

The image features a light gray background with a repeating pattern of white line-art icons representing shipping boxes and envelopes. The icons are arranged in a grid, alternating between boxes and envelopes in a checkerboard pattern. Overlaid on this grid is the word "Supremex" 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-month periods ended March 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 May 8, 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-month period ended March 31, 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-month period ended March 31, 2024. The consolidated financial statements for the three-month period ended March 31, 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](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, free cash flow per share, Net debt, Net debt to Adjusted EBITDA ratio<sup>1</sup>, 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.

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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 March 31	
	2024	2023
<b>Statement of Earnings</b>		
Revenue	73,268	88,422
Operating earnings	5,763	14,371
Adjusted EBITDA <sup>(1)</sup>	10,483	18,841
Adjusted EBITDA margin <sup>(1)</sup>	14.3%	21.3%
Net earnings	3,496	9,497
Basic and diluted net earnings per share	0.14	0.37
Adjusted net earnings <sup>(1)</sup>	3,514	9,780
Adjusted net earnings per share <sup>(1)</sup>	0.14	0.38
<b>Cash Flow</b>		
Net cash flows related to operating activities	5,096	7,541
Free Cash Flow <sup>(1)</sup>	4,733	3,403

<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 March 31, 2024, and recent events

- Total revenue of \$73.3 million, down from \$88.4 million in the first quarter of 2023, but up sequentially from \$72.3 million in the fourth quarter of 2023.
- Envelope segment revenue of \$53.4 million, versus \$64.5 million a year ago and \$50.6 million three months ago.
- Packaging and Specialty Products segment revenue of \$19.8 million, versus \$24.0 million last year and \$21.7 million in the fourth quarter of 2023.
- Net earnings of \$3.5 million, or \$0.14 per share, versus \$9.5 million, or \$0.37 per share, in the first quarter of 2023, and \$0.7 million, or \$0.03 per share in the fourth quarter of 2023.
- Adjusted EBITDA<sup>2</sup> was \$10.5 million, or 14.3% of revenue, versus \$18.8 million, or 21.3% of revenue, last year, and \$9.0 million, or 12.4% of sales, in the fourth quarter of 2023.
- On May 1<sup>st</sup>, 2024, the Company announced the acquisition of the assets of Forest Envelope Group (“Forest Envelope”), a regional leader in specialty envelope manufacturing located in Bolingbrook, Illinois.
- On May 8, 2024, the Board of Directors declared a quarterly dividend of \$0.04 per common share, payable on June 21, 2024, to shareholders of record at the close of business on June 6, 2024.

### 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.

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

These Non-IFRS Financial Measures are defined as follows:

Non-IFRS Measure	Definition
EBITDA	<p>EBITDA represents earnings before net financing charges, income tax expense, depreciation of property, plant and equipment and right-of-use assets and amortization of intangible assets.</p> <p>The Company uses EBITDA to assess its performance. Management believes this non-IFRS measure provides users with an enhanced understanding of its operating earnings.</p>
Adjusted EBITDA	<p>Adjusted EBITDA represents EBITDA adjusted to remove items of significance that are not in the normal course of operations. These items of significance include, when applicable, but are not limited to, charges for impairment of assets, restructuring expenses, value adjustment on inventory acquired and business acquisition costs.</p> <p>The Company uses Adjusted EBITDA to assess its operating performance, excluding items that are not in the normal course of operations. Management believes this non-IFRS measure provides users with enhanced understanding of the Company's operating earnings and 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. Management believes this non-IFRS measure provides users with enhanced understanding of the Company's 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>
Net debt	<p>Net debt represents the Company's total debt, net of deferred financing costs and cash.</p> <p>The Company uses Net debt as an indicator of its indebtedness level and financial leverage as it represents the amount of debt that is not covered by available cash. Management believes that investors could benefit from the use of net debt to determine a company's financial leverage.</p>
Net debt to Adjusted EBITDA ratio	<p>Net debt to Adjusted EBITDA ratio represents Net debt divided by trailing 12-month (TTM) Adjusted EBITDA.</p> <p>This ratio is used by management to monitor the Company's financial leverage and management believes certain investors use this ratio as a measure of financial leverage.</p>

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

### Reconciliation of Net earnings to Adjusted EBITDA

(in thousands of dollars, except for margins)

	Three-month periods ended March 31	
	2024	2023
<b>Net earnings</b>	<b>3,496</b>	<b>9,497</b>
Income tax expense	1,153	3,404
Net financing charges	1,114	1,470
Depreciation of property, plant and equipment	1,633	1,547
Depreciation of right-of-use assets	1,354	1,346
Amortization of intangible assets	1,709	1,193
<b>EBITDA</b>	<b>10,459</b>	<b>18,457</b>
Acquisition costs related to business combinations	—	191
Restructuring expenses	24	126
Value adjustment on acquired inventory through a business combination	—	67
<b>Adjusted EBITDA</b>	<b>10,483</b>	<b>18,841</b>
<i>Adjusted EBITDA margin (%)</i>	<i>14.3%</i>	<i>21.3%</i>

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

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

	Three-month periods ended March 31	
	2024	2023
<b>Net earnings</b>	<b>3,496</b>	<b>9,497</b>
Adjustments, net of income taxes		
Acquisition costs related to business combinations	—	140
Restructuring expenses	18	93
Value adjustment on acquired inventory through a business combination	—	50
<b>Adjusted net earnings</b>	<b>3,514</b>	<b>9,780</b>
<b>Net earnings per share</b>	<b>0.14</b>	<b>0.37</b>
Adjustments, net of income taxes, per share	—	0.01
<b>Adjusted net earnings per share</b>	<b>0.14</b>	<b>0.38</b>

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

(in thousands of dollars)

	Three-month periods ended March 31	
	2024	2023
<b>Cash flows related to operating activities</b>	<b>5,096</b>	<b>7,541</b>
Acquisitions (net of disposals) of property, plant and equipment	(363)	(4,133)
Acquisitions of intangible assets	—	(5)
<b>Free Cash Flow</b>	<b>4,733</b>	<b>3,403</b>

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

	<b>As at March 31, 2024</b>	<b>As at December 31, 2023</b>
Total debt	54,877	56,766
Deferred financing costs	(203)	(256)
Cash	(1,006)	(1,066)
<b>Net debt</b>	<b>53,668</b>	<b>55,444</b>
Adjusted EBITDA – TTM <sup>(1)</sup>	40,761	49,119
<b>Net debt to Adjusted EBITDA ratio</b>	<b>1.3</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 ten manufacturing facilities across four provinces in Canada and six manufacturing facilities in four states in the United States employing approximately 1,000 people. Supremex’ growing footprint allows for efficient manufacturing and distribution of 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<sup>®3</sup>, labels, 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 over 40 years, Supremex has developed its core paper substrate and converting expertise to become one of the largest manufacturers and distributors of envelopes in North America. Several years ago, it initiated a growth and diversification strategy into packaging and specialty products.

#### ***The Envelope Segment***

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

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

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

<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.

## 6. OUTLOOK

Following a challenging market environment in the second half of 2023, the Company anticipates demand to gradually return, although the pace of market recovery could continue to be constrained 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.

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

## 7. FOREIGN EXCHANGE RATES

### 7.1 Foreign Exchange Rates

The following table shows average and closing exchange rates applicable to Supremex' three-month periods ended March 31, 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 March 31	
	2024	2023
USD Average	1.349	1.352
USD Closing	1.355	1.353

## 8. SUMMARY OF FINANCIAL INFORMATION

### 8.1 Summary of Financial Information

#### Selected Consolidated Financial Information

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

	Three-month periods ended March 31	
	2024	2023
<b>Revenue</b>	<b>73,268</b>	<b>88,422</b>
Operating expenses	52,460	58,061
Selling, general and administrative expenses	10,318	11,811
<b>Operating earnings before depreciation, amortization and other items</b>	<b>10,490</b>	<b>18,550</b>
Depreciation of property, plant and equipment	1,633	1,547
Depreciation of right-of-use assets	1,354	1,346
Amortization of intangible assets	1,709	1,193
Restructuring expenses	24	126
Gain on disposal of property, plant and equipment	7	(33)
<b>Operating earnings</b>	<b>5,763</b>	<b>14,371</b>
Net financing charges	1,114	1,470
<b>Earnings before income taxes</b>	<b>4,649</b>	<b>12,901</b>
Income tax expense	1,153	3,404
<b>Net earnings</b>	<b>3,496</b>	<b>9,497</b>
Basic and diluted net earnings per share	0.14	0.37
Dividend declared per share	0.04	0.035



## Revenue Information

(in thousands of dollars, except %)

	Three-month periods ended March 31	
	2024	2023
<b>Envelope</b>	<b>53,426</b>	<b>64,455</b>
Volume change	(17.4%)	3.1%
Average selling price change	0.4%	40.1%
<b>Total change</b>	<b>(17.1%)</b>	<b>44.4%</b>
<b>Packaging &amp; specialty products</b>	<b>19,842</b>	<b>23,967</b>
<b>Total change</b>	<b>(17.2%)</b>	<b>28.7%</b>
<b>Total revenue</b>	<b>73,268</b>	<b>88,422</b>
<b>Revenue change</b>	<b>(17.1%)</b>	<b>39.8%</b>

## Segmented Information

(in thousands of dollars, except %)

	Three-month periods ended March 31	
	2024	2023
<b>Segmented revenue</b>		
Envelope	53,426	64,455
Packaging & specialty products	19,842	23,967
<b>Total revenue</b>	<b>73,268</b>	<b>88,422</b>
<b>Segmented Adjusted EBITDA<sup>(1)</sup></b>		
Envelope	10,904	17,268
% of segmented revenue	20.4%	26.8%
Packaging & specialty products	1,210	3,849
% of segmented revenue	6.1%	16.1%
Corporate and other non-allocated expenses	(1,631)	(2,276)
<b>Total Adjusted EBITDA<sup>(1)</sup></b>	<b>10,483</b>	<b>18,841</b>
% of total revenue	14.3%	21.3%

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

## 9. ANALYSIS OF RESULTS

### 9.1 Results for the three-month period ended March 31, 2024

#### Revenue

Total revenue for the three-month period ended March 31, 2024, was \$73.3 million, representing a decrease of \$15.2 million, or 17.1%, from the equivalent quarter of 2023.

### *Envelope Segment*

Revenue was \$53.4 million, representing a decrease of 17.1%, from \$64.5 million in the first quarter of 2023, which was positively affected by the tailwinds of the company's ability to capitalize on the supply-chain issues of 2022. The variation mainly reflects the lower volume of units sold due to the effects of higher interest rates and inflation on market demand partially offset by a slightly higher average selling price. The Envelope segment represented 72.9% of the Company's revenue in the quarter, unchanged from the equivalent period of last year.

### *Packaging & Specialty Products Segment*

Revenue was \$19.8 million, down 17.2% from \$24.0 million in the first 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 27.1% of the Company's revenue in the quarter, unchanged from the equivalent period of last year.

### **Operating Expenses**

Operating expenses for the three-month period ended March 31, 2024 were \$52.5 million, compared to \$58.1 million in the equivalent period of 2023. This 9.6% decrease is mainly due to lower sales as well as higher raw material and labour costs as a percentage of sales compared to last year. Operating expenses represented 71.6% of revenue in the first quarter of 2024, compared to 65.7% 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 March 31, 2024, compared to \$11.8 million during the same period in 2023. This decrease of \$1.5 million, or 12.6% is essentially attributable to lower compensation expenses, including for Deferred Share Units ("DSUs") and Performance Share Units ("PSUs"), lower professional fees and a foreign exchange gain.

### **EBITDA<sup>5</sup> and Adjusted EBITDA<sup>5</sup>**

EBITDA was \$10.5 million, compared to \$18.5 million in the first quarter last year. Adjusted EBITDA was \$10.5 million, versus \$18.8 million in the first quarter of 2023. The decrease reflects lower revenue, as well as lower fixed cost absorption, partially offset by lower operating expenses as well as lower selling, general and administrative expenses. The Adjusted EBITDA margin was 14.3% of revenue, versus 21.3% in the equivalent quarter of 2023.

### *Envelope Segment*

Adjusted EBITDA was \$10.9 million, down from \$17.3 million in the first quarter of 2023. The decrease is primarily the result of the lower volume of units sold which negatively impacted the absorption of fixed costs. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 20.4%, compared with 26.8% in the equivalent period of 2023, and 17.2% sequentially compared to the fourth quarter of 2023.

### *Packaging & Specialty Products Segment*

Adjusted EBITDA was \$1.2 million, versus \$3.8 million in the first quarter of 2023. This decrease is largely explained by the effect of lower volume on the absorption of fixed costs. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 6.1%, compared to 16.1% in the equivalent period of 2023, and 6.1% sequentially compared to the fourth quarter of 2023.

### *Corporate and other non-allocated expenses*

The Corporate and other non-allocated expenses were \$1.6 million compared to \$2.3 million in the first quarter of 2023. The decrease is mostly due to a favourable adjustment related to DSUs and PSUs and severance costs in the first quarter of 2023.

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

### **Depreciation and Amortization**

Aggregate depreciation and amortization expenses for the three-month period ended March 31, 2024, amounted to \$4.7 million, compared to \$4.1 million in the first quarter of 2023. The increase is mainly due to the amortization of intangibles stemming from last year's acquisitions of Impression Paragraph Inc. ("Paragraph") and Graf-Pak Inc. ("Graf-Pak").

### **Restructuring expenses**

In the three-month period ended March 31, 2024, the Company incurred restructuring expenses of \$24,000 mostly related to the optimization of folding carton activities following the closure of the St-Hyacinthe facility in October 2023. Last year's results included restructuring expenses of \$0.1 million related to the relocation of a folding carton plant in Lachine.

### **Net Financing Charges**

Net financing charges for the three-month period ended March 31, 2024 were \$1.1 million, versus \$1.5 million in the equivalent period of the prior year. The variation reflects lower indebtedness in the first 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 \$4.6 million, or 6.3% of revenue, during the three-month period ended March 31, 2024, compared to \$12.9 million, or 14.6% of revenue, during the equivalent period of 2023.

### **Income Tax Expense**

Income taxes were \$1.2 million, or an effective tax rate of 24.8%, in the three-month period ended March 31, 2024, compared to \$3.4 million, or an effective tax rate of 26.4%, 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 Earnings<sup>6</sup>, Net Earnings per share and Adjusted Net Earnings per share<sup>6</sup>**

Net earnings were \$3.5 million or \$0.14 per share for the three-month period ended March 31, 2024, compared to \$9.5 million or \$0.37 per share for the equivalent period last year.

Adjusted net earnings were \$3.5 million or \$0.14 per share for the three-month period ended March 31, 2024, compared to \$9.8 million or \$0.38 per share for the equivalent period in 2023.

### **Other Comprehensive Income**

The discount rate used to calculate the accrued plan benefit obligations was 4.9% as at March 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 \$0.3 million in the first quarter of 2024.

## **9.2 Geographical Revenue and Asset Diversification**

### **Revenue by Geography**

(in thousands of dollars)

	Three-month periods ended March 31	
	2024	2023
Canada	40,992	51,278
U.S.	32,276	37,144
<b>Total revenue</b>	<b>73,268</b>	<b>88,422</b>

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

For the three-month period ended March 31, 2024, revenue in Canada was \$41.0 million, down from \$51.3 million in the equivalent quarter of 2023, and \$41.0 million sequentially compared to the fourth quarter of 2023. In the United States, revenue was \$32.3 million, compared to \$37.1 million in 2023 and \$31.3 million sequentially compared to the fourth quarter of 2023.

The Company's non-current assets were \$143.2 million in Canada and \$50.3 million in the United States as at March 31, 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.

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

### Selected Quarterly Operating Results

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

	Mar 31 2024	Dec. 31 2023	Sep. 30 2023	Jun. 30 2023	Mar. 31 2023	Dec. 31 2022	Sep. 30 2022	Jun. 30 2022
Envelope	53,426	50,571	49,292	49,247	64,455	60,686	49,115	45,878
Packaging	19,842	21,730	20,506	22,419	23,967	18,075	18,804	16,640
<b>Total Revenue</b>	<b>73,268</b>	<b>72,301</b>	<b>69,798</b>	<b>71,666</b>	<b>88,422</b>	<b>78,761</b>	<b>67,919</b>	<b>62,518</b>
Adjusted EBITDA <sup>(1)</sup>	10,483	8,986	11,730	9,562	18,841	15,332	15,512	13,914
Earnings before income taxes	4,649	656	6,816	2,963	12,901	9,005	10,881	9,822
Net earnings	3,496	724	5,001	2,113	9,497	6,660	8,110	7,364
Net earnings per share	0.14	0.03	0.19	0.08	0.37	0.26	0.31	0.28
Adjusted net earnings <sup>(1)</sup>	3,514	2,236	4,049	2,270	9,780	7,854	8,451	7,364
Adjusted net earnings <sup>(1)</sup> per share	0.14	0.09	0.16	0.09	0.38	0.31	0.32	0.28

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

## 11. FINANCIAL POSITION

### 11.1 Summary Financial Position Highlights

#### Selected Financial Position Information

(in thousands of dollars)

	As at March 31, 2024	As at December 31, 2023
Working capital	41,648	40,730
Total assets	274,477	263,757
Total liabilities	138,312	129,040
Total equity	136,165	134,717

### 11.2 Assets

The \$10.7 million increase in total assets as at March 31, 2024, when compared to December 31, 2023, mostly results from a \$4.9 million increase in accounts receivable due to higher business activity in the first quarter of 2024 compared to the fourth quarter of 2023, and to a \$4.9 million increase in right-of-use assets.

### 11.3 Liabilities

The \$9.3 million increase in total liabilities as at March 31, 2024, when compared to December 31, 2023, is mainly attributable to \$6.2 million increase in accounts payable and accrued liabilities due to higher business activity in the first quarter of 2024 compared to the fourth quarter of 2023 and to a \$5.1 million increase in lease liabilities, including the current portion. These factors were partially offset by a \$1.8 million reduction in long-term debt, including the current portion but excluding deferred financing costs, resulting from the Company's free cash flow generation.

#### **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 bankers' acceptance rates, plus an applicable margin that ranges between 0% and 2.75%. The agreement for this credit facility matures in May 2026, following the approval of a one-year extension in May 2023, and no principal repayments are required prior to maturity. The Company may request that the agreement be extended by one year on every anniversary date. The extension is dependent upon the approval of the lenders. As at March 31, 2024, the amount outstanding on the credit facility was \$53.8 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 March 31, 2024.

#### **Term loans**

The Company has four term loans totaling \$1.1 million as at March 31, 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)

	<b>As at March 31, 2024</b>	<b>As at December 31, 2023</b>
Secured revolving credit facility	53,801	55,630
Term loans	1,076	1,136
<b>Total debt</b>	<b>54,877</b>	<b>56,766</b>
Deferred financing costs	(203)	(256)
Current portion	(247)	(245)
<b>Long-term portion</b>	<b>54,427</b>	<b>56,265</b>

The Company's total debt decreased to \$54.9 million as at March 31, 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 March 31, 2024, the ratio of Net debt<sup>7</sup> to Adjusted EBITDA<sup>7</sup> 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.

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

## 12. LIQUIDITY AND CAPITAL RESOURCES

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

### Summary of cash flows

(in thousands of dollars)

	Three-month periods ended March 31	
	2024	2023
Operating activities	5,096	7,541
Investing activities	(363)	(31,205)
Financing activities	(4,547)	23,842
Net foreign exchange difference	(246)	12
<b>Net change in cash</b>	<b>(60)</b>	<b>190</b>

#### 12.1 Cash Flows Related to Operating Activities

Net cash flows from operating activities were \$5.1 million during the three-month period ended March 31, 2024, compared to \$7.5 million in the equivalent period of 2023. The increase is mainly attributable to 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 \$0.4 million during the three-month period ended March 31, 2024, essentially for acquisitions of property, plant and equipment, net of disposals. In the equivalent period of 2023, net cash flows used in investing activities were \$31.2 million, mainly to finance the acquisition of Paragraph for a consideration of \$27.1 million, net of cash acquired.

#### 12.3 Cash Flows Related to Financing Activities

Net cash flows used in financing activities were \$4.5 million during the three-month period ended March 31, 2024, reflecting a \$1.8 million decrease in the credit facility, \$1.4 million in share repurchase and \$1.3 million in repayment of lease liabilities. During the three-month period ended March 31, 2023, net cash flows from financing activities stood at \$23.8 million, primarily reflecting an increase in the credit facility to finance the acquisition of Paragraph.

#### **Free Cash Flow<sup>8</sup>**

Free cash flow amounted to \$4.7 million in the first quarter of 2024, compared to \$3.4 million for the same period last year, mainly attributable to lower net additions to property, plant and equipment, partially offset by lower cash flow from operations.

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

During the three-month period ended March 31, 2024, the Company repurchased and cancelled 318,600 common shares through its NCIB program for total consideration of \$1.4 million.

Subsequent to the end of the period, an additional 250,400 shares were purchased for cancellation for total consideration of \$1.0 million.

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

### 13. SHARE CAPITAL

As at March 31, 2024 the share capital issued and outstanding of the Company consisted of 25,347,669 common shares (25,666,269 as at December 31, 2023).

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

#### Number of common shares

	Three-month period ended March 31, 2024
Balance, as at December 31, 2023	25,666,269
Common shares purchased for cancellation	(318,600)
<b>Balance, as at March 31, 2024</b>	<b>25,347,669</b>

As at May 8, 2024, the Company had 25,231,369 common shares outstanding.

### 14. SUBSEQUENT EVENTS

On May 1<sup>st</sup>, 2024, the Company announced the acquisition of the assets of Forest Envelope Group (“Forest Envelope”) a regional leader in specialty envelope manufacturing and lithography located in Bolingbrook, Illinois. The transaction was concluded for a total consideration of approximately US\$1.8 million, on a cash-free and debt-free basis, subject to customary adjustments, financed through the Company’s existing credit facility.

On May 8, 2024, the Board of Directors declared a quarterly dividend of \$0.04 per common share, payable on June 21, 2024, to the shareholders of record at the close of business on June 6, 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](http://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:

- i. 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
- ii. 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 March 31, 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 March 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 Graf-Pak will be covered no later than the second quarter of 2024.

### **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).