



acting in a  
responsible  
manner

Transcontinental inc.

Investor Relations Presentation

March 2021

**tc** • TRANSCONTINENTAL

[www.tc.tc](http://www.tc.tc)

# Note to readers

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS) and the term "dollars" as well as the symbol "\$" designate Canadian dollars. In this document, 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 interim condensed consolidated financial statements for the fiscal year ended October 25, 2020. 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 (adjusted EBITDA)	Operating earnings before depreciation and amortization as well as the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets and reversal of the fair value adjustment of inventory sold arising from business combinations
Adjusted operating earnings (Adjusted EBIT)	Operating earnings before the accelerated recognition of deferred revenues <sup>(1)</sup> , accelerated depreciation <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets and reversal of the fair value adjustment of inventory sold arising from business combinations
Adjusted EBITDA margin	Adjusted operating earnings before depreciation and amortization divided by adjusted revenues
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 Hearst. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.



## Forward-looking information

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 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 presentation are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation and 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.

# Overview

- ▶ **TC Transcontinental Overview**
- ▶ Our Business Sectors
- ▶ Conclusion

# TC Transcontinental Overview

Our **vision** is to become a market leader in flexible packaging in North America while maintaining our position as Canada's largest printer and as the leading Canadian French-language educational publishing group.

- ▶ Family-controlled business founded in 1976
- ▶ Investment grade credit rating and Net Indebtedness ratio < 2x
- ▶ Solid financial position and strong predictable cash flow providing flexibility to accelerate our growth organically and through acquisitions
- ▶ Long history of dividend growth (11% CAGR since 1993)
- ▶ Track record of pursuing business activities responsibly and leader in Corporate Social Responsibility (CSR)



**\$2.6B**

2020 Revenues



~ **8,000**

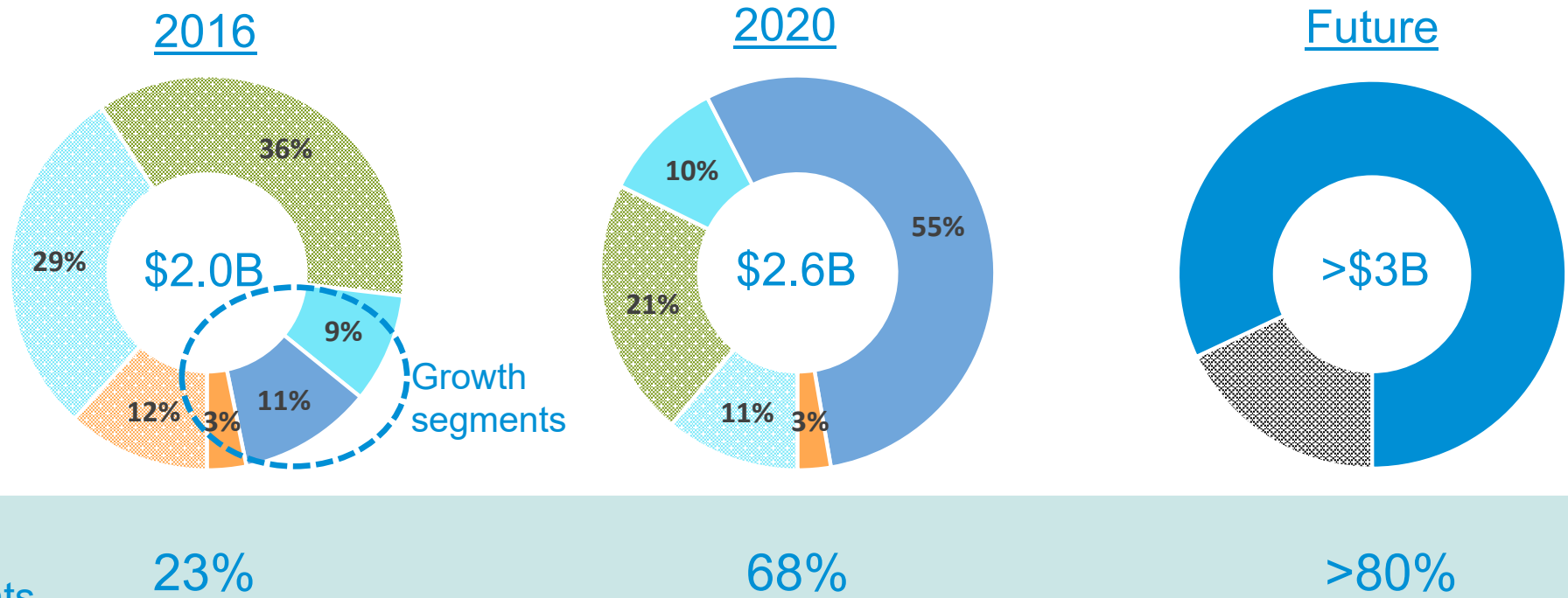
Employees



**38**

Operating  
facilities

# Successful transformation into a growth company



- Proven track record of operational excellence
- Long term sustainable organic growth outlook
- Solid balance sheet providing opportunities to accelerate growth through acquisitions

## Segments

- Legacy Media (fully divested)
- Newspapers / Mag / Commercial
- Flyers / Distribution

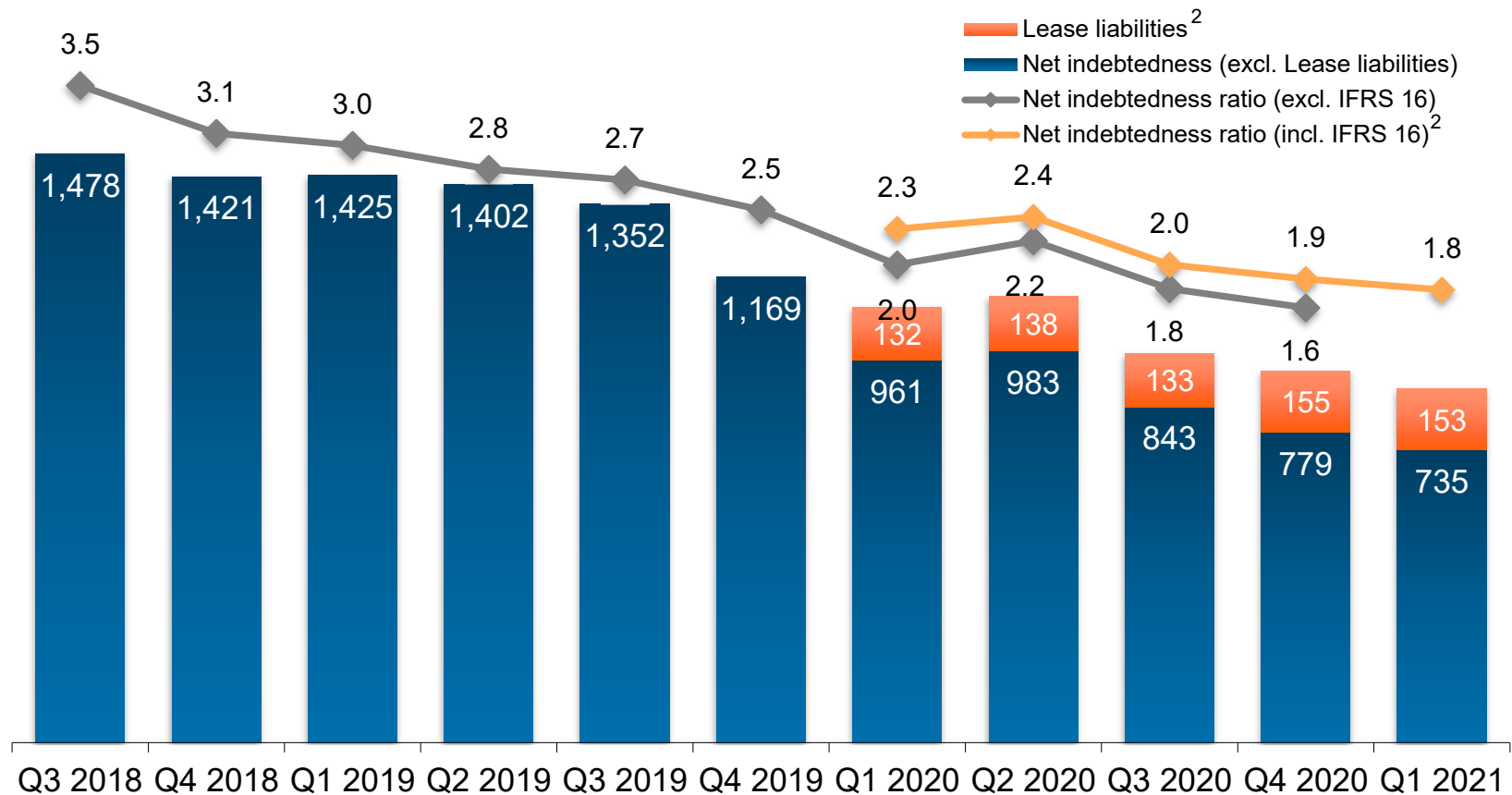
- ISM / Book / Premedia
- Flexible Packaging
- Media - Education

Growth segments



# Demonstrated ability to deleverage rapidly using solid free cash flow

Net indebtedness<sup>1</sup> (in millions of \$) and net indebtedness ratio<sup>1</sup>

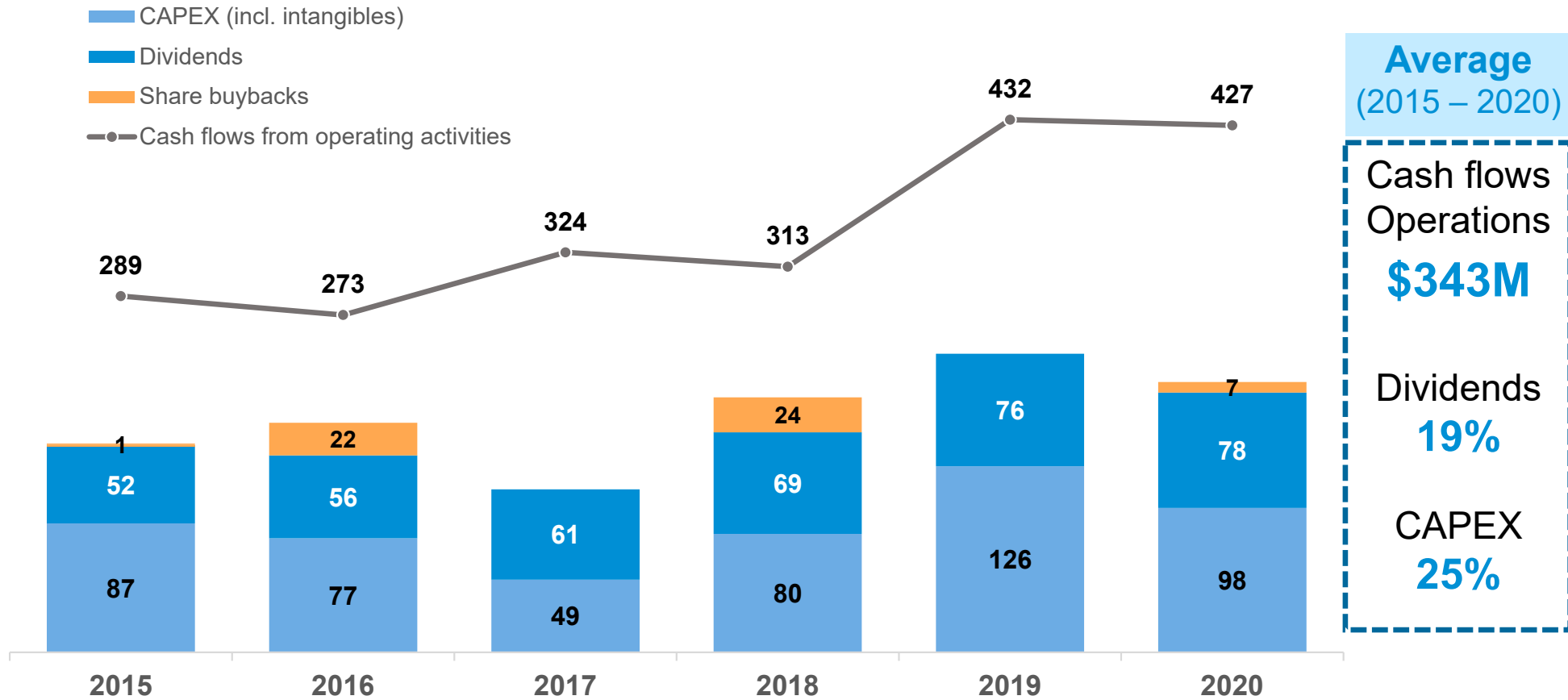


**S&P improved outlook (from Negative to Stable) and reaffirmed Transcontinental's Investment Grade Rating**

1. Non-IFRS financial measure. Please refer to page 2 of this presentation for a complete description of these measures.  
 2. As at October 28, 2019, the Company adopted IFRS 16 using the modified retrospective transition method. For comparative purposes, we included the net indebtedness ratios for FY2020 after normalizing for the effect of IFRS 16.

# Allocating capital prudently

## Cash flows from operating activities and capital allocation (\$M)

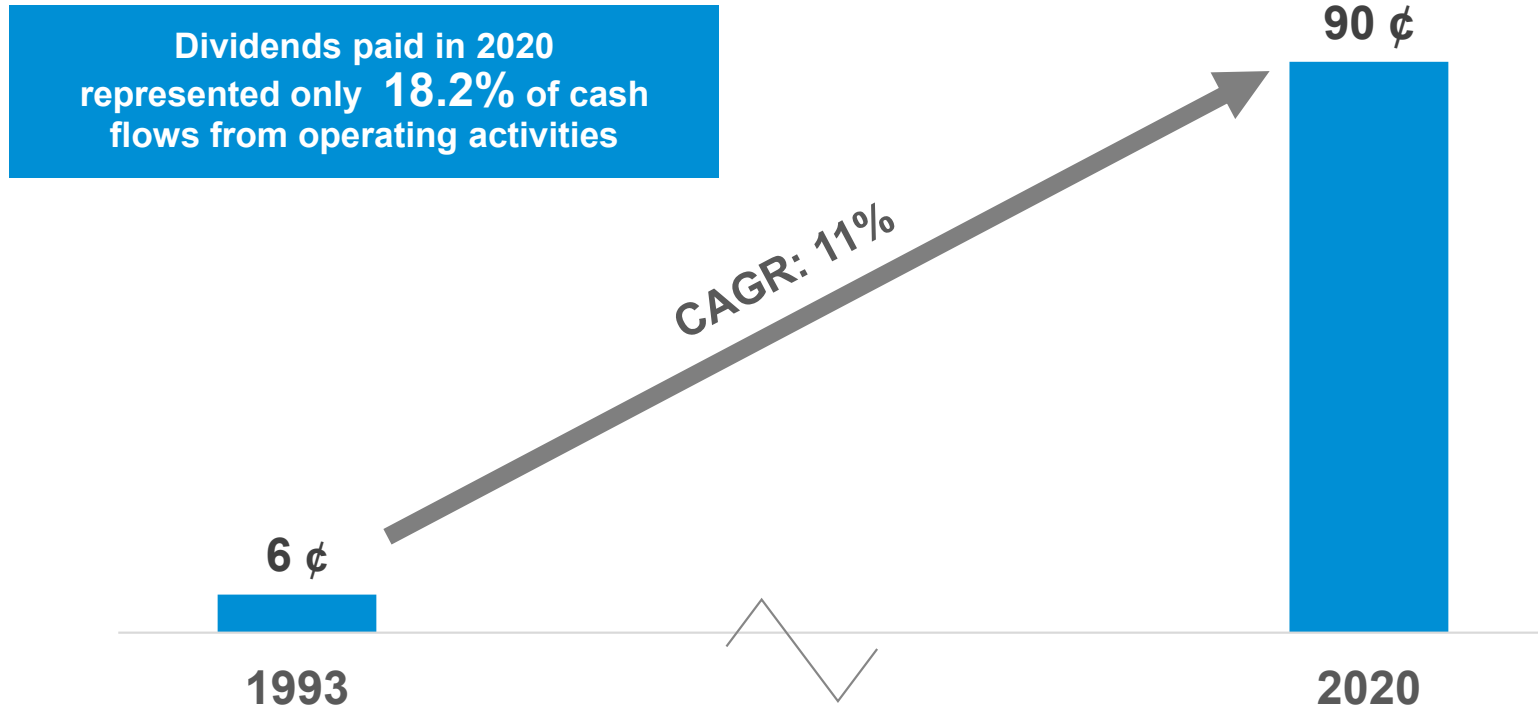


**Strong and consistent cash flow generation that allowed deployment of over \$2B to diversify into flexible packaging**



# Returning capital to shareholders

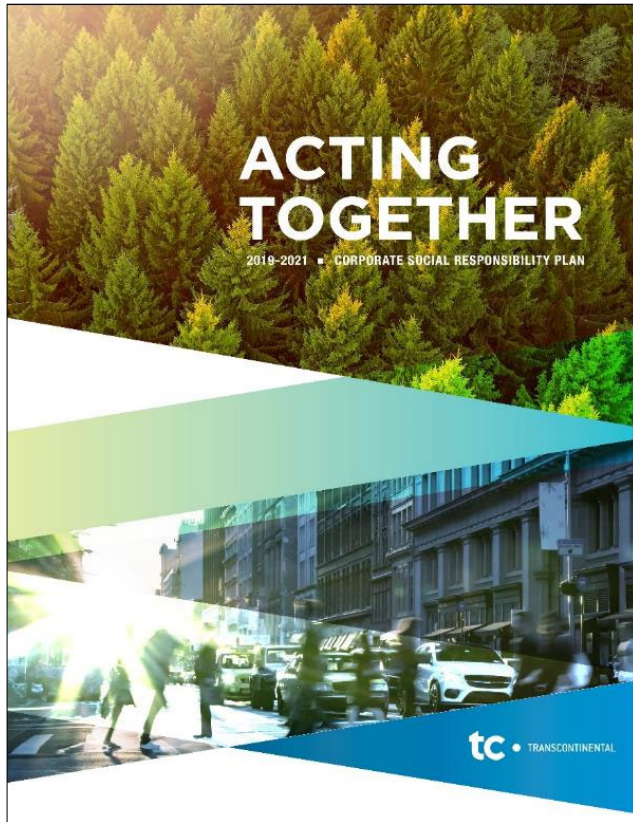
## Dividends paid per participating share



**Strong cash flow generation provided confidence to continue dividend distribution**

# Our CSR Strategy

Corporate Social Responsibility is embedded into our strategy and sustainability drives innovation



- ▶ Collaborate across the value chain between all stakeholders
- ▶ Deliver on our 11 goals related to our people, our operations, our products and our communities
- ▶ Targets are directly aligned with seven of the 17 sustainable development goals defined by the UN Global Compact
- ▶ Released a 3-year plan in 2019 and published a progress report in June 2020

# Pursuing our business activities responsibly



Top 50 Global ESG from Sustainalytics (Top 1%)  
(#1 in Containers & Packaging industry worldwide)



Corporate Knights: Among the top 10 Corporate Citizens in Canada in 2019 and 2020 and ranked in top Global 100 (worldwide) in 2020



Included in the Top 50 of the Jantzi® Social Index in Canada



*Global Commitment*

Signatory of the United Nations Global Compact and of the Ellen MacArthur Foundation's New Plastics Economy Global Commitment



Committed to disclosure in the Carbon Disclosure Project (CDP) and improved score in 2020



Member of the Sustainable Packaging Coalition® (SPC)

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▶ TC Transcontinental Packaging

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PACKAGING

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## Recent achievements in Packaging

- Investments in manufacturing capabilities (including the internalization of film extrusion in Whitby, Ontario)
- Steady improvement in profitability
  - Exceeded target for synergies, helping to significantly increase EBIT margin and Adjusted EBITDA margin<sup>1</sup> in FY2020 (16% Adj. EBITDA in FY2020)
- Managed the strong order uptake and supported our customers by optimizing capacity and keeping employees safe & healthy during the pandemic
- Establishing our leadership in sustainability and the circular economy for plastics
  - Created a Recycling Group within TC Transcontinental Packaging and acquired the assets of Enviroplast inc. to vertically integrate the recycling of plastics in our packaging production chain

**Strong performance in 2020 demonstrating the resilience  
of the packaging business**

## Packaging outlook

- Generate long-term organic sales growth
  - Consolidated platform has capacity to accommodate additional volume
  - Expect organic growth > 2% in FY2021
- Focus on manufacturing efficiency to continue to gradually improve margins
- Continue to strengthen our packaging portfolio with targeted acquisitions

**Long-term growth opportunities driven by demand for sustainable flexible packaging**



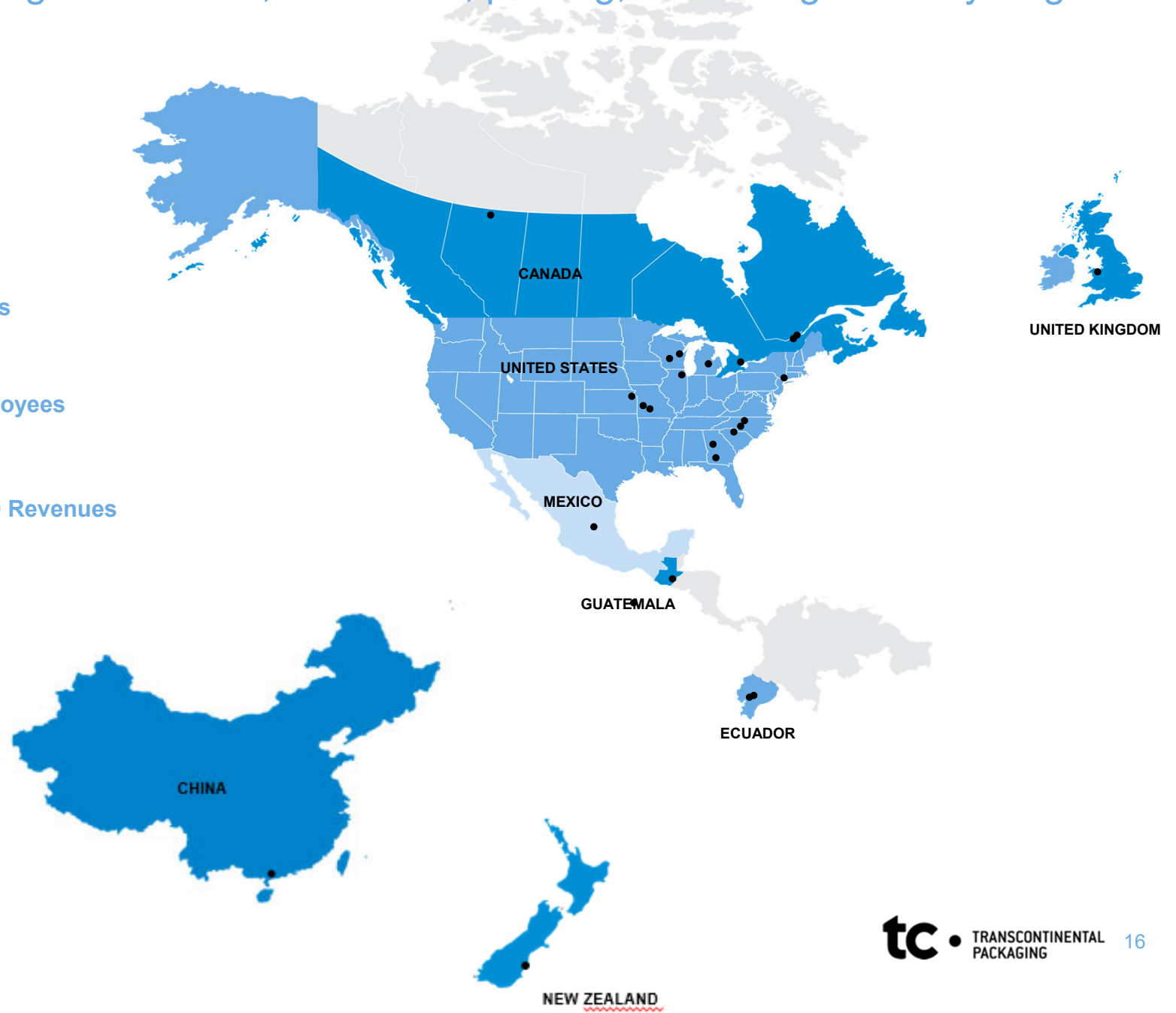
# A North American leader in flexible packaging

Specializing in extrusion, lamination, printing, converting and recycling

**26** production plants

**~3,800** employees

**\$1.4B** FY2020 Revenues



# We have built a solid flexible packaging platform



2014

Acquisition of  
Capri Packaging  
Clinton, Missouri

2 plants



ULTRA FLEX

2015

Acquisition of  
Ultra Flex Packaging Corp.  
Brooklyn, New York

1 plant



robbie  
fantastic flexibles

2016

Acquisition of  
Robbie Manufacturing  
Lenexa, Kansas

1 plant

**FLEXSTAR**  
TRANSCONTINENTAL FLEXSTAR INC

2016

Acquisition of  
Flexstar Packaging Inc.  
Richmond, British Columbia

1 plant



2017

Acquisition of  
Les Industries Flexipak Inc.  
Montréal, Québec

1 plant



2018

Acquisition of  
Multifilm Packaging  
Corporation Elgin, Illinois

1 plant



2018

Acquisition of  
Coveris Americas  
Chicago, Illinois

21 plants (4 sold in 2020)



2019

Acquisition of a  
majority participation in  
Industrial y Comercial Trilex  
Guayaquil, Ecuador

1 plant



2020

Acquisition of the  
assets of Enviroplast Inc.  
Montréal, Québec

1 plant

# Successful integration of Coveris Americas

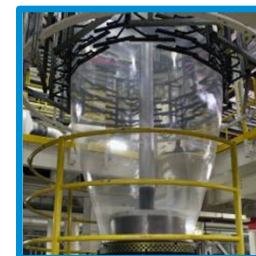
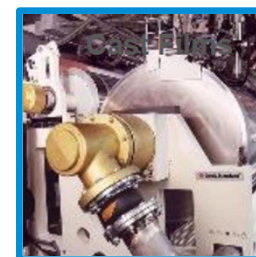
## Exceeded synergy targets

- ▶ EBIT and adjusted EBITDA<sup>1</sup> increased significantly over the last 2 years. Adjusted EBITDA margins<sup>1</sup> grew from 11.9% in FY2018 to 12.8% in FY2019, and to 16.0% in FY2020, a 410bps improvement in 2 years.

## Insourcing of film manufacturing contributing to FY2020 margin improvement

- ▶ Acquisition of a strong expertise in technical films production that enables insourcing of film manufacturing leading to cost competitiveness, differentiation and faster product development

**Value creation from more than US\$20M annual cost synergies**  
(more than US\$20M realized in first 2 years and additional synergies expected in FY2021)



### Economies of scale

- Procurement of raw materials

### Sharing of best practices & integration

- Vertical integration of film manufacturing
- Insourcing of prepress and plate-making operations

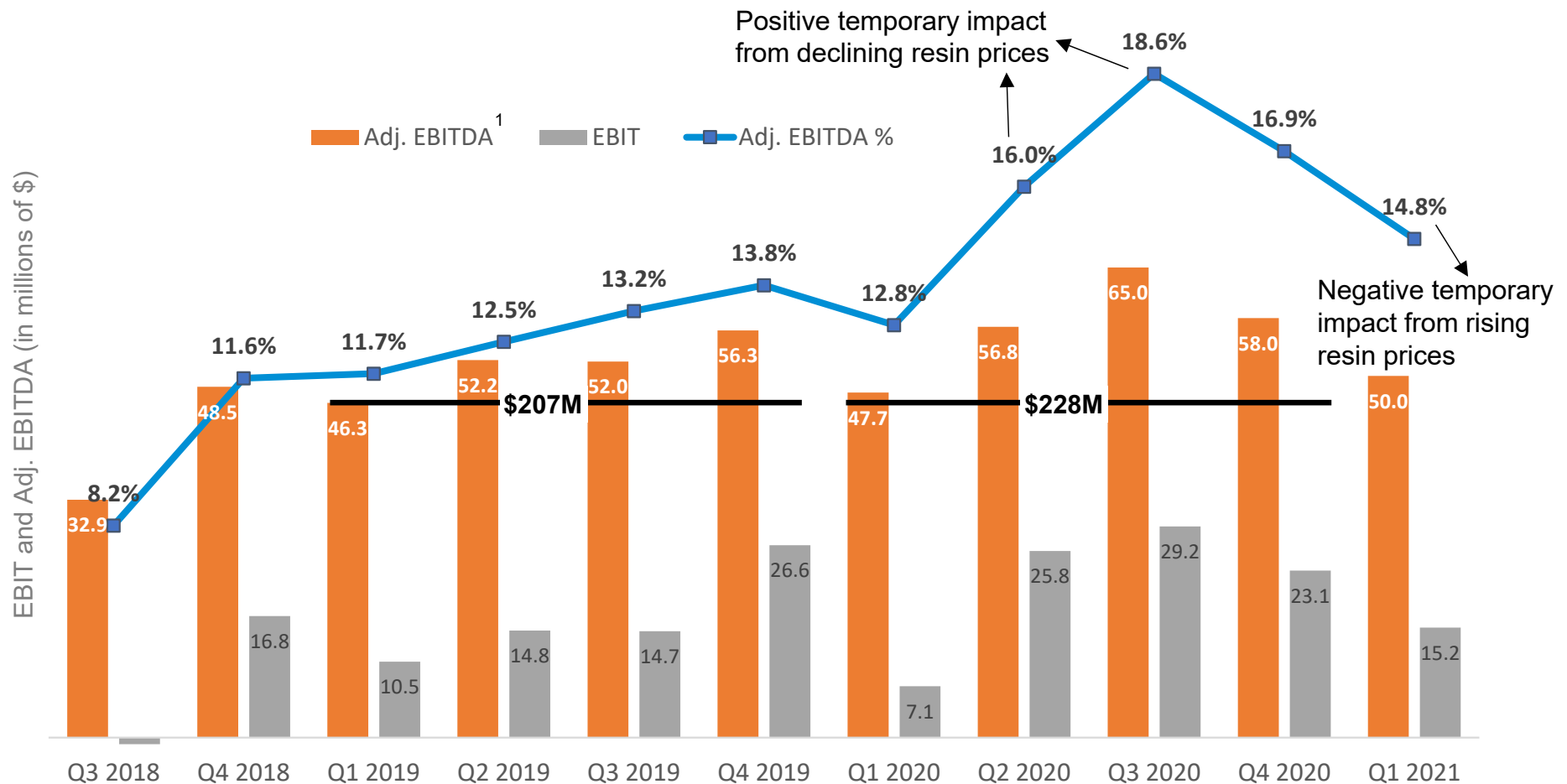
**Significant operating margin improvement from exceeding synergy targets**

<sup>1</sup> Non-IFRS financial measure. Please refer to page 2 of this presentation for a complete description of these measures.

# Growing profitability in Packaging

## Profitability growing since the acquisition of Coveris Americas

Year-over-year Adjusted EBITDA margin<sup>1</sup> improvement in each of the last 10 quarters

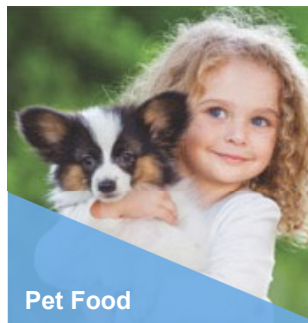
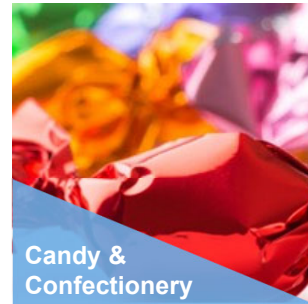


**While sudden movement in resin prices may temporarily impact profitability, operational efficiency gains and portfolio management are contributing to margin improvement in Packaging**

<sup>1</sup> Non-IFRS financial measure. Please refer to page 2 of this presentation for a complete description of these measures.

# Serving a variety of industries

## Core markets among our portfolio of products



Investing in innovative and ecoresponsible products to become the market leader in core markets

# Packaging Innovation and Sustainability

Key considerations for clients

## Product Protection

- Oxygen, Moisture, Light
- Transportation

## Consumer Engagement

- On the Shelf Image
- Convenience of Use

## Total Cost of Ownership

- Purchase Price
- Processing Speed & Ease

## Sustainability

- Carbon Footprint Impact
- End-of-Life Scenario



# The Benefits of Flexible Packaging

## WHY FLEXIBLE PACKAGING IS AWESOME:

Less energy. Fewer resources. Smaller footprint.

The role flexible packaging plays in sustainability across the different stages of the supply chain.

- Protects the product and reduces container breakage → Less waste
- Produces less CO<sub>2</sub> emissions → Better for the environment
- Improves product-packaging ratio → Efficient resource utilization
- Optimizes transportation with light weight and flat shape → Fewer trucks on the road for transport
- Extends shelf life with barrier properties → One of the key solutions to reduce food waste



### CARBON IMPACT

A rigid PET container for laundry detergent pods emits **+726%** more greenhouse gases than a flexible pouch with zipper



### MATERIAL TO LANDFILL

**+31%** more thermoformed tubs for baby food packaging ends up in a landfill compared to a flexible pouch with fitment



### WATER USAGE

A HDPE bottle for motor oil packaging consumes **+513%** more water than a flexible pouch with fitment



### FOSSIL FUEL USAGE

A rigid pail for cat litter packaging consumes **+1,429%** more fossil fuel than a flexible bag



### WATER USAGE

A steel can for packaging coffee consumes **+1,605%** more water than a flexible pouch



### PRODUCT-TO-PACKAGE RATIO

A single serve juice flexible pouch efficiently uses packaging with a product-to-package ratio of **+97%**

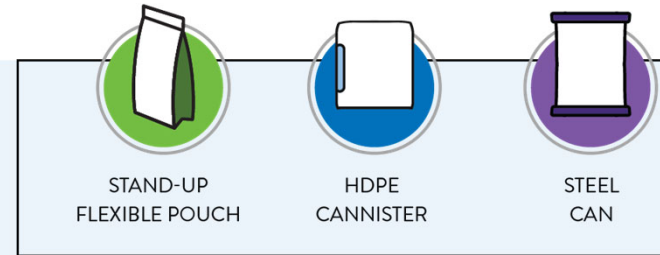
Source: <https://www.flexpack.org/resources/sustainability-resources#a-holistic-view-of-the-role-of-flexible-packaging-in-a-sustainable-world>



# The Benefits of Flexible Packaging

## COFFEE PACKAGE COMPARISON

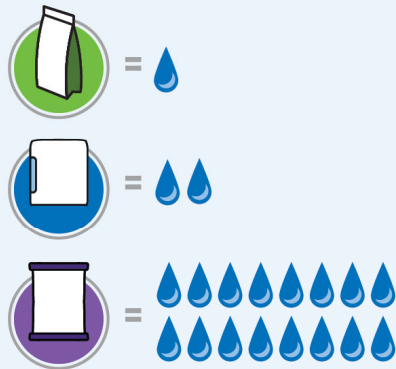
Ground coffee is a popular beverage and is packaged in a variety of package formats. For this Life Cycle Assessment (LCA) study, the stand-up flexible pouch, steel can and plastic canister package formats were evaluated for their environmental impacts with a cradle to grave boundary.



### WATER CONSUMPTION

The steel can uses **16x** as much water as the stand-up flexible pouch, mainly during the material development stage, as large amounts of water are used during the cooling process in the formation of steel.

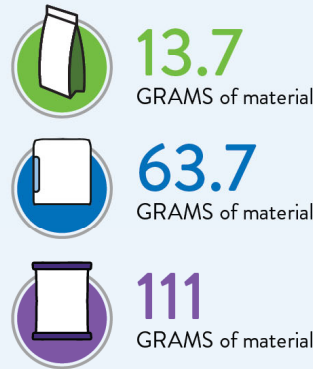
The HDPE plastic canister consumes **2x** as much water as the stand-up flexible pouch due to water usage during the injection molding process.



### GREENHOUSE GAS EMISSIONS

The production of steel cans and the HDPE canister both require much more energy and have higher carbon emissions in the manufacturing or conversion stage. The carbon impact is lower for a lighter stand-up flexible pouch that holds more of the product and uses less material.

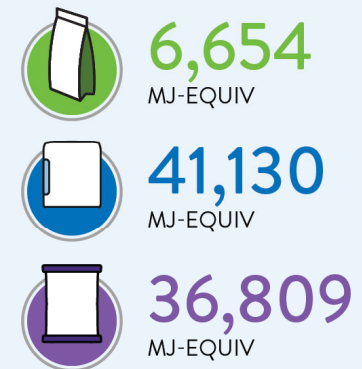
The HDPE canister and steel can respectively emit **4x** and **7x** more GHG emissions than the flexible pouch.



### FOSSIL FUEL CONSUMPTION

A flexible pouch has a lower overall fossil fuel usage.

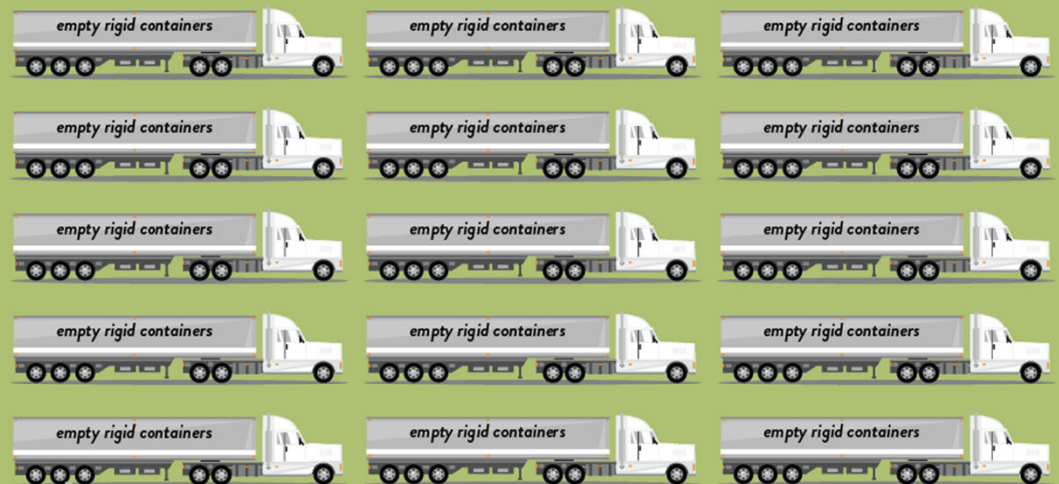
A steel can and HDPE canister respectively use **453%** and **518%** more fossil fuel than a stand-up flexible pouch.



# The Benefits of Flexible Packaging

Guess how many trucks you would need to transport the same volume of rigid containers?

**ONE TRUCKLOAD OF FLAT POUCHES  
OFTEN EQUALS BETWEEN  
15-25 truckloads of empty rigid containers**



Source : AWT Labels and Packaging, 2016

# Flexible packaging plays a vital role in preserving food and reducing food waste

## What are the **flexible packaging benefits?**



Significantly improves product protection and freshness



Increases shelf life and reduces food waste



Offers unprecedented convenience features



Provides confidence in sterility and product security



Informs the consumer of the contents

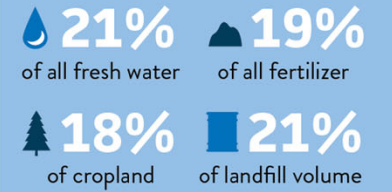
# The Benefits of Flexible Packaging

1/3 of all food produced is disposed of before it is consumed

**RULE OF THUMB:**

Packaging accounts for about 10% of carbon footprint of product

**Food Waste Consumes**

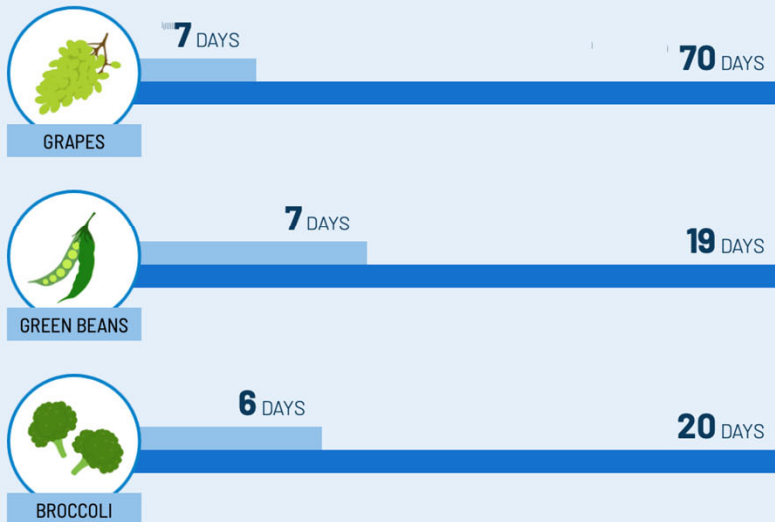


**85%**

Occurs downstream at consumer facing businesses and homes

## FLEXIBLE PACKAGING **reduces food waste**

When shelf life increases, **food waste decreases**



Without Flexible Packaging    With Flexible Packaging

# vieVERTe: Our Growing Sustainable Packaging Line

**vieVERTe™**  
— RECYCLE READY



## 100% RECYCLED READY

- Low barrier outer bag/pouch
- Lamination-two layer
- Approved by How2Recycle for in-store drop off
- Seal-ability, machinability, and durability

**vieVERTe™**  
— RECYCLE READY



## BARRIER RECYCLED READY

- First to commercialize barrier structure barrier
- Lamination-two layer, reverse print
- Submitted for How2Recycle approval
- Moisture and oxygen barrier requirements met
- Maintains machine speeds
- Available with up to 15% PCR content by weight in sealant lamination layer

**vieVERTe™**  
— COMPOSTABLE



## COMPOSTABLE

- Leader in packaging films for compostable
- Custom engineered with customer collaboration
- BPI certified INDUSTRIAL COMPOSTABLE
- Developing film technology for HOME COMPOSTABLE
- Know how on ASTM 6400 testing requirements
- Strong relationships throughout the industry: composters, BPI, forums, universities, suppliers

**Integritite™**  
RECYCLE READY



## PCR CONTAINING SHRINK FILMS

- Maintains machine speeds
- Up to 30% PCR content by weight
- Recycle Ready

# Making strides towards a circular economy for plastics

- We share the Ellen MacArthur Foundation's common vision of a circular economy for plastic, **where plastic never becomes waste**
- TC Transcontinental is **the first Canadian-based manufacturer to join** the Ellen MacArthur Foundation's New Plastics Economy Global Commitment

- Our **2025 Commitment:**

- 100% of plastic packaging to be reusable, recyclable, or compostable
- 10% of our plastic supply will come from post consumer recycled content
- We will collaborate towards increasing recycling and composting rates for plastic

**Innovate**  
to design packaging that  
is reusable, recyclable  
or compostable



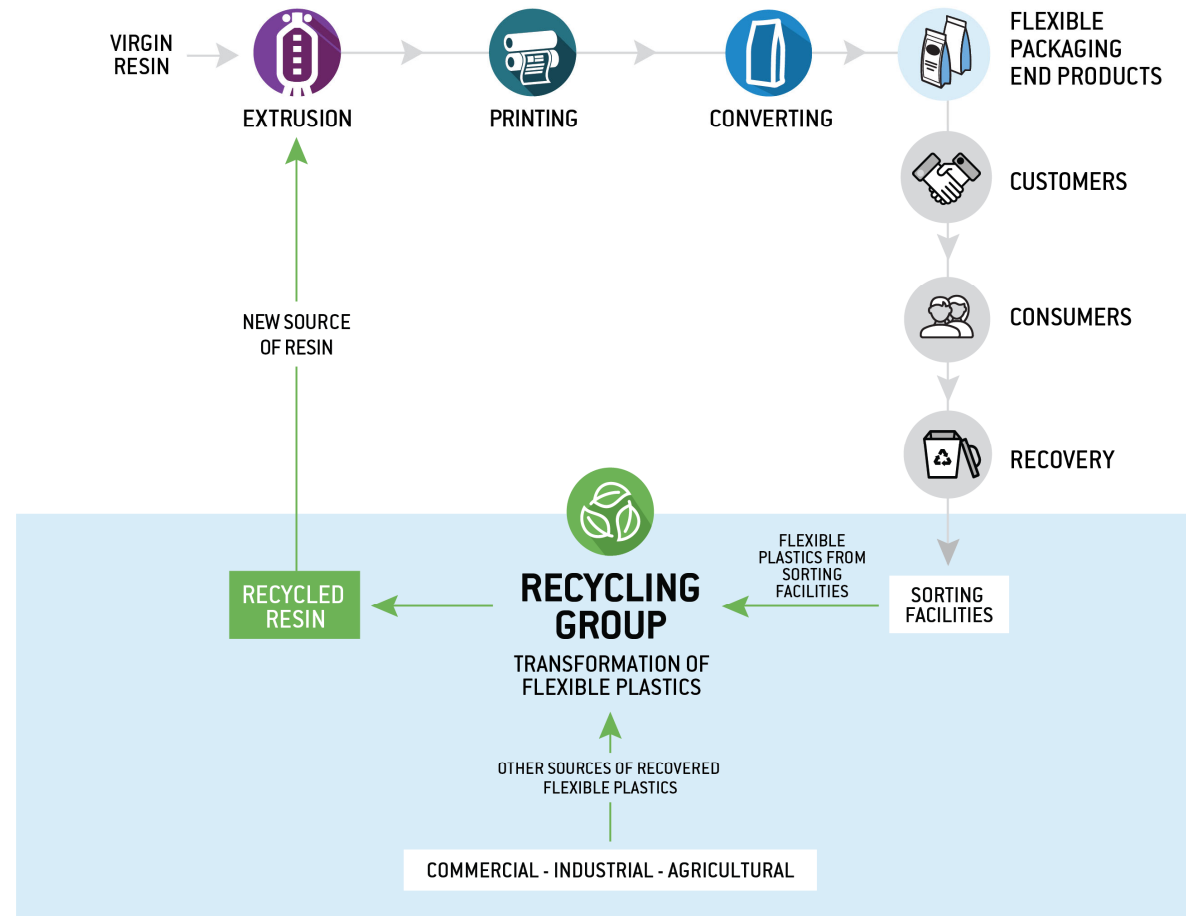
**Collaborate**  
with industry partners to  
increase reuse, recycling  
and composting rates

**Promote**  
the use of post-consumer  
recycled content



# Integrating the recycling of plastics in our production chain

Our equipments are used for converting plastic waste recovered from sorting facilities and other commercial, industrial and agricultural sources into recycled plastic granules providing a **stable procurement of recycled resin**.



Our recycling activities allow us to offer our customers **eco-responsible packaging products that contain recycled plastic**, and accelerate its development.





▶ TC Transcontinental  
Printing

## Recent achievements in Printing

- Took swift actions at the onset of the pandemic to maintain profitability and deliver solid free cash flows through the crisis
  - Demonstrated ability in FY2020 to maintain 20% Adj. EBITDA margin excluding subsidy despite impact of COVID-19 (\$271M organic revenue decline)
- Optimizing our manufacturing platform
  - Announced the closure of several plants (PEI, Quebec City, Gatineau and Winnipeg)
- Simplifying overhead structure to reduce indirect costs
- Acquisition of Artisan Complete to increase our presence in a growth vertical (In-Store Marketing)
- Invested more than \$10 million in its book printing platform meet the demand from North American customers

**We will continue to take action to ensure we generate strong free cash flow in our Printing sector**

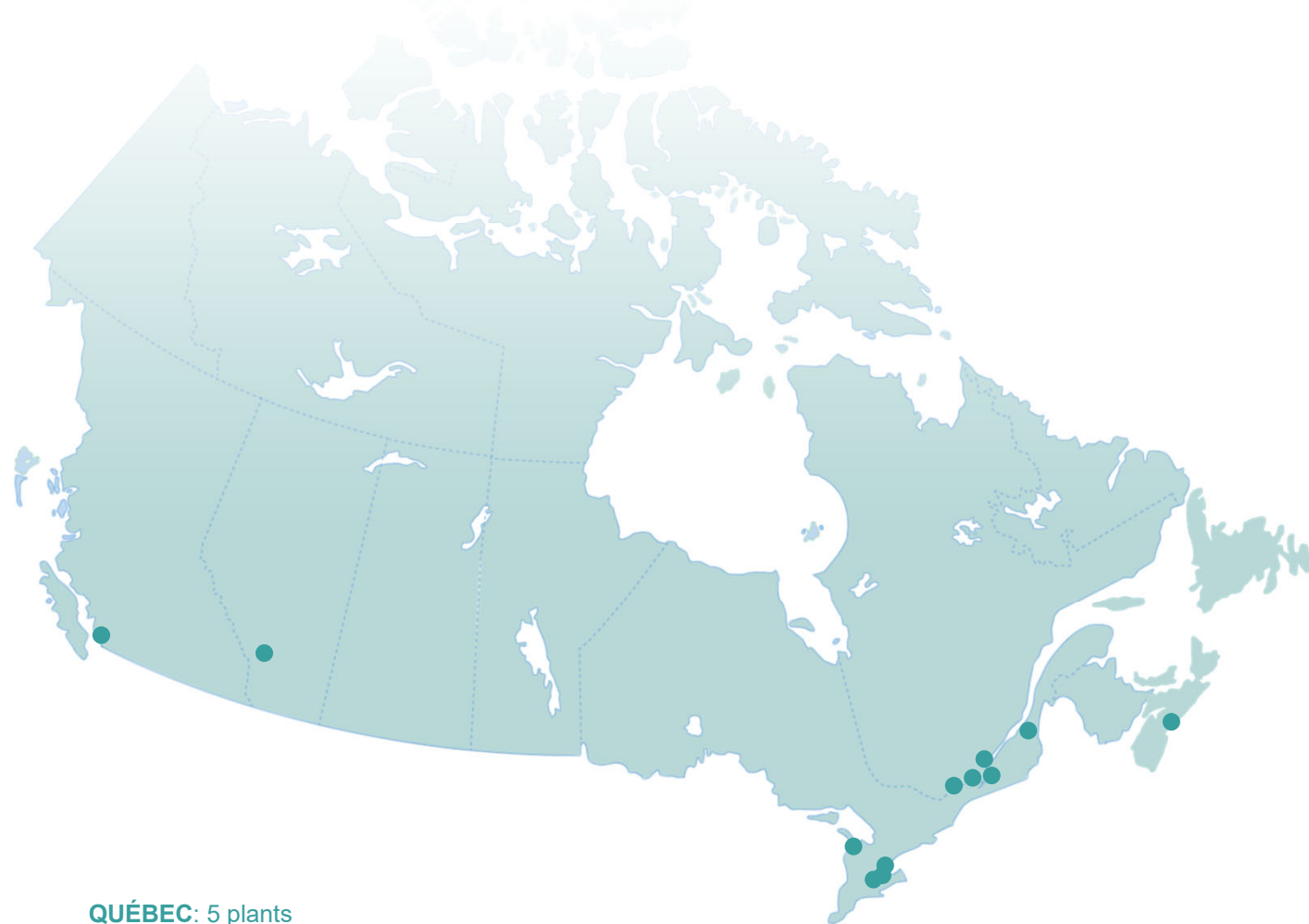


## Printing outlook

- Monitor volume trends and proactively adjust cost structure to protect profitability
- Expect operating earnings to grow in FY2021
- Grow our revenues from verticals with growth potential like in-store marketing product, book printing and premedia services
- Continue to generate significant cash flow

# Offering a state-of-the-art national printing network

**12**  
printing plants



**BRITISH COLUMBIA:** 1 plant  
• Transcontinental Vancouver

**ALBERTA:** 1 plant  
• Transcontinental Calgary

**ONTARIO:** 4 plants  
• Transcontinental Aurora (ISM)  
• Transcontinental Brampton (ISM)  
• Transcontinental RBW Graphics, Owen Sound  
• Transcontinental Vaughan

**QUÉBEC:** 5 plants  
• Transcontinental Interglobe, Beauceville (Books)  
• Transcontinental Interweb, Boucherville (Mag/Cat)  
• Transcontinental Ross-Ellis, Montréal (Commercial)  
• Transcontinental Transmag, Montréal  
• Transcontinental Saint-Hyacinthe

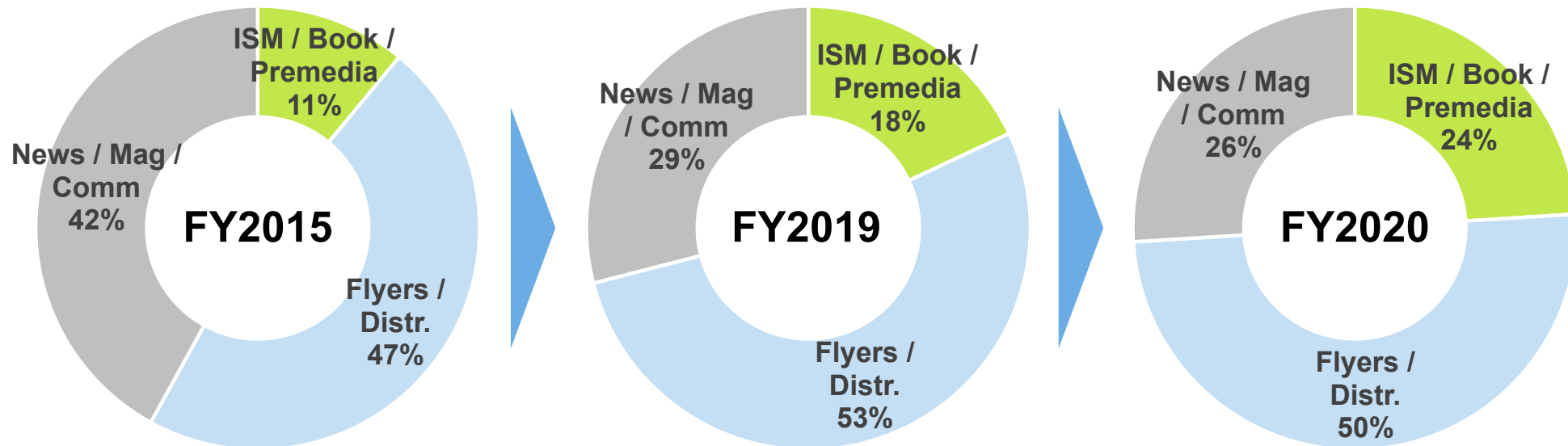
**NOVA SCOTIA:** 1 plant  
• Transcontinental Halifax

**~3,700**  
employees

*Note: Includes the consolidation of Holland & Crosby and Artisan Complete in Brampton, ON and excludes Transcontinental LGM – Coronet (Winnipeg) plant (closure in January 2021)*

# Dynamically adapting Print's portfolio to market

## Printing Revenues by product / market



- Through acquisitions, divestitures and organic transformation, a growing portion of the portfolio is composed of activities with favourable growth opportunities. Including our Media Sector, this would represent close to 30% of Print's revenues.
- Flyers continue to generate significant revenues due to unmatched reach and return on investment for retailers.
- Print's portfolio today is much more resilient with lower exposure to Newspapers, Magazines and Commercial printing and continues to generate strong profitability and free cash flow.



# In-Store Marketing (ISM)

A growth vertical within our Printing sector

- Grew from less than \$7M annualized revenues in 2012 to a run-rate of ~\$140M (through organic growth & acquisitions)
- Acquisition of Holland & Crosby and Artisan Complete to complement our product/service offering and provide scale
  - Significant cost synergies have been identified and implemented, allowing margins improvement
- Strong customer relationships, internal capabilities and attractive revenue synergies from acquisitions will contribute to generate organic growth
- Significant opportunities for consolidation in an extremely fragmented market



Preparing back-to-business



Retail environments



Customized displays

# In-Store Marketing (ISM)

A vertical with growing sub-segments

Promotional  
Point of  
Purchase (POP)

Printing and production of predominantly high-frequency customized promotional materials



Permanent  
Signage

Permanent signage, wayfinding, branding, department & information with installation management



Display & Decor

Print and Assembly of customized merchandizing displays, in-store signage, low frequency promotional displays for CPGs



**Relations built with Canadian retailers over the years and recent acquisitions should allow us to grow in all ISM markets**





▶ TC Media

**tc** • MEDIA

[www.tc.tc](http://www.tc.tc)

## Media Sector now focused on Educational Material and Groupe Constructo

- Completed the transformation in Media Sector with the sale of the majority of our specialty media assets and event planning activities. The sector no longer rely on publicity revenues.
- The Media Sector now represents ~\$70 million annually (3% of our consolidated revenues)
- Educational Material and Constructo Group delivering solid and predictable cash flow
- Excellent financial performance in FY2020 with limited impact from COVID-19
  - 9% organic revenue growth and solid profitability in FY2020

Our vision is to maintain our position as the leading Canadian French-language educational publishing group

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## We have a strong financial position to benefit from the recovery and accelerate our transformation

- ▶ Investment grade credit rating
- ▶ Net indebtedness ratio of 1.8x, providing the flexibility to accelerate growth organically and through acquisitions
- ▶ Access to over \$610 million in liquidity (cash and undrawn credit facilities) and limited upcoming maturities
- ▶ With its strong cash flow generation and real estate portfolio, the Printing segment could repay the entire long-term debt, leaving an unlevered Packaging segment
- ▶ With its resilient nature and growing markets, the Packaging segment is key to unlock shareholder value

## Conclusion

- ▶ The pandemic has highlighted our resilience, agility and operational excellence
- ▶ We are well positioned to grow organically in Packaging and to benefit from a gradual recovery in Print
- ▶ We have a solid financial position, generating strong and consistent cash flows providing the flexibility to grow organically and through acquisitions





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