

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended October 25, 2020

The purpose of this *Management's Discussion and Analysis* is to help the reader better understand the business, development strategy and future outlook of Transcontinental Inc., how we manage risk, as well as to analyze the Corporation's results and financial position for the year ended October 25, 2020. It should be read in conjunction with the information in the annual consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and *Annual Information Form*, may also be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS) and the term "dollar", as well as the symbol "\$" designate Canadian dollars.

In addition, in this *Management's Discussion and Analysis*, 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 Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the audited annual consolidated financial statements for the 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	Operating earnings before depreciation and amortization as well as the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains) and impairment of assets
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by adjusted revenues
Adjusted operating earnings	Operating earnings before the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets arising from business combinations
Adjusted operating earnings margin	Adjusted operating earnings divided by adjusted revenues
Adjusted income taxes	Income taxes before income taxes on the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations as well as the effect of the U.S. tax reform on deferred taxes
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations, net of related income taxes as well as the effect of the U.S. tax reform on deferred 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

(1) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

Finally, to facilitate the reading of this report, the terms "TC Transcontinental", "Transcontinental", "Corporation", "we", "our" and "us" all refer to Transcontinental Inc. together with its subsidiaries and joint ventures.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond its will or control. 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 concluded after the date of December 10, 2020.

These forward-looking statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation.

The forward-looking statements in this *Management's Discussion and Analysis* are based on current expectations and information available as at December 10, 2020. Such forward-looking statements 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.

## PROFILE OF TC TRANSCONTINENTAL

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also positioned as the leading Canadian French-language educational publishing group. For over 40 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

Respect, teamwork, performance and innovation are the strong values held by the Corporation and its employees. TC Transcontinental's commitment to its stakeholders is to pursue its business activities in a responsible manner.

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of approximately C\$2.6 billion for the fiscal year ended October 25, 2020. For more information, visit TC Transcontinental's website at [www.tc.tc](http://www.tc.tc).

**Packaging Sector**

TC Transcontinental Packaging, the Packaging Sector of TC Transcontinental, positions itself as leader in flexible packaging in North America, and also has operations in Guatemala, Mexico, Ecuador, United Kingdom, New Zealand and China. This sector has approximately 3,800 employees, the majority of which are based in the United States. Its platform is comprised of one premedia studio and 26 production plants specializing in extrusion, lamination, printing and converting. TC Transcontinental Packaging offers a variety of flexible plastic, including rollstock, bags and pouches, shrink films and bags, and advanced coatings. This sector services a variety of markets, including dairy, coffee, meat and poultry, pet food, agriculture, beverage, confectionery, industrial, consumer products and supermarkets.

**Printing Sector**

TC Transcontinental Printing, the Printing Sector of TC Transcontinental, is the largest printer in Canada and one of the largest in North America. This sector has approximately 3,800 employees and possesses a network of 14 state-of-the-art plants. TC Transcontinental Printing provides an integrated service offering for retailers, including premedia services, flyer printing and in-store marketing products, and door-to-door distribution through Publisac in Québec and Targeo, a pan-Canadian distribution brokerage service. This sector also offers an array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products.

**Media Sector**

TC Media employs approximately 200 people at TC Media Books and Groupe Constructo. TC Media Books is the leading Canadian French-language educational publishing group as well as a trade book publisher, the leader in the supplemental educational material market in Québec and the leading distributor of French-language specialized books in Canada. Groupe Constructo is the leader in strategic information for Québec's construction industry and is also a partner of CGI Inc. in operating Québec's electronic tendering system (SEAO).

## HIGHLIGHTS

Table #1:

(in millions of dollars, except per share amounts)	Q4 - 2020	Q4 - 2019	Variation in %	Fiscal 2020	Fiscal 2019	Variation in %
<b>Revenues</b>	\$655.7	\$790.9	(17.1) %	\$2,574.0	\$3,038.8	(15.3) %
<b>Adjusted revenues</b> <sup>(1)</sup>	655.7	779.2	(15.8)	2,574.0	3,027.1	(15.0)
<b>Operating earnings before depreciation and amortization</b> <sup>(2)</sup>	134.9	206.9	(34.8)	458.0	511.5	(10.5)
<b>Adjusted operating earnings before depreciation and amortization</b> <sup>(1) (2)</sup>	146.8	139.1	5.5	499.4	475.8	5.0
<b>Operating earnings</b> <sup>(2)</sup>	81.2	156.2	(48.0)	241.4	309.5	(22.0)
<b>Adjusted operating earnings</b> <sup>(1) (2)</sup>	110.1	106.8	3.1	352.8	348.0	1.4
<b>Net earnings attributable to shareholders of the Corporation</b> <sup>(2)</sup>	51.3	112.3	(54.3)	131.7	166.1	(20.7)
<b>Net earnings attributable to shareholders of the Corporation per share</b> <sup>(2)</sup>	0.59	1.28	(53.9)	1.51	1.90	(20.5)
<b>Adjusted net earnings attributable to shareholders of the Corporation</b> <sup>(1) (2)</sup>	72.4	69.9	3.6	227.0	220.2	3.1
<b>Adjusted net earnings attributable to shareholders of the Corporation per share</b> <sup>(1) (2)</sup>	0.83	0.80	3.8	2.61	2.52	3.6

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the annual consolidated financial statements for more information on the adoption of the new standard and Table #2 of this Management's Discussion and Analysis.

- Improved profitability in the Packaging Sector and strictly controlled costs in the Printing Sector.
- Revenues of \$2,574.0 million for the year ended October 25, 2020; operating earnings of \$241.4 million; and net earnings attributable to shareholders of the Corporation of \$131.7 million (\$1.51 per share).
- Adjusted operating earnings before depreciation and amortization of \$499.4 million for the year ended October 25, 2020; adjusted operating earnings of \$352.8 million; and adjusted net earnings attributable to shareholders of the Corporation of \$227.0 million (\$2.61 per share).
- Maintained solid financial position with liquidities of \$241.0 million and access to unused lines of credit of \$432.8 million, for total available liquidities of \$673.8 million.
- Improved net indebtedness ratio to 1.9x as a result of the decrease in long-term debt of \$363.0 million and the increase in adjusted operating earnings before depreciation and amortization during the fiscal year.
- Finalized the sale of its paper and woven polypropylene packaging operations to Hood Packaging Corporation for a price of US\$180.1 million (approximately C\$235.3 million).
- Acquired Artisan Complete Limited, a company specialized within in-store marketing, enabling TC Transcontinental to continue enhancing its product offering in this vertical.
- Created a Recycling Group within TC Transcontinental Packaging and acquired Enviroplast inc. to vertically integrate the recycling of plastics in its packaging production chain.

## **PREAMBLE - IMPACT OF COVID-19**

The COVID-19 pandemic is disrupting many sectors of the global economy. It affects supply chains and consumer behaviour across the world. The Corporation has rapidly implemented many measures to contribute responsibly to the global effort to halt the pandemic, protect the health of our employees and their families, and ensure the continuity of our operations to serve the needs of our customers.

In the Packaging Sector, which represents approximately half of the Corporation's revenues, the vast majority of our operations support the retail supply chain for food and everyday consumer products, a sector experiencing strong demand since the beginning of the COVID-19 pandemic. While some of our other verticals are facing a decrease in volume due to the economic slowdown, the verticals supporting the retail supply chain for food and everyday consumer products are experiencing a higher demand.

In the Printing Sector, confinement measures announced by the various governments in Canada with respect to non-essential services resulted, in March 2020, in a significant temporary reduction in printing activities and approximately 1,600 temporary layoffs. The COVID-19 pandemic continues to have a significant effect on the Printing Sector, but a gradual recovery in volume and the Canada Emergency Wage Subsidy program have enabled the Corporation to recall several hundred of employees.

As early as the beginning of March, the Corporation deployed its company-wide crisis management and communication plan, which enabled it to ensure employee safety while ensuring service continuity for its customers. Since then, the Corporation has been closely monitoring the developments of the COVID-19 pandemic and government recommendations and acting quickly by adapting security measures as required.

## **IMPACT OF NEW ACCOUNTING STANDARD - IFRS 16 "LEASES"**

As at October 28, 2019, the Corporation adopted IFRS 16 "Leases" ("IFRS 16"), which replaces IAS 17 "Leases" ("IAS 17") and IFRIC 4 "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"). This new standard brings most leases in the Statement of Financial Position while eliminating the previous classifications of finance leases and operating leases. Adopting IFRS 16 therefore gave rise to the gross-up of the Statement of Financial Position resulting from the recognition of right-of-use assets and liabilities representing the obligation to make lease payments.

The Corporation elected to adopt IFRS 16 using the modified retrospective transition method, whereby the cumulative impact of initial application is reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, corresponding figures for fiscal 2019 will continue to be reported under IAS 17 and the related IFRIC 4 interpretations. Please refer to Note 2 of the annual consolidated financial statements for more information and to the following tables to quantify the impact of the adoption of this standard.

**Table #2:****Application of IFRS 16 - Impact of the transition to IFRS 16 on the Consolidated Statement of Financial Position**

(in millions of dollars)	As at October 27, 2019 <sup>(1)</sup>	Impact of the transition to IFRS 16	Opening balance as at October 28, 2019
	As reported		Adjusted
<b>Current assets</b>			
Prepaid expenses and other current assets	\$20.0	(\$0.1)	\$19.9
<b>Property, plant and equipment</b>	820.1	(4.8)	815.3
<b>Right-of-use assets</b>	—	113.8	113.8
	<b>\$840.1</b>	<b>\$108.9</b>	<b>\$949.0</b>
<b>Current liabilities</b>			
Provisions	\$14.1	(\$0.5)	\$13.6
Current portion of lease liabilities	—	19.8	19.8
<b>Long-term debt</b>	1,381.9	(4.8)	1,377.1
<b>Lease liabilities</b>	—	115.4	115.4
<b>Deferred taxes</b>	120.2	(4.3)	115.9
<b>Provisions</b>	1.9	(1.3)	0.6
<b>Other liabilities</b>	129.2	(2.2)	127.0
	<b>\$1,647.3</b>	<b>\$122.1</b>	<b>\$1,769.4</b>
<b>Equity</b>			
Retained earnings	\$1,069.9	(\$13.2)	\$1,056.7
	<b>\$1,069.9</b>	<b>(\$13.2)</b>	<b>\$1,056.7</b>

<sup>(1)</sup> Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

**Application of IFRS 16 - Impact of the transition on the Consolidated Statements of Earnings**

(in millions of dollars)	Three months ended October 25, 2020	Year ended October 25, 2020
Increase in adjusted operating earnings before depreciation and amortization		
Printing	\$3.2	\$11.2
Packaging	2.4	8.9
Other	0.3	3.0
<b>Consolidated</b>	<b>\$5.9</b>	<b>\$23.1</b>
Increase in net financial expenses	<b>\$0.8</b>	<b>\$3.3</b>
Increase in depreciation	<b>\$5.4</b>	<b>\$20.2</b>

**RECONCILIATION OF NON-IFRS FINANCIAL MEASURES**

(unaudited)

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted revenues, adjusted operating earnings before depreciation and amortization, adjusted operating earnings margin before depreciation and amortization, adjusted operating earnings, adjusted operating earnings margin, adjusted income taxes, adjusted net earnings attributable to shareholders of the Corporation, adjusted net earnings attributable to shareholders of the Corporation per share, net indebtedness and the net indebtedness ratio, for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many of our readers analyze the financial performance of the Corporation's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. 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.

The Corporation also believes that these measures are useful indicators of the performance of its operations and its ability to meet its financial obligations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

**Table #3:**

**Reconciliation of revenues - Fourth quarter and fiscal year**

(in millions of dollars)	Three months ended		Year ended	
	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019
<b>Revenues</b>	<b>\$655.7</b>	\$790.9	<b>\$2,574.0</b>	\$3,038.8
Accelerated recognition of deferred revenues <sup>(1)</sup>	—	(11.7)	—	(11.7)
<b>Adjusted revenues</b>	<b>\$655.7</b>	\$779.2	<b>\$2,574.0</b>	\$3,027.1

(1) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

**Reconciliation of operating earnings - Fourth quarter and fiscal year**

(in millions of dollars)	Three months ended		Year ended	
	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019
<b>Operating earnings</b>	<b>\$81.2</b>	\$156.2	<b>\$241.4</b>	\$309.5
Restructuring and other costs (gains)	<b>11.9</b>	(56.1)	<b>41.4</b>	(24.5)
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	<b>17.0</b>	18.4	<b>70.0</b>	74.2
Accelerated recognition of deferred revenues <sup>(2)</sup>	—	(11.7)	—	(11.7)
Impairment of assets	—	—	—	0.5
<b>Adjusted operating earnings</b>	<b>\$110.1</b>	\$106.8	<b>\$352.8</b>	\$348.0
Depreciation and amortization <sup>(3)</sup>	<b>36.7</b>	32.3	<b>146.6</b>	127.8
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$146.8</b>	\$139.1	<b>\$499.4</b>	\$475.8

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

(2) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

(3) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

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

(in millions of dollars, except per share amounts)	Year ended			
	October 25, 2020		October 27, 2019	
	Total	Per share	Total	Per share
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$131.7</b>	<b>\$1.51</b>	\$166.1	\$1.90
Restructuring and other costs (gains), net of related income taxes	<b>42.4</b>	<b>0.49</b>	(23.8)	(0.27)
Amortization of intangible assets arising from business combinations, net of related income taxes <sup>(1)</sup>	<b>52.9</b>	<b>0.61</b>	56.3	0.64
Impact of the U.S. tax reform on deferred taxes	—	—	30.2	0.35
Accelerated recognition of deferred revenues, net of related income taxes <sup>(2)</sup>	—	—	(9.0)	(0.10)
Impairment of assets, net of related income taxes	—	—	0.4	—
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$227.0</b>	<b>\$2.61</b>	\$220.2	\$2.52
Weighted average number of shares outstanding - diluted	<b>87.1</b>		87.4	

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

(2) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

## Reconciliation of net earnings attributable to shareholders of the Corporation - Fourth quarter

(in millions of dollars, except per share amounts)	Three months ended			
	October 25, 2020		October 27, 2019	
	Total	Per share	Total	Per share
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$51.3</b>	<b>\$0.59</b>	\$112.3	\$1.28
Restructuring and other costs (gains), net of related income taxes	8.2	0.09	(47.6)	(0.54)
Amortization of intangible assets arising from business combinations, net of related income taxes <sup>(1)</sup>	12.9	0.15	14.2	0.16
Accelerated recognition of deferred revenues, net of related income taxes <sup>(2)</sup>	—	—	(9.0)	(0.10)
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$72.4</b>	<b>\$0.83</b>	\$69.9	\$0.80

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

(2) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

## Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at October 25, 2020	As at October 27, 2019
Long-term debt	\$790.4	\$1,381.9
Current portion of long-term debt	229.7	1.2
Lease liabilities <sup>(1)</sup>	132.0	—
Current portion of lease liabilities <sup>(1)</sup>	22.8	—
Cash	(241.0)	(213.7)
<b>Net indebtedness <sup>(1)</sup></b>	<b>\$933.9</b>	<b>\$1,169.4</b>
Adjusted operating earnings before depreciation and amortization (last 12 months) <sup>(1)</sup>	\$499.4	\$475.8
<b>Net indebtedness ratio <sup>(1)</sup></b>	<b>1.9 x</b>	<b>2.5 x</b>

(1) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the annual consolidated financial statements for more information on the adoption of the new standard and Table #2 of this Management's Discussion and Analysis.

## ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

### Revenues

Revenues decreased by \$464.8 million, or 15.3%, from \$3,038.8 million in fiscal 2019 to \$2,574.0 million in fiscal 2020. This decline is largely due to lower volume in the Printing Sector, which has been severely impacted by the COVID-19 pandemic since April 2020 and the disposal of the paper packaging operations, which occurred at the end of the first quarter of 2020. In addition, the sale of the specialty media assets and event planning activities in 2019 also contributed to this decrease. A more detailed analysis of revenues is presented in the "Analysis of Sector Results - Cumulative" section.

### Operating and Other Expenses

Operating expenses decreased by \$476.7 million in fiscal 2020, or 18.7%, compared to fiscal 2019. This decrease results from lower volume in the Printing Sector, the sale of paper packaging operations, measures taken by the Corporation to reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy. The adoption of IFRS 16 had a favourable impact of \$23.1 million on operating expenses, but an unfavourable impact on depreciation and amortization and financial expenses due to the recognition of right-of-use assets and liabilities representing the obligation to make lease payments.

Restructuring and other costs increased by \$65.9 million, from a gain of \$24.5 million in fiscal 2019 to an expense of \$41.4 million in fiscal 2020. The amount for 2020 mainly comprises termination expenses as part of plant closures or workforce reorganizations in the Printing Sector as well as additional costs incurred in relation with the COVID-19 pandemic. The amount for 2019 is mainly explained by the gain on disposal of assets resulting from the sale of the Fremont, California building, partially offset by workforce reduction costs in the Printing Sector, mostly due to the closure of Transcontinental Brampton, in Ontario.

Depreciation and amortization increased by \$14.6 million, from \$202.0 million in fiscal 2019 to \$216.6 million in fiscal 2020. This increase is mostly due to the adoption of IFRS 16, which had a \$20.2 million impact, and the increase in property, plant and equipment in the Packaging Sector, partially mitigated by the impact of the disposal of the paper packaging operations.

### **Operating Earnings**

Operating earnings decreased by \$68.1 million, or 22.0%, from \$309.5 million in fiscal 2019 to \$241.4 million in fiscal 2020. The change in operating earnings is mostly explained by the gain on disposal of assets, in the fourth quarter of 2019, resulting from the sale to Hearst of the Fremont, California building and the increase in restructuring costs in fiscal 2020. The significant decrease in revenues was mitigated by cost reductions, the realization of synergies, operational efficiency initiatives and the Canada Emergency Wage Subsidy.

Adjusted operating earnings increased by \$4.8 million, or 1.4%, from \$348.0 million in fiscal 2019 to \$352.8 million in fiscal 2020. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Cumulative" section.

### **Net Financial Expenses**

Net financial expenses decreased by \$20.5 million, from \$66.9 million in fiscal 2019 to \$46.4 million in fiscal 2020. This change is explained by a reduction in net indebtedness during the year and a lower weighted average interest rate, partially offset by an increase of \$3.3 million related to the adoption of IFRS 16.

### **Income Taxes**

Income taxes decreased by \$13.3 million, from \$76.5 million in fiscal 2019 to \$63.2 million in fiscal 2020. This decrease is mainly attributable to an income tax expense of \$30.2 million in 2019 resulting from the retroactive application of a new directive as part of the U.S. tax reform, as well as the decrease in earnings before taxes in 2020 compared to 2019. These items were partially offset by an income tax expense related to the sale of the paper packaging operations in January 2020 for an amount of \$11.7 million and the increase in tax rate during fiscal 2020 caused by the geographic distribution of earnings before income taxes.

Adjusted income taxes increased by \$18.4 million, from \$60.9 million in fiscal 2019, for an effective tax rate of 21.7%, to \$79.3 million in fiscal 2020, for an effective tax rate of 25.9%. The increase in adjusted income taxes is mostly due to the increase in tax rate caused by the geographic distribution of earnings before income taxes.

### **Net Earnings Attributable to Shareholders of the Corporation**

Net earnings attributable to shareholders of the Corporation decreased by \$34.4 million, or 20.7%, from \$166.1 million in fiscal 2019 to \$131.7 million in fiscal 2020. This decrease is mainly due to the previously explained decrease in operating earnings, mitigated by the decrease in net financial expenses and income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$1.90 to \$1.51 respectively, due to the above-mentioned items.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$6.8 million, or 3.1%, from \$220.2 million in fiscal 2019 to \$227.0 million in fiscal 2020, mostly as a result of the decrease in net financial expenses combined with the increase in adjusted operating earnings. These items were partially offset by the increase in adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$2.52 to \$2.61 respectively.

## **ANALYSIS OF CONSOLIDATED RESULTS - FOURTH QUARTER**

### **Revenues**

Revenues decreased by \$135.2 million, or 17.1%, from \$790.9 million in the fourth quarter of 2019 to \$655.7 million in the corresponding period in 2020. This decline is largely caused by lower volume in the Printing Sector, which is mainly due to the impact of the COVID-19 pandemic, and the disposal of the paper packaging operations, which occurred at the end of the first quarter of 2020. These items were partially mitigated by acquisitions in the Printing Sector and organic growth in the Media Sector. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - Fourth Quarter".

### **Operating and Other Expenses**

Operating expenses decreased by \$131.2 million, or 20.5%, in the fourth quarter of 2020 compared to the corresponding period in 2019. This decrease results from lower volume in the Printing Sector, the sale of the paper packaging operations, measures taken by the Corporation to

reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy. The adoption of IFRS 16 had a favourable impact of \$5.9 million.

Restructuring and other costs increased by \$68.0 million, from a gain of \$56.1 million in the fourth quarter of 2019 to an expense of \$11.9 million in the fourth quarter of 2020. The variation is mainly explained by the gain on disposal of assets resulting from the sale to Hearst of the Fremont, California building in the fourth quarter of 2019 and, to a lesser extent, higher termination expenses as part of plant closures or workforce reorganizations in the Printing Sector.

Depreciation and amortization increased by \$3.0 million, from \$50.7 million in the fourth quarter of 2019 to \$53.7 million in the fourth quarter of 2020. This increase is mostly due to the adoption of IFRS 16, which had a \$5.4 million impact, and the increase in capital expenditures in the Packaging Sector, partially mitigated by the impact of the disposal of the paper packaging operations.

### **Operating Earnings**

Operating earnings decreased by \$75.0 million, or 48.0%, from \$156.2 million in the fourth quarter of 2019 to \$81.2 million in the fourth quarter of 2020. The change in operating earnings is mainly explained by the gain on disposal of assets, in the fourth quarter of 2019, resulting from the sale to Hearst of the Fremont, California building and the increase in restructuring costs in the fourth quarter of 2020. The lower volume in the Printing sector, mostly as a result of the COVID-19 pandemic, was attenuated by measures taken by the Corporation to reduce its costs and the Canada Emergency Wage Subsidy. The decrease in operating earnings is partially mitigated by higher operating earnings in the Packaging Sector and the Media Sector.

Adjusted operating earnings increased by \$3.3 million, or 3.1%, from \$106.8 million in the fourth quarter of 2019 to \$110.1 million in the fourth quarter of 2020. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - Fourth Quarter".

### **Net Financial Expenses**

Net financial expenses decreased by \$7.0 million, from \$16.7 million in the fourth quarter of 2019 to \$9.7 million in the fourth quarter of 2020. This decrease is attributable to a reduction in net indebtedness and a lower weighted average interest rate, partially offset by an increase of \$0.8 million related to the adoption of IFRS 16.

### **Income Taxes**

Income taxes decreased by \$6.9 million, from \$27.2 million in the fourth quarter of 2019 to \$20.3 million in the fourth quarter of 2020. This decrease is mainly attributable to lower earnings before taxes in 2020 compared to 2019, which is largely explained by the gain on the sale to Hearst of the Fremont, California building in the fourth quarter of 2019.

Adjusted income taxes increased by \$7.9 million, from \$20.2 million in the fourth quarter of 2019, for an effective tax rate of 22.4%, to \$28.1 million in the fourth quarter of 2020, for an effective tax rate of 28.0%. In 2019, the tax rate had been impacted by favourable differences between the accounting and tax treatment of certain items, while in 2020 an unfavourable effect caused by the geographic distribution of operating earnings increased the effective tax rate.

### **Net Earnings Attributable to Shareholders of the Corporation**

Net earnings attributable to shareholders of the Corporation decreased by \$61.0 million, from \$112.3 million in the fourth quarter of 2019 to \$51.3 million in the fourth quarter of 2020. This change is attributable to lower operating earnings, partially mitigated by the decrease in net financial expenses and income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$1.28 to \$0.59 respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$2.5 million, or 3.6%, from \$69.9 million in the fourth quarter of 2019 to \$72.4 million in the fourth quarter of 2020. This increase is mostly attributable to higher adjusted operating earnings combined with the decrease in net financial expenses, partially offset by the increase in adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.80 to \$0.83 respectively.

## ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #4:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
<b>Adjusted revenues - Year ended October 27, 2019</b>	<b>\$1,618.3</b>	<b>\$1,325.0</b>	<b>\$83.8</b>	<b>\$3,027.1</b>
Acquisitions/disposals and closures	(194.0)	44.0	(27.1)	(177.1)
Existing operations				
Exchange rate effect	16.0	0.2	—	16.2
Organic growth (decline)	(21.6)	(271.1)	0.5	(292.2)
<b>Adjusted revenues - Year ended October 25, 2020</b>	<b>\$1,418.7</b>	<b>\$1,098.1</b>	<b>\$57.2</b>	<b>\$2,574.0</b>
<b>Adjusted operating earnings <sup>(1)</sup> - Year ended October 27, 2019</b>	<b>\$135.5</b>	<b>\$220.1</b>	<b>(\$7.6)</b>	<b>\$348.0</b>
Acquisitions/disposals and closures	(8.3)	1.3	(2.0)	(9.0)
Existing operations				
IFRS 16	0.2	1.8	1.0	3.0
Exchange rate effect	3.1	(0.2)	—	2.9
Stock-based compensation	—	—	(5.4)	(5.4)
Organic growth (decline)	19.6	(12.5)	6.2	13.3
<b>Adjusted operating earnings <sup>(1)</sup> - Year ended October 25, 2020</b>	<b>\$150.1</b>	<b>\$210.5</b>	<b>(\$7.8)</b>	<b>\$352.8</b>

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

### Packaging Sector

Packaging Sector adjusted revenues decreased by \$199.6 million, from \$1,618.3 million in fiscal 2019 to \$1,418.7 million in fiscal 2020. This decrease is due to the sale of the paper packaging operations in January 2020, which had an unfavourable impact of \$211.5 million, partially mitigated by the positive contribution of \$17.5 million from the acquisition of Trilex and the favourable exchange rate effect. The organic decline is explained by the decrease in cost of resin and the organic decline of the paper packaging operations before their disposal.

Adjusted operating earnings increased by \$14.6 million, from \$135.5 million in fiscal 2019 to \$150.1 million in fiscal 2020. This increase is attributable to the realization of synergies and operational efficiency initiatives in the sector and an additional contribution from higher-margin segments, partially offset by the disposal of the paper packaging operations at the end of the first quarter of 2020 and the significant and rapid increase in the price of resin in the fourth quarter of the fiscal year. As a result, the sector's adjusted operating earnings margin increased from 8.4% in fiscal 2019 to 10.6% in fiscal 2020.

### Printing Sector

Printing Sector adjusted revenues decreased by \$226.9 million, from \$1,325.0 million in fiscal 2019 to \$1,098.1 million in fiscal 2020. The organic decline of \$271.1 million is mostly explained by a decrease in volume caused by the impact of the COVID-19 pandemic, which has affected most of the segments since April 2020. For the period before April 2020, the segments were experiencing a decrease in volume that was less significant than the trends observed in 2019. The acquisitions of Holland & Crosby Limited and Artisan Complete Limited partially mitigated the decrease in revenues.

Adjusted operating earnings decreased by \$9.6 million, from \$220.1 million in fiscal 2019 to \$210.5 million in fiscal 2020. The decline is mostly due to the previously explained decrease in revenues. The operational efficiency initiatives undertaken at the beginning of the fiscal year allowed adjusted operating earnings to remain stable for the first five months of the fiscal year. However, the decline in adjusted operating earnings has been more significant since the onset of the COVID-19 pandemic, which has greatly affected the sector since April 2020. Cost reduction initiatives combined with the eligibility for the Canada Emergency Wage Subsidy partially mitigated the decrease in revenues. The sector's adjusted operating earnings margin went from 16.6% in fiscal 2019 to 19.2% in fiscal 2020 as a result of the above-mentioned items.

### Other

Adjusted revenues decreased by \$26.6 million, from \$83.8 million in fiscal 2019 to \$57.2 million in fiscal 2020. This decrease is mostly due to the sale of the specialty media assets and event planning activities. The organic growth is explained by higher volume in the Media Sector, offset by an increase in inter-segment eliminations.

Adjusted operating earnings remained relatively stable, from \$(7.6) million in fiscal 2019 to \$(7.8) million in fiscal 2020. The increase in the Media Sector's adjusted operating earnings caused by higher volume, cost reduction initiatives at head office and the Canada Emergency Wage Subsidy were offset by the stock-based compensation expense and the impact of the sale of the specialty media assets and event planning activities.

## ANALYSIS OF SECTOR RESULTS - FOURTH QUARTER

(unaudited)

Table #5:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
<b>Adjusted revenues - Fourth quarter of 2019</b>	<b>\$409.2</b>	<b>\$344.2</b>	<b>\$25.8</b>	<b>\$779.2</b>
Acquisitions/disposals and closures	(63.8)	10.7	(3.0)	(56.1)
Existing operations				
Exchange rate effect	0.9	0.2	—	1.1
Organic growth (decline)	(2.1)	(71.6)	5.2	(68.5)
<b>Adjusted revenues - Fourth quarter of 2020</b>	<b>\$344.2</b>	<b>\$283.5</b>	<b>\$28.0</b>	<b>\$655.7</b>
<b>Adjusted operating earnings <sup>(1)</sup> - Fourth quarter of 2019</b>	<b>\$38.1</b>	<b>\$67.2</b>	<b>\$1.5</b>	<b>\$106.8</b>
Acquisitions/disposals and closures	(3.1)	0.3	1.0	(1.8)
Existing operations				
IFRS 16	—	0.5	0.1	0.6
Exchange rate effect	0.2	0.2	—	0.4
Stock-based compensation	—	—	0.7	0.7
Organic growth (decline)	3.5	(3.4)	3.3	3.4
<b>Adjusted operating earnings <sup>(1)</sup> - Fourth quarter of 2020</b>	<b>\$38.7</b>	<b>\$64.8</b>	<b>\$6.6</b>	<b>\$110.1</b>

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

### Packaging Sector

Packaging Sector adjusted revenues decreased by \$65.0 million, or 15.9 %, from \$409.2 million in the fourth quarter of 2019 to \$344.2 million in the fourth quarter of 2020. This decrease is mostly due to the sale of the paper packaging operations in January 2020, which had an unfavourable effect of \$65.9 million. The organic decline of \$2.1 million results from favourable timing for orders in some segments in the fourth quarter of 2019 combined with lower volume in some segments adversely affected by the COVID-19 pandemic and the decrease in the cost of resin. These items were partially mitigated by an increase in volume in several segments supporting the supply chain for food and everyday consumer products.

Adjusted operating earnings increased by \$0.6 million, from \$38.1 million in the fourth quarter of 2019 to \$38.7 million in the fourth quarter of 2020. This increase is attributable to the realization of synergies and operational efficiency initiatives in the sector and an additional contribution from higher-margin segments, partially offset by the negative impact of the significant and rapid increase in the price of resin. As a result of the above-mentioned items, the sector's adjusted operating earnings margin went from 9.3% in the fourth quarter of 2019 to 11.2% in the fourth quarter of 2020.

### Printing Sector

Printing Sector adjusted revenues decreased by \$60.7 million, or 17.6%, from \$344.2 million in the fourth quarter of 2019 to \$283.5 million in the fourth quarter of 2020. The organic decline of \$71.6 million is mostly explained by a decrease in volume caused by the effects of the COVID-19 pandemic, which impacted printing activities in most of the segments. The acquisitions of Holland & Crosby Limited and Artisan Complete Limited contributed positively to revenues.

Adjusted operating earnings decreased by \$2.4 million, or 3.6%, from \$67.2 million in the fourth quarter of 2019 to \$64.8 million in the fourth quarter of 2020. The decrease is due to lower volume caused by the effect of the COVID-19 pandemic, partially mitigated by measures taken by the Corporation to reduce its costs and improve its operational efficiency and the Canada Emergency Wage Subsidy. The sector's adjusted operating earnings margin increased from 19.5% in the fourth quarter of 2019 to 22.9% in the fourth quarter of 2020. Excluding the subsidy, the adjusted operating earnings margin would have been slightly lower in the fourth quarter of 2019.

## Other

Adjusted revenues increased by \$2.2 million, from \$25.8 million in the fourth quarter of 2019 to \$28.0 million in the fourth quarter of 2020. This increase is mostly attributable to higher volume in the Media Sector, offset by the sale of the specialty media assets and event planning activities.

Adjusted operating earnings increased by \$5.1 million. This increase is explained by the increase in the Media Sector's adjusted operating earnings as a result of higher volume, cost reduction initiatives at head office and the favourable change in stock-based compensation expense. With respect to that expense, in the second quarter of 2020, the Corporation entered into a total return swap to hedge the market risk related to the variation in share price and its impact on stock-based compensation. The favourable change is therefore caused by a loss in the fourth quarter of 2019 resulting from the increase in the share price.

## SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #6 summarizes selected consolidated financial information derived from the Corporation's audited annual consolidated financial statements and some non-IFRS financial measures for each of the last eight quarters.

Table #6:

(in millions of dollars, except per share amounts)	2020				2019			
	T4	T3	T2	T1	T4	T3	T2	T1
Revenues	<b>\$655.7</b>	\$587.4	\$625.1	\$705.8	<b>\$790.9</b>	\$728.9	\$767.4	\$751.6
Adjusted revenues <sup>(1)</sup>	<b>655.7</b>	587.4	625.1	705.8	<b>779.2</b>	728.9	767.4	751.6
Operating earnings before depreciation and amortization <sup>(2)</sup>	<b>134.9</b>	130.1	97.3	95.7	<b>206.9</b>	107.2	93.7	103.7
Adjusted operating earnings before depreciation and amortization <sup>(1)(2)</sup>	<b>146.8</b>	139.3	104.3	109.0	<b>139.1</b>	112.9	115.7	108.1
Adjusted operating earnings margin before depreciation and amortization <sup>(1)(2)</sup>	<b>22.4 %</b>	23.7 %	16.7 %	15.4 %	<b>17.9 %</b>	15.5 %	15.1 %	14.4 %
Operating earnings <sup>(2)</sup>	<b>\$81.2</b>	\$75.3	\$44.1	\$40.8	<b>\$156.2</b>	\$56.6	\$43.1	\$53.6
Adjusted operating earnings <sup>(1)(2)</sup>	<b>110.1</b>	102.1	68.5	72.1	<b>106.8</b>	80.9	83.6	76.7
Adjusted operating earnings margin <sup>(1)(2)</sup>	<b>16.8 %</b>	17.4 %	11.0 %	10.2 %	<b>13.7 %</b>	11.1 %	10.9 %	10.2 %
Net earnings attributable to shareholders of the Corporation <sup>(2)</sup>	<b>\$51.3</b>	\$48.3	\$25.7	\$6.4	<b>\$112.3</b>	\$3.4	\$22.3	\$28.1
Net earnings attributable to shareholders of the Corporation per share <sup>(2)</sup>	<b>0.59</b>	0.56	0.30	0.07	<b>1.28</b>	0.04	0.26	0.32
Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)(2)</sup>	<b>72.4</b>	68.2	43.6	42.8	<b>69.9</b>	52.2	52.6	45.5
Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)(2)</sup>	<b>0.83</b>	0.78	0.50	0.49	<b>0.80</b>	0.60	0.60	0.52
% of fiscal year	<b>32 %</b>	30 %	19 %	19 %	<b>31 %</b>	24 %	24 %	21 %

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the annual consolidated financial statements for more information on the adoption of the new standard and Table #2 of this Management's Discussion and Analysis.

The variability of financial information for interim periods is influenced by many factors, such as:

- The impact of acquisitions, disposals and closures completed in line with our transformation;
- The exchange rate effect;
- The interest rates;
- The impact of the change in the share price on the stock-based compensation expense;
- The impact of adjusting items presented in Table #3, "Reconciliation of Non-IFRS Financial Measures".

Excluding the impact of the above-mentioned items, we can note lower organic growth caused by a decrease in the Printing Sector.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #7:

(in millions of dollars)	Three months ended		Year ended	
	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019
<b>Operating activities</b>				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$133.5	\$152.5	\$481.6	\$470.6
Changes in non-cash operating items	(4.5)	10.5	(4.8)	20.5
Income taxes paid	(27.0)	(4.9)	(49.8)	(59.5)
Cash flows from operating activities	\$102.0	\$158.1	\$427.0	\$431.6
<b>Investing activities</b>				
Acquisitions of property, plant and equipment	(\$15.4)	(\$30.7)	(\$79.2)	(\$104.1)
Disposals of property, plant and equipment	1.0	100.5	1.2	100.5
Increase in intangible assets	(4.7)	(4.3)	(18.3)	(21.5)
Business combinations, net of acquired cash	(1.7)	(18.5)	(9.4)	(18.5)
Business disposals	—	9.5	232.1	9.5
Cash flows from investing activities	(\$20.8)	\$56.5	\$126.4	(\$34.1)
<b>Financing activities</b>				
Increase in long-term debt, net of issuance costs	\$—	\$2.9	\$—	\$302.9
Reimbursement of long-term debt	(0.2)	—	(375.5)	(250.0)
Net decrease in credit facility	—	(7.2)	—	(134.3)
Financial expenses on long-term debt	(10.0)	(14.9)	(42.6)	(64.0)
Repayment of principal on lease liabilities	(5.8)	—	(21.9)	—
Interest on lease liabilities	(0.9)	—	(3.1)	—
Exercise of stock options	—	—	1.7	—
Share redemptions	—	—	(7.1)	—
Dividends	(19.6)	(19.2)	(77.9)	(76.0)
Cash flows from financing activities	(\$36.5)	(\$38.4)	(\$526.4)	(\$221.4)
Effect of exchange rate changes on cash denominated in foreign currencies	(\$1.0)	(\$4.0)	\$0.3	(\$2.9)
Net change in cash	\$43.7	\$172.2	\$27.3	\$173.2

<b>Financial position</b>	<b>As at October 25, 2020</b>	<b>As at October 27, 2019</b>
Net indebtedness <sup>(1)(2)</sup>	<b>\$933.9</b>	\$1,169.4
Net indebtedness ratio <sup>(1)(2)</sup>	<b>1.9 x</b>	2.5 x
Credit rating		
DBRS	<b>BBB (low)</b>	BBB (low)
Outlook	<b>Negative</b>	Stable
Standard and Poor's	<b>BBB-</b>	BBB-
Outlook	<b>Negative</b>	Negative
<b>Consolidated Statements of Financial Position</b>	<b>As at October 25, 2020</b>	<b>As at October 27, 2019 <sup>(3)</sup></b>
Current assets <sup>(2)</sup>	<b>\$1,024.7</b>	\$1,068.8
Current liabilities <sup>(2)</sup>	<b>677.5</b>	457.4
Total assets <sup>(2)</sup>	<b>3,598.4</b>	3,781.8
Total liabilities <sup>(2)</sup>	<b>1,859.8</b>	2,090.6

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the annual consolidated financial statements for more information on the adoption of the new standard and Table #2 of this Management's Discussion and Analysis.

(3) Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

## **ANALYSIS OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE - FISCAL YEAR**

### **Cash Flows from Operating Activities**

Cash flows from operating activities decreased slightly from \$431.6 million in fiscal 2019 to \$427.0 million in fiscal 2020. The decrease is mostly explained by changes in non-cash operating items, which are notably attributable to unfavourable timing differences in inventories and provisions, partially mitigated by the increase in adjusted operating earnings combined with lower income taxes paid.

### **Cash Flows from Investing Activities**

Cash flows from investing activities went from a cash outflow of \$34.1 million in fiscal 2019 to a cash inflow of \$126.4 million in fiscal 2020. This increase is related to the disposal of the paper and woven polypropylene packaging operations to Hood Packaging Corporation for a total amount of US\$180.1 million (C\$235.3 million) in 2020, while the Corporation had received an amount of US\$75 million (C\$99.6 million) from the sale to Hearst of the Fremont, California building in 2019.

### **Cash Flows from Financing Activities**

Cash flows from financing activities went from a cash outflow of \$221.4 million in fiscal 2019 to a cash outflow of \$526.4 million in fiscal 2020. The \$305.0 million change is explained by the higher repayment of debt instruments, using excess cash flows from operating earnings and the disposal of the paper packaging operations.

### **Debt Instruments**

On February 3, 2020, the Corporation repaid US\$50.0 million (\$66.4 million) on tranche A of the U.S. dollar term loans. On February 18, 2020, the Corporation repaid in full tranches G and H of Canadian dollar terms loans, each amounting to \$150.0 million. As at October 25, 2020, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was \$432.8 million.

Net indebtedness went from \$1,169.4 million as at October 27, 2019 to \$933.9 million as at October 25, 2020. This decrease is mostly explained by cash flows from operating activities and the sale of the paper packaging operations, which were partially offset by lease liabilities of \$154.8 million due to the adoption of IFRS 16. Consequently, our net indebtedness ratio stood at 1.9x as at October 25, 2020 compared to 2.5x as at October 27, 2019. As at October 28, 2019, the Company adopted IFRS 16 using the modified retrospective approach. For comparative purposes, after normalizing for the effect of IFRS 16, the net indebtedness ratio was 1.6x as at October 25, 2020.

## ANALYSIS OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE - FOURTH QUARTER

### Cash Flows from Operating Activities

Cash flows from operating activities decreased by \$56.1 million, from \$158.1 million in the fourth quarter of 2019 to \$102.0 million in the fourth quarter of 2020. This decrease is due to unfavourable timing differences in accounts receivable and accounts payable as well as an increase in income taxes paid due to the end of the program for the deferral of the payment of tax installments in Canada that had been implemented as a result of the COVID-19 pandemic.

### Cash Flows from Investing Activities

Cash flows from investing activities went from a cash inflow of \$56.5 million in the fourth quarter of 2019 to a cash outflow of \$20.8 million in the fourth quarter of 2020. This change is mostly explained by the receipt of US\$75 million from the sale to Hearst of the Fremont, California building in 2019 and, to a lesser extent, timing differences in investments in property, plant and equipment.

### Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of \$38.4 million in the fourth quarter of 2019 to a cash outflow of \$36.5 million in the fourth quarter of 2020. This variation is mostly explained by lower financial expenses in the fourth quarter of 2020.

## Contractual Obligations and Business Commitments

Table #8:

Type of contract (in millions of dollars)	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	Over 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	\$398.8	\$398.8	\$398.8	\$—	\$—	\$—
Long-term debt	1,020.1	1,080.3	248.3	707.8	9.9	114.3
Lease liabilities	154.7	171.6	25.7	40.7	32.3	72.9
Other monetary liabilities, excluding contingent considerations	15.2	15.2	0.2	15.0	—	—
Contingent considerations	3.5	3.5	3.5	—	—	—
<b>Total non-derivative financial liabilities</b>	<b>\$1,592.3</b>	<b>\$1,669.4</b>	<b>\$676.5</b>	<b>\$763.5</b>	<b>\$42.2</b>	<b>\$187.2</b>
Derivative financial instruments						
Interest rate swaps in liabilities	25.3	25.3	0.2	25.1	—	—
Foreign exchange forward contracts in liabilities	0.8	0.8	0.6	0.2	—	—
<b>Total contractual obligation</b>	<b>\$1,618.4</b>	<b>\$1,695.5</b>	<b>\$677.3</b>	<b>\$788.8</b>	<b>\$42.2</b>	<b>\$187.2</b>

The Corporation expects to contribute \$3.1 million to its defined benefit plans during the year ending October 31, 2021, considering that it plans to use letters of credit from its credit facilities to secure unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

## Share Capital

Table #9:

Shares Issued and Outstanding	As at October 25, 2020	As at November 30, 2020
Class A (Subordinate Voting Shares)	73,049,344	73,049,344
Class B (Multiple Voting Shares)	13,975,826	13,975,826
<b>Total Class A and Class B</b>	<b>87,025,170</b>	<b>87,025,170</b>

On September 18, 2020, the Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2020 and September 30, 2021, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 191,320 of its Class B Shares.

The Corporation had been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2019 and September 30, 2020, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 190,560 of its Class B Shares.

On February 27, 2020, the Corporation was authorized to modify its share repurchase program in order to increase the maximum number of Class A Subordinate Voting Shares it is allowed to repurchase from 1,000,000 Class A Subordinate Shares to 2,000,000 Class A Subordinate Voting Shares. All other terms and conditions of the repurchase program remain unchanged.

During the year ended October 25, 2020, the Corporation redeemed and cancelled 450,450 of its Class A Subordinate Voting Shares at a weighted average price of \$15.70, for a total cash consideration of \$7.1 million (no shares repurchased since February 2020). The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange. The excess of the total consideration over the carrying amount of the shares, in the amount of \$3.3 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at October 25, 2020.

## **CHANGES IN ACCOUNTING STANDARDS**

### **New accounting standards adopted during the fiscal year**

As at October 28, 2019, the Corporation adopted IFRS 16 "Leases", which replaces IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease". Adopting this new standard gave rise to a material gross-up of the Statement of Financial Position resulting from the recognition of right-of-use assets and offsetting liabilities representing the obligation to make lease payments.

At the opening of the period, as at October 28, 2019, the Corporation also adopted the amendments to IAS 19 "Employee Benefits" and IFRIC 23 "Uncertainty over Income Tax Treatments", which had no material impact on the consolidated financial statements for the year ended October 25, 2020.

For more information, please refer to Note 2 to the annual consolidated financial statements and the most recent annual consolidated financial statements.

## RISKS AND UNCERTAINTIES

Managing the risks to which the Corporation is exposed in the normal course of operations plays an important role in the decisions taken by management with regards to acquisitions, capital investments, asset disposals, plant consolidation and efforts to create synergies among operating sectors or other operating activities. This also guides decisions regarding cost reduction measures, product diversification, new market penetration and certain cash movements.

In addition to periodically re-examining current risks and the effectiveness of control and preventive measures already in place, management assesses new risk factors. It determines the likelihood that these will occur and their potential effect, and implements strategies and processes to proactively manage these new risks. A report on the risk management program is reviewed regularly at the Management Committee and presented to the Audit Committee and Board of Directors. In addition, the Corporation reassessed its risks due to the impact of the COVID-19 pandemic. Each risk is owned by a member of the Management Committee.

The main risks and uncertainties to which the Corporation is exposed are described hereinafter. These risks and uncertainties are strategic, operational or financial in nature, and may have a material impact on our operations, our financial results, our financial position, our cash flows or our reputation. Readers are cautioned that this list is not necessarily exhaustive.

### Printed Flyers and Distribution of Printed Flyers – Impact of digital product development and adoption on the demand for retailer-related services and impact of regulations or legislation on door-to-door distribution

Printed flyers and distribution of printed flyers represent a significant portion of the Corporation's revenues and earnings. Over the past few years, certain Canadian retailers increased their use of digital flyers, whose cost is lower than the cost of printed flyers, digital campaigns and loyalty programs. A major change in consumer habits or in the Corporation's retail customers' marketing strategy could result in a significant decrease in the number of pages or frequency for the flyers printed and distributed by the Corporation. In addition, with the COVID-19 pandemic, the weakening of the supply chain of certain of the Corporation's customers, which limits the number of products that can be offered to consumers, and limits to traffic in their stores for public health reasons, to which printed flyers contribute, could also cause a decrease in volume of printed flyers. An acceleration in adopting and producing digital products at the expense of printed flyers would have an adverse impact on the Corporation's financial results.

The Corporation offers a full range of distribution services, from preparation to door-to-door distribution, optimal order management and distribution list creation. Due to its significance, the success of the Printing Sector depends on the strength of the Corporation's distribution network. Recently, some cities in Quebec started to explore the possibility of amending their regulations to prohibit or limit the current model for distributing printed advertising materials. Should such regulations be adopted, the Corporation intends to seek to have them declared null and void on the grounds that they infringe the right to freedom of expression guaranteed by the Canadian Charter of Rights and Freedoms and the Quebec Charter of Human Rights and Freedoms and, with respect to the distribution of local weekly newspapers in addition to printed flyers, the right to information protected by the Quebec Charter. Should the Corporation fail to get such regulations declared null and void, it could have a negative impact on its business model and, consequently, net earnings. The Corporation works with public bodies and medias to demonstrate the potential negative effect of such regulations on the value chain as a whole, households that can save money, especially the most vulnerable ones, stores, local newspapers, jobs and the Corporation.

Furthermore, various public bodies are considering the possibility of gradually reducing the use of single-use plastic bags, and the plastic bags used by the Corporation in distributing printed flyers could potentially be subject to such reduction. Such changes could have an impact on the business model and, consequently, net earnings. The Corporation continuously works to improve the environmental responsibility of its products. It quickly developed, in 2019, a recyclable bag entirely made of recycled plastic to face this possibility.

Lastly, the Corporation relies on independent suppliers to store its products and distribute them from door to door. If any subcontractor fails to properly store the Corporation's products or adequately and timely distribute them, this could have an adverse impact on net earnings. Delays in printed flyers distribution, strikes, transportation disruptions, such as severe weather, and slowdowns could also disrupt the Corporation's printed flyer and printed flyer distribution operations and have an adverse impact on its net earnings, financial position, cash flows and reputation.

### Long-term Organic Growth – Ability to generate organic growth and face competition

The long sales cycle characterizing certain niches in which the Corporation operates represents a significant challenge to the ability to generate organic growth in the Packaging Sector. In addition, the packaging industry is highly competitive. Competition is based on price, quality of products and services, innovation and product development, delivery times and the range of services offered. Some competitors have greater

experience and technical know-how, state-of-the-art production facilities, a larger sales force and more resources dedicated to product development, especially in terms of formats, types of packaging and environmental responsibility. The need to evolve with technological changes and make appropriate research and development investments could result in significant costs and have an adverse impact on the Corporation's growth rate in this industry. In the Printing Sector, the increased competition in the Canadian market, not to mention the presence of US-based competitors that could increase in Canada, could have an adverse impact on the Corporation's market share and financial results.

A few of the Corporation's customers may individually represent a significant portion of its revenues. It is the case, for instance, in the flyer printing vertical, where a few Canadian retailers may individually represent a significant portion of the Printing Sector's revenues. Certain customers in the Packaging Sector may also represent a significant portion of this Sector's revenues. A change in consumption habits of a major customer or the loss of a major customer could have an adverse impact on the Corporation's ability to generate organic growth and, consequently, an adverse impact on net earnings. The Corporation's current or potential customers could be acquired, and the acquirer might start to procure certain products from its current supplier. Customer consolidation could therefore also have an impact on organic growth.

The Corporation must continue to improve its operational efficiency to remain competitive, which enhances its ability to generate organic growth. Regardless of the efficiency level it has already reached, there can be no assurance that the Corporation will be able to do this on an ongoing basis. As well, the need to reduce operating expenses could result in costs to downsize the workforce, close or consolidate facilities, or upgrade equipment and technology. Over the last few years, the Corporation significantly reduced its manufacturing assets in its Printing Sector to maximize efficiency at its most productive plants. Although there are always opportunities to improve operational efficiency within the production platforms and the Corporation has experienced managers to develop and execute such improvement plans, the initiatives available to react to a volume decrease could be insufficient and have a less favourable impact on the fixed cost structure.

#### Acquisitions – Ability to complete acquisitions in the packaging industry and properly integrate them

The growth strategy in packaging is mainly based on the Corporation's ability to complete acquisitions. The Corporation must be able to target attractive opportunities, at a reasonable value, and compete with private equity companies and other companies in the packaging industry that are actively seeking acquisitions. The inability to properly identify opportunities and complete acquisitions could have an adverse impact on the Corporation's development. In addition, the global economic uncertainty and confinement measures caused by the COVID-19 pandemic could slow down acquisition activities.

Integrating acquisitions generally involves risks, and these risks may increase with the size, sector and type of acquisition. Integrating businesses could give rise to temporary disruptions in production, cause the Corporation to lose major contracts, influence its personnel retention or have an adverse impact on customer relationships. In addition, the identified synergies may not be fully realized or may take longer to realize.

#### Operational Disruption – An operational disruption could affect the ability to meet deadlines

The Corporation increasingly concentrates the production of certain products in its most productive plants and, in the event of a disaster at one of these facilities, it could miss production deadlines. In addition, climate change could increase the frequency of natural catastrophes, thereby increasing the risk of disruption. The ability to meet deadlines could also be affected by major equipment failure, human error, labour disputes, attacks, transportation problems and supply difficulties. Higher absenteeism in one plant due to illness, work accidents or other causes could also adversely impact the ability to meet deadlines and contractual obligations. The COVID-19 pandemic adds the risk that a region or plant might be severely affected, which in turn would force its partial or total closure for a prolonged period. Certain customers of the Corporation are more reluctant to a situation of dependence to single site for the supply chain. This could have an adverse impact on the Corporation if it would cause a significant transfer of volume from its customers to a competitor. The magnitude of the impact of these risks on results will depend on certain factors, including the nature of the disruption, its duration and the plant affected by the disrupting event. However, the Corporation has implemented contingency plans for some facilities and holds insurance policies that could indemnify it against a portion of direct and indirect costs related to certain disasters. In addition, the presence of a North American packaging and printing network enables the Corporation to qualify new plants for certain key products to ensure redundancy within its network.

#### Cybersecurity and Data Protection - An intrusion into information systems could disrupt operating activities, damage reputation and result in legal actions

In the normal course of its activities, the Corporation relies on the continuous and uninterrupted operation of its systems, data hosting centers, cloud computing systems and computer hardware. In addition, it receives, processes and transfers sensitive data, including confidential information about the Corporation, its customers and its suppliers. If the Corporation were to experience cyber threats, breaches, unauthorized accesses, viruses or other security breaches, human errors, sabotage or other similar events, it could have an adverse impact on its activities,

including system disruptions or breakdowns. This could also negatively impact results, cause considerable damage to the Corporation's reputation, and potentially result in legal actions.

The COVID-19 pandemic significantly increased the number of employees working remotely, which expands the use of the Corporation's computer systems and resources. This context, which affects many businesses around the world, contributes to an increase in cyberattack attempts. The nature of cyberattacks continuously evolves and becomes more refined, which increases the risk that the Corporation's operations could be disrupted and its data compromised. In addition, it is possible that such an event might not be detected quickly enough to limit the extent of the breach or the damages. Furthermore, customers' requirements with respect to protection against potential intrusions are becoming stricter. The obligation to comply with new requirements could also have a financial impact on the Corporation. Customers' confidence in the security of the information held by the Corporation and transactions is crucial to maintain its reputation and competitiveness on the market.

#### Digital Product Adoption – Impact of digital product development and adoption on the demand for printed products other than flyers

Digital platforms have become an essential means to reach consumers, and advertisers have a diverse selection of media channels in which to spend their advertising dollars. A decline in the share of printed products in aggregate advertising spending and in the number of readers of printed products towards digital products could result in a decrease in the demand for printed products. The COVID-19 pandemic could permanently change the behaviour of customers and accelerate the impact of digital platform development and adoption. This lower demand could have an adverse impact on the financial results of the newspaper, magazine, educational books and commercial product printing activities.

#### Environmental Risks – Amendments to regulations or adoption of new regulations and changes to consumption habits

Future legislation and initiatives, for instance more restrictive air emissions limits, the implementation of carbon taxes, stricter water quality regulations or additional requirements for soil decontamination, could increase operating costs. In addition, changes in laws and regulations relating to packaging composition or recyclability could impact operations if they were implemented on a large scale and too quickly in the Corporation's main markets. Voluntary actions by the Corporation's customers or their customers aimed at reducing the use of plastic could also reduce the demand for certain plastic packaging and increase manufacturing costs. The advent of regulations on the extended producer responsibility (EPR) policies in several Canadian provinces also influenced the printing and packaging industry. These regulations make businesses that put on the market printed materials, containers and packaging responsible for the costs associated with the end-of-life management of their products and could decrease demand. Lastly, there is a trend toward phasing out single-use plastic bags in many jurisdictions around the world. Changes in laws and regulations laying down restrictions on, and conditions for use of, food, beverage, pharmaceutical, agricultural or other products and the materials in contact with them, or on the use of materials and agents in the production of the Corporation's products could also adversely affect business.

Also, the Corporation's printing and publishing operations require the daily use of large quantities of paper. Our flexible packaging and distribution operations require the use of large quantities of plastic. Certain consumers and certain of the Corporation's customers could be concerned by the possible impact of significant utilization of paper and plastic on the environment and could become more vocal advocates of environment protection and sustainability promotion. Such concerns could result in damage to the Corporation's reputation, revisions and adjustments to its practices and additional operating costs.

#### Compliance with Governmental Regulations – Amendments to regulations or adoption of new regulations

The Corporation is subject to many regulations that may be amended by governmental authorities. As a result of the development of the COVID-19 pandemic, the Corporation changed its health and safety measures throughout its facilities to comply with new local regulations. Despite the protocols put in place by the Corporation, the risk of spreading the COVID-19 virus remains. An outbreak in a workplace, even if local regulations are complied with, could have an adverse impact on the Corporation's operations and reputation. Complying with amendments to regulations or stricter new regulations could result in a material decrease, both permanent and temporary, in revenues or a material cost increase for the Corporation. The Corporation operates facilities throughout the world and is exposed to risks associated with different legal, political, tax, social, cultural, environmental and regulatory frameworks. The Corporation also benefits from certain government assistance programs. Any change in the rules for applying to these government programs could have a significant impact on the Corporation's net earnings.

### Regulations – Safety and quality of packaging products for the food industry

The Corporation is a supplier of flexible packaging products that are mainly used in the food industry. It is therefore exposed to this industry's risks, such as labelling errors and presence of foreign bodies, as well as certain hygiene and cleanliness problems, including food contamination by organisms that cause illness, or pathogens, such as the E.coli bacteria, Salmonella and Listeria. In addition, despite the protocols put in place by the Corporation, the risk of spreading the COVID-19 virus remains. Although there is no scientific consensus on the spreading of the COVID-19 virus through paper or plastic objects, there is a risk that customers may be infected by one of the Corporation's products. The Corporation could thus be involved in a possible product recall. Such a situation could expose the Corporation to civil liability claims, negative publicity, investigations or governmental intervention, which would have a material adverse impact on its financial position, net earnings and reputation.

### Economic Cycles – Impact of economic cycles on product demand

The Corporation's activities are exposed to economic cycles and difficult market conditions as a significant portion of its printing revenues depends, directly or indirectly, on spending by advertisers. Global economic conditions, changes in consumers' buying habits and significant structural changes, in particular the consolidation in some industries and the adoption of digital platforms, also affect the industries of the Corporation's main customers, which could have an adverse impact on the products it offers. The Corporation operates in many countries, and the economic risks specific to each country may have an impact on results of operations. In addition, the COVID-19 pandemic could lead to a recession in many countries, in particular those where the Corporation operates. A future recession could exert pressure on the Corporation's investment activities, its customers as well as product demand by its customers. These items would have an adverse impact on the Corporation's earnings.

### Raw Materials, Energy and Transportation Costs – A significant increase in the cost of raw materials, the availability of raw materials and energy consumed

Paper, resin, plastic film, ink and plates are the primary raw materials used by the Printing Sector and the Packaging Sector, and they represent a significant portion of the Corporation's costs. In addition, these sectors consume energy, more specifically electricity, natural gas and oil. A significant increase in raw materials prices, energy prices or transportation costs could have an adverse impact on operations. However, several agreements with the Corporation's customers provide for sales price indexation based on fluctuations, usually with a delayed effect. The impact on net earnings will be influenced by the Corporation's ability to adjust prices and improve its operational efficiency to offset the increases in raw materials prices or in transportation costs. In addition, the increase in these prices could have an adverse impact if it changes the purchasing habits of customers.

To ensure stable supplies at competitive prices for the Printing Sector and Packaging Sector, the Corporation has deliberately consolidated its paper, resin, plastic film and ink suppliers. Accordingly, the Corporation could also be exposed to a supply risk if some of its suppliers would experience financial instability or disruptions in their own operations. However, the Corporation does business with major suppliers that are well-established in their respective industries to ensure a ready supply of raw materials.

### Data Confidentiality – Warehousing, using and protecting personal data

Warehousing, using and protecting personal data are increasingly critical and the responsibilities of entities that process such information are expanding. Mismanagement of personal data could cause considerable damage to the Corporation's reputation, and potentially result in legal actions. The adoption of the General Data Protection Regulation by the European Union in May 2018, as well as the expected multiplication of similar regulatory frameworks in other jurisdictions, also increase regulatory compliance risk. The Corporation could have to incur significant costs to enhance its systems and thus prevent future events related to confidential data, which would have an impact on its earnings.

### Protection of Intellectual Property Rights – Failure of patents, trademarks and confidentiality agreements to protect intellectual property could adversely affect operations

Protection of the Corporation's proprietary processes, equipment and other technology is important. Following its innovation-focused strategy, it is all the more crucial to protect its intellectual property rights, failing that the Corporation's competitive position may suffer, as competitors imitating its products and/or processes could offer them at prices that are more attractive than the Corporation's and significant costs might have to be incurred.

The Corporation also relies upon unpatented proprietary know-how and technological innovation as well as other trade secrets to develop and maintain its competitive position. There can be no assurance that confidentiality agreements will not be breached or will provide meaningful

protection for trade secrets or proprietary know-how and adequate remedies in the event of an unauthorized use or disclosure of these trade secrets and proprietary know-how. In addition, there can be no assurance that others will not obtain knowledge of these trade secrets through independent research or other access by legal means.

In addition, the Corporation's patents, trademarks and other intellectual property rights may not provide it a competitive advantage. The Corporation may need to spend significant resources monitoring its intellectual property rights. Its competitive position may be harmed if it cannot detect infringement and enforce its intellectual property rights quickly or at all. Competitors might avoid infringement by designing around our intellectual property rights or by developing non-infringing competing technologies. Intellectual property rights and our ability to enforce them may be unavailable or limited in some countries which could make it easier for competitors to capture market share and could result in lost revenues.

#### Credit – Bad debts from certain customers

Certain factors, such as economic conditions and changes within certain industries, could expose the Corporation to credit risk with respect to receivables from certain of its customers, thereby affecting negatively its ability to collect in accordance with the established terms of payment. The COVID-19 pandemic is disrupting many sectors of the global economy and, consequently, many of the Corporation's customers. The Corporation has strengthened its strict controls on credit, including a tighter monitoring of customers that are severely affected by the pandemic. Senior management regularly analyzes and examines the financial position of customers and applies rigorous evaluation procedures to all new customers. The Corporation establishes a specific credit limit for each customer and periodically reviews the limits for major customers or customers that are considered at risk. As well, the Corporation believes that it is protected against any concentration of credit through its products, customer base and geographic diversity. The Corporation also has a credit insurance policy covering certain customers, for a maximum amount of \$15.0 million in aggregate losses per year. The policy contains the usual clauses and limits regarding the amounts that can be claimed by event and year of coverage.

#### Recruiting and Retaining Talent – Difficulty to attract and retain key employees in the main operating sectors

Social and demographic trends are making it more challenging to hire and retain qualified personnel in certain geographic areas. The corporation notices a diminishing pool of talent, an increase in professional mobility, an increase in technology use and a high demand for emerging skillsets. Considering that the Packaging Sector is the Corporation's main growth driver, this risk is all the more important as it needs specific skills, including technical skills for product development to grow the Packaging Sector.

#### Imports and Exports – Import and export controls, duties, tariffs or taxes

Some of the Corporation's products are subject to export controls and may be exported only with the required export license or through an export license exemption. If it were to fail to comply with export licensing, customs regulations, economic sanctions or other laws, the Corporation could be subject to substantial civil and criminal penalties, including fines and incarceration for responsible employees and managers, and the possible loss of export or import privileges. In addition, if distributors of the corporation fail to obtain required import, export or re-export licenses or permits, the Corporation may also be adversely affected through sanctions and reputational harm. Obtaining the necessary export license for a particular sale may be time-consuming and may result in loss of sales opportunities.

Furthermore, export control laws prohibit the shipment of certain products to embargoed countries, governments and persons. The Corporation cannot assure that any such shipment will not occur, which could have negative consequences including government investigations, penalties, fines, civil and criminal sanctions, and reputational harm. In addition, the Corporation's global business can be negatively affected by import and export duties, tariff barriers, and related local government protectionist measures, and the unpredictability with which these can occur. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could decrease the Corporation's ability to export or sell its products to its existing or potential customers with international operations. Considering the extent of the Corporation's operations, border crossing limitations or border closures could have an adverse impact on the supply and distribution chain of certain plants. Any limitation on the Corporation's ability to export or sell its products could adversely affect its business, financial position and results of operations.

#### Exchange Rates – Exchange rate fluctuations

The Corporation is exposed to the fluctuations in the exchange rate of various foreign currencies, and these fluctuations could have an impact on earnings. The depreciation of the Canadian dollar against the U.S. dollar in the last few years has increased the value of sales in the United States and created certain business opportunities. In addition, recent acquisitions in the United States have increased the share of the Corporation's revenues and profits in U.S. dollars. The appreciation of the U.S. dollar provides the Corporation with some protection against

foreign competition in the Printing Sector. However, a potential recovery in the value of the Canadian dollar would have an adverse impact on net earnings. To minimize the risk of short-term foreign currency fluctuations, the Corporation attempts to match cash inflows and outflows in the same currency and has in place a currency hedging program that uses derivatives.

#### Litigation, Respect of Privacy – The Corporation is subject to legal risks related to its activities

The Corporation could be involved in litigation or lawsuits resulting from its activities. In addition, in connection with its restructuring efforts, the Corporation may be involved in litigation regarding labour relations cases. In the Printing Sector and the Packaging Sector, the printing of incorrect information by the Corporation and non-compliance with customer specifications could lead to claims. In addition, in its acquisition activities, unidentified liabilities and significant legal obligations also represent a risk to the Corporation as the successor. Although the Corporation establishes provisions for such litigation, it cannot be ensured that the provisions for all claims correspond to the settlement amount and, as a result, this could potentially have an adverse impact on net earnings.

The Canadian anti-spam legislation states that businesses that send commercial electronic messages must obtain the consent of the person to whom the message is sent. However, there could be situations in which some of the Corporation's activities would infringe on the privacy of users and others. While the Corporation has implemented strict controls in these areas, any breach with respect to the collection, use, disclosure or security of personal information, protection of copyright or other confidentiality issues could damage its reputation and adversely affect its net earnings.

#### Interest Rates – Increase in market interest rates with respect to our financial instruments

The Corporation is exposed to market risks related to increases in interest rates. The floating rate portion of the debt bears interest at rates based on LIBOR or bankers' acceptance rates. At the end of fiscal 2020, the fixed rate portion of the Corporation's long-term debt represented 67.9% of total debt.

#### Liquidity - Availability of capital at a reasonable cost

The Corporation is exposed to liquidity risk, which is the risk that it will not be able to meet its financial obligations as they become due, or that it will be able to meet them, but at an excessive cost. The net indebtedness level could have important consequences, including the following:

- It may limit the Corporation's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisition and general corporate purposes;
- It may limit the Corporation's ability to adjust to changing market conditions and place it at a competitive disadvantage compared to its competitors that are less leveraged;
- It may increase financial expenses and reduce profitability;
- The Corporation may not be able to pay dividends on its Class A Subordinate Voting Shares and its Class B Shares;
- The Corporation may be vulnerable in a downturn in general economic conditions;
- It may be more difficult for the Corporation to satisfy its covenants with respect to its indebtedness.

If any of these circumstances arise in the future, this could have a material adverse effect on the Corporation's business, financial position, prospects and/or results of operations. Moreover, the Corporation may not be able to achieve its strategic growth objectives where the required capital resources are not available to fund both its organic and acquisition growth strategy. In addition, non-compliance with financial covenants set out by the lenders in new credit facilities could lead to financial losses, increased costs or cross defaults, which in turn could have a material adverse impact on the Corporation's business, financial position, prospects and/or results of operations. Under the terms of the credit facilities, the Corporation is permitted to incur additional debt in certain circumstances, but the credit facilities could contain financial covenants which may limit its discretion in the operation of our business.

#### Pension Plans – Impact of major market fluctuations on pension plan solvency

As at October 25, 2020, almost all of the Corporation's active employees were participating in defined contribution pension plans. However, the risks related to the defined benefit pension plans, which are currently closed, are still assumed by the Corporation. Funding for defined benefit plans is based on actuarial estimates and is subject to limitations under applicable income tax and other relevant regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the expected long-term rate of return on pension plan assets. The defined benefit obligation, fair value of plan assets and plan asset

composition are measured at the date of the annual financial statements. The Corporation continues to apply its investment strategy to limit the exposure of its assets to major fluctuations that would affect pension plan solvency.

Taxation – Changes in tax legislation could adversely affect profitability

The Corporation is subject to income taxes in many jurisdictions. Its tax exposures could be adversely affected in the future as a result of a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates. The Corporation regularly assesses these matters to determine the adequacy of its assessment of its tax liability. To the extent that its assessments would be incorrect, its business, financial position, prospects and/or results of operations could be materially affected. The Corporation is susceptible to possible changes of law or to possible changes in interpretation of existing law, sometimes with a retroactive impact, by the tax authorities may have consequences. For example, the imposition of additional taxes or increases in the rate of income and other taxes or the removal of any tax incentives, from which it currently benefits in any of the jurisdictions in which it operates, may increase its effective tax rate and have a material adverse effect on its profitability. Any such changes in tax legislation, interpretation of the laws by the tax authorities, or any changes to accounting rules may have a material adverse effect on the amount of tax payable in regards to past and future periods. Finally, adverse outcomes from tax audits that it may be subject to in any of the jurisdictions in which it operates could result in an adverse change in its effective tax rate, which in turn could adversely affect its business, financial position, prospects and/or results of operations.

Taxation – Disputes with tax authorities or amendments to statutory tax rates in force

The Corporation believes that expenses claimed by the various group entities are reasonable and deductible and the cost and capital cost deduction used for the depreciable properties of these entities have been calculated correctly. In the normal course of the Corporation's business, tax authorities conduct ongoing audits and, in that respect, there can be no assurance that tax authorities will not dispute the Corporation's position regarding certain tax issues. If rulings in such disputes favour the tax authorities, it could have a material adverse impact on the Corporation, its activities, its net earnings, its financial position and shareholders' returns.

If income tax rates increase or decrease in future periods in a jurisdiction, the provision for income taxes for future periods will increase or decrease accordingly. Furthermore, deferred tax assets and liabilities will increase or decrease as income tax rates increase or decrease, respectively, and will result in an income tax impact. In addition, a reduction or an increase in the tax rate is expected to increase or decrease annual net earnings from what it would have otherwise been.

Impairment Tests – Impact of impairment tests on the value of assets

Under IFRS, the Corporation must test long-term assets for impairment if there is any indication that an asset or group of assets may be impaired. Any asset write-downs from impairment testing would have an adverse impact on the Corporation's net earnings, but it would not have any major impact on the Corporation's compliance with the indebtedness ratio it must meet under the terms of its current credit facilities or on its borrowing capacity.

Control Held – Conflict of interest between the controlling shareholder and other shareholders

As at October 25, 2020, Capinabel inc., a company controlled by Rémi Marcoux, directly or indirectly held 14.55% of shares outstanding and 71.29% of voting rights attached to the participating shares outstanding of the Corporation. Given the controlling stake of this shareholder, it is possible that in some situations the interests of the controlling shareholder might not correspond to the interests of other holders of participating shares of the Corporation.

## DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures.

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management to allow timely decisions regarding required disclosure.

The effectiveness of the design and operation of the Corporation's disclosure controls and procedures was evaluated as defined by *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* ("Regulation 52-109") as at October 25, 2020. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operation of disclosure controls and procedures were effective as at October 25, 2020.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation are responsible for establishing and maintaining adequate internal control. The purpose of internal control over financial reporting ("ICFR") is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

The effectiveness of the design and operation of the Corporation's ICFR was evaluated as at October 25, 2020, in accordance with the framework and criteria set out in the document entitled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013, a recognized control model, and the requirement of Regulation 52-109. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operation of ICFR were effective as at October 25, 2020.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial reporting and the preparation of financial statements.

In accordance with the provisions of Regulation 52-109, management has limited the scope of its design of the Corporation's disclosure controls and procedures and ICFT to exclude the controls, policies and procedures of Artisan Complete Limited; this exclusion is accepted by the Autorité des marchés financiers ("AMF") during the first year after the acquisition of a business, to give a corporation time to integrate the acquisition.

Artisan Complete Limited is a company specialized in the creation of engaging retail environments, point-of-purchase displays and large format printing that had 187 employees at the date of acquisition. Acquired on January 13, 2020, Artisan Complete Limited generated revenues of \$27.1 million in fiscal 2020, or 1.1% of the Corporation's consolidated results.

Additional information about this acquisition is presented in Table #10.

**Table #10:**  
(unaudited)

(in millions of dollars)	Artisan Complete Limited
<b>Statement of financial position</b>	<b>As at October 25, 2020</b>
Current assets	\$13.1
Non-current assets	8.2
Current liabilities	6.7
Non-current liabilities	6.4
<b>Statement of earnings</b>	<b>Year ended October 25, 2020</b>
Revenues	\$27.1
Operating earnings before depreciation and amortization	2.2
Operating earnings	0.6

Please refer to Note 4 to the annual consolidated financial statements for the year ended October 25, 2020 for additional information on this acquisition.

During the year ended October 25, 2020, except for the information provided above, no change that has materially affected or is reasonably likely to affect the ICFR was brought to the attention of management, including the President and Chief Executive Officer and the Chief Financial Officer of the Corporation.

## **SUBSEQUENT EVENT**

### **Repayment of term loans**

On October 30, 2020, the Corporation repaid the balance of \$82.3 million (US\$62.5 million) of tranche A of the U.S. dollar term loans.

## OUTLOOK

In the Packaging Sector, the vast majority of our operations support the retail supply chain for food and everyday consumer product retailers, which are experiencing an increase in volume due to the COVID-19 pandemic. Despite the uncertainties related to the pandemic, we should see organic growth in revenues in fiscal 2021. The significant and rapid increase in the price of resin seen recently should have a negative impact on the sector's profitability in the first quarter. In addition, the disposal of the paper packaging operations, which occurred in January 2020, will continue to have a negative impact on revenues and profitability in the first quarter. Excluding the impact of resin and the disposal of the paper packaging operations, we should post a slight increase in operating earnings compared to the prior fiscal year, as a result of our synergies, our operational efficiency initiatives and the anticipated organic growth.

In the Printing Sector, the COVID-19 pandemic should continue to negatively affect several of our customers, and this should have an adverse impact on our revenues for the first half of fiscal 2021. Operational efficiency initiatives and the continuation, to a lesser extent, of the Canada Emergency Wage Subsidy should mitigate the impact of lower volume on operating earnings. With the gradual recovery in printing volume, we should see organic growth in revenues in the second half of fiscal 2021. Excluding amounts related to the Canada Emergency Wage Subsidy, we should see growth in operating earnings in fiscal 2021 compared to fiscal 2020.

To conclude, despite the fact that the impact of the COVID-19 pandemic persists, we should continue to generate significant cash flows from all our activities. This should enable us to reduce our net indebtedness, while providing us with the desired flexibility to continue growing through strategic and targeted acquisitions.

On behalf of Management,

*(s) Donald LeCavalier*  
Chief Financial Officer

December 10, 2020