

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

2024-09-11

Highlights

- Revenues of \$700.0 million for the quarter ended July 28, 2024; operating earnings of \$69.2 million; and net earnings attributable to shareholders of the Corporation of \$43.6 million (\$0.50 per share).
- Adjusted operating earnings before depreciation and amortization(1) of \$121.0 million for the quarter ended July 28, 2024; adjusted operating earnings(1) of \$84.2 million; and adjusted net earnings attributable to shareholders of the Corporation(1) of \$51.4 million (\$0.60 per share).
- Growth in adjusted operating earnings before depreciation and amortization(1) of 12.1%, with an increase of 20.6% in the Packaging Sector and of 12.4% in the Retail Services and Printing Sector.
- Sale of a building for an amount of \$7.1 million.
- Repurchase of 1.2 million shares during the quarter ended July 28, 2024, for a total consideration of \$17.7 million.
- Appointment of Serge Boulanger to the Board of Directors of the Corporation.

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

MONTREAL, Sept. 11, 2024 (GLOBE NEWSWIRE) -- Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the third quarter of fiscal 2024, which ended July 28, 2024.

"I am satisfied with the increase in our results in both the Packaging Sector and the Retail Services and Printing Sector," said Thomas Morin, President and Chief Executive Officer of TC Transcontinental. "This fourth consecutive

quarter of improvement in our profitability is the results of our cost reduction initiatives, including the optimization of our manufacturing network, as well as our efforts to market higher value-added products.

"In our Packaging Sector, despite the ongoing pressure on our medical market activities, we experienced a modest increase in volume. Our cost reduction initiatives, combined with volume growth, contributed to a solid increase of 20.6% in adjusted operating earnings before depreciation and amortization.

"In our Retail Services and Printing Sector, we posted a 12.4% increase in adjusted operating earnings before depreciation and amortization. As in the previous quarter, the actions taken to improve our cost structure, a more favourable product mix, including the roll-out of raddar™, as well as growth in our in-store marketing activities, have shown results."

"The implementation of our two-year program aimed at improving our profitability and our financial position is proceeding in accordance with the objectives announced in December 2023," added Donald LeCavalier, Executive Vice President and Chief Financial Officer of TC Transcontinental. We remain on track to generate annual recurring savings of approximately \$30 million by the end of fiscal 2024. Our ability to generate significant cash flows enables us to reduce our net indebtedness and improve our balance sheet while allocating capital to our share repurchase program."

Financial Highlights

	Q3-2024	Q3-2023	Variation in %
(in millions of dollars, except per share amounts)			
Revenues	\$700.0	\$706.7	(0.9) %
Operating earnings before depreciation and amortization	121.5	95.3	27.5
Adjusted operating earnings before depreciation and amortization (1)	121.0	107.9	12.1
Operating earnings	69.2	39.2	76.5
Adjusted operating earnings (1)	84.2	70.2	19.9
Net earnings attributable to shareholders of the Corporation	43.6	20.9	108.6
Net earnings attributable to shareholders of the Corporation per share	0.50	0.24	108.3
Adjusted net earnings attributable to shareholders of the Corporation (1)	51.4	44.0	16.8
Adjusted net earnings attributable to shareholders of the Corporation per share (1)	0.60	0.51	17.6

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

Results for the Third Quarter of Fiscal 2024

Revenues decreased by \$6.7 million, or 0.9%, from \$706.7 million in the third quarter of 2023 to \$700.0 million in the corresponding period of 2024. This decrease is mainly due to lower volume in the Retail Services and Printing Sector, partially mitigated by the favourable effect of exchange rate fluctuations as well as higher volume in the

Packaging Sector.

Operating earnings before depreciation and amortization increased by \$26.2 million, or 27.5%, from \$95.3 million in the third quarter of 2023 to \$121.5 million in the third quarter of 2024. This increase is mainly attributable to our cost reduction initiatives, the decrease in restructuring and other costs, a more favourable product mix in the Retail Services and Printing Sector, the favourable effect of exchange rate fluctuations and higher volume in the Packaging Sector, partially offset by lower volume in the Retail Services and Printing Sector.

Adjusted operating earnings before depreciation and amortization increased by \$13.1 million, or 12.1%, from \$107.9 million in the third quarter of 2023 to \$121.0 million in the third quarter of 2024. This increase is mainly attributable to our cost reduction initiatives, a more favourable product mix in the Retail Services and Printing Sector, the favourable effect of exchange rate fluctuations and higher volume in the Packaging Sector, partially offset by lower volume in the Retail Services and Printing Sector.

Net earnings attributable to shareholders of the Corporation increased by \$22.7 million, or 108.6%, from \$20.9 million in the third quarter of 2023 to \$43.6 million in the third quarter of 2024. This increase is mainly due to the previously explained increase in operating earnings before depreciation and amortization, the decrease in depreciation and amortization, and lower financial expenses, partially offset by higher income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.24 to \$0.50, respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$7.4 million, or 16.8%, from \$44.0 million in the third quarter of 2023 to \$51.4 million in the third quarter of 2024. This increase is mainly attributable to the previously explained increase in adjusted operating earnings before depreciation and amortization, the decrease in depreciation and amortization, and lower financial expenses, partially offset by higher income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.51 to \$0.60, respectively.

Results for the First Nine Months of Fiscal 2024

Revenues decreased by \$97.3 million, or 4.5%, from \$2,160.9 million in the first nine months of fiscal 2023 to \$2,063.6 million in the corresponding period of 2024. This decrease is mainly due to lower volume in the two main operating sectors.

Operating earnings before depreciation and amortization increased by \$16.5 million, or 6.0%, from \$276.4 million in the first nine months of fiscal 2023 to \$292.9 million in the corresponding period of 2024. This increase is mainly attributable to our cost reduction initiatives and a more favourable product mix, partially offset by lower volume and asset impairment charges.

Adjusted operating earnings before depreciation and amortization increased by \$26.2 million, or 8.7%, from \$301.0 million in the first nine months of fiscal 2023 to \$327.2 million in the corresponding period of 2024. This increase is mainly attributable to our cost reduction initiatives and a more favourable product mix, partially offset by lower volume.

Net earnings attributable to shareholders of the Corporation increased by \$29.3 million, or 66.4%, from \$44.1 million in the first nine months of fiscal 2023 to \$73.4 million in the corresponding period of 2024. This increase is mainly attributable to the previously explained increase in operating earnings before depreciation and amortization, the decrease in depreciation and amortization, and lower financial expenses, partially offset by higher income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.51 to \$0.85, respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$29.9 million, or 28.7%, from \$104.2 million in the first nine months of fiscal 2023 to \$134.1 million in the corresponding period of 2024. This increase is mostly attributable to the previously explained increase in adjusted operating earnings before depreciation and amortization, the decrease in depreciation and amortization, and lower financial expenses, partially offset by higher income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$1.20 to \$1.55, respectively.

For more detailed financial information, please see the Management's Discussion and Analysis for the third quarter ended July 28, 2024, as well as the financial statements in the "Investors" section of our website at www.tc.tc.

New Director

The Corporation announces the appointment of Serge Boulanger, CPA and corporate director, to its Board of Directors. Mr. Boulanger has worked for more than 25 years in the retail industry in the fields of food and pharmacies, where he held leadership positions in procurement, food manufacturing and private brand development. He also led all the activities of several major banners and, earlier in his career, the marketing of major brands. In 2023, he was awarded the Lifetime Achievement Award by the Retail Council of Canada.

"I am delighted to welcome Serge Boulanger to our Board of Directors," said Isabelle Marcoux, Executive Chair of the Board of TC Transcontinental. "His vast experience and extensive professional background will be valuable assets for our two main sectors in pursuing their activities and developing products and services for retailers."

Outlook

In the Packaging Sector, our investments, including those related to sustainable packaging solutions, position us well for the future and should be a key driver of our growth. The economic environment however had a negative impact on demand during the fiscal year. In terms of profitability, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal 2024 compared to fiscal 2023.

In the Retail Services and Printing Sector, we are encouraged by the roll-out of raddar™ and growth opportunities in our in-store marketing activities. The decrease in volume in our traditional activities should be offset by our cost reduction initiatives, the favourable impact of the roll-out of raddar™ and the growth in our in-store marketing activities. We therefore expect adjusted operating earnings before depreciation and amortization for fiscal 2024 to be stable compared to fiscal 2023.

Given the solid financial performance since the beginning of the fiscal year and the benefits of our profitability and financial position improvement program, we expect an increase in consolidated adjusted operating earnings before depreciation and amortization for fiscal 2024 compared to fiscal 2023.

For the fourth quarter of fiscal 2024, we expect adjusted operating earnings before depreciation and amortization for our two main operating sectors to remain relatively stable compared to the fourth quarter of fiscal 2023. However, as a result of an anticipated increase in the incentive compensation expense, including stock-based compensation, and the solid performance of the Media Sector in the fourth quarter of fiscal 2023, we expect a decrease in consolidated operating earnings before depreciation and amortization for the fourth quarter of fiscal 2024.

Lastly, we expect to continue generating significant cash flows from operating activities, which will enable us to reduce our net indebtedness while continuing to make strategic investments and return capital to our shareholders.

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 third quarter ended July 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 as well as the recognition of previous years tax assets of an acquired company.
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 recognition of previous years tax assets of an acquired company.
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 - Third quarter and cumulative

(in millions of dollars)	Three months ended		Nine months ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Operating earnings	\$69.2	\$39.2	\$130.2	\$98.0
Restructuring and other costs (revenues)	(0.5)	12.6	26.8	24.6
Amortization of intangible assets arising from business combinations (1)	15.5	18.4	51.0	55.6
Impairment of assets	—	—	7.5	—
Adjusted operating earnings	\$84.2	\$70.2	\$215.5	\$178.2
Depreciation and amortization (2)	36.8	37.7	111.7	122.8
Adjusted operating earnings before depreciation and amortization	\$121.0	\$107.9	\$327.2	\$301.0

(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 - Third quarter and cumulative for the Packaging Sector

(in millions of dollars)	Three months ended		Nine months ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Operating earnings	\$29.4	\$17.7	\$84.1	\$48.4
Restructuring and other costs	2.4	1.5	9.7	7.4
Amortization of intangible assets arising from business combinations (1)	14.3	15.9	46.5	48.0
Impairment of assets	—	—	0.6	—
Adjusted operating earnings	\$46.1	\$35.1	\$140.9	\$103.8
Depreciation and amortization (2)	18.8	18.7	55.6	64.0
Adjusted operating earnings before depreciation and amortization	\$64.9	\$53.8	\$196.5	\$167.8

(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 - Third quarter and cumulative for the Retail Services and Printing Sector

(in millions of dollars)	Three months ended		Nine months ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Operating earnings	\$36.8	\$27.3	\$71.1	\$82.8
Restructuring and other costs	1.7	2.7	19.6	7.2
Amortization of intangible assets arising from business combinations (1)	0.7	1.9	3.0	6.0
Impairment of assets	—	—	6.9	—
Adjusted operating earnings	\$39.2	\$31.9	\$100.6	\$96.0
Depreciation and amortization (2)	11.6	13.3	36.8	39.8
Adjusted operating earnings before depreciation and amortization	\$50.8	\$45.2	\$137.4	\$135.8

(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 - Third quarter and cumulative for the Other Sector

(in millions of dollars)	Three months ended		Nine months ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Operating earnings	\$3.0	(\$5.8)	(\$25.0)	(\$33.2)
Restructuring and other costs (revenues)	(4.6)	8.4	(2.5)	10.0
Amortization of intangible assets arising from business combinations (1)	0.5	0.6	1.5	1.6
Adjusted operating earnings	(\$1.1)	\$3.2	(\$26.0)	(\$21.6)
Depreciation and amortization (2)	6.4	5.7	19.3	19.0
Adjusted operating earnings before depreciation and amortization	\$5.3	\$8.9	(\$6.7)	(\$2.6)

(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 - Third quarter and cumulative

(in millions of dollars, except per share amounts)	Three months ended		Nine months ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Net earnings attributable to shareholders of the Corporation	\$43.6	\$20.9	\$73.4	\$44.1
Restructuring and other costs (revenues)	(0.5)	12.6	26.8	24.6
Tax on restructuring and other costs	—	(3.3)	(6.8)	(6.3)
Amortization of intangible assets arising from business combinations (1)	15.5	18.4	51.0	55.6
Tax on amortization of intangible assets arising from business combinations	(3.8)	(4.6)	(12.5)	(13.8)
Impairment of assets	—	—	7.5	—
Tax on impairment of assets	—	—	(1.9)	—
Recognition of previous years tax assets of an acquired company	(3.4)	—	(3.4)	—
Adjusted net earnings attributable to shareholders of the Corporation	\$51.4	\$44.0	\$134.1	\$104.2
Net earnings attributable to shareholders of the Corporation per share	\$0.50	\$0.24	\$0.85	\$0.51
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.60	\$0.51	\$1.55	\$1.20
Weighted average number of shares outstanding	86.4	86.6	86.5	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 July 28, 2024	As at October 29, 2023
Long-term debt	\$667.1	\$937.8
Current portion of long-term debt	199.8	2.1
Lease liabilities	93.5	94.6
Current portion of lease liabilities	22.8	23.5
Cash	(79.9)	(137.0)
Net indebtedness	\$903.3	\$921.0
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$472.7	\$446.5
Net indebtedness ratio	1.91x	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 October 21, 2024, to shareholders of record at the close of business on October 3, 2024.

Normal Course Issuer Bid

On June 12, 2024, 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 June 17, 2024 and June 16, 2025, or at an earlier date if the Corporation concludes or cancels the offer, up to 3,662,967 of its Class A Subordinate

Voting Shares and up to 668,241 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the third quarter ended July 28, 2024, the Corporation repurchased and cancelled 1,159,758 Class A Subordinate Voting Shares at a weighted average price of \$15.22 and 5,000 Class B Shares at a weighted average price of \$15.37, for a total cash consideration of \$17.7 million.

On July 26, 2024, the Corporation authorized its broker to repurchase shares between July 29, 2024, and September 13, 2024, inclusively, in accordance with parameters set by the Corporation. Subsequent to the end of the third quarter of fiscal 2024, the Corporation repurchased 773,797 Class A Subordinated Voting Shares and 2,000 Class B Shares for a total cash consideration of \$12.5 million.

Additional information

Conference Call

Upon releasing its 2024 third quarter results, the Corporation will hold a conference call for the financial community on September 12, 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 in retail services in Canada and is Canada's largest printer. The Corporation is also the leading Canadian French-language educational publishing group. Since 1976, 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 7,600 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 of paper flyers or printed advertising materials, 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 September 11, 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

September 11, 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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CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, unless otherwise indicated and per share data)

	Three months ended		Nine months ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Revenues	\$ 700.0	\$ 706.7	\$ 2,063.6	\$ 2,160.9
Operating expenses	579.0	598.8	1,736.4	1,859.9
Restructuring and other costs (revenues)	(0.5)	12.6	26.8	24.6
Impairment of assets	—	—	7.5	—
Operating earnings before depreciation and amortization	121.5	95.3	292.9	276.4
Depreciation and amortization	52.3	56.1	162.7	178.4
Operating earnings	69.2	39.2	130.2	98.0
Net financial expenses	15.6	16.1	43.9	48.0
Earnings before income taxes	53.6	23.1	86.3	50.0
Income taxes	9.8	2.1	12.4	5.6
Net earnings	43.8	21.0	73.9	44.4
Non-controlling interests	0.2	0.1	0.5	0.3
Net earnings attributable to shareholders of the Corporation	\$ 43.6	\$ 20.9	\$ 73.4	\$ 44.1
Net earnings attributable to shareholders of the Corporation per share - basic and diluted	\$ 0.50	\$ 0.24	\$ 0.85	\$ 0.51
Weighted average number of shares outstanding - basic and diluted (in millions)	86.4	86.6	86.5	86.6

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)

	Three months ended		Nine months ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Net earnings	\$ 43.8	\$ 21.0	\$ 73.9	\$ 44.4
Other comprehensive income (loss)				
Items that may be subsequently reclassified to net earnings				
Net change related to cash flow hedges (1)				
Net change in the fair value of designated derivatives - foreign exchange risk	(3.1)	5.1	0.7	10.5
Net change in the fair value of designated derivatives - interest rate risk	(2.3)	4.7	(1.1)	4.8
Reclassification of the net change in the fair value of designated derivatives recognized in net earnings during the period	0.2	0.5	1.8	1.0
Related income taxes (recovery)	(1.3)	2.7	0.4	4.3
	(3.9)	7.6	1.0	12.0
Cumulative translation differences				
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations	22.9	(32.7)	7.5	(30.0)
Net (losses) gains on hedge of the net investment in foreign operations	(8.3)	11.4	(1.1)	8.6
Related income taxes (recovery)	(1.5)	(1.4)	(1.5)	0.4
	16.1	(19.9)	7.9	(21.8)
Items that will not be reclassified to net earnings				
Changes related to defined benefit plans				
Actuarial gains (losses) on defined benefit plans	3.5	(3.8)	(4.2)	(6.4)
Related income taxes (recovery)	0.9	(1.0)	(1.2)	(1.7)
	2.6	(2.8)	(3.0)	(4.7)
Other comprehensive income (loss)	14.8	(15.1)	5.9	(14.5)
Comprehensive income	\$ 58.6	\$ 5.9	\$ 79.8	\$ 29.9

(1) For the three-month and nine-month periods ended July 30, 2023, amounts of \$0.9 million and \$1.8 million, respectively, were reclassified to Net change in the fair value of designated derivatives - foreign exchange risk and Net change in the fair value of designated derivatives - interest rate risk. These amounts were previously reported under Reclassification of the net change in the fair value of designated derivatives recognized in net earnings during the period. These reclassifications had no impact on comprehensive income or net earnings

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at October 29, 2023	\$ 636.6	\$ 0.9	\$ 1,226.8	\$ 37.0	\$ 1,901.3	\$ 4.9	\$ 1,906.2
Net earnings	—	—	73.4	—	73.4	0.5	73.9
Other comprehensive income	—	—	—	5.9	5.9	—	5.9
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Shareholders' contributions and distributions to shareholders									
Share redemptions	(9.8)	—	(25.3)	—	(35.1)	—	(35.1)		
Dividends	—	—	(58.4)	—	(58.4)	—	(58.4)		
Balance as at July 28, 2024	\$ 626.8	\$ 0.9	\$ 1,216.5	\$ 42.9	\$ 1,887.1	\$ 5.4	\$ 1,892.5		
Balance as at October 30, 2022	\$ 636.6	\$ 0.9	\$ 1,219.0	\$ 20.7	\$ 1,877.2	\$ 4.8	\$ 1,882.0		
Net earnings	—	—	44.1	—	44.1	0.3	44.4		
Other comprehensive loss	—	—	—	(14.5)	(14.5)	—	(14.5)		
Shareholders' contributions and distributions to shareholders									
Dividends	—	—	(58.5)	—	(58.5)	—	(58.5)		
Balance as at July 30, 2023	\$ 636.6	\$ 0.9	\$ 1,204.6	\$ 6.2	\$ 1,848.3	\$ 5.1	\$ 1,853.4		

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)

	As at July 28, 2024	As at October 29, 2023
Current assets		
Cash	\$ 79.9	\$ 137.0
Accounts receivable	457.9	514.7
Income taxes receivable	33.6	37.0
Inventories	399.4	391.1
Prepaid expenses and other current assets	24.3	20.6
	995.1	1,100.4
Property, plant and equipment	774.3	796.5
Right-of-use assets	96.9	98.6
Intangible assets	397.4	447.1
Goodwill	1,195.6	1,194.9
Deferred taxes	30.1	30.4
Other assets	30.9	32.4
	\$ 3,520.3	\$ 3,700.3
Current liabilities		
Accounts payable and accrued liabilities	\$ 415.5	\$ 465.5
Income taxes payable	19.3	24.8
Deferred revenues and deposits	11.7	10.4
Current portion of long-term debt	199.8	2.1
Current portion of lease liabilities	22.8	23.5
	669.1	526.3
Long-term debt	667.1	937.8
Lease liabilities	93.5	94.6
Deferred taxes	74.1	89.8
Other liabilities	124.0	145.6
	1,627.8	1,794.1
Equity		
Share capital	626.8	636.6
Contributed surplus	0.9	0.9
Retained earnings	1,216.5	1,226.8
Accumulated other comprehensive income	42.9	37.0
Attributable to shareholders of the Corporation	1,887.1	1,901.3
Non-controlling interests	5.4	4.9
	1,892.5	1,906.2
	\$ 3,520.3	\$ 3,700.3

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)

	Three months ended		Nine months ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Operating activities				
Net earnings	\$ 43.8	\$ 21.0	\$ 73.9	\$ 44.4
Adjustments to reconcile net earnings and cash flows from operating activities:				
Impairment of assets	—	—	7.5	—
Depreciation and amortization	52.3	56.1	162.7	178.4
Financial expenses on long-term debt and lease liabilities	11.5	14.4	35.2	42.3
Net (gains) losses on disposal of assets	(5.3)	0.4	(5.6)	1.2
Income taxes	9.8	2.1	12.4	5.6
Net foreign exchange differences and other	0.5	(2.6)	(1.4)	(0.7)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	112.6	91.4	284.7	271.2
Changes in non-cash operating items	(7.3)	26.0	(28.2)	(2.4)
Income taxes paid	(7.0)	(8.3)	(27.8)	(42.7)
Cash flows from operating activities	98.3	109.1	228.7	226.1
Investing activities				
Business combinations, net of acquired cash	—	0.6	—	0.3
Acquisitions of property, plant and equipment	(23.8)	(37.6)	(75.9)	(123.7)
Disposals of property, plant and equipment and other	7.3	—	8.8	—
Increase in intangible assets	(6.8)	(6.5)	(21.4)	(24.8)
Cash flows from investing activities	(23.3)	(43.5)	(88.5)	(148.2)
Financing activities				
Reimbursement of long-term debt	(0.2)	(0.6)	(2.2)	(2.2)
Net (decrease) increase in credit facilities	(1.3)	(26.7)	(75.4)	30.6
Financial expenses paid on long-term debt and credit facilities	(6.1)	(9.4)	(27.7)	(34.3)
Repayment of principal on lease liabilities	(5.6)	(6.3)	(17.2)	(18.6)
Interest paid on lease liabilities	(0.8)	(0.8)	(2.5)	(2.5)
Dividends	(19.4)	(19.5)	(58.4)	(58.5)
Share redemptions	(17.7)	—	(17.7)	—
Cash flows from financing activities	(51.1)	(63.3)	(201.1)	(85.5)
Effect of exchange rate changes on cash denominated in foreign currencies	0.9	(0.2)	3.8	0.4
Net change in cash	24.8	2.1	(57.1)	(7.2)
Cash at beginning of the period	55.1	36.4	137.0	45.7
Cash at end of period	\$ 79.9	\$ 38.5	\$ 79.9	\$ 38.5
Non-cash investing activities				
Net change in capital asset acquisitions financed by accounts payable	\$ (2.3)	\$ 1.0	\$ (11.6)	\$ 1.9

Source: Transcontinental Inc.