchased for cancellation for total consideration of \$0.6 million.

13. SHARE CAPITAL

As at June 30, 2024 the capital stock issued and outstanding of the Company consisted of 24,854,869 common shares (25,666,269 as at December 31, 2023).

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

The following table presents the outstanding capital stock activity for the six-month period ended June 30, 2024:

Number of common shares

	Six-month period ended June 30, 2024
Balance, as at December 31, 2023	25,666,269
Common shares purchased for cancellation	(811,400)
Balance, as at June 30, 2024	24,854,869

As at August 7, 2024, the Company had 24,716,669 common shares outstanding.

14. SUBSEQUENT EVENTS

- On July 24, 2024, the Company announced optimization initiatives aimed at improving costs, overall efficiency, productivity and achieving synergies within its Envelope segment operations. First, the Company ceased production at its very small facility in Niagara Falls, New York, and maintained the premises as a distribution centre. Additionally, Supremex will close its facility in Concord, Ontario, as its lease expires in February 2025 and will transfer the most efficient production equipment, primarily to its other Greater Toronto area envelope plants in Mississauga and Etobicoke over the coming months.

Related to these moves, Supremex will record restructuring charges of approximately \$2.7 million before taxes for a period extending from the third quarter of 2024 through the first quarter of 2025. These initiatives are expected to result in annual cost savings in excess of \$2.0 million once all measures are implemented, primarily from the reduction of rent and other fixed costs, and modest productivity improvements.

- On August 7, 2024, the Board of Directors declared a quarterly dividend of \$0.04 per common share, payable on September 20, 2024, to the shareholders of record at the close of business on September 5, 2024. This dividend is designated as an “eligible” dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial legislation.

15. RISK FACTORS

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

Details are provided in the “Risk Factors” section of the Company’s Annual Information Form dated March 28, 2024, which can be found on www.sedarplus.ca.

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

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

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

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

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

There were no changes in the Company's ICFR that occurred during the period from January 1, 2024, to June 30, 2024, that have materially affected, or is reasonably likely to materially affect, the Company's ICFR.

In accordance with the provisions of National Instrument 52-109, Supremex has limited the scope of its design of Supremex' DC&P and ICFR to exclude controls, policies and procedures of a business acquired not more than 365 days before June 30, 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's certification on the second quarter of 2024 now includes its previous business acquisition of Graf-Pak.

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.