



## PRESS RELEASE

### SUPREMEX ANNOUNCES FIRST QUARTER 2015 RESULTS AND DECLARES REGULAR QUARTERLY DIVIDEND

**Montreal, Quebec, May 7, 2015** – Supremex Inc. ("Supremex" or the "Company") (TSX: SXP), Canada's largest manufacturer and marketer of a broad range of stock and custom envelopes and growing provider of packaging and specialty products, today announced its results for the first quarter ended March 31, 2015.

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#### First-Quarter Highlights:

- 2015 Q1 revenues increased by 2.3% year-over-year to \$34.7 million, on strong growth in the U.S. envelope market and higher selling prices in both the U.S. and Canadian markets necessitated by increased input costs
  - EBITDA<sup>1</sup> increased by 9.8% reaching \$8.1 million compared to last year's first quarter. Excluding non-cash gains to the Company's benefit plans, adjusted EBITDA decreased by 4.6% to \$7.0 million because of higher costs of raw materials denominated in U.S. dollars
  - Net earnings grew by 12.9%, reaching \$3.8 million (or \$0.13 per share) compared to \$3.4 million (or \$0.12 per share) in the first quarter of last year
  - Revenues from the Canadian envelope market decreased by 0.8% to \$27.2 million on a 1.8% decline in the volume of units sold, mitigated by a 1.1% increase in average selling price
  - Revenues from the U.S. envelope market continued to increase, growing by 24.6% and reaching \$5.2 million on an 18.3% increase in the volume of units sold and 5.4% increase in average selling prices
  - The Company's Board of Directors approved a quarterly dividend payment of \$0.05 per share, which represents a 25% increase over the equivalent quarter of last year
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"We are very pleased to see that our financial discipline and decision to focus on the U.S. market has led to increased revenues and a third consecutive quarter of earnings growth," said Stewart Emerson, President and Chief Executive Officer of Supremex. "Earlier last year, in anticipation of a weaker Canadian dollar and changes to the competitive landscape, we focused on improving our product mix with higher margin and specialty products, further developing the U.S. market and implementing a dedicated approach to controlling costs and reducing debt. We believe that these sustained positive results demonstrate the effectiveness of our strategy."

"Our outlook for the U.S. envelope market remains positive and encouraging for the Canadian market. Although costs of materials were affected by a weaker Canadian dollar, we were able to pass through the increased costs, evidenced by increased average selling prices in both our U.S. and Canadian markets. This positive trend should continue in the second quarter as we further work to improve our product mix, manufacturing efficiencies and debt levels." added Mr. Emerson.

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<sup>1</sup> Refer to the reconciliation of Net Earnings to EBITDA and Adjusted EBITDA and to their definition on page 3 of this press release.

## **Financial Results**

Revenue in the first quarter of 2015 grew to \$34.7 million from \$33.9 million in the first quarter of 2014, an increase of \$0.8 million or 2.3%. Revenues from the U.S. envelope market increased by 24.6%, while revenues from the Canadian envelope market decreased slightly by 0.8%.

Growth in the U.S. envelope market was driven by volume, mix improvement and price increases brought on by the U.S. dollar's appreciation against the Canadian currency. The number of units sold in the U.S. grew by 18.3%, and average selling prices were higher by 5.4%. In Canada, a decrease of 1.8% in the volume of units sold was mitigated by improved pricing towards the end of the quarter, as the Company adjusted to the increases in its raw material costs due to the rapid appreciation of the U.S. dollar against the Canadian currency. Overall, Canadian average selling prices grew by 1.1% during the quarter, a trend that is expected to continue into the second quarter of 2015.

Revenue of specialty products during the quarter remained comparable year-over-year. The agreement announced in the third quarter of 2014 for packaging products is experiencing delays in order ramp-up and as a result the Company has re-directed other packaging orders to the recently acquired equipment to maximize production efficiency and continues to actively pursue business development in this market segment.

In the first quarter of 2015, EBITDA increased by 9.8%, to \$8.1 million. Excluding non-cash gains on amendments to the pension and post-retirement benefits plans, adjusted EBITDA decreased by \$0.3 million or 4.6% to \$7.0 million. This results from the fast appreciation of the U.S. dollar against the Canadian currency, increasing the costs of raw materials. The Company's growing revenues from the U.S. envelope market has mitigated the effect of its exposure to the U.S. dollar.

Net earnings in the first quarter of 2015 increased by 12.9% or \$0.4 million to \$3.8 million, or \$0.13 per share, compared to net earnings of \$0.12 per share last year. As at May 7, 2015, the Company had 28,750,967 common shares outstanding, a decrease of 3,700 shares during the three-month period ended March 31, 2015 pursuant to the Normal Course Issuer Bid program implemented in the second quarter of 2014.

## **Cash Flow from Operations**

During the quarter, cash flows generated from operating activities before working capital adjustments was \$5.4 million compared with \$5.3 million for the same period last year. Working capital required \$4.2 million compared with \$2.0 million last year, mostly to fund the variable compensation plan and inventory ramp-up.

## **Declaration of Dividend**

The Board of Directors declared today a quarterly dividend of \$0.05 per share, payable on July 14, 2015 to shareholders of record at the close of business on June 30, 2015, representing an increase of 25% over the dividend paid during the equivalent period of last year and in-line with the dividend paid in the previous two quarters. This dividend is designated as an "eligible" dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.

## **Corporate update**

Management and the Board of Directors are pleased to announce that Benoît Crowe, Vice President of Finance, will continue with the Company in the financial leadership role. Mr. Crowe has over 15 years of experience in accounting, reporting and treasury management. Prior to his

current role, Mr. Crowe has held positions of Vice President of Finance and Corporate Controller for public companies and previously spent eight years with a public accounting firm. Mr. Crowe holds a Chartered Professional Accountant designation.

### **Forward-Looking Information**

This press release contains “forward-looking information” within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA 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 liability 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 press release. Such assumptions, expectations and estimates are discussed throughout our MD&A for fiscal 2014 and for the quarter ended March 31, 2015.

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: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuation, raw material increases, credits risks with respect to trade receivables, increase in funding of the Company's pension plans, postal services deficiencies, interest rates fluctuation and potential risk of litigation. Such risks and uncertainties are discussed throughout our MD&A for fiscal 2014 and, in particular, in “Risk Factors”. Consequently, we 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.

The Management Discussion and Analysis and Financial Statements can be found on [www.sedar.com](http://www.sedar.com) and on Supremex' website [www.supremex.com](http://www.supremex.com)

## Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA

|                                                        | Three-month periods ended |                |
|--------------------------------------------------------|---------------------------|----------------|
|                                                        | March 31, 2015            | March 31, 2014 |
|                                                        | \$                        | \$             |
| Net Earnings                                           | 3,804                     | 3,368          |
| Income tax expense                                     | 1,400                     | 1,233          |
| Financing charges                                      | 362                       | 322            |
| Amortization of property, plant and equipment          | 961                       | 881            |
| Amortization of intangible assets                      | 1,541                     | 1,541          |
| EBITDA <sup>(1)</sup>                                  | 8,068                     | 7,345          |
| Adjustments                                            |                           |                |
| Less: Gain on pension plan's amendment                 | (443)                     | —              |
| Less: Gain on post-retirement benefits plans amendment | (614)                     | —              |
| Adjusted EBITDA <sup>(1)</sup>                         | 7,011                     | 7,345          |

<sup>(1)</sup> See "Definition of EBITDA". EBITDA (or Adjusted EBITDA) is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA (or Adjusted EBITDA) may not be comparable to similar measures presented by other issuers.

## Definition of EBITDA (or Adjusted EBITDA) and Non-IFRS Measures

References to "EBITDA" are to earnings before financing charges, income tax expense, and amortization of property, plant and equipment and of intangible assets.

EBITDA (or Adjusted EBITDA) is not an earnings measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA (or Adjusted EBITDA) may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA (or Adjusted EBITDA) should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. Supremex believes that EBITDA (or Adjusted EBITDA) is a measurement commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial expenses.

## About Supremex

Supremex Inc. is Canada's largest manufacturer and marketer of a broad range of stock and custom envelopes and growing provider of packaging and speciality products. Supremex is the only national envelope manufacturer in Canada, with facilities across seven (7) provinces and one facility in the United States and employs approximately 500 people. This national presence allows Supremex to manufacture and distribute products tailored to the specifications of national customers such as major corporations, national resellers, government entities, as well as paper merchants, statement processors and solutions providers.

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