2019 ANNUAL MEETING OF SHAREHOLDERS
February 28, 2019
Saint-James's Club, Montréal
Donald LeCavalier, Chief Financial Officer, Transcontinental Inc.

Check Against Delivery

Thank you François and good afternoon everyone.

As François pointed out, we are heading into 2019 with momentum and on track with the execution of our plan. Our results demonstrated solid revenue growth in the first quarter, and while profitability was somewhat softer than expected, we feel confident that we can achieve our objectives.

Overall, our first quarter adjusted revenues grew 63%, from $462 to $752 million. This increase essentially stems from the acquisition of Coveris Americas which contributed an amount of $306 million. We also posted good organic revenue growth of close to $5 million, or 7%, in our Packaging Sector.

These results were partially offset by three elements:

- First, the unfavourable effect of $19.5 million related to the sale of our newspaper printing activities in California to Hearst. This includes the unfavourable non-cash effect of $7.9 million for the end of the recognition of deferred revenues.
- Second, a shortfall of $9 million related to the disposal of local and regional newspapers in Québec.
- Finally, we were impacted by an organic revenue decline of $7 million in our Printing Sector. This decrease is due to slightly lower revenues in our retailer-related services as well as a decrease in printing volume in some other verticals.

In terms of profitability, adjusted operating earnings increased by $6 million, or 9%, to $77 million. This increase is mainly due to the acquisition of Coveris Americas as well as organic revenue growth in our Packaging Sector. However, it was partially offset by certain factors:

- First, the $9.9 million non-cash effect of the end of the recognition of deferred revenues from the *San Francisco Chronicle*, *La Presse* and *The Globe and Mail* in the Maritimes;
- Second, the organic revenue decline in certain verticals of the Printing Sector.

As we had mentioned at the time of the Coveris Americas acquisition, we are confident about achieving synergies of more than US$20 million over a 24-month period following the acquisition, of which $10 million are expected in the first 12 months on an annualized basis, meaning by the end of next quarter.

Furthermore, we note that the synergies realized in the first quarter are ahead of our expectations.

Turning to adjusted net earnings, despite the growth in adjusted operating earnings, they declined by 12%, or $6 million, to $46 million, mainly as a result of higher financial expenses. These stem from the increase in long-term debt related to the financing of the Coveris Americas acquisition. On a per share basis, adjusted net earnings went from $0.67 to $0.52 as a result of the decrease in adjusted net earnings and the effect of the issuance of 10.8 million shares in May 2018.

In the first quarter, cash flow from operating activities before changes in non-cash operating items and income taxes paid, decreased by $27 million, from $134 million in the first quarter of 2018 to $107 million this quarter. This decline is mainly attributable to the favourable effect in the first quarter of 2018 of a US$25 million payment from Hearst for the early termination of the printing agreement.

We also paid $21 million in taxes and we allocated $41 million to capital expenditures. Finally, in the first quarter, we distributed $18 million in dividends.

In terms of capital allocation, one of our priorities has always been to ensure sustainable dividend growth. In fact, as a sign of confidence in the Corporation’s transformation, we announced today a 4.8% increase, which translates to an annual dividend of $0.88 per share. At yesterday’s closing price, this represents a yield of 4.1%. Since 1993, the dividend has grown at a compound annual growth rate of 11%.

Regarding our financial position, taking into account the increase in our indebtedness related to the acquisition that I just mentioned, our pro forma net indebtedness ratio stood at 2.7x at the end of the first quarter of 2019. As François noted, we are aiming to decrease it below 2.0x by the end of fiscal 2020.

Before concluding, let me remind you that in the second quarter of 2019, our revenues and profitability will be affected by the end of our printing activities in California, namely:

- a non-cash effect of $4.4 million;
- 3 million related to transitional services to Hearst;
- and $8 million in revenues related to the rest of the operations sold to Hearst.

To conclude, we begin the year with confidence, highly focused on our strategy in order to realize the full potential of our activities and gradually improve our margins in packaging. We will continue to leverage our ability to generate significant cash flows in order to reduce our indebtedness.

We thank you, our shareholders, for your trust and support.

Thank you for your attention, and I turn the floor over to Isabelle Marcoux.