

2017 ANNUAL MEETING OF SHAREHOLDERS

March 3, 2017

Saint-James's Club, Montreal

François Olivier, President and Chief Executive Officer, Transcontinental Inc.

Check against delivery

Thank you, Isabelle.

Ladies and gentlemen, it is now my pleasure to welcome you to this annual meeting.

In 2016, we celebrated an important milestone in our history: our company's 40th anniversary. Across both Canada and the United States, from coast to coast, our employees took the opportunity to mark the occasion by organizing unifying events within our business units. Driven by their sense of belonging, they demonstrated their pride throughout the year.

Beyond the celebrations, they have remained focused on achieving our business objectives. Our teams worked tirelessly to ensure that 2016 would be a memorable year, on par with the last 40 years. We can now say: mission accomplished!

Today, I will start by presenting a general overview of our financial results for 2016 within the context of our transformation. I will then review the key pillars of our business strategy for each sector, while highlighting initiatives that were deployed during the year as well as major achievements. Lastly, I will present the financial outlook for 2017.

I would first like to say that I am very proud of what we have accomplished in 2016. Our results confirm that we were on track with the rigorous implementation of our strategy. We not only pursued our transformation in a diligent manner, but succeeded in doing so while posting the highest profitability in TC Transcontinental's 40-year history.

Our revenues increased by 1% to reach \$2 billion and our adjusted net earnings rose to \$196 million. In fact, over the last five years, they've grown by \$47 million, an increase of 31%.

Our financial performance enabled us to deploy capital in order to pursue the company's growth in the promising flexible packaging vertical. In this regard, we made two strategic acquisitions: Robbie Manufacturing and Flexstar Packaging. As a result, in 2016, revenues in our packaging division almost doubled, accounting for 15% of our consolidated revenues on an annualized basis, or \$300 million.

Despite the investments required for our transformation in 2016, TC Transcontinental was able to reduce its net indebtedness by 4%, or \$14 million, and continues to have a very low indebtedness ratio, providing the latitude it needs to pursue its transformation. Furthermore, in 2016, TC Transcontinental returned value to its shareholders by repurchasing \$22 million in shares

and increasing its dividend per share by 9%, thereby returning to shareholders an additional \$56 million.

These figures speak for themselves. While we are in the midst of a major strategic shift to ensure TC Transcontinental's lasting growth, our results confirm that we are succeeding in maintaining the right balance between transformation and performance.

I will begin a review of our operating activities by looking at our printing division, which once again had an excellent year in 2016. In a mature industry, our results prove that we have succeeded in securing a leadership position within our key verticals. Our business strategy for this division is **three-fold**:

First: Reinforce our leadership position in stable and growth verticals and minimize our presence in underperforming or declining verticals.

In 2016, we renewed agreements with Canadian retailers totalling \$250 million, contributing to the stability of print volume in the flyer segment. During the same fiscal year, we grouped related retailer services, namely premedia and door-to-door distribution, within TC Transcontinental Printing. In 2016, retailer services accounted for close to half of the Corporation's consolidated revenues.

At the same time, we continued our analysis of the marketing product printing segment, which is experiencing a decline. In light of this reality, we decided to sell our commercial printing activities at Transcontinental Saskatoon and Transcontinental Dartmouth, which led to the closure of these plants.

Our second strategy: Increase market share.

TC Transcontinental is Canada's largest printer. Thanks to major investments made between 2007 and 2010, we now have a state-of-the-art hybrid printing platform that extends from coast to coast. As such, our highly efficient printing platform has the capacity to take on new print volumes with minimal investment. This explains why the new agreements we sign each year provide us with a good contribution margin.

Our unique newspaper printing outsourcing model sparked renewed interest in 2016. We signed a five-year agreement with the *Toronto Star*, and our Transcontinental Vaughan team successfully began printing it in July. Furthermore, we increased market share in the in-store marketing segment, which now generates revenues of \$55 million on an annualized basis.

I am also pleased to announce today that we concluded an expanded agreement with Lowe's Canada. In addition to the renewal of our agreement for all services provided to RONA, we expanded our business relationship with Lowe's to include the printing of their flyers in Canada. This agreement represents revenues of \$200 million over five years, and includes all our retailer services for all Lowe's and RONA banners across the country.

I would like to express my sincere thanks to Sylvain Prud'homme, President and CEO of Lowe's Canada, and his team, for reaffirming their trust in our services. This multi-year agreement also demonstrates their support to Quebec and Canadian suppliers.

The continuation of this solid business relationship confirms that our integrated services model for retailers creates value and that printed flyers continue to be an essential component of their marketing strategy for driving traffic to the store.

Our third strategy: Improve efficiency and adjust our costs to the market.

We are continuously working to adjust the production capacity of our printing platform to the volume of activity in order to maximize its utilization rate. In 2016, we continued to take measures to better optimize our network. To this end, we closed the Transcontinental Québec plant and transferred these commercial printing activities to other plants in our network. In addition, in 2016, we invested about \$40 million in our printing platform, notably in automation and robotics. This type of investment offers us a quick and attractive return.

In short, despite the decrease in sales in the printing division, our profits have continued to grow over the past seven years. Once again this year, we increased the profitability of this division. Our achievements in 2016 have enabled us to maintain our leadership position in Canada.

Let's continue with the Media Sector, which represents 15% of the Corporation's consolidated revenues, or about \$300 million in 2016. The Media Sector consists of two main business groups.

First, there is the Local Solutions Group, which consists of our local and regional publications. This group represents about \$210 million in revenue, and 92% of these revenues stem from local advertising expenditures. In the midst of an industry undergoing significant transformation, we are faced with difficult market realities.

We must maneuver the transformation of the business model to digital in a context of print advertising revenue erosion and increased competition from major global digital players. This is why in 2016 we joined forces, with other industry players in the *Coalition pour la pérennité de la presse d'information au Québec* (Coalition to ensure the long-term survival of print news media in Québec). In doing so, we are seeking government support to pursue our digital transformation and ensure the sustainability of local information media in many Quebec communities.

While awaiting a response from the various levels of government, in 2016, we pursued our optimization strategy for our media activities. We made difficult rationalization decisions and significantly reduced our cost structure. We also reviewed our portfolio of titles by selling our assets in Saskatchewan as well as other publications in Quebec. Lastly, we decided to close some local newspapers that were no longer financially viable.

I am very grateful to our teams in this business group as they continue to demonstrate resilience. I sincerely thank them for their work and dedication in the context of uncertainty.

Second, TC Media comprises the Business and Education group, which includes our B2B publications for the business and financial services sector, as well as the publishing of French-language educational books. This group, which represents about \$90 million in revenue, enjoys a business model that generates revenue from various sources, with only 25% derived from advertising revenues. This group delivered a solid performance in 2016 and is already well advanced in its transformation.

With respect to our B2B publications, we continued to reinforce the digital offering of Les Affaires Group and our offering of non-advertising based products and services, such as events, marketing research and business intelligence.

In December, we acquired seven Rogers Media B2B brands with an established multi-platform business model: print advertising revenue also only represents 25% of their total revenues. Our educational book publishing activities once again generated solid results in 2016.

Lastly, in 2016, our strategy for TC Media involved exiting underperforming businesses. We disposed of our interactive marketing activities and implemented efficiency measures. These efforts mitigated the impact of the decline in local newspaper advertising revenue on our profitability.

I now would like to review the development of the packaging division, which is the driving force of our growth.

The Corporation entered the flexible packaging industry by acquiring Capri Packaging in 2014, followed by Ultra Flex Packaging Corp. in 2015. This breakthrough in the industry progressed at a steady pace in 2016: the packaging division now accounts for 15% of the Corporation's revenue on an annualized basis.

These developments are driven by a two-pronged growth strategy: develop a North American platform through new acquisitions, and pursue organic sales growth. In 2016, we made two acquisitions based on our strategic criteria: Robbie Manufacturing, in Kansas, and Flexstar Packaging, in British Columbia, which will add about \$100 million to our revenues.

Robbie Manufacturing gave us access to new vertical markets, in addition to creating opportunities for synergies with our nearby facilities. Flexstar Packaging, for its part, enabled us to develop our presence on the west coast and to extend our North American platform. This acquisition, our first in Canada, brought us new manufacturing capabilities with film extrusion and a complementary sales force.

We have thus welcomed talented new employees to the TC Transcontinental family, people who are passionate about their jobs and eager to grow with us.

In 2016, we also made a number of capital investments to increase our existing capacity and adjust our platform to our future needs. In addition, significant resources have been allocated to

business development. When we started out in flexible packaging, we had only one sales representative. Today, our sales force consists of about 30 representatives across North America. We are convinced that these initiatives will bear fruit and will contribute to the realization of several business opportunities with our growing sales funnel.

Today, TC Transcontinental Packaging has close to 900 employees in the United States and Canada working at five production plants and one premedia studio.

As we turn the page on the successful year that was 2016, we head into 2017 with confidence. Thanks to our strong financial position and our significant cash flow, we are ideally positioned to pursue and even accelerate our growth in flexible packaging.

We have made impressive strides in just three years. When we began our transformation in 2014, our portfolio of assets consisted of two business segments, namely printing and media. Since then, we have brought on changes within our portfolio of printing activities, but the relative weight of this division within the organization has not changed and its profitability continued to increase. The Media Sector now represents a lower proportion of our consolidated revenues. In 2014, media represented about \$500 million for the Corporation compared to \$300 million today. In addition, we have implemented our strategy aimed at diversifying our assets and developing our packaging division, which now accounts for \$300 million in revenues on an annualized basis.

Today, we have a more significant base of packaging assets, a larger team, and better understanding of the market. These key factors mean we are better positioned than ever to grow the division and reach our goal of doubling our current flexible packaging revenues.

In 2017, we will maintain our disciplined approach to acquisitions in this promising market, and continue integrating the acquired companies, which will generate synergies. Furthermore, TC Transcontinental Packaging's North American sales force and increased manufacturing capacity should generate sustained organic growth.

With respect to the printing division, we anticipate stable revenues from our retailer offering. The expanded agreement with Lowe's Canada for the printing of their flyers will contribute to our results in fiscal 2017. We will pursue our strategy aimed at gaining market share, particularly with regard to in-store marketing and our unique newspaper printing outsourcing model. Lastly, we will continue to optimize our printing platform.

For our Media Sector, we will adjust our newspaper asset base to market conditions. In addition, we will continue to reinforce our digital offering in our more promising verticals, and enhance our offering of non-advertising based products and services. Finally, we will complete the integration of the publications acquired from Rogers Media.

Always moving forward, TC Transcontinental intends to build on its success in 2017 through the disciplined execution of its business strategy.

To conclude, I would like to highlight the contribution of our employees. They are the backbone of our organization and the driving force behind our success. They are our constant partners in the pursuit of our aspirations and I sincerely thank them for their valuable contribution.

TC Transcontinental's growth is also due to solid long-term business relationships with our clients. I would therefore like to take this opportunity to express all my gratitude to our business partners who have been putting their trust in us for many years. Their mission is our mission. Their successes are our successes.

Finally, on behalf of TC Transcontinental, I would like to thank all our shareholders for their trust and support.

I thank you for your attention and will now turn it over to Nelson Gentiletti.