

*For Immediate Release*

**Transcontinental Inc. announces its results for the first quarter of fiscal 2021**

**Highlights**

- Generated significant organic sales growth and improved profitability in the Packaging Sector, and maintained rigorous cost control in the Printing Sector.
- Revenues of \$622.7 million for the quarter ended January 24, 2021; operating earnings of \$47.2 million; and net earnings attributable to shareholders of the Corporation of \$27.7 million (\$0.32 per share).
- Adjusted operating earnings before depreciation and amortization<sup>(1)</sup> of \$105.7 million for the quarter ended January 24, 2021; adjusted operating earnings<sup>(1)</sup> of \$68.6 million; and adjusted net earnings attributable to shareholders of the Corporation<sup>(1)</sup> of \$43.8 million (\$0.50 per share).
- Maintained a solid financial position with liquidities of \$182.0 million and access to unused lines of credit of \$428.5 million, for total available liquidities of \$610.5 million.
- Improved net indebtedness ratio<sup>(1)</sup> to 1.8x as a result of the decrease in net indebtedness of \$45.9 million during the first quarter.
- Standard & Poor's rating agency announced a favourable revision of Transcontinental's credit rating, from BBB- / negative outlook to BBB- / stable outlook.
- Named to Corporate Knights' 2021 Global 100 Most Sustainable Corporations in the World and included among the 50 corporations with the lowest ESG risk by Sustainalytics.

(1) Please refer to the section entitled "Non-IFRS Financial Measures" in this press release for a definition of these measures.

**Montréal, February 25, 2021** - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the first quarter of fiscal 2021, which ended January 24, 2021.

"I am very satisfied with our first quarter performance, which bodes well for fiscal 2021, said François Olivier, President and Chief Executive Officer of TC Transcontinental. Once again, these results attest to the relevance of our strategy, the resilience of our business model, our operational excellence as well as the responsible management of our operations as a whole.

"Our Packaging Sector, our main engine of growth, posted organic sales growth in the quarter that exceeded our expectations. This growth stems from customer demand, which remains robust, revenues from signed contracts and the introduction of new products on the market in the previous quarters. In addition, efficiency gains contributed to the improvement of the sector's profitability compared to the prior year. To fuel our organic sales growth, we continue to invest in research and development, mainly in sustainable packaging that contributes to the circular economy for plastics. In fact, we are proud that our compostable packaging for Maxwell House Canada's coffee pods has recently been [recognized](#) by the Packaging Association of Canada for its best in class sustainable design.

"Our Printing Sector continued to demonstrate its resilience as the operations of several of our customers are still affected by the pandemic. Our cost reduction measures enabled us to continue to generate a solid operating margin as well as significant cash flows. While we remain cautious about the evolution of COVID-19 and the restrictions implemented to control its spread, we believe that we will be able to gradually increase printing volumes in the coming quarters. Finally, our Media Sector continued to deliver excellent results.

"To conclude, our first quarter performance and our solid financial position give us the momentum and the capacity to confidently pursue our investment strategy focused on organic sales growth as well as strategic and targeted acquisitions."

## Financial Highlights

(in millions of dollars, except per share amounts)	Q1 - 2021	Q1 - 2020	Variation in %
<b>Revenues</b>	<b>\$622.7</b>	<b>\$705.8</b>	<b>(11.8) %</b>
<b>Operating earnings before depreciation and amortization</b>	<b>100.9</b>	<b>95.7</b>	<b>5.4</b>
<b>Adjusted operating earnings before depreciation and amortization <sup>(1)</sup></b>	<b>105.7</b>	<b>109.0</b>	<b>(3.0)</b>
<b>Operating earnings</b>	<b>47.2</b>	<b>40.8</b>	<b>15.7</b>
<b>Adjusted operating earnings <sup>(1)</sup></b>	<b>68.6</b>	<b>72.1</b>	<b>(4.9)</b>
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>27.7</b>	<b>6.4</b>	<b>n/a</b>
<b>Net earnings attributable to shareholders of the Corporation per share</b>	<b>0.32</b>	<b>0.07</b>	<b>n/a</b>
<b>Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)</sup></b>	<b>43.8</b>	<b>42.8</b>	<b>2.3</b>
<b>Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)</sup></b>	<b>0.50</b>	<b>0.49</b>	<b>2.0</b>

<sup>(1)</sup> Please refer to the section entitled "Reconciliation of Non-IFRS Financial Measures" in this press release for adjusted data presented above.

### 2021 First Quarter Results

Revenues decreased by \$83.1 million, or 11.8%, from \$705.8 million in the first quarter of 2020 to \$622.7 million in the corresponding period of 2021. This decline is mainly attributable to lower volume in the Printing Sector due to the impact of the COVID-19 pandemic and the sale of the paper packaging operations, which occurred toward the end of the first quarter of the previous year. This decrease was partially mitigated by the solid organic growth in revenues in the Packaging Sector and the revenues generated by the acquisition of Artisan Complete Limited in the Printing Sector.

Operating earnings increased by \$6.4 million, or 15.7%, from \$40.8 million in the first quarter of 2020 to \$47.2 million in the first quarter of 2021. The increase in operating earnings is explained by the organic growth in the Packaging Sector. In addition, in the Printing Sector, initiatives to optimize operational efficiency and the Canada Emergency Wage Subsidy offset a majority of the decrease in volume.

Adjusted operating earnings decreased by \$3.5 million, or 4.9%, from \$72.1 million in the first quarter of 2020 to \$68.6 million in the first quarter of 2021. The decrease is mainly explained by lower adjusted operating earnings in the Printing Sector, partially mitigated by higher adjusted operating earnings in the Packaging Sector.

In the Packaging Sector, adjusted operating earnings increased by \$3.1 million, or 11.2%, from \$27.6 million in the first quarter of 2020 to \$30.7 million in the first quarter of 2021, despite the sale of the paper packaging operations. This increase is mainly attributable to higher demand in most of our segments as well as efficiency gains in the sector, and was partially offset by the temporary negative impact of the significant and rapid increase in the price of resin.

In the Printing Sector, adjusted operating earnings decreased by \$5.5 million, or 10.6%, from \$51.8 million in the first quarter of 2020 to \$46.3 million in the first quarter of 2021. The decrease is due to lower volume in our main segments caused by the effects of the COVID-19 pandemic. Cost reduction initiatives undertaken by the sector combined with the Canada Emergency Wage Subsidy partially mitigated this decrease.

Net earnings attributable to shareholders of the Corporation increased by \$21.3 million, from \$6.4 million in the first quarter of 2020 to \$27.7 million in the first quarter of 2021. This increase is mostly explained by the income tax expense related to the sale of the paper packaging operations in the first quarter of 2020, higher operating earnings and the decrease in net financial expenses resulting from a reduction in net indebtedness and a lower weighted average interest rate. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.07 to \$0.32.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$1.0 million, or 2.3%, from \$42.8 million in the first quarter of 2020 to \$43.8 million in the first quarter of 2021. This variation is mostly explained by the decrease in net financial expenses resulting from a reduction in net indebtedness and a lower weighted average interest rate as well as a decrease in adjusted income taxes. This increase was partially offset by lower adjusted operating earnings. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.49 to \$0.50.

## **Outlook**

In the Packaging Sector, the vast majority of our operations support the retail supply chain for food and everyday consumer products, which continue to generate strong demand in the context of the COVID-19 pandemic. Despite the uncertainties related to the pandemic, we expect organic growth in revenues in fiscal 2021 as a result of signing new contracts and introducing new products on the market. The significant and rapid increase in the price of resin seen recently should have a negative impact on the sector's profitability. Excluding the impact of resin and the disposal of the paper packaging operations, we expect to post a slight increase in operating earnings compared to the prior fiscal year, as a result of our operational efficiency initiatives and the anticipated organic growth in revenues. Furthermore, the appreciation of the Canadian dollar against the US dollar in the last year should have a negative impact on revenues and operating earnings in the coming quarters.

In the Printing Sector, the pandemic should continue to negatively affect several of our customers, and this should have an adverse impact on our revenues for the first half of fiscal 2021. Operational efficiency initiatives and the continuation, to a lesser extent, of the Canada Emergency Wage Subsidy should partially mitigate the impact of lower volume on operating earnings. With a gradual recovery in printing volume, we expect organic growth in revenues in the second half of fiscal 2021. Excluding amounts related to the Canada Emergency Wage Subsidy, we expect operating earnings to grow in fiscal 2021 compared to fiscal 2020.

To conclude, despite the impact of the pandemic, we expect to continue generating significant cash flows. This should enable us to reduce our net indebtedness, while providing us with the flexibility needed to pursue our investment strategy focused on organic growth as well as strategic and targeted acquisitions.

## **Non-IFRS Financial Measures**

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS) and the term "dollar", as well as the symbol "\$" designate Canadian dollars.

In addition, in this press release, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3, "Segmented Information", to the unaudited condensed interim consolidated financial statements for the first quarter ended January 24, 2021.

Terms Used	Definitions
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (gains) and impairment of assets.
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by revenues.
Adjusted operating earnings	Operating earnings before restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets arising from business combinations.
Adjusted operating earnings margin	Adjusted operating earnings divided by revenues.
Adjusted income taxes	Income taxes before income taxes on restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations as well as the effect of the U.S. tax reform on deferred taxes.
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations, net of related income taxes as well as the effect of the U.S. tax reform on deferred taxes.
Net indebtedness	Total of long-term debt, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash.
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization.

## Reconciliation of Non-IFRS Financial Measures

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted operating earnings before depreciation and amortization, adjusted operating earnings, adjusted operating earnings margin, adjusted income taxes, adjusted net earnings attributable to shareholders of the Corporation, adjusted net earnings attributable to shareholders of the Corporation per share, net indebtedness and net indebtedness ratio, for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many of our readers analyze the financial performance of the Corporation's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

The Corporation also believes that these measures are useful indicators of the performance of its operations and its ability to meet its financial obligations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

### Reconciliation of operating earnings - First quarter

(in millions of dollars)	Three months ended	
	January 24, 2021	January 26, 2020
<b>Operating earnings</b>	<b>\$47.2</b>	\$40.8
Restructuring and other costs	4.8	13.3
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	16.6	18.0
<b>Adjusted operating earnings</b>	<b>\$68.6</b>	\$72.1
Depreciation and amortization <sup>(2)</sup>	37.1	36.9
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$105.7</b>	\$109.0

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

**Reconciliation of net earnings attributable to shareholders of the Corporation - First quarter**

(in millions of dollars, except per share amounts)	Three months ended			
	January 24, 2021		January 26, 2020	
	Total	Per share	Total	Per share
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$27.7</b>	<b>\$0.32</b>	\$6.4	\$0.07
Restructuring and other costs, net of related income taxes	3.5	0.04	22.8	0.26
Amortization of intangible assets arising from business combinations, net of related income taxes <sup>(1)</sup>	12.6	0.14	13.6	0.16
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$43.8</b>	<b>\$0.50</b>	\$42.8	\$0.49

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.

**Reconciliation of net indebtedness**

(in millions of dollars, except ratios)	As at January 24, 2021	As at October 25, 2020
Long-term debt	\$578.9	\$790.4
Current portion of long-term debt	337.7	229.7
Lease liabilities	130.7	132.0
Current portion of lease liabilities	22.7	22.8
Cash	(182.0)	(241.0)
<b>Net indebtedness</b>	<b>\$888.0</b>	\$933.9
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$496.1	\$499.4
<b>Net indebtedness ratio</b>	<b>1.8 x</b>	1.9 x

**Dividend**

The Corporation's Board of Directors declared a quarterly dividend of \$0.225 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 6, 2021 to shareholders of record at the close of business on March 22, 2021.

**Normal Course Issuer Bid**

The Corporation was authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2020 and September 30, 2021, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 191,320 of its Class B Shares. Under the current repurchase program, the Corporation has not repurchased any shares to date.

**Additional information****Conference Call**

Upon releasing its 2021 first quarter results, the Corporation will hold a conference call for the financial community on February 25, 2021 at 4:15 p.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at 514 954-3581.

## Profile

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also positioned as the leading Canadian French-language educational publishing group. For over 45 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

Respect, teamwork, performance and innovation are the strong values held by the Corporation and its employees. TC Transcontinental's commitment to its stakeholders is to pursue its business activities in a responsible manner.

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has about 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of approximately C\$2.6 billion for the fiscal year ended October 25, 2020. For more information, visit TC Transcontinental's website at [www.tc.tc](http://www.tc.tc).

## Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world, structural changes in the industries in which the Corporation operates, the impact of digital product development and adoption on the demand for retailer-related services and other printed products, the Corporation's ability to generate organic growth in highly competitive industries, the Corporation's ability to complete acquisitions in the packaging industry and properly integrate them, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, cybersecurity and data protection, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment and door-to-door distribution, changes in consumption habits related, in particular, to issues involving sustainable development and the use of certain products or services such as door-to-door distribution, change in consumption habits or loss of a major customer, customer consolidation, the safety and quality of its packaging products used in the food industry, the protection of its intellectual property rights, the exchange rate, availability of capital at a reasonable rate, bad debts from certain customers, import and export controls, raw materials and transportation costs, recruiting and retaining qualified personnel in certain geographic areas and industry sectors, taxation, interest rates and the impact of the COVID-19 pandemic on its operations, facilities and financial results, changes in consumption habits from consumers and changes in the operations and financial position of the Corporation's customers due to the COVID-19 pandemic and the effectiveness of plans and measures implemented in response thereto. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis* for the year ended October 25, 2020 and in the latest *Annual Information Form*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or entered into after the date of February 25, 2021. The forward-looking statements in this press release are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The forward-looking statements in this release are based on current expectations and information available as at February 25, 2021. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

For information:

Media

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the first quarter ended January 24, 2021

The purpose of this *Management's Discussion and Analysis* is to help the reader better understand the business, development strategy and future outlook of Transcontinental Inc., how we manage risk, as well as to analyze the Corporation's results and financial position for the first quarter ended January 24, 2021. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and *Annual Information Form*, may also be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

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In addition, in this *Management's Discussion and Analysis*, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the unaudited condensed interim consolidated financial statements for the first quarter ended January 24, 2021. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

Terms Used	Definitions
Adjusted revenues	Revenues before the accelerated recognition of deferred revenues. <sup>(1)</sup>
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains) and impairment of assets.
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by adjusted revenues.
Adjusted operating earnings	Operating earnings before the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets arising from business combinations.
Adjusted operating earnings margin	Adjusted operating earnings divided by adjusted revenues.
Adjusted income taxes	Income taxes before income taxes on the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations as well as the effect of the U.S. tax reform on deferred taxes.
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations, net of related income taxes as well as the effect of the U.S. tax reform on deferred taxes.
Net indebtedness	Total of long-term debt, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash.
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization.

(1) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

Finally, to facilitate the reading of this report, the terms "TC Transcontinental", "Transcontinental", "Corporation", "we", "our" and "us" all refer to Transcontinental Inc. together with its subsidiaries and joint ventures.



## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often contain oral or written forward-looking statements which are based on the expectations of Management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond its will or control. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis* for the year ended October 25, 2020 and in the latest *Annual Information Form*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or concluded after the date of February 25, 2021.

These forward-looking statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation.

The forward-looking statements in this *Management's Discussion and Analysis* are based on current expectations and information available as at February 25, 2021. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

## PROFILE OF TC TRANSCONTINENTAL

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also positioned as the leading Canadian French-language educational publishing group. For over 45 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

Respect, teamwork, performance and innovation are the strong values held by the Corporation and its employees. TC Transcontinental's commitment to its stakeholders is to pursue its business activities in a responsible manner.

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has about 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of approximately C\$2.6 billion for the fiscal year ended October 25, 2020. For more information, visit TC Transcontinental's website at [www.tc.tc](http://www.tc.tc).

## HIGHLIGHTS

Table #1:

(in millions of dollars, except per share amounts)	Q1 - 2021	Q1 - 2020	Variation in %
Revenues	\$622.7	\$705.8	(11.8) %
Operating earnings before depreciation and amortization	100.9	95.7	5.4
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	105.7	109.0	(3.0)
Operating earnings	47.2	40.8	15.7
Adjusted operating earnings <sup>(1)</sup>	68.6	72.1	(4.9)
Net earnings attributable to shareholders of the Corporation	27.7	6.4	n/a
Net earnings attributable to shareholders of the Corporation per share	0.32	0.07	n/a
Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)</sup>	43.8	42.8	2.3
Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)</sup>	0.50	0.49	2.0

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

- Significant organic sales growth and improved profitability in the Packaging Sector, and rigorous cost control in the Printing Sector.
- Revenues of \$622.7 million for the quarter ended January 24, 2021; operating earnings of \$47.2 million; and net earnings attributable to shareholders of the Corporation of \$27.7 million (\$0.32 per share).
- Adjusted operating earnings before depreciation and amortization of \$105.7 million for the quarter ended January 24, 2021; adjusted operating earnings of \$68.6 million; and adjusted net earnings attributable to shareholders of the Corporation of \$43.8 million (\$0.50 per share).
- Maintained a solid financial position with liquidities of \$182.0 million and access to unused lines of credit of \$428.5 million, for total available liquidities of \$610.5 million.
- Improved net indebtedness ratio to 1.8x as a result of the decrease in net indebtedness of \$45.9 million during the first quarter.
- Standard & Poor's rating agency announced a favourable revision of Transcontinental's credit rating, from BBB- / negative outlook to BBB- / stable outlook.
- Named to Corporate Knights' 2021 Global 100 Most Sustainable Corporations in the World and included among the 50 Corporations with the lowest ESG risk by Sustainalytics.

## PREAMBLE - IMPACT OF COVID-19

As early as the beginning of March 2020, the Corporation actively deployed its company-wide crisis management and communication plan, which enabled it to ensure employee safety while ensuring service continuity for its customers. Since then, the Corporation has been closely monitoring the developments of the COVID-19 pandemic and government recommendations and is acting quickly by adapting security measures as required.

The pandemic continues to disrupt many sectors of the global economy. In the Packaging Sector, which represents approximately half of the Corporation's revenues, the vast majority of our operations support the retail supply chain for food and everyday consumer goods, a sector that continues to experience strong demand. In the Printing Sector, revenues are still negatively impacted, even though volume continues to gradually recover and the Canada Emergency Wage Subsidy program contributes to mitigating the financial impact.

## RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted revenues, adjusted operating earnings before depreciation and amortization, adjusted operating earnings margin before depreciation and amortization, adjusted operating earnings, adjusted operating earnings margin, adjusted income taxes, adjusted net earnings attributable to shareholders of the Corporation, adjusted net earnings attributable to shareholders of the Corporation per share, net indebtedness and the net indebtedness ratio, for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many of our readers analyze the financial performance of the Corporation's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

The Corporation also believes that these measures are useful indicators of the performance of its operations and its ability to meet its financial obligations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

**Table #2:**

**Reconciliation of operating earnings - First quarter**

(in millions of dollars)	Three months ended	
	January 24, 2021	January 26, 2020
<b>Operating earnings</b>	<b>\$47.2</b>	<b>\$40.8</b>
Restructuring and other costs	4.8	13.3
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	16.6	18.0
<b>Adjusted operating earnings</b>	<b>\$68.6</b>	<b>\$72.1</b>
Depreciation and amortization <sup>(2)</sup>	37.1	36.9
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$105.7</b>	<b>\$109.0</b>

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

**Reconciliation of net earnings attributable to shareholders of the Corporation - First quarter**

(in millions of dollars, except per share amounts)	Three months ended			
	January 24, 2021		January 26, 2020	
	Total	Per share	Total	Per share
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$27.7</b>	<b>\$0.32</b>	\$6.4	\$0.07
Restructuring and other costs, net of related income taxes	3.5	0.04	22.8	0.26
Amortization of intangible assets arising from business combinations, net of related income taxes <sup>(1)</sup>	12.6	0.14	13.6	0.16
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$43.8</b>	<b>\$0.50</b>	\$42.8	\$0.49

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.

**Reconciliation of net indebtedness**

(in millions of dollars, except ratios)	As at January 24, 2021	As at October 25, 2020
Long-term debt	\$578.9	\$790.4
Current portion of long-term debt	337.7	229.7
Lease liabilities	130.7	132.0
Current portion of lease liabilities	22.7	22.8
Cash	(182.0)	(241.0)
<b>Net indebtedness</b>	<b>\$888.0</b>	<b>\$933.9</b>
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$496.1	\$499.4
<b>Net indebtedness ratio</b>	<b>1.8 x</b>	<b>1.9 x</b>

## ANALYSIS OF CONSOLIDATED RESULTS - FIRST QUARTER

### Revenues

Revenues decreased by \$83.1 million, or 11.8%, from \$705.8 million in the first quarter of 2020 to \$622.7 million in the corresponding period in 2021. This decline is especially caused by lower volume in the Printing Sector due to the impact of the pandemic and the disposal of the paper packaging operations, sold toward the end of the first quarter of the previous year. This decrease was partially mitigated by the organic growth in the Packaging Sector and the acquisition of Artisan Complete Limited in the Printing Sector. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - First Quarter".

### Operating and Other Expenses

Operating expenses decreased by \$79.8 million, or 13.4%, in the first quarter of 2021 compared to the corresponding period in 2020. This decrease results from lower volume in the Printing Sector, the sale of the paper packaging operations, measures taken by the Corporation to reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy.

Restructuring and other costs decreased by \$8.5 million, from an expense of \$13.3 million in the first quarter of 2020 to an expense of \$4.8 million in the first quarter of 2021. The favourable effect is mainly attributable to lower workforce reduction costs in the Printing Sector and costs related to the sale of the paper packaging operations in the first quarter of 2020.

Depreciation and amortization decreased by \$1.2 million, from \$54.9 million in the first quarter of 2020 to \$53.7 million in the first quarter of 2021. This decrease is largely attributable to the impact of the disposal of the paper packaging operations, partially offset by an increase in capital expenditures in the two main sectors.

### Operating Earnings

Operating earnings increased by \$6.4 million, or 15.7%, from \$40.8 million in the first quarter of 2020 to \$47.2 million in the first quarter of 2021. The increase in operating earnings is explained by the organic growth in the Packaging Sector. In addition, in the Printing Sector, initiatives to optimize operational efficiency and the Canada Emergency Wage Subsidy offset a majority of the decrease in volume.

Adjusted operating earnings decreased by \$3.5 million, or 4.9%, from \$72.1 million in the first quarter of 2020 to \$68.6 million in the first quarter of 2021. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - First Quarter".

### Net Financial Expenses

Net financial expenses decreased by \$3.2 million, from \$14.0 million in the first quarter of 2020 to \$10.8 million in the first quarter of 2021. This decrease is attributable to a reduction in net indebtedness and a lower weighted average interest rate.

### Income Taxes

Income taxes decreased by \$11.7 million, from \$20.3 million in the first quarter of 2020 to \$8.6 million in the first quarter of 2021. This decrease is mainly attributable to the tax expense recorded on taxable income (tax basis) generated by the sale of the paper packaging operations in January 2020.

Adjusted income taxes decreased by \$1.3 million, from \$15.2 million in the first quarter of 2020, for an effective tax rate of 26.1%, to \$13.9 million in the first quarter of 2021, for an effective tax rate of 24.0%. This decrease in tax rate is mostly attributable to the geographic distribution of adjusted operating earnings before taxes.

### Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation increased by \$21.3 million, from \$6.4 million in the first quarter of 2020 to \$27.7 million in the first quarter of 2021. This increase is mostly explained by the income tax expense related to the sale of the paper packaging operations in the first quarter of 2020, the increase in operating earnings and the decrease in net financial expenses compared to the corresponding period in the previous year. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.07 to \$0.32 respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$1.0 million, or 2.3%, from \$42.8 million in the first quarter of 2020 to \$43.8 million in the first quarter of 2021. This variation is mostly explained by the decrease in net financial expenses and adjusted income taxes, partially offset by lower adjusted operating earnings. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.49 to \$0.50 respectively.

## ANALYSIS OF SECTOR RESULTS - FIRST QUARTER

(unaudited)

**Table #3:**

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
<b>Adjusted revenues - First quarter of 2020</b>	<b>\$371.5</b>	<b>\$325.8</b>	<b>\$8.5</b>	<b>\$705.8</b>
Acquisitions/disposals and closures	(52.4)	6.5	—	(45.9)
Existing operations				
Exchange rate effect	(3.0)	0.1	—	(2.9)
Organic growth (decline)	21.1	(58.0)	2.6	(34.3)
<b>Adjusted revenues - First quarter of 2021</b>	<b>\$337.2</b>	<b>\$274.4</b>	<b>\$11.1</b>	<b>\$622.7</b>
<b>Adjusted operating earnings<sup>(1)</sup> - First quarter of 2020</b>	<b>\$27.6</b>	<b>\$51.8</b>	<b>\$(7.3)</b>	<b>\$72.1</b>
Acquisitions/disposals and closures	(0.7)	(0.2)	—	(0.9)
Existing operations				
Exchange rate effect	(0.3)	0.2	—	(0.1)
Stock-based compensation	—	—	(3.5)	(3.5)
Organic growth (decline)	4.1	(5.5)	2.4	1.0
<b>Adjusted operating earnings<sup>(1)</sup> - First quarter of 2021</b>	<b>\$30.7</b>	<b>\$46.3</b>	<b>\$(8.4)</b>	<b>\$68.6</b>

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

### Packaging Sector

Packaging Sector revenues decreased by \$34.3 million, or 9.2%, from \$371.5 million in the first quarter of 2020 to \$337.2 million in the first quarter of 2021. This decrease is mostly due to the sale of the paper packaging operations in January 2020, which had an unfavourable effect of \$52.4 million. The organic growth of \$21.1 million results mainly from higher production volumes in most segments, in particular those serving the retail supply chain for food and everyday consumer products. In addition, the increase in the price of resin had a positive impact on revenues.

Adjusted operating earnings increased by \$3.1 million, or 11.2%, from \$27.6 million in the first quarter of 2020 to \$30.7 million in the first quarter of 2021. This increase is mainly attributable to higher demand for food and everyday consumer good packaging products as well as efficiency gains in the sector. It was partially offset by the temporary negative impact of the significant and rapid rise in the price of resin. As a result, the sector's adjusted operating earnings margin went from 7.4% in the first quarter of 2020 to 9.1% in the first quarter of 2021.

### Printing Sector

Printing Sector revenues decreased by \$51.4 million, or 15.8%, from \$325.8 million in the first quarter of 2020 to \$274.4 million in the first quarter of 2021. The organic decline of \$58.0 million is mostly explained by lower volume in most segments, in particular in retail and distribution markets, caused by the effect of the pandemic, which reduced printing activities. The organic decline was partially mitigated by the positive impact of the acquisition of Artisan Complete Limited in January 2020.

Adjusted operating earnings decreased by \$5.5 million, or 10.6%, from \$51.8 million in the first quarter of 2020 to \$46.3 million in the first quarter of 2021. The decrease is due to lower volume in the main printing segments caused by the effect of the pandemic. Cost reduction initiatives undertaken by the sector combined with the impact of the Canada Emergency Wage Subsidy partially mitigated this decrease. The sector's adjusted operating earnings margin slightly increased, from 15.9% in the first quarter of 2020 to 16.9% in the first quarter of 2021.

### Other

Revenues increased by \$2.6 million, from \$8.5 million in the first quarter of 2020 to \$11.1 million in the first quarter of 2021. This increase is mostly attributable to higher volume in the Media Sector.

Adjusted operating earnings decreased by \$1.1 million or 15.1%, from \$-7.3 million in the first quarter of 2020 to \$-8.4 million in the first quarter of 2021, mainly due to the unfavourable change in stock-based compensation expense. This change was partially mitigated by the increase in adjusted operating earnings in the Media Sector as a result of higher volume, as well as cost reduction initiatives at head office.

## SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #4 summarizes selected consolidated financial information derived from the Corporation's unaudited condensed interim consolidated financial statements and some non-IFRS financial measures for each of the last eight quarters.

Table #4:

(in millions of dollars, except per share amounts)	2021		2020		2019			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	<b>\$622.7</b>	\$655.7	\$587.4	\$625.1	<b>\$705.8</b>	\$790.9	\$728.9	\$767.4
Adjusted revenues <sup>(1)</sup>	<b>622.7</b>	655.7	587.4	625.1	<b>705.8</b>	779.2	728.9	767.4
Operating earnings before depreciation and amortization <sup>(2)</sup>	<b>100.9</b>	134.9	130.1	97.3	<b>95.7</b>	206.9	107.2	93.7
Adjusted operating earnings before depreciation and amortization <sup>(1)(2)</sup>	<b>105.7</b>	146.8	139.3	104.3	<b>109.0</b>	139.1	112.9	115.7
Adjusted operating earnings margin before depreciation and amortization <sup>(1)(2)</sup>	<b>17.0 %</b>	22.4 %	23.7 %	16.7 %	<b>15.4 %</b>	17.9 %	15.5 %	15.1 %
Operating earnings <sup>(2)</sup>	<b>\$47.2</b>	\$81.2	\$75.3	\$44.1	<b>\$40.8</b>	\$156.2	\$56.6	\$43.1
Adjusted operating earnings <sup>(1)(2)</sup>	<b>68.6</b>	110.1	102.1	68.5	<b>72.1</b>	106.8	80.9	83.6
Adjusted operating earnings margin <sup>(1)(2)</sup>	<b>11.0 %</b>	16.8 %	17.4 %	11.0 %	<b>10.2 %</b>	13.7 %	11.1 %	10.9 %
Net earnings attributable to shareholders of the Corporation <sup>(2)</sup>	<b>\$27.7</b>	\$51.3	\$48.3	\$25.7	<b>\$6.4</b>	\$112.3	\$3.4	\$22.3
Net earnings attributable to shareholders of the Corporation per share <sup>(2)</sup>	<b>0.32</b>	0.59	0.56	0.30	<b>0.07</b>	1.28	0.04	0.26
Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)(2)</sup>	<b>43.8</b>	72.4	68.2	43.6	<b>42.8</b>	69.9	52.2	52.6
Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)(2)</sup>	<b>0.50</b>	0.83	0.78	0.50	<b>0.49</b>	0.80	0.60	0.60
% of fiscal year	<b>— %</b>	32 %	30 %	19 %	<b>19 %</b>	31 %	24 %	24 %

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

(2) The results reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, prior quarters to this date have not been modified.

The variability of financial information for interim periods is influenced by many factors, such as:

- The impact of acquisitions, disposals and closures completed in line with our transformation;
- The exchange rate effect;
- The interest rates;
- The impact of the change in the share price on the stock-based compensation expense.

Excluding the impact of the above-mentioned items, we can note lower organic growth caused by a decrease in the Printing Sector and an increase in profitability in the Packaging Sector.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #5:

(in millions of dollars)	Three months ended	
	January 24, 2021	January 26, 2020
<b>Operating activities</b>		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$102.4	\$108.6
Changes in non-cash operating items	(8.6)	(28.6)
Income taxes paid	(9.1)	(16.3)
Cash flows from operating activities	\$84.7	\$63.7
<b>Investing activities</b>		
Acquisitions of property, plant and equipment	(\$27.3)	(\$23.1)
Disposals of property, plant and equipment	0.1	0.1
Increase in intangible assets	(4.5)	(4.4)
Business combinations, net of acquired cash	—	(7.7)
Business disposals	—	232.1
Cash flows from investing activities	(\$31.7)	\$197.0
<b>Financing activities</b>		
Reimbursement of long-term debt	(83.4)	(8.3)
Net increase in credit facilities	3.4	—
Financial expenses paid on long-term debt	(7.6)	(13.2)
Repayment of principal on lease liabilities	(5.4)	(5.2)
Interest paid on lease liabilities	(0.9)	(0.6)
Exercise of stock options	—	1.7
Share redemptions	—	(7.1)
Dividends	(19.6)	(19.2)
Cash flows from financing activities	(\$113.5)	(\$51.9)
Effect of exchange rate changes on cash denominated in foreign currencies	\$1.5	\$2.1
Net change in cash	(\$59.0)	\$210.9

Financial position	As at January 24, 2021	As at October 25, 2020
Net indebtedness <sup>(1)</sup>	\$888.0	\$933.9
Net indebtedness ratio <sup>(1)</sup>	1.8 x	1.9 x
Credit rating		
DBRS	BBB (low)	BBB (low)
Outlook	Negative	Negative
Standard and Poor's	BBB-	BBB-
Outlook	Negative <sup>(2)</sup>	Negative

Consolidated Statements of Financial Position	As at January 24, 2021	As at October 25, 2020
Current assets	\$907.9	\$1,024.7
Current liabilities	727.1	677.5
Total assets	3,408.1	3,598.4
Total liabilities	1,691.3	1,859.8

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

(2) On February 9, 2021, the Standard & Poor's rating agency (S&P Global Ratings) revised the Corporation's credit rating outlook from negative to stable.

## ANALYSIS OF FINANCIAL POSITION - FIRST QUARTER

### Cash Flows from Operating Activities

Cash flows from operating activities increased by \$21.0 million, from \$63.7 million in the first quarter of 2020 to \$84.7 million in the first quarter of 2021. This change is largely attributable to the favourable impact of non-cash operating items, which is mostly explained by an inventory reduction in the first quarter of 2021.

### Cash Flows from Investing Activities

Cash flows from investing activities went from a cash inflow of \$197.0 million in the first quarter of 2020 to a cash outflow of \$31.7 million in the first quarter of 2021. This change is mostly explained by the receipt of US\$180 million (\$235.1 million) in the first quarter of 2020 from the sale of the paper packaging operations to Hood Packaging Corporation.

### Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of \$51.9 million in the first quarter of 2020 to a cash outflow of \$113.5 million in the first quarter of 2021. This change is mostly explained by a reimbursement of long-term debt in the first quarter of 2021.

### Debt Instruments

As at January 24, 2021, an amount of \$3.4 million had been drawn on the credit facilities and the availability under the credit facilities was \$428.5 million. Net indebtedness decreased from \$933.9 million as at October 25, 2020 to \$888.0 million as at January 24, 2021. This decrease is mainly explained by cash flows from operating activities. Therefore, our net indebtedness ratio stood at 1.8x as at January 24, 2021 compared to 1.9x as at October 25, 2020.

On October 30, 2020, the Corporation repaid the balance of \$83.2 million (US\$62.5 million) of tranche A of the U.S. dollar term loans.

On February 9, 2021, the Standard & Poor's rating agency (S&P Global Ratings) revised the Corporation's credit rating from BBB- / negative outlook to BBB- / stable outlook.

### Share Capital

Table #6:

Shares Issued and Outstanding	As at January 24, 2021	As at October 25, 2020
Class A (Subordinate Voting Shares)	73,050,544	73,049,344
Class B (Multiple Voting Shares)	13,974,626	13,975,826
<b>Total Class A and Class B</b>	<b>87,025,170</b>	<b>87,025,170</b>

In September 2020, the Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2020 and September 30, 2021, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 191,320 of its Class B Shares, representing approximately 1.37% of the 73,049,344 Class A Subordinated Voting Shares issued and outstanding and of the 13,975,826 Class B Shares issued and outstanding as at September 18, 2020.

No shares were repurchased during the quarter ended January 24, 2021. The Corporation has not repurchased any shares since February 2020.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control. The purpose of internal control over financial reporting ("ICFR") is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of condensed interim consolidated financial statements in accordance with IFRS. Management certifies disclosures in annual and interim filings under Regulation 52-109 using the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).



During the first quarter ended January 24, 2021, no change that has materially affected or is reasonably likely to affect the ICFR was brought to the attention of Management, including the President and Chief Executive Officer and the Chief Financial Officer of the Corporation.

## **OUTLOOK**

In the Packaging Sector, the vast majority of our operations support the retail supply chain for food and everyday consumer products, which continue to generate strong demand in the context of the COVID-19 pandemic. Despite the uncertainties related to the pandemic, we expect organic growth in revenues in fiscal 2021 as a result of signing new contracts and introducing new products on the market. The significant and rapid increase in the price of resin seen recently should have a negative impact on the sector's profitability. Excluding the impact of resin and the disposal of the paper packaging operations, we expect to post a slight increase in operating earnings compared to the prior fiscal year, as a result of our operational efficiency initiatives and the anticipated organic growth in revenues. Furthermore, the appreciation of the Canadian dollar against the US dollar in the last year should have a negative impact on revenues and operating earnings in the coming quarters.

In the Printing Sector, the pandemic should continue to negatively affect several of our customers, and this should have an adverse impact on our revenues for the first half of fiscal 2021. Operational efficiency initiatives and the continuation, to a lesser extent, of the Canada Emergency Wage Subsidy should partially mitigate the impact of lower volume on operating earnings. With a gradual recovery in printing volume, we expect organic growth in revenues in the second half of fiscal 2021. Excluding amounts related to the Canada Emergency Wage Subsidy, we expect operating earnings to grow in fiscal 2021 compared to fiscal 2020.

To conclude, despite the impact of the pandemic, we expect to continue generating significant cash flows. This should enable us to reduce our net indebtedness, while providing us with the flexibility needed to pursue our investment strategy focused on organic growth as well as strategic and targeted acquisitions.

On behalf of Management,

*(s) Donald LeCavalier*  
Chief Financial Officer

February 25, 2021

## CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, unless otherwise indicated and per share data)	Notes	Three months ended	
		January 24, 2021	January 26, 2020
Revenues	3	\$ 622.7	\$ 705.8
Operating expenses	4	517.0	596.8
Restructuring and other costs	5	4.8	13.3
Operating earnings before depreciation and amortization		100.9	95.7
Depreciation and amortization	6	53.7	54.9
Operating earnings		47.2	40.8
Net financial expenses	7	10.8	14.0
Earnings before income taxes		36.4	26.8
Income taxes	8	8.6	20.3
<b>Net earnings</b>		<b>27.8</b>	<b>6.5</b>
Non-controlling interest		0.1	0.1
<b>Net earnings attributable to the shareholders of the Corporation</b>		<b>\$ 27.7</b>	<b>\$ 6.4</b>
Net earnings per share - basic and diluted		\$ 0.32	\$ 0.07
Weighted average number of shares outstanding - basic and diluted (in millions)	12	87.0	87.3

The notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended	
		January 24, 2021	January 26, 2020
<b>Net earnings</b>		\$ 27.8	\$ 6.5
<b>Other comprehensive income (loss)</b>			
<b>Items that will be reclassified to net earnings</b>			
<b>Net change related to cash flow hedges</b>			
Net change in the fair value of designated derivatives - foreign exchange risk		4.3	(0.5)
Net change in the fair value of designated derivatives - interest rate risk	9	(0.4)	0.2
Reclassification of the net change in the fair value of designated derivatives recognized in net earnings during the period		3.2	0.8
Related income taxes		1.9	0.2
	14	5.2	0.3
<b>Cumulative translation differences</b>			
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		(48.8)	7.5
Net gains on hedge of the net investment in foreign operations	9	23.5	0.8
Related income taxes		3.0	0.2
	14	(28.3)	8.1
<b>Items that will not be reclassified to net earnings</b>			
<b>Changes related to defined benefit plans</b>			
Actuarial gains (losses) on defined benefit plans		(9.7)	4.0
Related income taxes		(2.8)	1.0
	14	(6.9)	3.0
<b>Other comprehensive income (loss)</b>	14	(30.0)	11.4
<b>Comprehensive income (loss)</b>		\$ (2.2)	\$ 17.9

The notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Non- controlling interest	Total equity
Balance as at October 25, 2020		\$ 640.0	\$ 0.9	\$ 1,107.2	\$ (14.8)	\$ 1,733.3	\$ 5.3	\$ 1,738.6
<b>Net earnings</b>		—	—	27.7	—	27.7	0.1	27.8
<b>Other comprehensive loss</b>		—	—	—	(30.0)	(30.0)	—	(30.0)
<b>Shareholders' contributions and distributions to shareholders</b>								
Dividends	11	—	—	(19.6)	—	(19.6)	—	(19.6)
<b>Balance as at January 24, 2021</b>		<b>\$ 640.0</b>	<b>\$ 0.9</b>	<b>\$ 1,115.3</b>	<b>\$ (44.8)</b>	<b>\$ 1,711.4</b>	<b>\$ 5.4</b>	<b>\$ 1,716.8</b>
Balance as at October 27, 2019		\$ 641.9	\$ 1.1	\$ 1,069.9	\$ (25.9)	\$ 1,687.0	\$ 4.2	\$ 1,691.2
Impact of the transition to IFRS 16		—	—	(13.2)	—	(13.2)	—	(13.2)
Balance as at October 27, 2019 - adjusted		641.9	1.1	1,056.7	(25.9)	1,673.8	4.2	1,678.0
<b>Net earnings</b>		—	—	6.4	—	6.4	0.1	6.5
<b>Other comprehensive income</b>		—	—	—	11.4	11.4	—	11.4
<b>Shareholders' contributions and distributions to shareholders</b>								
Share redemptions	11	(3.8)	—	(3.3)	—	(7.1)	—	(7.1)
Exercise of stock options	13	1.9	(0.2)	—	—	1.7	—	1.7
Dividends	11	—	—	(19.2)	—	(19.2)	—	(19.2)
<b>Balance as at January 26, 2020</b>		<b>\$ 640.0</b>	<b>\$ 0.9</b>	<b>\$ 1,040.6</b>	<b>\$ (14.5)</b>	<b>\$ 1,667.0</b>	<b>\$ 4.3</b>	<b>\$ 1,671.3</b>

The notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at January 24, 2021	As at October 25, 2020
<b>Current assets</b>			
Cash		\$ 182.0	\$ 241.0
Accounts receivable		410.9	461.2
Income taxes receivable		16.3	13.4
Inventories		271.0	288.8
Prepaid expenses and other current assets		27.7	20.3
		<b>907.9</b>	<b>1,024.7</b>
<b>Property, plant and equipment</b>			
		<b>699.2</b>	<b>712.4</b>
<b>Right-of-use assets</b>			
		<b>133.4</b>	<b>134.6</b>
<b>Intangible assets</b>			
Goodwill		1,076.8	1,098.8
Deferred taxes		24.5	24.2
Other assets		28.2	35.2
		<b>\$ 3,408.1</b>	<b>\$ 3,598.4</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 336.3	\$ 399.7
Provisions		6.1	7.9
Income taxes payable		14.8	8.4
Deferred revenues and deposits		9.5	9.0
Current portion of long-term debt	9	337.7	229.7
Current portion of lease liabilities		22.7	22.8
		<b>727.1</b>	<b>677.5</b>
<b>Long-term debt</b>			
	9	<b>578.9</b>	<b>790.4</b>
<b>Lease liabilities</b>			
		<b>130.7</b>	<b>132.0</b>
<b>Deferred taxes</b>			
		<b>129.9</b>	<b>133.9</b>
<b>Provisions</b>			
		<b>0.6</b>	<b>0.3</b>
<b>Other liabilities</b>			
	10	<b>124.1</b>	<b>125.7</b>
		<b>1,691.3</b>	<b>1,859.8</b>
<b>Equity</b>			
Share capital	11	<b>640.0</b>	640.0
Contributed surplus		<b>0.9</b>	0.9
Retained earnings		<b>1,115.3</b>	1,107.2
Accumulated other comprehensive loss	14	<b>(44.8)</b>	(14.8)
Attributable to the shareholders of the Corporation		<b>1,711.4</b>	1,733.3
Non-controlling interest		<b>5.4</b>	5.3
		<b>1,716.8</b>	1,738.6
		<b>\$ 3,408.1</b>	<b>\$ 3,598.4</b>

The notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended	
		January 24, 2021	January 26, 2020
<b>Operating activities</b>			
Net earnings		\$ 27.8	\$ 6.5
Adjustments to reconcile net earnings and cash flows from operating activities:			
Depreciation and amortization	6	58.7	60.3
Financial expenses on long-term debt and lease liabilities	7	9.5	14.4
Net losses on disposal of assets		0.3	1.5
Net losses on business disposals		—	4.3
Income taxes	8	8.6	20.3
Net foreign exchange differences and other		(2.5)	1.3
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		102.4	108.6
Changes in non-cash operating items		(8.6)	(28.6)
Income taxes paid		(9.1)	(16.3)
Cash flows from operating activities		84.7	63.7
<b>Investing activities</b>			
Business combinations, net of acquired cash		—	(7.7)
Business disposals		—	232.1
Acquisitions of property, plant and equipment		(27.3)	(23.1)
Disposals of property, plant and equipment		0.1	0.1
Increase in intangible assets		(4.5)	(4.4)
Cash flows from investing activities		(31.7)	197.0
<b>Financing activities</b>			
Reimbursement of long-term debt	9	(83.4)	(8.3)
Net increase in credit facilities	9	3.4	—
Financial expenses paid on long-term debt	7 & 9	(7.6)	(13.2)
Repayment of principal on lease liabilities		(5.4)	(5.2)
Interest paid on lease liabilities		(0.9)	(0.6)
Exercise of stock options	13	—	1.7
Dividends	11	(19.6)	(19.2)
Share redemptions	11	—	(7.1)
Cash flows from financing activities		(113.5)	(51.9)
Effect of exchange rate changes on cash denominated in foreign currencies		1.5	2.1
Net change in cash		(59.0)	210.9
Cash at beginning of period		241.0	213.7
Cash at end of period		\$ 182.0	\$ 424.6
<b>Non-cash investing activities</b>			
Net change in capital asset acquisitions financed by accounts payable		\$ 0.5	\$ (1.0)

The notes are an integral part of these condensed interim consolidated financial statements.

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

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## 1 GENERAL INFORMATION

Transcontinental Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. Its Class A Subordinate Voting Shares and Class B Shares are traded on the Toronto Stock Exchange. The Corporation's head office is located at 1 Place Ville Marie, Suite 3240, Montreal, Quebec, Canada H3B 0G1.

The Corporation is a leader in flexible packaging in North America and Canada's largest printer. The Corporation mainly conducts business in Canada, the United States and Latin America in three separate sectors: the Packaging Sector, the Printing Sector and the Media Sector. The Corporation's main activities are described in Note 3 "Segmented Information".

The operating results for interim periods are not necessarily indicative of expected full-year results due to the seasonal nature of certain activities of the Corporation. Operating results are influenced by the advertising market, which is stronger in the fourth quarter.

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on February 25, 2021.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 25, 2020, which include the significant accounting policies used by the Corporation.

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at January 24, 2021. Any subsequent changes to the accounting policies that will take effect in the Corporation's annual consolidated financial statements for the year ending October 31, 2021 or after could result in a restatement of these condensed interim consolidated financial statements.

### Critical judgments and sources of estimation uncertainty

The preparation of consolidated interim financial statements in accordance with IFRS requires the Corporation's management to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses reported for the relevant periods. Detailed information on estimates, assumptions and critical judgments used by the Corporation is presented in the audited annual consolidated financial statements for the fiscal year ended October 25, 2020. Although management regularly reviews its estimates, actual results may differ.

In the context of the COVID-19 pandemic and the related climate of economic uncertainty, the Corporation revised some of its most complex estimates and assumptions, including significant judgment areas, used in preparing the interim consolidated financial statements for the three-month period ended January 24, 2021. In considering the impact of the COVID-19 pandemic on financial reporting, the Corporation determined whether there was an indication that assets, cash-generating units ("CGUs") or groups of CGUs might be impaired and assessed the credit risk on receivables (Note 15). These revisions of estimates had no material impact on the three-month period ended January 24, 2021. Additional revisions might be required in the future depending on the development of the COVID-19 pandemic and its impact on the Corporation's results of operations and financial position, and this could have an impact on the final measurement of the carrying amount of the Corporation's assets.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 3 SEGMENTED INFORMATION

The Corporation's operating segments are aggregated by management into three separate sectors: Packaging, Printing and Media.

The Packaging Sector, which specializes in extrusion, lamination, printing and converting packaging solutions, generates revenues from the manufacturing and recycling of flexible plastic and paper products, including rollstock, bags and pouches, coextruded films, shrink films and bags and advanced coatings. Its facilities are mainly located in the United States, Canada and Latin America.

The Printing Sector generates revenues from an integrated service offering to retailers, including premedia services, flyer and in-store marketing products printing, and door-to-door distribution, as well as an array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products. Its facilities are located in Canada.

The "Other" column includes the Media Sector, certain head office costs as well as the elimination of inter-segment sales. The Media sector generates revenues from print and digital publishing products, in French and English, of the following types: educational books, specialized publications for professionals and newspapers. Inter-segment sales of the Corporation are recognized at agreed transfer prices, which approximate fair value. Transactions other than sales are recognized at carrying amount.

The following tables present the various segment components of the Consolidated Statements of Earnings:

				Consolidated
<b>For the three-month period ended January 24, 2021</b>	Packaging	Printing	Other	Results
Revenues	\$ 337.2	\$ 274.4	\$ 11.1	\$ 622.7
Operating expenses	287.1	213.3	16.6	517.0
Restructuring and other costs	0.1	3.1	1.6	4.8
Operating earnings before depreciation and amortization	50.0	58.0	(7.1)	100.9
Depreciation and amortization	34.8	16.0	2.9	53.7
Operating earnings	\$ 15.2	\$ 42.0	\$ (10.0)	\$ 47.2
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	\$ 50.1	\$ 61.1	\$ (5.5)	\$ 105.7
Adjusted operating earnings <sup>(1)</sup>	30.7	46.3	(8.4)	68.6
Acquisitions of non-current assets <sup>(2)</sup>	\$ 23.0	\$ 4.4	\$ 4.9	\$ 32.3

  

				Consolidated
<b>For the three-month period ended January 26, 2020</b>	Packaging	Printing	Other	Results
Revenues	\$ 371.5	\$ 325.8	\$ 8.5	\$ 705.8
Operating expenses	323.8	259.9	13.1	596.8
Restructuring and other costs	3.7	5.7	3.9	13.3
Operating earnings before depreciation and amortization	44.0	60.2	(8.5)	95.7
Depreciation and amortization	36.9	15.3	2.7	54.9
Operating earnings	\$ 7.1	\$ 44.9	\$ (11.2)	\$ 40.8
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	\$ 47.7	\$ 65.9	\$ (4.6)	\$ 109.0
Adjusted operating earnings <sup>(1)</sup>	27.6	51.8	(7.3)	72.1
Acquisitions of non-current assets <sup>(2)</sup>	\$ 11.5	\$ 9.8	\$ 5.2	\$ 26.5

<sup>(1)</sup> The Corporation's officers mainly make decisions and assess segment performance based on adjusted operating earnings. Adjusted operating earnings before depreciation and amortization and adjusted operating earnings exclude restructuring and other costs, impairment of assets and amortization of intangible assets arising from business combinations.

<sup>(2)</sup> These amounts include internally generated intangible assets, acquisitions of property, plant and equipment and intangible assets, excluding those acquired as part of business combinations, whether they were paid or not.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 3 SEGMENTED INFORMATION (CONTINUED)

#### Additional information on revenues

The table below presents information on revenues disaggregated by type of products and geographical area, as well as a reconciliation with revenues by segment:

	Three months ended	
	January 24, 2021	January 26, 2020 <sup>(1)</sup>
<b>Packaging products</b>		
Americas	\$ 308.9	\$ 349.3
Rest of the world	28.3	22.2
	<b>337.2</b>	<b>371.5</b>
<b>Printing services <sup>(2)</sup></b>		
Retailer-related services <sup>(3)</sup>	154.9	196.3
Marketing products	53.9	52.5
Magazines and books	43.3	49.8
Newspapers	22.3	27.2
	<b>274.4</b>	<b>325.8</b>
<b>Media <sup>(2)</sup></b>	<b>13.7</b>	<b>11.8</b>
Inter-segment sales	(2.6)	(3.3)
	<b>\$ 622.7</b>	<b>\$ 705.8</b>

The Corporation's total assets by segment are as follows:

	As at January 24, 2021	As at October 25, 2020
Packaging	\$ 2,166.8	\$ 2,238.9
Printing	871.3	926.3
Other <sup>(4)</sup>	370.0	433.2
	<b>\$ 3,408.1</b>	<b>\$ 3,598.4</b>

<sup>(1)</sup> Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

<sup>(2)</sup> Revenues from printing services and media are mainly derived from transactions in North America.

<sup>(3)</sup> Revenues from retailer-related services include printing, premedia and distribution services.

<sup>(4)</sup> This heading notably includes cash, income taxes receivable, property, plant and equipment, intangible assets, right-of-use assets, deferred taxes and defined benefit asset not allocated to segments.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 4 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended	
	January 24, 2021	January 26, 2020
Employee-related costs <sup>(1)</sup>	\$ 170.3	\$ 194.9
Supply chain and logistics <sup>(2)</sup>	328.1	374.7
Other goods and services <sup>(3)</sup>	18.6	27.2
	<b>\$ 517.0</b>	<b>\$ 596.8</b>

<sup>(1)</sup> During the three-month period ended January 24, 2021, the Corporation recognized under "Employee-related costs", against eligible salary expenses, subsidies claimed under the Canada Emergency Wage Subsidy program amounting to \$9.0 million. As at January 24, 2021, the Corporation had already received a portion of the subsidies claimed and continued to believe that there was reasonable assurance that the amount not yet received would be received from the Canadian federal government based on the fact that eligibility criteria were still met.

<sup>(2)</sup> "Supply chain and logistics" includes mainly production and distribution costs related to external suppliers.

<sup>(3)</sup> "Other goods and services" includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees.

### 5 RESTRUCTURING AND OTHER COSTS

Restructuring and other costs by major headings are as follows:

	Three months ended	
	January 24, 2021	January 26, 2020 <sup>(1)</sup>
Workforce reductions <sup>(2)</sup>	\$ 2.5	\$ 4.7
Costs related to plant closures and restructuring <sup>(2)</sup>	0.8	1.9
Losses related to the sale of certain activities <sup>(3)</sup>	—	5.8
Onerous contracts	1.2	0.4
Business acquisition and integration costs <sup>(4)</sup>	0.1	0.3
Other elements	0.2	0.2
	<b>\$ 4.8</b>	<b>\$ 13.3</b>

<sup>(1)</sup> Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

<sup>(2)</sup> For the three-month periods ended January 24, 2021 and January 26, 2020, amounts presented under these captions include termination payments to employees as part of plant closures or workforce reorganizations, mainly in the Printing Sector, as well as related costs associated with such restructuring.

<sup>(3)</sup> For the three-month period ended January 26, 2020, the amount includes a \$4.7 million loss on the disposal of the paper and woven polypropylene packaging operations.

<sup>(4)</sup> Business acquisition costs include transaction costs, primarily legal fees, success fees related to the acquisition and other professional fees, for potential or realized business combinations, as well as integration costs related to acquired companies.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 6 DEPRECIATION AND AMORTIZATION

Depreciation and amortization is as follows:

	Three months ended	
	January 24, 2021	January 26, 2020
Property, plant and equipment	\$ 29.4	\$ 30.5
Right-of-use assets	5.6	4.7
Intangible assets	18.7	19.7
	53.7	54.9
Intangible assets and other assets, recognized in revenues and operating expenses	5.0	5.4
	\$ 58.7	\$ 60.3

### 7 NET FINANCIAL EXPENSES

Net financial expenses are as follows:

	Three months ended	
	January 24, 2021	January 26, 2020
Financial expenses on long-term debt	\$ 8.7	\$ 13.6
Interest on lease liabilities	0.8	0.8
Net interest on defined benefit asset and liability	0.5	0.6
Other expenses (revenues)	0.2	(0.6)
Net foreign exchange losses (gains)	0.6	(0.4)
	\$ 10.8	\$ 14.0

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 8 INCOME TAXES

The following table presents a reconciliation of income taxes at the Canadian statutory tax rate and at the effective tax rate:

	Three months ended	
	January 24, 2021	January 26, 2020
Earnings before income taxes	\$ 36.4	\$ 26.8
Canadian statutory tax rate <sup>(1)</sup>	26.50 %	26.52 %
Income taxes at the statutory tax rate	9.6	7.1
Effect of differences in tax rates and additional income taxes in other jurisdictions	(1.8)	(0.2)
Income taxes on non-deductible expenses and non-taxable revenues	0.7	2.2
Income taxes on non-deductible restructuring and other costs and non-taxable revenues	—	12.8
Change in deferred tax assets on tax losses or temporary differences not previously recognized	0.1	(2.6)
Other	—	1.0
<b>Income taxes at effective tax rate</b>	<b>\$ 8.6</b>	<b>\$ 20.3</b>
Income taxes before the following items:	\$ 13.9	\$ 15.2
Income taxes on amortization of intangible assets arising from business combinations	(4.0)	(4.4)
Income taxes on restructuring and other costs, excluding tax impact of the disposal	(1.3)	(2.2)
Tax impact of the disposal	—	11.7
<b>Income taxes at effective tax rate</b>	<b>\$ 8.6</b>	<b>\$ 20.3</b>

<sup>(1)</sup> The Corporation's applicable tax rate corresponds to the combined Canadian tax rates applicable in the provinces where the Corporation operates.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 9 LONG-TERM DEBT

As at January 24, 2021, an amount of \$337.7 million was presented in "Current liabilities", which was comprised of tranche B of \$143.2 million (US\$112.5 million) and tranche C of \$191.10 million (US\$150.0 million) of the U.S. dollar term loans, maturing on May 1, 2021 and November 1, 2021, respectively, and an amount of \$3.4 million drawn on credit facilities.

#### Repayment of term loans

On October 30, 2020, the Corporation repaid the remaining portion of \$83.2 million (US\$62.5 million) on tranche A of the U.S. dollar term loans, maturing on that date.

#### Credit facilities

As at January 24, 2021, an amount of \$3.4 million (US\$2.6 million) had been drawn on the credit facilities, and the unused amount under the credit facilities was \$428.5 million.

#### Hedging instruments

As at January 24, 2021, an amount of US\$630.0 million (\$802.2 million) of the term loans and existing credit facilities denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investments in foreign operations. Consequently, during the three-month period ended January 24, 2021, a foreign exchange gain of \$23.5 million was reclassified to other comprehensive loss.

In the last fiscal years, the Corporation entered into interest rate swaps as a hedge against risks related to future fluctuations of interest rates for an amount of US\$450.0 million of certain of its term loans until their respective maturities. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the three-month period ended January 24, 2021, the change in fair value of these hedging instruments, amounting to a loss of \$0.4 million, was recognized in other comprehensive loss.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the three-month period ended January 24, 2021, the Corporation has not been in default under any covenants.

### 10 OTHER LIABILITIES

The components of other liabilities are as follows:

	Note	As at January 24, 2021	As at October 25, 2020
Deferred revenues		\$ 1.9	\$ 2.1
Accrued liabilities and other liabilities		7.6	7.5
Stock-based compensation	13	11.9	14.8
Defined benefit liability		81.8	76.0
Derivative financial instruments		20.9	25.3
		\$ 124.1	\$ 125.7

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 11 SHARE CAPITAL

The following table presents changes in the Corporation's share capital for the three-month period ended January 24, 2021:

	Number of shares	Amount
<b>Class A Subordinate Voting Shares</b>		
Balance as at October 25, 2020	73,049,344	\$ 621.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	1,200	—
Balance as at January 24, 2021	73,050,544	621.0
<b>Class B Shares</b>		
Balance as at October 25, 2020	13,975,826	19.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	(1,200)	—
Balance as at January 24, 2021	13,974,626	19.0
	87,025,170	\$ 640.0

#### Share redemptions

On September 18, 2020, the Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2020 and September 30, 2021, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 191,320 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

The Corporation had been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2019 and September 30, 2020, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 190,560 of its Class B Shares. The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange.

On February 27, 2020, the Corporation was authorized to modify its share repurchase program in order to increase the maximum number of Class A Subordinate Voting Shares it is allowed to repurchase from 1,000,000 Class A Subordinate Shares to 2,000,000 Class A Subordinate Voting Shares. All other terms and conditions of the repurchase program remain unchanged.

During the three-month period ended January 24, 2021, the Corporation did not repurchase any of its Class A Subordinate Voting Shares or Class B Shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at as at January 24, 2021.

During the three-month period ended January 26, 2020, the Corporation redeemed and cancelled 449,900 of its Class A Subordinate Voting Shares at a weighted average price of \$15.70, for a total cash consideration of \$7.1 million. The excess of the total consideration over the carrying amount of the shares, in the amount of \$3.3 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 26, 2020.

#### Dividends

Dividends of \$0.225 and \$0.22 per share were declared and paid to holders of shares for the three-month periods ended January 24, 2021 and January 26, 2020, respectively.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 12 NET EARNINGS PER SHARE

The following table presents a reconciliation of the components used in the calculation of basic and diluted net earnings per share:

	Three months ended	
	January 24, 2021	January 26, 2020
<b>Numerator</b>		
Net earnings attributable to the shareholders of the Corporation	\$ 27.7	\$ 6.4
<b>Denominator (in millions)</b>		
Weighted average number of shares - basic and diluted	87.0	87.3

As at January 24, 2021 and as at January 26, 2020, there were no dilutive instruments.

### 13 STOCK-BASED COMPENSATION

#### Share unit plan for certain officers and senior executives

The Corporation offers a share unit plan for certain officers and senior executives under which deferred share units ("DSU") and restricted share units ("RSU") are granted. Vested DSUs and RSUs will be paid, at the Corporation's discretion, in cash or with Class A Subordinate Voting Shares of the Corporation purchased on the open market.

The following table presents the changes in the plan's status for the three-month period ended January 24, 2021:

	Number of units	
	DSU	RSU
Balance as at October 25, 2020	547,645	1,093,533
Units granted	—	463,681
Units cancelled	(5,655)	(5,710)
Units paid	(1,491)	(100,068)
Units converted	7,291	—
Dividends paid in units	5,607	10,569
Balance as at January 24, 2021	553,397	1,462,005

As at January 24, 2021, the liability related to the share unit plan for certain officers and senior executives was \$21.4 million (\$16.5 million as at October 25, 2020). The expenses recorded in the Consolidated Statements of Earnings for the three-month periods ended January 24, 2021 and January 26, 2020 were \$7.2 million and \$1.0 million, respectively. Amounts of \$2.3 million and \$3.6 million were paid under this plan for the three-month periods ended January 24, 2021 and January 26, 2020, respectively.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 13 STOCK-BASED COMPENSATION (CONTINUED)

#### Share unit plan for directors

The Corporation offers a deferred share unit plan for its directors. Under this plan, directors may elect to receive as compensation either cash, deferred share units, or a combination of both.

The following table presents the changes in the plan's status for the three-month period ended January 24, 2021:

	Number of units
Balance as at October 25, 2020	363,266
Directors' compensation	9,310
Units paid	(105,794)
Dividends paid in units	2,697
Balance as at January 24, 2021	269,479

As at January 24, 2021, the liability related to the share unit plan for directors was \$5.9 million (\$6.3 million as at October 25, 2020). The expenses recorded in the Consolidated Statements of Earnings for the three-month periods ended January 24, 2021 and January 26, 2020 were \$1.8 million and \$0.4 million, respectively. An amount of \$2.2 million was paid under this plan for the three-month period ended January 24, 2021 (nil for the three-month period ended January 26, 2020).

#### Total return swap

During the year ended October 25, 2020, the Corporation had entered into a total return swap on 950,000 units purchased at a weighted-average price of \$16.37 to hedge a portion of the stock-based compensation expenses that vary based on the price of the Corporation's shares. The total return swap has a term of 12 months and can be renewed annually. The gain recognized in the Consolidated Statement of Earnings under "Operating expenses" for the three-month period ended January 24, 2021, corresponding to the change in the fair value of the total return swap for the units for officers and senior executives and the units for directors, before taking into account of dividends received and interest paid, amounted to \$3.9 million.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 14 ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive loss
<b>Balance as at October 25, 2020</b>	\$ (16.4)	\$ (10.1)	\$ 40.3	\$ (28.6)	\$ (14.8)
Net change in gains (losses), net of income taxes	5.2	20.5	(48.8)	(6.9)	(30.0)
<b>Balance as at January 24, 2021</b>	\$ (11.2)	\$ 10.4	\$ (8.5)	\$ (35.5)	\$ (44.8)
<b>Balance as at October 27, 2019</b>	\$ (9.8)	\$ (9.1)	\$ 31.1	\$ (38.1)	\$ (25.9)
Net change in gains, net of income taxes	0.3	0.6	7.5	3.0	11.4
<b>Balance as at January 26, 2020</b>	\$ (9.5)	\$ (8.5)	\$ 38.6	\$ (35.1)	\$ (14.5)

As at January 24, 2021, the amounts expected to be reclassified to net earnings in future years are as follows:

	2021	2022	2023	Total
Net change in the fair value of derivatives designated as cash flow hedges	\$ 2.8	\$ (4.8)	\$ (13.1)	\$ (15.1)
Income taxes	0.8	(1.3)	(3.4)	(3.9)
	\$ 2.0	\$ (3.5)	\$ (9.7)	\$ (11.2)

#### Actuarial gains (losses) on defined benefit plans

The actuarial gains (losses) on defined benefit plans recognized in other comprehensive income (loss) reflect the following items:

	Three months ended	
	January 24, 2021	January 26, 2020
Actuarial losses on obligation - change in discount rate	\$ (18.0)	\$ (19.6)
Actuarial gains on plan assets - excluding interest income	6.7	24.2
Effect of the asset ceiling	1.6	(0.6)
	\$ (9.7)	\$ 4.0

Actuarial losses on obligation recognized in the Statements of Comprehensive Income (Loss) for the three-month period ended January 24, 2021 are explained by the change in the discount rate, which decreased from 2.89% as at October 25, 2020 to 2.7% as at January 24, 2021 in Canada, and remained stable at 2.7% as at October 25, 2020 and as at January 24, 2021 in the United States. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were overall greater than expected returns for the three-month period ended January 24, 2021.

Actuarial losses on obligation recognized in Statements of Comprehensive Income (Loss) for the three-month period ended January 26, 2020 are explained by the change in the discount rate, which decreased from 3.1% as at October 27, 2019 to 2.9% as at January 26, 2020 in Canada, and from 3.3% as at October 27, 2019 to 3.2% as at January 26, 2020 in the United States. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were overall greater than expected returns for the three-month period ended January 26, 2020.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 15 FINANCIAL INSTRUMENTS

#### Fair value of financial instruments

The fair value represents the amount that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value estimates are calculated at a specific date taking into consideration assumptions regarding the amounts, the timing of estimated future cash flows and discount rates. Accordingly, due to its approximative and subjective nature, the fair value must not be interpreted as being realizable in an immediate settlement of the financial instruments.

The carrying amount of cash, accounts receivable, and accounts payable and accrued liabilities approximates their fair value due to their short term maturities.

The fair value of long-term debt is determined using the discounted future cash flow method and management's estimates for market interest rates for identical or similar issuances.

The only financial instruments of the Corporation that are measured at fair value on a recurring basis subsequent to their initial recognition are derivative financial instruments, including foreign exchange forward contracts, interest rate swaps, total return swaps and contingent considerations payable related to business combinations. The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. The valuation model for contingent considerations considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payment is determined by considering various scenarios of achievement of pre-established financial performance thresholds, the amount to be paid under each scenario and the probability of each scenario.

The Corporation presents a fair value hierarchy with three levels that reflects the significance of inputs used in determining the fair value assessments.

The fair value of financial assets and liabilities classified in these three levels is evaluated as follows:

- Level 1 - Unadjusted prices on active markets for identical assets or liabilities
- Level 2 - Inputs other than the prices included within Level 1, that are observable for the asset or liability, directly (prices) or indirectly (derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data

The following table presents the fair value and the carrying amount of other financial instruments and derivative financial instruments:

	As at January 24, 2021		As at October 25, 2020	
	Fair value	Carrying amount	Fair value	Carrying amount
Foreign exchange forward contracts in assets	\$ 6.6	\$ 6.6	\$ 2.7	\$ 2.7
Interest rate swaps in assets	4.3	4.3	0.3	0.3
Contingent considerations	(3.2)	(3.2)	(3.5)	(3.5)
Long-term debt	(942.0)	(916.6)	(1,038.3)	(1,020.1)
Interest rate swaps in liabilities	(22.2)	(22.2)	(25.3)	(25.3)
Foreign exchange forward contracts in liabilities	(0.7)	(0.7)	(0.8)	(0.8)

These financial instruments are classified in Level 2 of the fair value hierarchy, except for contingent considerations payable related to business combinations, which are classified in Level 3. During the three-month period ended January 24, 2021, no financial instruments were transferred between Levels 1, 2 and 3.

#### Sensitivity analysis of the Level 3 financial instruments

As at January 24, 2021, all other things being equal, a 10% increase in expected financial performance thresholds of acquired businesses would have resulted in a decrease in net earnings of \$5.3 million. A 10% decrease in expected financial performance thresholds would have resulted in an increase in net earnings of \$3.2 million.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended January 24, 2021 and January 26, 2020

(in millions of Canadian dollars, unless otherwise indicated and per share data)

### 15 FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value of financial instruments (continued)

The changes in Level 3 financial instruments are as follows for the three-month period ended:

	January 24, 2021
<b>Balance, beginning of period</b>	<b>\$ 3.5</b>
Amount included in net income	(0.2)
Exchange rate change	(0.1)
<b>Balance, end of period</b>	<b>\$ 3.2</b>

#### Credit risk

The Corporation recognizes a loss allowance for credit losses using a probability-weighted estimate of credit losses. The Corporation establishes the loss allowance for credit losses on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, the industry in which they operate and the number of days past due. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. In its assessment of the loss allowance for credit losses as at January 24, 2021, the Corporation considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic downturn caused by this pandemic.