

Investor Relations Presentation:  
**Moving forward in  
our transformation**

January 2020

**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 *Management’s Discussion and Analysis for the fiscal year ended October 27, 2019*. 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 plus current portion of long-term debt 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 31 to the annual consolidated financial statements for the year ended October 27, 2019.



# 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 exchange rate, availability of capital at a reasonable rate, bad debts from certain customers, import and export controls, raw materials and transportation costs, competition, the Corporation's ability to generate organic growth in its Packaging Sector, the Corporation's ability to identify and engage in strategic transactions and effectively integrate acquisitions into its activities without affecting its growth and its profitability, while achieving the expected synergies, 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, the impact of digital product development and adoption on the demand for retailer-related services and other printed products, change in consumption habits or loss of a major customer, the impact of customer consolidation, the safety and quality of its packaging products used in the food industry, innovation of its offering, the protection of its intellectual property rights, concentration of its sales in certain segments, cybersecurity and data protection, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, recruiting and retaining qualified personnel in certain geographic areas and industry sectors, taxation, interest rates and indebtedness level. 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 27, 2019 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 December 12, 2019. 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 December 12, 2019. 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 at a Glance
- ▶ Financial Performance
- ▶ Corporate Social Responsibility
- ▶ Our Business Sectors
- ▶ 2020 Outlook and Conclusion

# TC Transcontinental at a glance

For over 40 years, TC Transcontinental's **mission** has been to create products and services that allow businesses to attract, reach and retain their target customers.

- ▶ A leader in flexible packaging in North America
- ▶ Canada's largest printer
- ▶ The leading Canadian publishing group of French-language educational resources
- ▶ Family-controlled business founded in 1976



**\$3.0B**

2019 Revenues



**8,700+**

Employees



**41**

Operating  
facilities

## Our vision

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



**tc** • TRANSCONTINENTAL  
PACKAGING



**tc** • TRANSCONTINENTAL  
PRINTING



**tc** • MEDIA

# Our management team



**François Olivier**  
President and  
Chief Executive Officer



**Sam Bendavid**  
Vice President,  
Corporate Development



**Magali Depras**  
Chief Strategy Officer



**Christine Desaulniers**  
Chief Legal Officer and  
Corporate Secretary



**Benoit Guilbault**  
Chief Information Officer



**Donald LeCavalier**  
Chief Financial Officer



**Lyne Martel**  
Chief Human Resources Officer



**Thomas Morin**  
President,  
TC Transcontinental Packaging



**Brian Reid**  
President,  
TC Transcontinental Printing

# Our transformation journey

## TRANSFORMATION

2010

Strategic investments

2014

1<sup>st</sup> Packaging acquisition

2016

4<sup>th</sup> Packaging acquisition completed

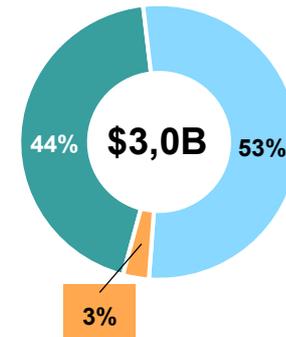
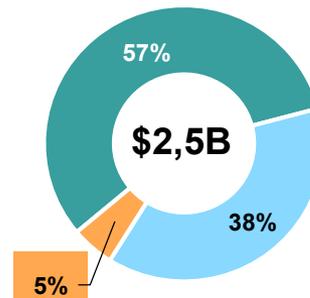
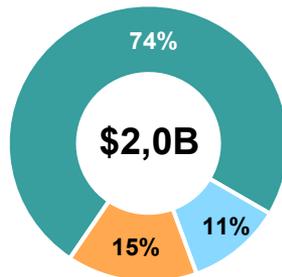
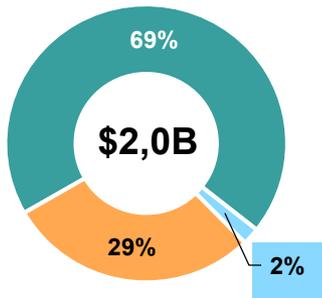
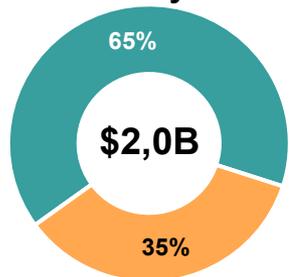
2018

Transformational acquisition of Coveris Americas

2019

Successful integration of Coveris Americas

### Revenues by Sector<sup>1</sup>



2007-2010

- Invested over \$800M in the printing platform

2010-2014

- Divested over \$400M in revenues from non-core assets (U.S., B&W books, Mexico operations)
- Consolidated printing industry in Canada (integration of Quad/Graphics Canada)

2014-2015

- Diversified into packaging with the acquisition of Capri Packaging
- Divested consumer magazines
- Consolidated local newspapers publishing market in QC (integration of QMI QC local newspapers)

2016

- Pursued diversification into packaging
- Regrouped retailer-related services under the Printing Division
- Exited Interactive Marketing Solutions

2018-2019

- 4 acquisitions in flexible packaging
  - Coveris Americas
  - Multifilm
  - Flexipak (2017)
  - Trilex
- Completed the sale of all of our local newspapers
- Small acquisitions in book publishing and in-store marketing
- Sale of majority of specialized assets in Media



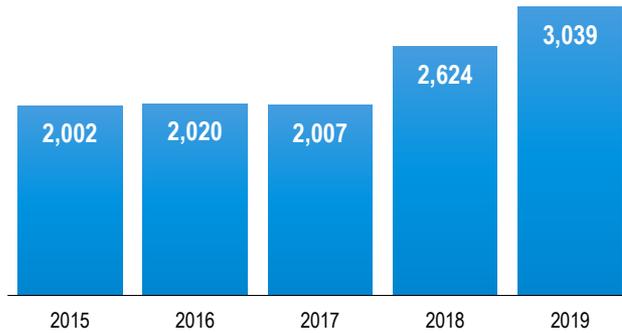
<sup>1</sup> As reported and excludes intercompany eliminations. For 2010 and 2014, Distribution and Premedia services are under Media. Adjusted revenues for 2018 - Non-IFRS financial measure (2018 IFRS Revenues of \$2,6B). Please refer to page 2 of this presentation for a complete description of these measures.

# Overview

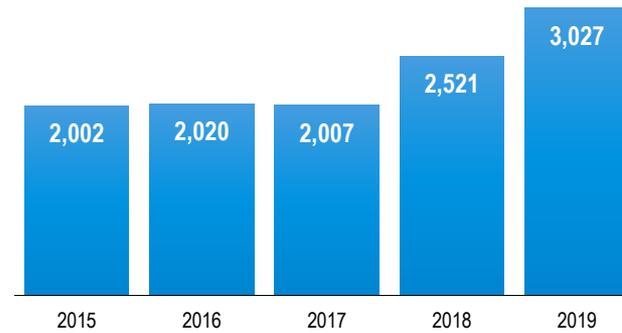
- ▶ TC Transcontinental at a Glance
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# Performance highlights

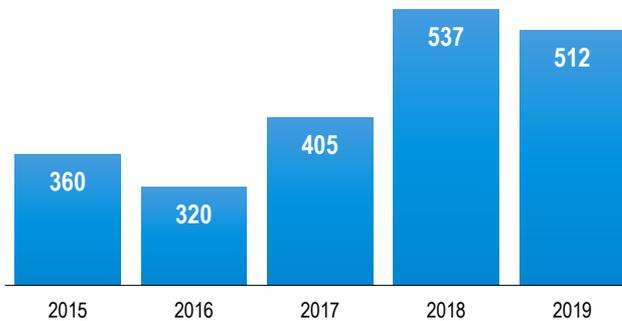
## Revenues (\$M)



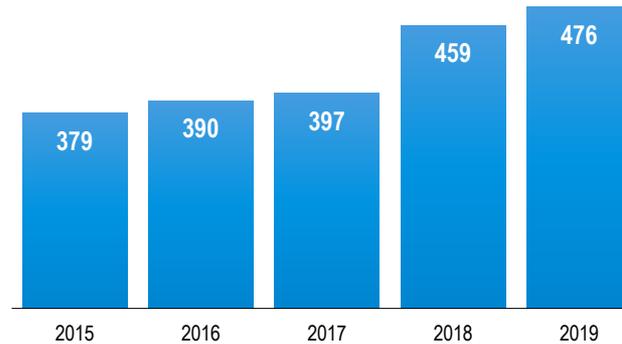
## Adjusted Revenues<sup>1</sup> (\$M)



## EBITDA (\$M)



## Adjusted EBITDA<sup>1</sup> (\$M)

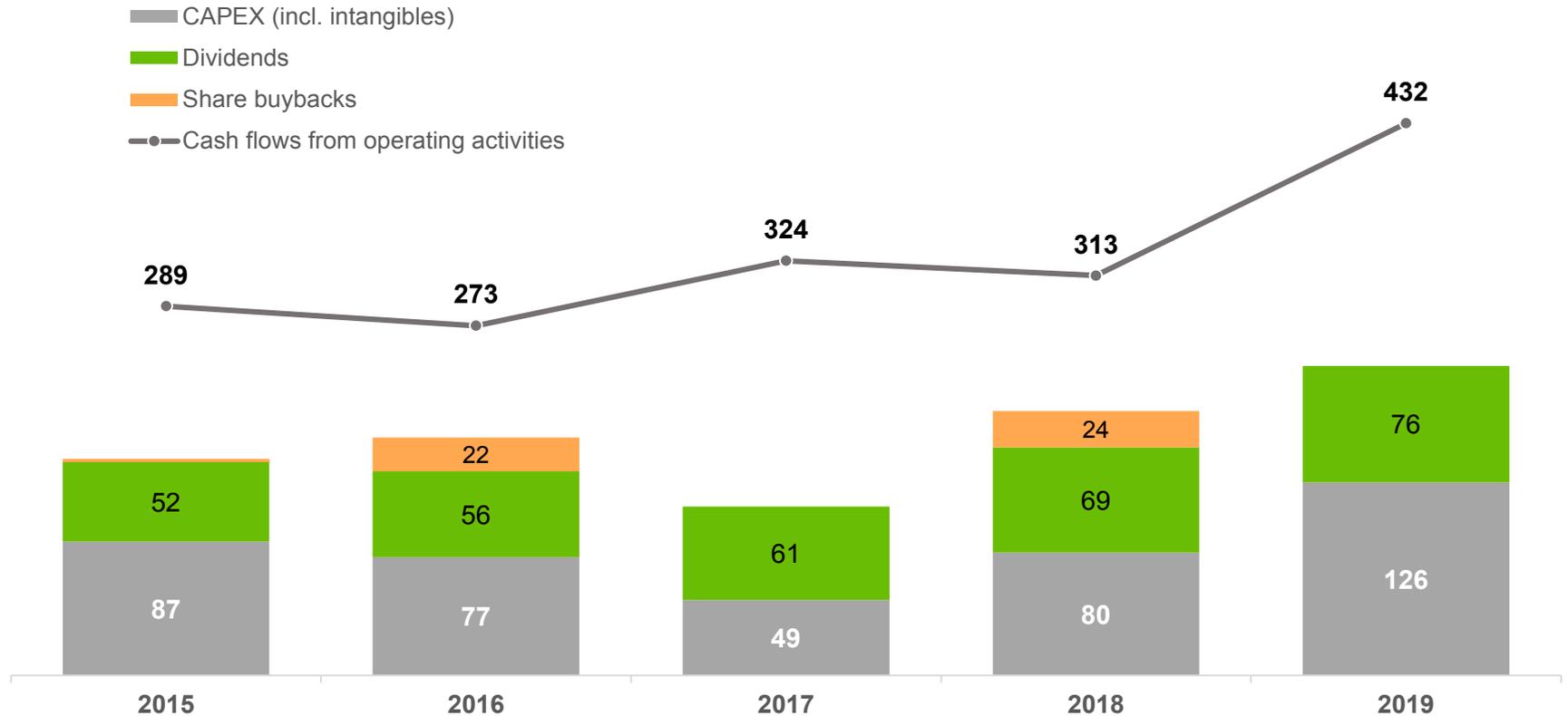


**Record Revenues and adjusted EBITDA in 2019**

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

# Returning capital to shareholders

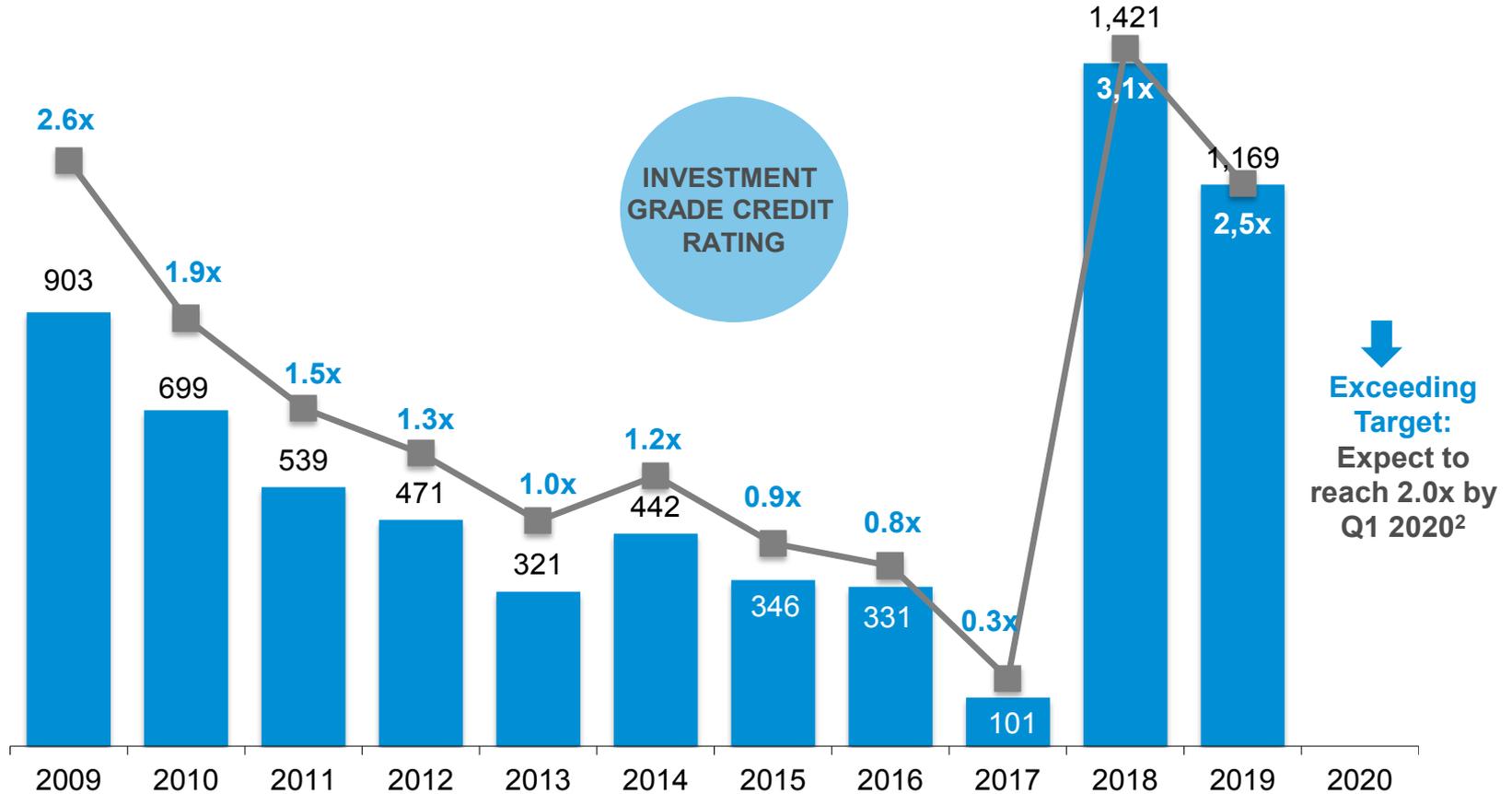
## Cash flows from operating activities and capital allocation (\$M)



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

# Deleveraging in a disciplined manner

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



**Reduce net indebtedness by over \$250 million in 2019**

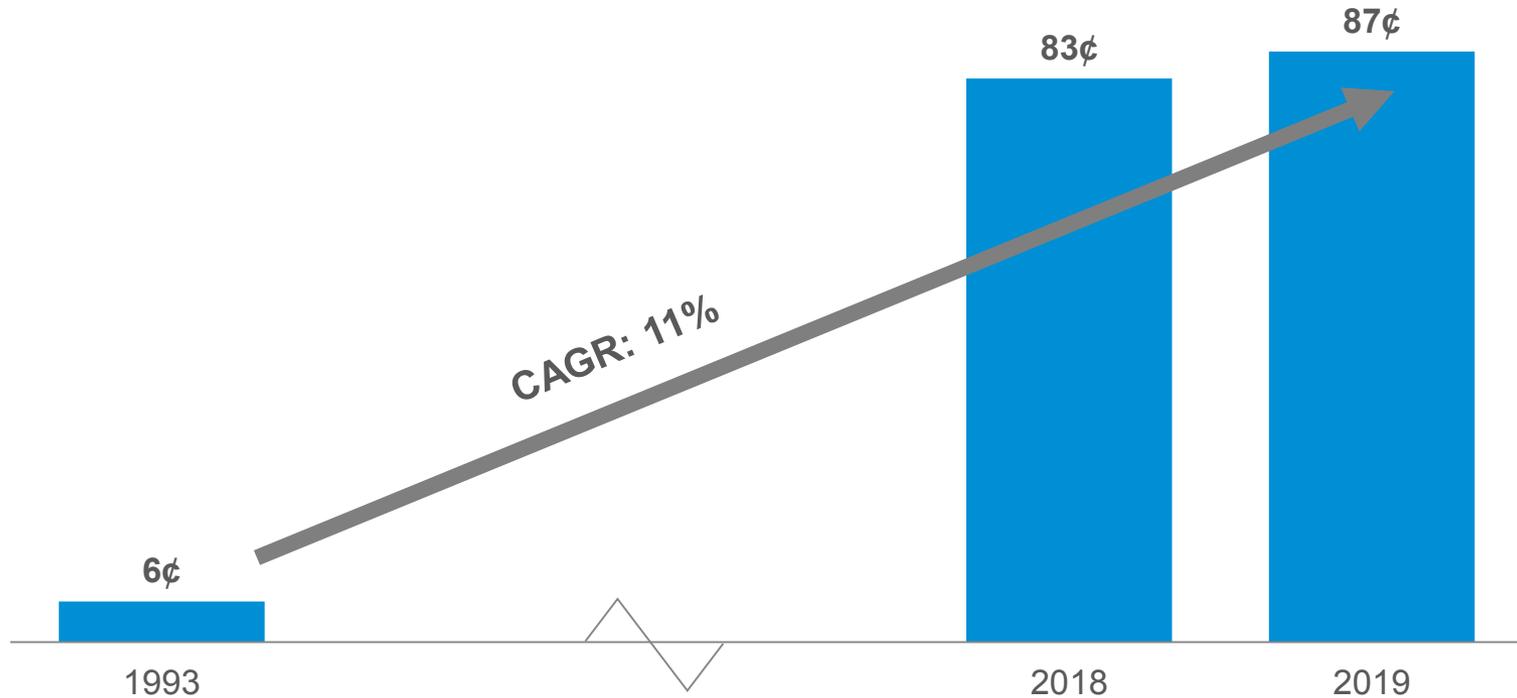
1. Non-IFRS financial measure. Please refer to page 2 of this presentation for a complete description of these measures.

2. Taking into consideration the closing of the sale of our paper operations to Hood Packaging (expected in Q1 2020).

Note: As originally reported for 2009 to 2013 and including securitization for 2012 and 2013. 2013 figures have been restated to take into account the effects of amended IAS 19 - Employee Benefits, IFRS 11 – Joint Arrangements and other elements.

# Rewarding our shareholders

## Dividends paid per participating share



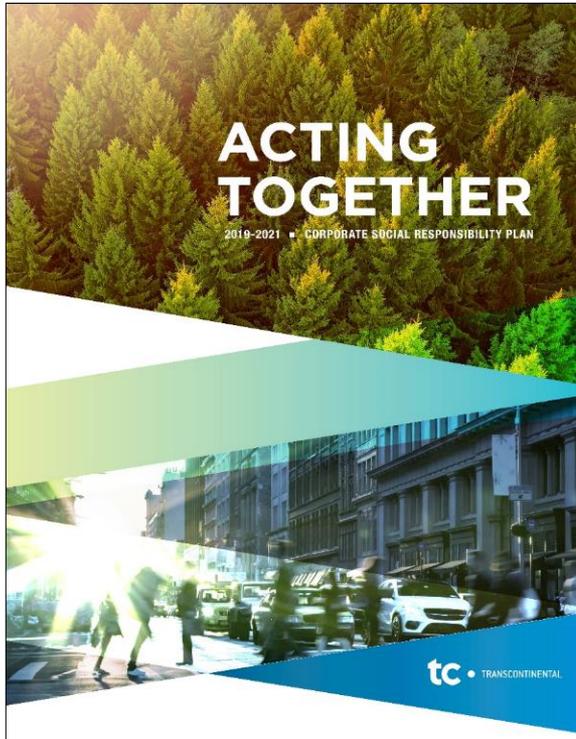
Dividends paid in 2019 only represented **17.6%** of cash flows from operating activities

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# Our CSR Strategy

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



- ▶ Confirm our leadership and impact
- ▶ Embed CSR in all our activities
- ▶ Collaborate across the value chain between all stakeholders
- ▶ Deliver on our 11 goals related to our people, our operations, our products and our communities

[www.tc.tc/about-us/social-responsibility/publications-certifications](http://www.tc.tc/about-us/social-responsibility/publications-certifications)

Established targets following a large-scale stakeholders consultation

# Pursuing our business activities responsibly



Among the Best 50 Corporate Citizens in Canada for the 15<sup>th</sup> time in 2018



Committed to disclosure in the Carbon Disclosure Project (CDP)



Included in the Jantzi Social Index®



Member of the Sustainable Packaging Coalition® (SPC)



Signatory of the Ellen MacArthur Foundation's New Plastics Economy Global Commitment

## Promoting gender diversity



- Fostering a culture of diversity and inclusion is important to us at TC Transcontinental.
- Over the last few years, we have **formalized our commitment** to gender diversity with:
  - the adoption of **two gender diversity policies**. The first one relates to the representation of women at the Board level and the other applies to all other levels of the organization, including senior executives;
  - the design and implementation of programs and processes.
- We are fostering a work environment in which women, like men, are valued and respected, are recognized based on merit, and are promoted according to their contribution.
- The Corporation aims for a significant representation of women throughout the organization, including at the senior executive and Board of Directors levels.
- **38.5% of the directors** on our Board are women<sup>1</sup> and **32% of our senior executives** are women<sup>2</sup>.

<sup>1</sup> As at February 28, 2019 – Election of Directors at the Annual Meeting of Shareholders

<sup>2</sup> As at October 28, 2018 – Management Proxy Circular

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▶ TC Transcontinental Packaging

*norameccanica*  
group

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PACKAGING

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# Packaging Sector overview

## Vision

- To become a market leader in flexible packaging in North America

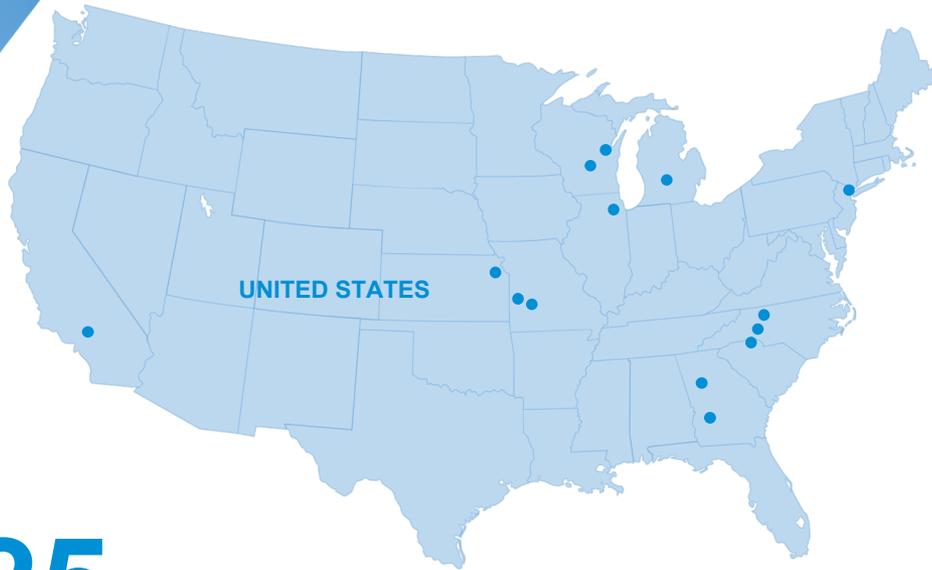
## Strategy

- Grow our Packaging Sector through organic sales growth and acquisitions

## Network

- 25 production plants worldwide, mainly in the United States, Canada and Latin America, as well as one premedia studio

# Scaling our packaging platform



**25** PRODUCTION PLANTS

**UNITED STATES:** 15 plants

- Transcontinental Capri 1
- Transcontinental Capri 2
- Transcontinental Ultra Flex
- Transcontinental Robbie
- Transcontinental Multifilm
- Transcontinental Ontario
- Transcontinental Albany
- Transcontinental Griffin
- Transcontinental Battle Creek
- Transcontinental Matthews
- Transcontinental Thomasville
- Transcontinental Tulsa
- Transcontinental Spartanburg
- Transcontinental Menasha
- Transcontinental Tomah

**CANADA:** 3 plants and one premedia studio

- Transcontinental Flexipak
- Transcontinental Flexstar
- Transcontinental Whitby
- Transcontinental Premedia

**LATIN AMERICA:** 4 plants

- Transcontinental Ecuador
- Transcontinental Trilex (Ecuador)
- Transcontinental Guatemala
- Transcontinental San Luis Potosi (Mexico)

**REST OF THE WORLD:** 3 plants

- Transcontinental New Zealand
- Transcontinental United Kingdom
- Transcontinental China

**3,900** EMPLOYEES

TC Transcontinental Packaging is a leader in flexible packaging in North America specializing in extrusion, lamination, printing and converting

*Note: As at January 2020*

# Building our 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



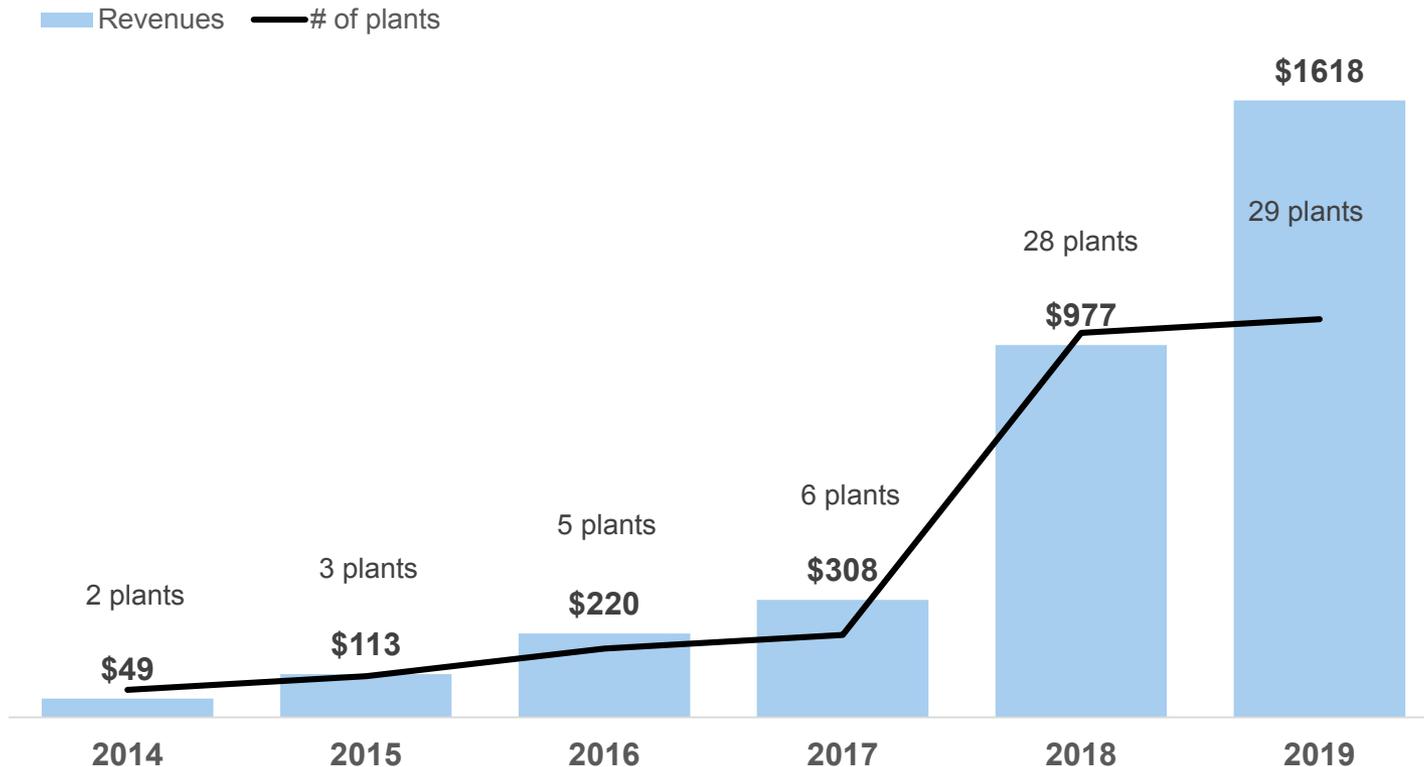
2019

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

1 plant

# Building our flexible packaging platform (cont'd)

## Packaging Sector Revenues (in \$M) and number of plants



### Significant traction in growing profitability

Adjusted EBITDA margins<sup>1</sup> grew from 11.9% in FY2018 to 12.8% in FY2019, a 90bps improvement

# Successful integration of Coveris Americas

## Growing profitability from exceeding FY2019 synergies

- ▶ EBIT and adjusted EBITDA<sup>1</sup> increased from \$21.9M to \$66.6M and \$116.5M to \$206.8M respectively in FY2019. Adjusted EBITDA margins<sup>1</sup> grew from 11.9% in FY2018 to 12.8%, a 90bps improvement.

## Scaling opportunity of film manufacturing

- ▶ Acquisition of a strong expertise in technical films production that enables insourcing of film manufacturing
  - ▶ Significant high-end blown extrusion capacity for multi-layer barrier film
  - ▶ Extensive extrusion lamination capabilities
  - ▶ Cast extrusion capabilities
- ▶ These capabilities will lead to:
  - ▶ Cost competitiveness
  - ▶ Competitive differentiation
  - ▶ Product development including innovation of sealant technology



**Value creation to be enhanced by more than US\$20M annual cost savings synergies**  
(more than US\$10M realized in FY2019 and remaining synergies expected in FY2020)

### 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 in 2019 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.

# 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

# Flexible packaging serves an important purpose

- The key function of a package is to contain and protect the product
- Packaging extend shelf life
  - Rule of thumb: packaging accounts for about 10% of carbon footprint of product<sup>1</sup>
  - 1/3 of all food produced is disposed of before it is consumed<sup>2</sup>
  - Packaging is identified as one of the solutions to reduce food waste<sup>3</sup>
- Benefits of flexible packaging:
  - Flexible packaging is lightweight
  - Flexible packaging optimizes transportation
  - Flexible packaging offers significant improvement in shelf life



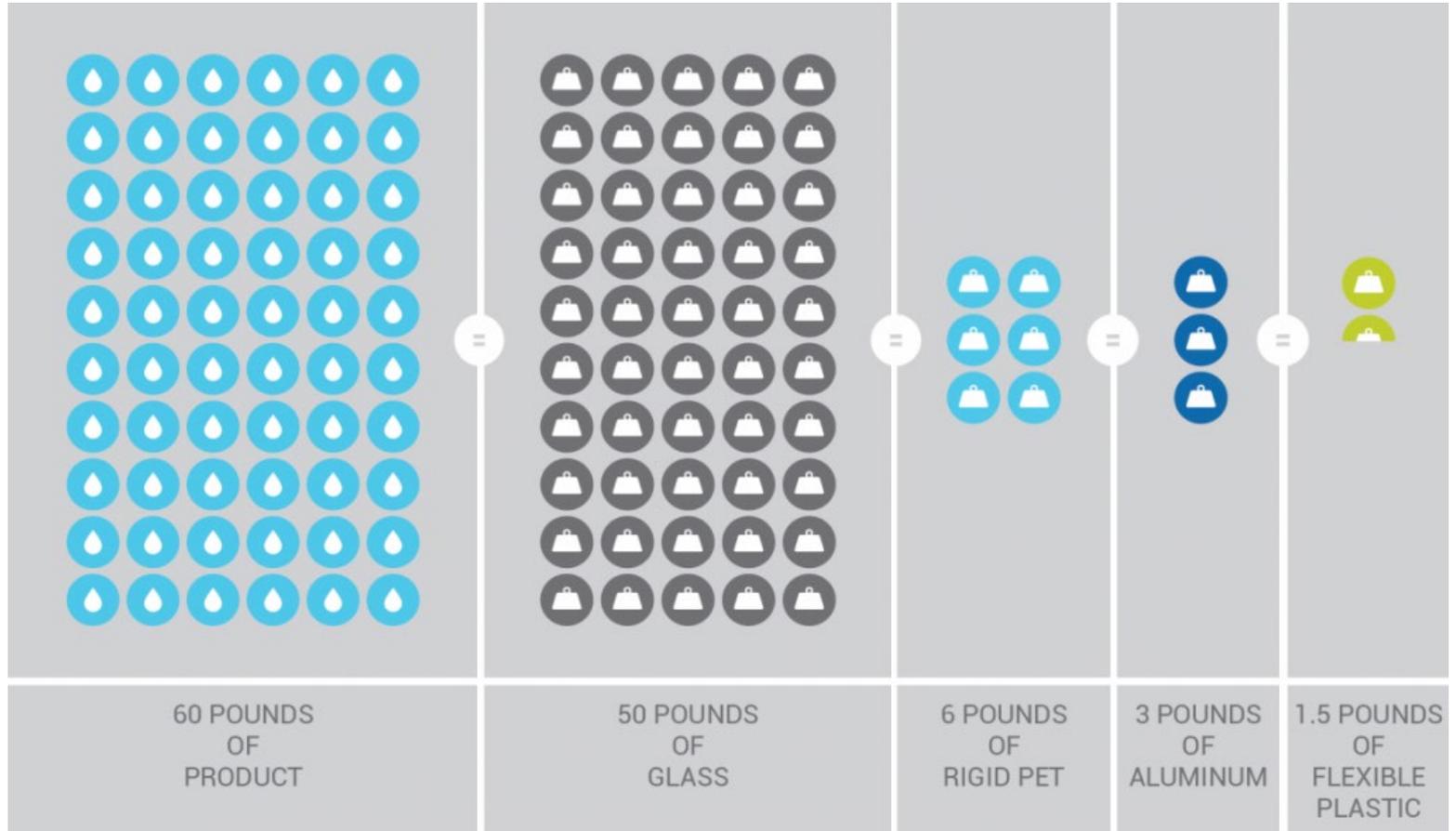
The challenge of flexible packaging is the end-of-life management

<sup>1</sup> Source: Sustainable Packaging Coalition

<sup>2</sup> Source: [U.S. Department of Agriculture](#). In the United States, over one-third of all available food goes uneaten through loss or waste.

<sup>3</sup> Source: According to ReFED, a non-profit organization committed to reducing U.S. food waste.

# Flexible packaging is lightweight



Source: Dow Presentation; FPA Case Studies, 2009

# Flexible packaging optimizes transportation

**One** truckload of flat pouches



=

Often equals between **15-25** truckloads of empty rigid containers



# Our circular economy vision

## 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

- ▶ Maintain our leadership in paper
- ▶ Live up to our 2025 commitment with plastics
- ▶ Develop industry leadership
- ▶ Accelerate innovation

*“Our R&D strategy is focused on a deep understanding of our customers’ needs and market trends. Working closely with our supply chain partners, we will accelerate the path towards a circular economy for plastic packaging, yielding greater benefits for our communities and the environment, while driving value for our shareholders.”*

— Alex Hayden, Senior Vice President, R&D, Innovation and Sustainability,  
TC Transcontinental Packaging

# 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 **Commitment**:
  - 100% of plastic packaging to be reusable, recyclable, or compostable by 2025
  - 10% of our plastic supply will come from post consumer recycled content by 2025
  - We will collaborate towards increasing recycling and composting rates for plastic

**We are proud signatories of the  
Ellen MacArthur Foundation's  
New Plastics Economy  
Global Commitment.**



*Global  
Commitment*

# Packaging Innovation and Sustainability

## 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

# Focusing on sustainable, innovating product development

## Award-Winning Compostable Solutions

### Compostable Films

- Custom engineered films
- Developed by our R&D teams
- Customer collaboration
- 100% renewable resources



Dedicated R&D Team with focus on ongoing development of innovative sustainable solutions

# Focusing on sustainable, innovating product development (continued)

## Award-Winning 100% Recyclable Solutions



### 100% recyclable mono-material barrier structure

- Similar barrier performance than multi-material
- 100% recycle ready for in-store drop off

### 100% recyclable multilayer film with barrier

- One of the first commercialized 100% recyclable pouch with barrier
- Moisture and oxygen barrier
- Excellent sealability, machinability, and durability
- No compromise graphic reproduction
- 100% recycle ready for in-store drop-off



## 2019 Achievements in Packaging

- Appointment of Thomas Morin as President, TC Transcontinental Packaging
- New R&D and innovation team including the appointment of Alex Hayden as Senior Vice President, R&D, Innovation and Sustainability
- Significant investments in manufacturing capabilities (including the internalization of film extrusion in Whitby, Ontario)
- Acquisition of Trilex in Latin America
- Steady improvement in profitability margins quarter after quarter
  - Exceeded target for FY2019 synergies
  - Additional synergies expected in FY2020 from internalization of film and plates
- Establishing our leadership in sustainability and the circular economy for plastics

**Strong performance in 2019 as we structure our packaging platform to accelerate our transformation**

## Packaging outlook

- Realize second wave of synergies (internalization of film and plates) to continue to gradually improve margins
- Focus on manufacturing efficiency
- Generate long-term organic sales growth
  - Consolidated platform has capacity to accommodate additional volume
- Continue to strengthen our packaging portfolio

**Expect modest organic revenue growth in fiscal 2020,  
followed by more significant growth as of 2021**



▶ TC Transcontinental  
Printing

# Printing Sector overview

## Vision

- Maintain our position as Canada's largest printer

## Strategy

- Optimize our printing platform and capture growth opportunities in promising verticals

## Network

- 16 state-of-the-art printing plants, from coast to coast

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

**4,400** EMPLOYEES

**16**  
PRINTING PLANTS



**QUÉBEC (7)**

Beauceville  
Boucherville  
Montreal (2)  
• Transmag  
• Ross-Ellis  
St-Hyacinthe  
Gatineau  
Québec City

**ONTARIO (5)**

Aurora  
Markham  
Mississauga  
Owen Sound  
Vaughan

**MANITOBA (1)**

Winnipeg

**ALBERTA (1)**

Calgary

**BRITISH COLUMBIA (1)**

Delta

**NOVA SCOTIA (1)**

Halifax

Note: As at January 2020

# Providing a broad range of printing solutions for many industries

## Markets

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Marketing Products



Publishing



Retail



Premedia & Distribution

## Summary of Publisac Situation

- New Publisac bag made of 100% recycled plastic was launched on Montreal Island.
- Report from the City of Montreal's Commission on Water, Environment, Sustainable Development and Large Parks recommending moving to an "opt-in" model
- TC Transcontinental will continue a discussion with all stakeholders to defend and demonstrate the relevance, sustainability and economic importance of Publisac.
- Many initiatives in progress to demonstrate the recyclability of Publisac and to create a true circular economy for plastics.

We remain convinced that the situation will result in a positive outcome

## 2019 Achievements in Printing

- Optimizing our manufacturing platform
  - Announced the closure of Brampton and PEI plants
- Simplifying overhead structure to reduce indirect costs
- Proactive defense of the Publisac
- Acquisition of Holland & Crosby to increase our presence in a growth vertical (In-Store Marketing)
- Sale of Fremont building to Hearst (\$75M US)

**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
- Grow our market share in verticals with significant growth potential like in-store marketing product, book printing and premedia services
- Ensure rigorous management of our long-term contracts
- Invest in automation to improve our manufacturing efficiency
- Continue to generate significant cash flow



▶ TC Media

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## Segment 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.
- With close to \$700 million in revenues in 2010, the Media Sector now represents less than \$70 million annually or ~2% of our consolidated revenues.
- Solid financial performance in FY2019 and expect continued good performance in FY2020.
- Committed to growing our activities of TC Media Books (educational material publishing and distribution) and Groupe Constructo.

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

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# Key investment considerations

Long-term value creation

Leader in most of our verticals

Ability to generate significant cash flows

Solid relationships with our customers

Investment grade credit rating

History of dividend growth

Pursuing our business activities in a responsible manner

## FY 2020 Outlook

Packaging

Modest organic growth  
Improvement in operating margins

Printing

Positive impact from operational efficiency  
initiatives and acquisitions in growth markets

CAPEX

\$90 - \$100 million

Interest expenses

~ \$55 million

Cash taxes

\$55 - \$65 million

Tax expense (%)

Mid-twenties

We expect to continue generating strong free cash flow

## Conclusion

- ▶ Managing our portfolio of activities in line with our plan
- ▶ Taking actions to optimize cost structure and building sales growth
- ▶ Continuing to generate strong and consistent cash flows allowing us to distribute dividends, deleverage our balance sheet and continue our transformation through targeted acquisitions

# Contact information

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