

For Immediate Release

Transcontinental Inc. Announces Results for the First Quarter of Fiscal 2024

Highlights

- Growth in adjusted operating earnings before depreciation and amortization⁽¹⁾ of 14.3% for the quarter, including an increase of 29.6% in the Packaging Sector.
- Revenues of \$680.4 million for the quarter ended January 28, 2024; operating earnings of \$27.8 million; and net earnings attributable to shareholders of the Corporation of \$13.9 million (\$0.16 per share).
- Adjusted operating earnings before depreciation and amortization⁽¹⁾ of \$96.1 million for the quarter ended January 28, 2024; adjusted operating earnings⁽¹⁾ of \$59.0 million; and adjusted net earnings attributable to shareholders of the Corporation⁽¹⁾ of \$37.4 million (\$0.43 per share).
- Announced, on February 1, 2024, the closure of the Saint-Hyacinthe plant in April 2024 and the transfer of its operations to the other plants in the network.

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

Montréal, March 12, 2024 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the first quarter of fiscal 2024, which ended January 28, 2024.

"We had a solid first quarter despite persistently challenging market conditions," said Thomas Morin, President and Chief Executive Officer of TC Transcontinental. "This performance is largely attributable to cost reductions in line with our priorities and the profitability and financial position improvement program announced in December.

"The Packaging Sector had an excellent start with a 29.6% growth in adjusted operating earnings before depreciation and amortization for the quarter compared to last year, as the initiatives implemented to reduce our costs and a more favourable product mix more than offset the softer demand across the market. While there are still uncertainties surrounding short-term demand, we are satisfied with the progress made with the deployment of new equipment related to our strategic investments and the market interest in that respect.

"In our Printing Sector, our cost reduction initiatives allowed us to mitigate the persistent challenges facing our book printing activities. We are encouraged by the opportunities in our retail related services, in particular the continued roll-out of *raddar*TM as well as our in-store marketing activities.

"I'm pleased that our two-year program aimed at improving our earnings per share and our financial position has already started to show results. By the end of the second quarter, we will have reduced our overall workforce by 6%. We also achieved significant cost of goods sold savings, and our solid earnings and free cash flows enabled us to reduce our indebtedness ratio to 2.00x at the end of the first quarter."

"Our financial position is solid, and we expect to generate significant cash flows by the end of fiscal 2024 that will enable us to pursue our debt reduction objective," concluded Donald LeCavalier, Executive Vice President and Chief Financial Officer of TC Transcontinental.

Financial Highlights

(in millions of dollars, except per share amounts)	Q1-2024	Q1-2023	Variation in %
Revenues	\$680.4	\$707.0	(3.8) %
Operating earnings before depreciation and amortization	82.7	75.9	9.0
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	96.1	84.1	14.3
Operating earnings	27.8	15.0	85.3
Adjusted operating earnings ⁽¹⁾	59.0	41.8	41.1
Net earnings attributable to shareholders of the Corporation	13.9	1.0	N/A
Net earnings attributable to shareholders of the Corporation per share	0.16	0.01	N/A
Adjusted net earnings attributable to shareholders of the Corporation ⁽¹⁾	37.4	21.1	77.3
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽¹⁾	0.43	0.24	79.2

(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 First Quarter of Fiscal 2024

Revenues decreased by \$26.6 million, or 3.8%, from \$707.0 million in the first quarter of 2023 to \$680.4 million in the corresponding period of 2024. This decrease is mainly due to lower volume in the Printing Sector and, to a lesser extent, in the Packaging Sector.

Operating earnings before depreciation and amortization increased by \$6.8 million, or 9.0%, from \$75.9 million in the first quarter of 2023 to \$82.7 million in the first quarter of 2024. Adjusted operating earnings before depreciation and amortization increased by \$12.0 million, or 14.3%, from \$84.1 million in the first quarter of 2023 to \$96.1 million in the first quarter of 2024. These increases are mainly attributable to our cost reduction initiatives, partially offset by lower volume. In addition, the increase in restructuring and other costs and, to a lesser extent, asset impairment charges had an adverse impact on operating earnings before depreciation and amortization.

Net earnings attributable to shareholders of the Corporation increased by \$12.9 million, from \$1.0 million in the first quarter of 2023 to \$13.9 million in the first quarter of 2024. This increase is mainly attributable to the previously explained increase in operating earnings before depreciation and amortization and the decrease in depreciation and amortization and financial expenses, partially offset by higher income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.01 to \$0.16, respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$16.3 million, or 77.3%, from \$21.1 million in the first quarter of 2023 to \$37.4 million in the first quarter of 2024. This increase is mainly attributable to the previously explained increase in adjusted operating earnings before depreciation and amortization and the decrease in depreciation and amortization and financial expenses, partially offset by higher income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.24 to \$0.43, respectively.

For more detailed financial information, please see the Management's Discussion and Analysis for the first quarter ended January 28, 2024, 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 pressure on volume, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal 2024 compared to fiscal 2023.

In the Printing Sector, we expect lower volume in our traditional activities. This anticipated volume reduction should result in lower adjusted operating earnings before depreciation and amortization for fiscal 2024 compared to fiscal 2023. We expect this decrease to be mostly offset by cost reduction initiatives and the continued roll-out of *raddar*TM.

Finally, given the economic environment and the early impact of our profitability and financial position improvement program, we expect consolidated adjusted operating earnings before depreciation and amortization to remain at the very least stable for fiscal 2024 compared to fiscal 2023. In addition, we expect to continue generating significant cash flows from operating activities, which will enable us to reduce our net indebtedness while continuing our strategic investments.

Non-IFRS Financial Measures

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Accounting 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 condensed interim consolidated financial statements for the first quarter ended January 28, 2024.

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 and amortization of intangible assets arising from business combinations.
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.
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

(in millions of dollars)	Three months ended	
	January 28, 2024	January 29, 2023
Operating earnings	\$27.8	\$15.0
Restructuring and other costs	11.3	8.2
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.8	18.6
Impairment of assets	2.1	—
Adjusted operating earnings	\$59.0	\$41.8
Depreciation and amortization ⁽²⁾	37.1	42.3
Adjusted operating earnings before depreciation and amortization	\$96.1	\$84.1

(1) Amortization of intangible assets arising from business combinations includes our customer relationships, 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

(in millions of dollars)	Three months ended	
	January 28, 2024	January 29, 2023
Operating earnings	\$22.4	\$4.2
Restructuring and other costs	3.6	4.0
Amortization of intangible assets arising from business combinations ⁽¹⁾	16.1	16.0
Impairment of assets	0.3	—
Adjusted operating earnings	\$42.4	\$24.2
Depreciation and amortization ⁽²⁾	18.0	22.4
Adjusted operating earnings before depreciation and amortization	\$60.4	\$46.6

(1) Amortization of intangible assets arising from business combinations includes our customer relationships.

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

Reconciliation of operating earnings - First quarter for the Printing Sector

(in millions of dollars)	Three months ended	
	January 28, 2024	January 29, 2023
Operating earnings	\$17.6	\$22.0
Restructuring and other costs	6.1	3.2
Amortization of intangible assets arising from business combinations ⁽¹⁾	1.3	2.1
Impairment of assets	1.8	—
Adjusted operating earnings	\$26.8	\$27.3
Depreciation and amortization ⁽²⁾	12.7	13.3
Adjusted operating earnings before depreciation and amortization	\$39.5	\$40.6

(1) Amortization of intangible assets arising from business combinations includes our customer relationships.

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

Reconciliation of operating earnings - First quarter for the Other Sector

(in millions of dollars)	Three months ended	
	January 28, 2024	January 29, 2023
Operating earnings	(\$12.2)	(\$11.2)
Restructuring and other costs	1.6	1.0
Amortization of intangible assets arising from business combinations ⁽¹⁾	0.4	0.5
Adjusted operating earnings	(\$10.2)	(\$9.7)
Depreciation and amortization ⁽²⁾	6.4	6.6
Adjusted operating earnings before depreciation and amortization	(\$3.8)	(\$3.1)

(1) Amortization of intangible assets arising from business combinations includes 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

(in millions of dollars, except per share amounts)	Three months ended	
	January 28, 2024	January 29, 2023
Net earnings attributable to shareholders of the Corporation	\$13.9	\$1.0
Restructuring and other costs	11.3	8.2
Tax on restructuring and other costs	(2.8)	(2.1)
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.8	18.6
Tax on amortization of intangible assets arising from business combinations	(4.4)	(4.6)
Impairment of assets	2.1	—
Tax on impairment of assets	(0.5)	—
Adjusted net earnings attributable to shareholders of the Corporation	\$37.4	\$21.1
Net earnings attributable to shareholders of the Corporation per share	\$0.16	\$0.01
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.43	\$0.24
Weighted average number of shares outstanding	86.6	86.6

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

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at January 28, 2024	As at October 29, 2023
Long-term debt	\$852.5	\$937.8
Current portion of long-term debt	2.8	2.1
Lease liabilities	91.9	94.6
Current portion of lease liabilities	22.6	23.5
Cash	(51.5)	(137.0)
Net indebtedness	\$918.3	\$921.0
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$458.5	\$446.5
Net indebtedness ratio	2.00x	2.06x

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 April 22, 2024, to shareholders of record at the close of business on April 3, 2024.

Additional information

Conference Call

Upon releasing its 2024 first quarter results, the Corporation will hold a conference call for the financial community on March 13, 2024, at 8:00 a.m. The dial-in numbers are 1-289-514-5100 or 1-800-717-1738. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on TC Transcontinental'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 approximately 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental generated revenues of \$2.9 billion during the fiscal year ended October 29, 2023. 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 as well as regulations or legislation regarding door-to-door distribution on the printing and distribution of paper flyers, inflation and recession risks, economic conditions and geopolitical uncertainty, environmental risks as well as adoption of new regulations or amendments and changes to consumption habits, risk of an operational disruption that could be harmful to its ability to meet deadlines, the worldwide outbreak of a disease, a virus or any other contagious disease could have an adverse impact on the Corporation's operations, the ability to generate organic long-term growth and face competition, a significant increase in the cost of raw materials, the availability of those materials and energy consumption could have an adverse impact on the Corporation's activities, the ability to complete acquisitions and properly integrate them, cybersecurity, data protection, warehousing and usage, the impact of digital product development and adoption on the demand for printed products other than flyers, the failure of patents, trademarks and confidentiality agreements to protect intellectual property, a difficulty to attract and retain employees in the main operating sectors, the safety and quality of packaging products used in the food industry, bad debts from certain customers, import and export controls, duties, tariffs or taxes, exchange rate fluctuations, increase in market interest rates with respect to our financial instruments as well as availability of capital at a reasonable cost, the legal risks related to its activities and the compliance of its activities with applicable regulations, the impact of major market fluctuations on the solvency of defined benefit pensions plans, changes in tax legislation and disputes with tax authorities or amendments to statutory tax rates in force, the impact of impairment tests on the value of assets and a conflict of interest between the controlling shareholder and other shareholders. 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 29, 2023 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 12, 2024. 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 12, 2024. 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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