Press Release

For Immediate Release

Transcontinental Inc. Announces Results for the First Quarter of Fiscal 2023

Highlights

- Increase in adjusted operating earnings before depreciation and amortization in the Packaging Sector more than offset by a slowdown in the Printing Sector.
- Revenues of $707.0 million for the quarter ended January 29, 2023; operating earnings of $15.0 million; and net earnings attributable to shareholders of the Corporation of $1.0 million ($0.01 per share).
- Adjusted operating earnings before depreciation and amortization(1) of $84.1 million for the quarter ended January 29, 2023; adjusted operating earnings(1) of $41.8 million; and adjusted net earnings attributable to shareholders of the Corporation(1) of $21.1 million ($0.24 per share).
- Implemented initiatives generating savings of over $15.0 million in fiscal 2023.
- Maintained the quarterly dividend at $0.225 per share ($0.90 per year).
- Entered into an outsourcing agreement with Metroland to print several newspapers and extended the current printing agreement for two daily newspapers, including the *Toronto Star*, and four community publications to the end of 2027.

(1) Please refer to the section entitled "Non-IFRS Financial Measures" in this press release for a definition of these measures.

Montréal, March 8, 2023 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the first quarter of fiscal 2023, which ended January 29, 2023.

"Increased profit in our Packaging Sector for the quarter was more than offset by the impact of lower volume in our Printing Sector, said Peter Brues, President and Chief Executive Officer of TC Transcontinental. In this context, I appreciate the speed with which both sectors implemented cost saving measures.

"Our Packaging Sector recorded solid growth in adjusted profit, continuing to build on the momentum of the previous quarters. All our segments delivered improved profit in the quarter except our Latin American operations which experienced continued volume pressures. We expect that our focus on developing sustainable products and commitment to an improved cost position will support continued improvement.

"In our Printing Sector, volume decreased significantly in the quarter. Our team has a solid track record of adjusting our cost structure and has already implemented measures to mitigate the impact of lower demand. We are seeing the early benefits of our actions and we will continue to adjust as necessary.

"Our financial position is solid thanks to our ability to generate significant cash flows and having no major debt maturities until 2025. We remain focused on our disciplined approach to profitable growth while maintaining our dividend and reducing our net debt."

Financial Highlights

(in millions of dollars, except per share amounts)	Q1-2023 13 weeks	Q1-2022 13 weeks	Variation in %
Revenues	$707.0	$690.6	2.4 %
Operating earnings before depreciation and amortization	75.9	90.7	(16.3)
Adjusted operating earnings before depreciation and amortization (1)	84.1	89.0	(5.5)
Operating earnings	15.0	33.8	(55.6)
Adjusted operating earnings (1)	41.8	49.3	(15.2)
Net earnings attributable to shareholders of the Corporation	1.0	18.4	(94.6)
Net earnings attributable to shareholders of the Corporation per share	0.01	0.21	(95.2)
Adjusted net earnings attributable to shareholders of the Corporation (1)	21.1	30.0	(29.7)
Adjusted net earnings attributable to shareholders of the Corporation per share (1)	0.24	0.35	(31.4)

(1) Please refer to the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Press release for adjusted data presented above.

2023 First Quarter Results

Revenues increased by $16.4 million, or 2.4%, from $690.6 million in the first quarter of 2022 to $707.0 million in the corresponding period of 2023. This increase is primarily attributable to the favourable exchange rate effect, mainly in the Packaging Sector, and the acquisitions of Éditions du renouveau pédagogique Inc. ("ERPI"), Banaplast S.A.S. ("Banaplast") and Scolab Inc. ("Scolab"). These factors were partially offset by the organic decline in the Printing Sector.

Operating earnings before depreciation and amortization decreased by $14.8 million, or 16.3%, from $90.7 million in the first quarter of 2022 to $75.9 million in the first quarter of 2023. Adjusted operating earnings before depreciation and amortization decreased by $4.9 million, or 5.5%, from $89.0 million in the first quarter of 2022 to $84.1 million in the first quarter of 2023. These decreases are mainly due to lower volume in the Printing Sector, partially offset by the organic growth in adjusted operating earnings before depreciation and amortization in the Packaging Sector, the favourable exchange rate effect, the favourable impact of the stock-based compensation expense, and, to a lesser extent, the acquisitions of ERPI, Banaplast and Scolab. Lastly, the increase in restructuring and other costs had a negative impact on operating earnings before depreciation and amortization.

Net earnings attributable to shareholders of the Corporation decreased by $17.4 million, from $18.4 million in the first quarter of 2022 to $1.0 million in the first quarter of 2023. This decrease is mainly due to the previously explained decline in operating earnings before depreciation and amortization as well as higher financial expenses, partially offset by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from $0.21 to $0.01, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by $8.9 million, or 29.7%, from $30.0 million in the first quarter of 2022 to $21.1 million in the first quarter of 2023. This decrease is due to the previously explained decline in adjusted operating earnings before depreciation and amortization as well as higher financial expenses, partially offset by lower income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from $0.35 to $0.24, respectively.

Outlook

In the Packaging Sector, as a result of investing in new production equipment, signing new contracts and introducing new products to the market, we expect organic volume growth. In terms of profitability, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022. The economic environment could however affect short-term demand.

In the Printing Sector, we expect volume growth in our book printing and in-store marketing activities. The transfer of cost increases should however have a negative impact on volume, notably in our retail flyer printing and distribution activities. This anticipated volume reduction, combined with the effect of inflationary pressures, should result in lower adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022. We expect this decrease to be partially offset by the implementation of cost saving initiatives.

Finally, we expect to continue generating significant cash flows from operating activities, which will enable us to continue our strategic investments while maintaining our dividend and reducing our net indebtedness.

Non-IFRS Financial Measures

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 press release, we also use certain non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3, "Segmented Information", to the unaudited interim condensed consolidated financial statements for the first quarter ended January 29, 2023.

Terms Used	Definitions
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (revenues) and impairment of assets.
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets.
Adjusted income taxes	Income taxes before income taxes on restructuring and other costs (revenues), impairment of assets, amortization of intangible assets arising from business combinations as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets, net of related income taxes as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
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.

Reconciliation of Non-IFRS Financial Measures

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted operating earnings before depreciation and amortization, adjusted operating earnings, 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 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.

Reconciliation of operating earnings - First quarter

	Three months ended	
(in millions of dollars)	**January 29, 2023**	January 30, 2022
Operating earnings	**$15.0**	$33.8
Restructuring and other costs (revenues)	**8.2**	(1.7)
Amortization of intangible assets arising from business combinations (1)	**18.6**	17.2
Adjusted operating earnings	**$41.8**	$49.3
Depreciation and amortization (2)	**42.3**	39.7
Adjusted operating earnings before depreciation and amortization	**$84.1**	$89.0

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.
(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

Reconciliation of operating earnings - First quarter for the Packaging Sector

	Three months ended	
(in millions of dollars)	**January 29, 2023**	January 30, 2022
Operating earnings	**$4.2**	$6.0
Restructuring and other costs (revenues)	**4.0**	(2.9)
Amortization of intangible assets arising from business combinations (1)	**16.0**	15.2
Adjusted operating earnings	**$24.2**	$18.3
Depreciation and amortization (2)	**22.4**	20.6
Adjusted operating earnings before depreciation and amortization	**$46.6**	$38.9

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

Reconciliation of operating earnings - First quarter for the Printing Sector

	Three months ended	
(in millions of dollars)	**January 29, 2023**	January 30, 2022
Operating earnings	**$22.0**	$39.3
Restructuring and other costs	**3.2**	1.0
Amortization of intangible assets arising from business combinations (1)	**2.1**	2.0
Adjusted operating earnings	**$27.3**	$42.3
Depreciation and amortization (2)	**13.3**	14.5
Adjusted operating earnings before depreciation and amortization	**$40.6**	$56.8

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

Reconciliation of operating earnings - First quarter for the Other Sector

	Three months ended	
(in millions of dollars)	**January 29, 2023**	January 30, 2022
Operating earnings	**($11.2)**	($11.5)
Restructuring and other costs	**1.0**	0.2
Amortization of intangible assets arising from business combinations (1)	**0.5**	—
Adjusted operating earnings	**($9.7)**	($11.3)
Depreciation and amortization (2)	**6.6**	4.6
Adjusted operating earnings before depreciation and amortization	**($3.1)**	($6.7)

(1) Intangible assets arising from business combinations include our trademarks, non-compete agreements, rights of first refusal and educational book titles.
(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

Reconciliation of net earnings attributable to shareholders of the Corporation - First quarter

	Three months ended	
(in millions of dollars, except per share amounts)	**January 29, 2023**	January 30, 2022
Net earnings attributable to shareholders of the Corporation	**$1.0**	$18.4
Restructuring and other costs (revenues)	**8.2**	(1.7)
Tax on restructuring and other costs (revenues)	**(2.1)**	0.4
Amortization of intangible assets arising from business combinations (1)	**18.6**	17.2
Tax on amortization of intangible assets arising from business combinations	**(4.6)**	(4.3)
Adjusted net earnings attributable to shareholders of the Corporation	**$21.1**	$30.0
Net earnings attributable to shareholders of the Corporation per share	**$0.01**	$0.21
Adjusted net earnings attributable to shareholders of the Corporation per share	**$0.24**	$0.35
Weighted average number of shares outstanding	**86.6**	86.9

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	**As at January 29, 2023**	As at October 30, 2022
Long-term debt	**$1,013.9**	$979.3
Current portion of long-term debt	**22.2**	10.7
Lease liabilities	**128.4**	135.0
Current portion of lease liabilities	**24.3**	25.3
Cash	**(25.2)**	(45.7)
Net indebtedness	**$1,163.6**	$1,104.6
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$441.8**	$446.7
Net indebtedness ratio	**2.63 x**	2.47 x

Dividend

As a result of the solid financial position of the Corporation and its confidence in its ability to generate significant cash flows, the quarterly dividend is maintained at $0.225 per share despite the risks associated with the economic environment.

The Corporation's Board of Directors declared a quarterly dividend of $0.225 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 17, 2023 to shareholders of record at the close of business on March 30, 2023.

Normal Course Issuer Bid

On September 29, 2022, the Corporation was authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 3, 2022 and October 2, 2023, 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 191,343 of its Class B Shares. Repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the first quarter of 2023, the Corporation did not repurchase any of its Class A Subordinate Voting Shares or Class B shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 29, 2023.

Additional information

Conference Call

Upon releasing its 2023 first quarter results, the Corporation will hold a conference call for the financial community on March 8, 2023 at 4:15 p.m. The dial-in numbers are 1-416-764-8646 or 1-888-396-8049. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at 514-954-3581.

Profile

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also the leading Canadian French-language educational publishing group. For over 45 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 generated revenues of C$3.0 billion during the fiscal year ended October 30, 2022. For more information, visit TC Transcontinental's website at www.tc.tc.

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. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the impact of digital product development and adoption on the demand for retailer-related services and printed products, the global economic environment, including inflation and recession risks and disruptions in the supply chain, the Corporation's ability to generate organic growth in highly competitive industries, the Corporation's ability to complete acquisitions and properly integrate them, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, raw materials, transportation and consumed energy costs, availability of raw materials, the impact of a pandemic, an epidemic or an outbreak of an infectious disease on the Corporation's operations, operating results and financial position, cybersecurity and data protection, recruiting and retaining qualified personnel, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment or door-to-door distribution and use of plastic, changes in consumption habits related, in particular, to issues involving sustainable development and the use of certain products or services such as door-to-door distribution, loss of a major customer, customer consolidation, structural changes in the industries in which the Corporation operates, the safety and quality of its packaging products used in the food industry, the impact of economic cycles on product demand, data confidentiality, the protection of its intellectual property rights, bad debts from certain customers, import and export controls, exchange rate fluctuations, interest rates and availability of capital at a reasonable cost, litigation and respect of privacy, the impact of major market fluctuations on the solvency of defined benefit pension plans, taxation, including changes in tax legislation that could adversely affect profitability, disputes with tax authorities or amendments to statutory rates in force, and results of impairment tests on the value of assets. 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 30, 2022 and in the latest *Annual Information Form*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or entered into after the date of March 8, 2023. The forward-looking statements in this press release are made pursuant to the “safe harbour” provisions of applicable Canadian securities legislation. The forward-looking statements in this release are based on current expectations and information available as at March 8, 2023. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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