

Second Quarter 2021 results Earnings call presentation

June 9, 2021

François Olivier, President and Chief Executive Officer

Donald LeCavalier, Chief Financial Officer

Yan Lapointe, Director, Investor Relations

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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 at the end of this presentation and in Note 3 "Segmented Information" to the unaudited condensed interim consolidated financial statements for the second quarter ended April 25, 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 operating earnings before depreciation and amortization (Adjusted EBITDA)	Operating earnings before depreciation and amortization as well as restructuring and other costs (gains) and impairment of assets
Adjusted EBITDA margin	Adjusted operating earnings before depreciation and amortization divided by revenues
Adjusted net earnings attributable to shareholders of the Corporation per share (Adjusted EPS)	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
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



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 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 June 9, 2021. The forward-looking statements in this presentation are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The forward-looking statements in this presentation are based on current expectations and information available as at June 9, 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.

Q2 2021 Highlights

Packaging

- ▶ Solid results despite significant headwinds from higher resin price and exchange rate
- ▶ Sustainability continues to be a major company focus and R&D priority

Printing

- ▶ Return to organic growth
- ▶ Increasing profitability despite continued impacts from the pandemic
- ▶ Strong momentum in our In-Store Marketing (ISM) Group

Consolidated

- ▶ Strong cash flow from operating activities enabling deleveraging of balance sheet
- ▶ Solid financial position providing flexibility to grow organically and through acquisitions

Focused on creating long-term value for our stakeholders

Corporate Social Responsibility (CSR) in Action

COVID-19 Vaccination

Participating in the **collective vaccination effort** by opening a COVID-19 vaccination centre in Montréal.

Sustainable Packaging

Winner in Innovations at the Flexographic Technical Association (FTA) Sustainability Excellence Award competition for our Integritite™ postconsumer recycled collation shrink film.

This **sustainable film** offers:

- 33% of post-consumer recycled (PCR) resin
- Matching virgin resin performance
- Pre-approved for in-store drop-off
- Great shelf appeal



Our CSR approach is well integrated in our corporate strategy

Q2 2021 Financial Results

Revenues	\$623.3M
Adj. EBITDA ⁽¹⁾	\$107.0M
EBIT	\$55.9M
Adj. EPS ⁽¹⁾	\$0.55
Cash flow Operations	\$83.3M

Highlights

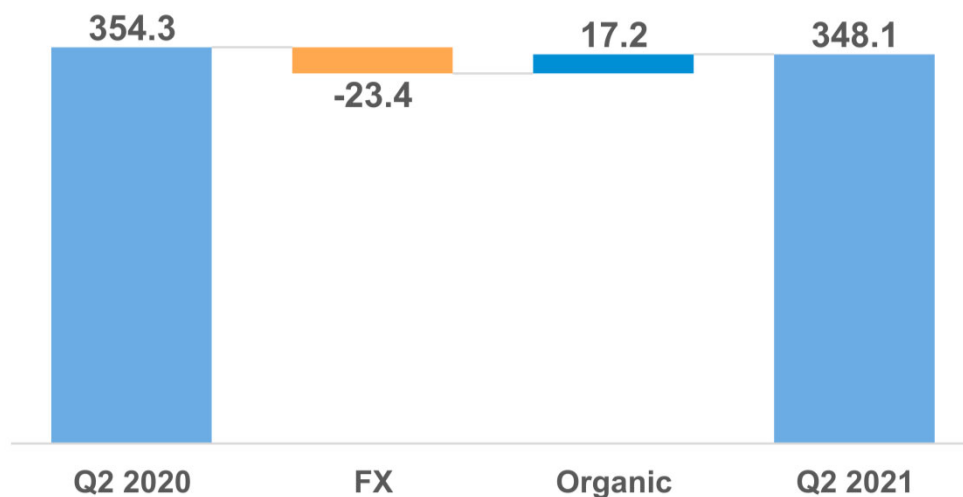
- ▶ -3.9% FX; +3.6% organic growth
- ▶ First quarter of organic growth in Print since Q3 2018
- ▶ Print Adjusted EBITDA grew by 25%
- ▶ Increase in Packaging Adjusted EBITDA (excluding FX and resin)
- ▶ +26.8% (+\$11.8M) improvement versus Q2 2020
- ▶ Higher EBITDA, lower interest expense (lower net debt and rate) and tax rate at 24.4%
- ▶ IFRS EPS increased from \$0.30 in Q2 2020 to \$0.41 in Q2 2021
- ▶ Strong cash flow generation, despite increased inventory (impacted by resin price)

Another strong quarter with a solid performance across all sectors

Q2 2021 Financial Results

Packaging

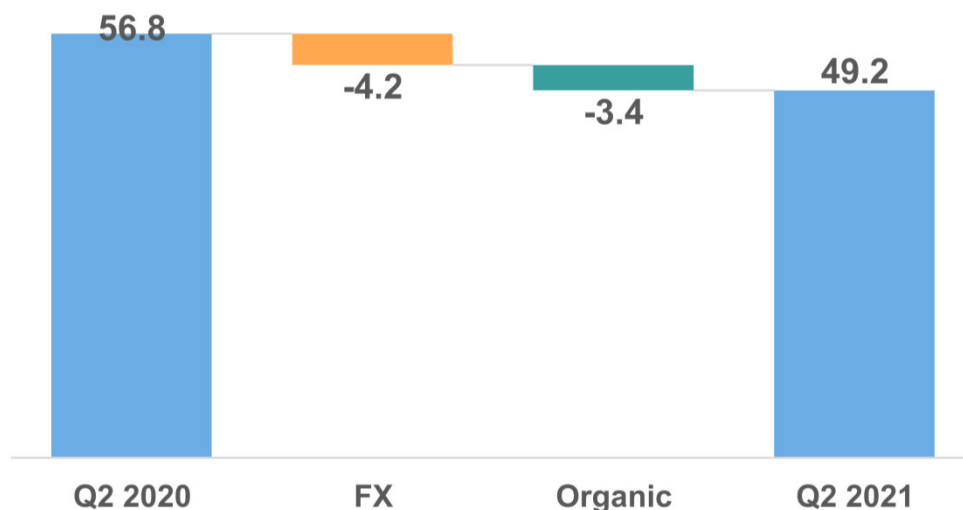
Revenues (in millions of \$)



Highlights

- ▶ 4.9% organic growth mainly from higher resin prices
- ▶ Excluding resin, YTD organic growth at ~2.5% and expect full year close to 3%
- ▶ Average CAD/USD at \$1.26 in Q2 2021 vs. \$1.36 in Q2 2020

Adj. EBITDA⁽¹⁾ (in millions of \$)

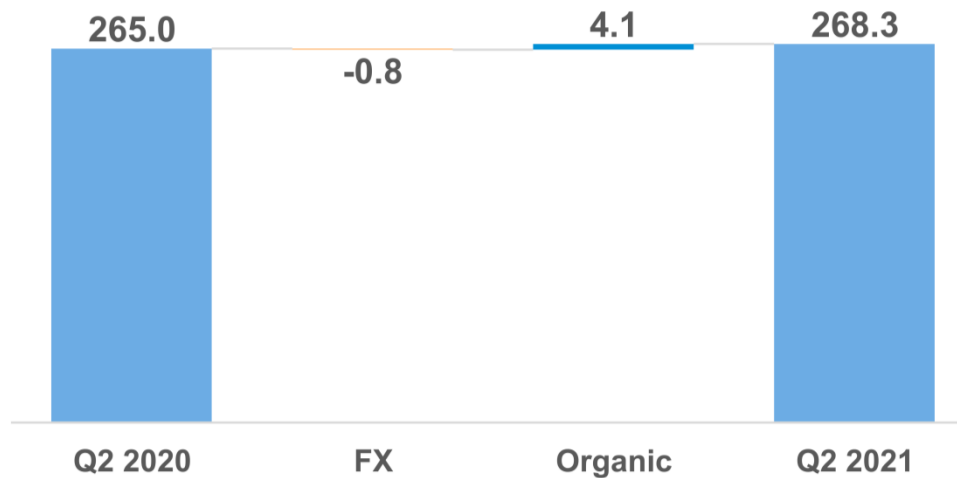


- ▶ Includes significant impact from recent resin price increases not yet passed through
- ▶ Excluding FX and resin impacts, Adj. EBITDA would have been higher than Q2 2020 (and similar margin)

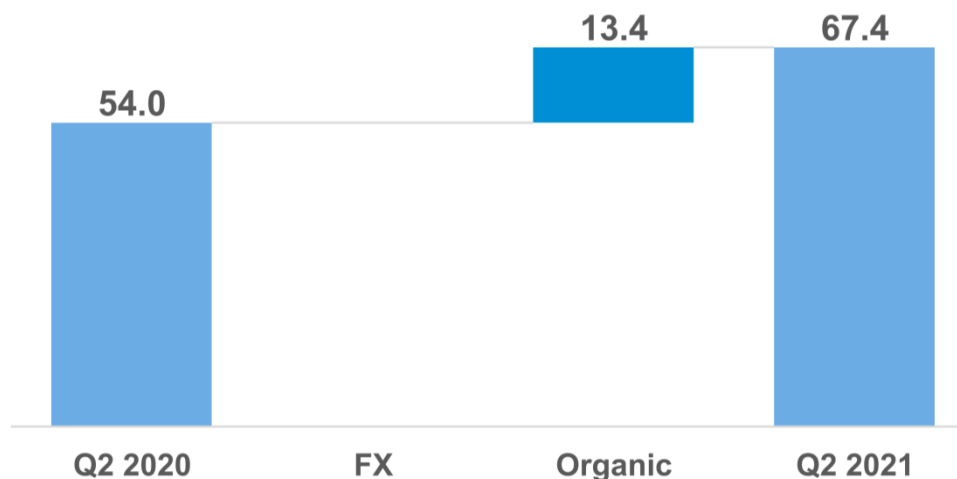
Q2 2021 Financial Results

Printing

Revenues (in millions of \$)



Adj. EBITDA⁽¹⁾ (in millions of \$)



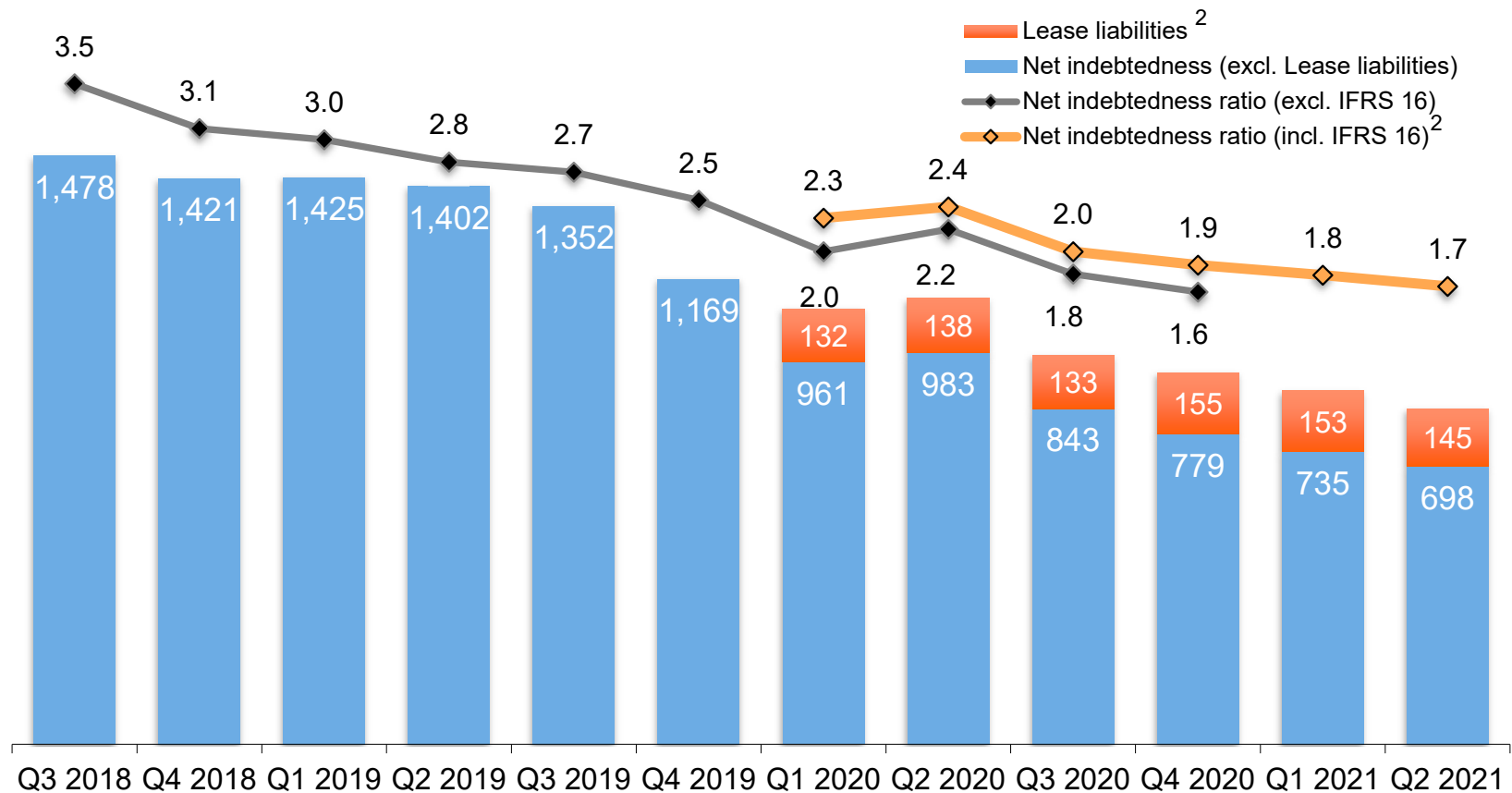
Highlights

- ▶ First quarter of organic growth since Q3 2018
- ▶ Expect solid organic growth in H2 2021
- ▶ Very solid profitability in Q2 2021 despite impact of COVID-19
- ▶ Margin of 25.1% (22.5% excluding CEWS⁽²⁾) from excellent operational performance

(1) Non-IFRS financial measure. Please refer to page 2 of this presentation for a complete description of these measures.
 (2) Canada Emergency Wage Subsidy

Demonstrated ability to deleverage rapidly using solid free cash flow

Net indebtedness¹ (in millions of \$) and net indebtedness ratio¹



S&P and DBRS both improved their rating 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.



Conclusion

- ▶ Strong quarter with solid performance across all sectors
- ▶ Well positioned to grow organically in the second half of the year
- ▶ Solid financial position, generating strong and consistent cash flows providing the flexibility to grow organically and through acquisitions

Appendix

Reconciliation of Non-IFRS Financial Measures

Reconciliation of operating earnings - Second quarter and cumulative

(in millions of dollars)	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
Operating earnings	\$55.9	\$44.1	\$103.1	\$84.9
Restructuring and other costs	0.5	7.0	5.3	20.3
Amortization of intangible assets arising from business combinations ⁽¹⁾	16.2	17.4	32.8	35.4
Adjusted operating earnings	\$72.6	\$68.5	\$141.2	\$140.6
Depreciation and amortization ⁽²⁾	34.4	35.8	71.5	72.7
Adjusted operating earnings before depreciation and amortization	\$107.0	\$104.3	\$212.7	\$213.3

(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 - Second quarter

(in millions of dollars, except per share amounts)	Three months ended			
	April 25, 2021		April 26, 2020	
	Total	Per share	Total	Per share
Net earnings attributable to shareholders of the Corporation	\$35.6	\$0.41	\$25.7	\$0.30
Restructuring and other costs, net of related income taxes	(0.1)	—	4.8	0.06
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	12.3	0.14	13.1	0.14
Adjusted net earnings attributable to shareholders of the Corporation	\$47.8	\$0.55	\$43.6	\$0.50

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

Reconciliation of Non-IFRS Financial Measures (cont'd)

Reconciliation of net earnings attributable to shareholders of the Corporation - Cumulative

(in millions of dollars, except per share amounts)	Six months ended			
	April 25, 2021		April 26, 2020	
	Total	Per share	Total	Per share
Net earnings attributable to shareholders of the Corporation	\$63.3	0.73	\$32.1	\$0.37
Restructuring and other costs, net of related income taxes	3.4	0.04	27.6	0.32
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	24.9	0.28	26.7	0.30
Adjusted net earnings attributable to shareholders of the Corporation	\$91.6	\$1.05	\$86.4	\$0.99

(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 April 25, 2021	As at October 25, 2020
Long-term debt	\$569.5	\$790.4
Current portion of long-term debt	327.6	229.7
Lease liabilities	122.7	132.0
Current portion of lease liabilities	22.1	22.8
Cash	(199.6)	(241.0)
Net indebtedness	\$842.3	\$933.9
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$498.8	\$499.4
Net indebtedness ratio	1.7 x	1.9 x

The background features a series of overlapping, semi-transparent blue geometric shapes, primarily triangles and quadrilaterals, creating a dynamic, layered effect. The colors range from a light sky blue to a deeper, more saturated blue.

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