

For Immediate Release

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

Highlights

- Increase in adjusted operating earnings before depreciation and amortization⁽¹⁾ of 5.2% for the quarter, including organic growth of 18.5% in the Packaging Sector.
- Revenues of \$747.2 million for the quarter ended April 30, 2023; operating earnings of \$43.8 million; and net earnings attributable to shareholders of the Corporation of \$22.2 million (\$0.26 per share).
- Adjusted operating earnings before depreciation and amortization⁽¹⁾ of \$109.0 million for the quarter ended April 30, 2023; adjusted operating earnings⁽¹⁾ of \$66.2 million; and adjusted net earnings attributable to shareholders of the Corporation⁽¹⁾ of \$39.1 million (\$0.45 per share).
- Launched the new innovative flyer *raddar*TM in Montreal on May 15, 2023.
- Won the "Company of the Year - Large Business" award at the business competition of the Fédération des chambres de commerce du Québec (FCCQ).
- Appointment of Thomas Morin as President and Chief Executive Officer of TC Transcontinental on June 7, 2023.

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

Montréal, June 7, 2023 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the second quarter of fiscal 2023, which ended April 30, 2023.

"Despite lower volume, the second quarter results are solid, with adjusted operating earnings before depreciation and amortization growing by 5.2%, said Thomas Morin, President and Chief Executive Officer of TC Transcontinental.

"In our Packaging Sector, we posted the highest quarterly adjusted operating earnings before depreciation and amortization since the Corporation entered this business segment in 2014. The profit improvement results mainly from increases in prices to mitigate the impact of inflation, cost reduction initiatives and the favourable exchange rate effect, partially offset by pressures on volume. Our investments in sustainable packaging solutions position us well for the future and should be a key driver of our long-term growth.

"As for our Printing Sector, necessary measures were taken to adjust our cost structure and prices were increased to mitigate the cost increases due to inflation. The actions allowed us to partially offset the effect of lower volume in the retail flyer printing and distribution activities. In addition, our in-store marketing activities grew in revenues and profits during the quarter. Lastly, we should highlight the launch in Montreal of *raddar*TM, our reinvented flyer."

"Our financial position is solid and we expect to generate significant cash flows in the second half of fiscal 2023, which will enable us to reduce our net indebtedness," said Donald LeCavalier, Executive Vice President and Chief Financial Officer of TC Transcontinental.

Financial Highlights

(in millions of dollars, except per share amounts)	Q2-2023 13 weeks	Q2-2022 13 weeks	Variation in %
Revenues	\$747.2	\$715.5	4.4 %
Operating earnings before depreciation and amortization	105.2	102.8	2.3
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	109.0	103.6	5.2
Operating earnings	43.8	46.1	(5.0)
Adjusted operating earnings ⁽¹⁾	66.2	64.1	3.3
Net earnings attributable to shareholders of the Corporation	22.2	28.3	(21.6)
Net earnings attributable to shareholders of the Corporation per share	0.26	0.33	(21.2)
Adjusted net earnings attributable to shareholders of the Corporation ⁽¹⁾	39.1	41.7	(6.2)
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽¹⁾	0.45	0.48	(6.3)

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

Results of the Second Quarter of Fiscal 2023

Revenues increased by \$31.7 million, or 4.4%, from \$715.5 million in the second quarter of 2022 to \$747.2 million in the corresponding period of 2023. This increase is mostly attributable to the favourable exchange rate effect, mainly in the Packaging Sector, and the acquisitions of Éditions du nouveau pédagogique Inc. ("ERPI"), Banaplast S.A.S. ("Banaplast") and Scolab Inc. ("Scolab").

Operating earnings before depreciation and amortization increased by \$2.4 million, or 2.3%, from \$102.8 million in the second quarter of 2022 to \$105.2 million in the second quarter of 2023. Adjusted operating earnings before depreciation and amortization increased by \$5.4 million, or 5.2%, from \$103.6 million in the second quarter of 2022 to \$109.0 million in the second quarter of 2023. These increases are mainly due to the positive impact of the increase in prices to mitigate the impact of inflation, cost reduction initiatives and the favourable exchange rate effect, partially offset by lower volume and the unfavourable impact of the stock-based compensation expense. Finally, the increase in restructuring and other costs had a negative effect on operating earnings before depreciation and amortization.

Net earnings attributable to shareholders of the Corporation decreased by \$6.1 million from \$28.3 million in the second quarter of 2022 to \$22.2 million in the second quarter of 2023. This decrease is mainly due to the increase in financial expenses, depreciation and amortization as well as restructuring and other costs, partially mitigated by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.33 to \$0.26, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$2.6 million, or 6.2%, from \$41.7 million in the second quarter of 2022 to \$39.1 million in the second quarter of 2023. This decrease is due to the increase in financial expenses and depreciation and amortization, partially mitigated by the increase in adjusted operating earnings before depreciation and amortization and lower income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.48 to \$0.45, respectively.

Results of the First Six Months of Fiscal 2023

Revenues increased by \$48.1 million, or 3.4%, from \$1,406.1 million in the first six months of fiscal 2022 to \$1,454.2 million in the corresponding period of 2023. This increase is mainly explained by the favourable exchange rate effect and acquisitions, partially offset by the organic decline chiefly caused by lower volume.

Operating earnings before depreciation and amortization decreased by \$12.4 million, or 6.4%, from \$193.5 million in the first six months of fiscal 2022 to \$181.1 million in the corresponding period of 2023. This decline is mainly explained by the increase in restructuring and other costs.

Adjusted operating earnings before depreciation and amortization increased by \$0.5 million, or 0.3%, from \$192.6 million in the first six months of fiscal 2022 to \$193.1 million in the corresponding period of 2023. This increase is attributable to the organic growth in adjusted operating income before depreciation and amortization in the Packaging Sector and the favourable exchange rate effect. These factors were partially offset by the organic decline in adjusted operating income before depreciation and amortization in the Printing Sector, mostly caused by lower volume, notably in retail flyer printing activities and distribution.

Net earnings attributable to shareholders of the Corporation decreased by \$23.5 million, or 50.3%, from \$46.7 million in the first six months of fiscal 2022 to \$23.2 million in the corresponding period of 2023. This decrease is mainly due to the increase in restructuring and other costs, depreciation and amortization and financial expenses, partially mitigated by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.54 to \$0.27, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$11.5 million, or 16.0%, from \$71.7 million in the first six months of fiscal 2022 to \$60.2 million in the corresponding period of 2023, mostly as a result of the increase in financial expenses and depreciation and amortization, partially mitigated by lower income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.83 to \$0.70, respectively.

For more detailed financial information, please see the Management's Discussion and Analysis for the second quarter of fiscal 2023 ended April 30, 2023 as well as the financial statements in the "Investors" section of our website at www.tc.tc.

Outlook

In the Packaging Sector, our investments in sustainable packaging solutions position us well for the future and should be a key driver of our long-term growth. The economic environment should however continue to affect short-term demand. In terms of profitability, despite the pressures on volume, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022.

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 the cost reduction initiatives announced in March 2023.

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 second quarter ended April 30, 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 - Second quarter and cumulative

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	\$43.8	\$46.1	\$58.8	\$79.9
Restructuring and other costs (revenues)	3.8	0.8	12.0	(0.9)
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	17.2	37.2	34.4
Adjusted operating earnings	\$66.2	\$64.1	\$108.0	\$113.4
Depreciation and amortization ⁽²⁾	42.8	39.5	85.1	79.2
Adjusted operating earnings before depreciation and amortization	\$109.0	\$103.6	\$193.1	\$192.6

(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 - Second quarter and cumulative for the Packaging Sector

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	\$26.5	\$11.1	\$30.7	\$17.1
Restructuring and other costs	1.9	5.6	5.9	2.7
Amortization of intangible assets arising from business combinations ⁽¹⁾	16.1	15.1	32.1	30.3
Adjusted operating earnings	\$44.5	\$31.8	\$68.7	\$50.1
Depreciation and amortization ⁽²⁾	22.9	20.6	45.3	41.2
Adjusted operating earnings before depreciation and amortization	\$67.4	\$52.4	\$114.0	\$91.3

(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 - Second quarter and cumulative for the Printing Sector

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	\$33.5	\$37.8	\$55.5	\$77.1
Restructuring and other costs	1.3	0.8	4.5	1.8
Amortization of intangible assets arising from business combinations ⁽¹⁾	2.0	2.0	4.1	4.0
Adjusted operating earnings	\$36.8	\$40.6	\$64.1	\$82.9
Depreciation and amortization ⁽²⁾	13.2	14.1	26.5	28.6
Adjusted operating earnings before depreciation and amortization	\$50.0	\$54.7	\$90.6	\$111.5

(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 - Second quarter and cumulative for the Other Sector

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	(\$16.2)	(\$2.8)	(\$27.4)	(\$14.3)
Restructuring and other costs (revenues)	0.6	(5.6)	1.6	(5.4)
Amortization of intangible assets arising from business combinations ⁽¹⁾	0.5	0.1	1.0	0.1
Adjusted operating earnings	(\$15.1)	(\$8.3)	(\$24.8)	(\$19.6)
Depreciation and amortization ⁽²⁾	6.7	4.8	13.3	9.4
Adjusted operating earnings before depreciation and amortization	(\$8.4)	(\$3.5)	(\$11.5)	(\$10.2)

(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 - Second quarter and cumulative

(in millions of dollars, except per share amounts)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Net earnings attributable to shareholders of the Corporation	\$22.2	\$28.3	\$23.2	\$46.7
Restructuring and other costs (revenues)	3.8	0.8	12.0	(0.9)
Tax on restructuring and other costs (revenues)	(0.9)	(0.4)	(3.0)	—
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	17.2	37.2	34.4
Tax on amortization of intangible assets arising from business combinations	(4.6)	(4.2)	(9.2)	(8.5)
Adjusted net earnings attributable to shareholders of the Corporation	\$39.1	\$41.7	\$60.2	\$71.7
Net earnings attributable to shareholders of the Corporation per share	\$0.26	\$0.33	\$0.27	\$0.54
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.45	\$0.48	\$0.70	\$0.83
Weighted average number of shares outstanding	86.6	86.8	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 April 30, 2023	As at October 30, 2022
Long-term debt	\$1,024.8	\$979.3
Current portion of long-term debt	21.8	10.7
Lease liabilities	117.3	135.0
Current portion of lease liabilities	25.0	25.3
Cash	(36.4)	(45.7)
Net indebtedness	\$1,152.5	\$1,104.6
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$447.2	\$446.7
Net indebtedness ratio	2.58 x	2.47 x

Dividend

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 July 24, 2023 to shareholders of record at the close of business on July 5, 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 six months of fiscal 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 April 30, 2023.

Additional information

Conference Call

Upon releasing its 2023 second quarter results, the Corporation will hold a conference call for the financial community on June 7, 2023 at 4:15 p.m. The dial-in numbers are 1-416-764-8658 or 1-888-886-7786. 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 June 7, 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 June 7, 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.

- 30 -

For information:

Media

Nathalie St-Jean
Senior Advisor, Corporate Communications
TC Transcontinental
Telephone: 514-954-3581
nathalie.st-jean@tc.tc
www.tc.tc

Financial Community

Yan Lapointe
Director, Investor Relations and Treasury
TC Transcontinental
Telephone: 514-954-3574
yan.lapointe@tc.tc
www.tc.tc