



Investor Presentation – August 2020



HEALTHMARK



Gerry Glynn – CEO
Enzio Di Gennaro - CFO

McKernan
PACKAGING CLEARING HOUSE



QUALITY DISCOUNT PACKAGING

DISPILL
MC #Emballages Richard Inc.



Richards



Disclaimers

Forward-looking statements

This presentation contains certain forward-looking statements regarding future growth potential, results of operations, performance and business prospects of the Fund. These statements contain management's current beliefs and are based on information currently available to the management of the Company. A number of factors could cause actual events or results to differ materially from those discussed in the forward-looking statements. Although these statements are based upon what management believes to be reasonable assumptions, there can be no assurance that actual results will be consistent with these statements. These statements are made as of the date of the Fund's 2020 Second Quarter Report.

Non-IFRS financial measures

The Company reports its financial results in accordance with IFRS. However, the following non-IFRS measures are used by the Company: Adjusted EBITDA, Distributable Cash Flow, Free Cash Flow, and Payout Ratio. Additional details for these non-IFRS measures can be found in the Company's Financial Statements and MD&A, which are available on the Company's website at www.richardspackaging.com.

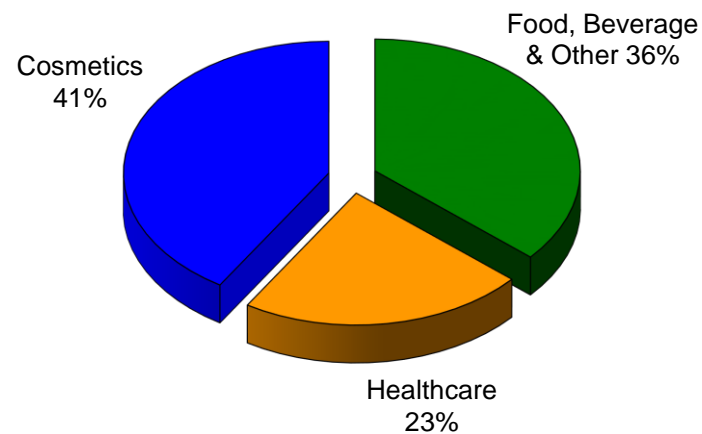
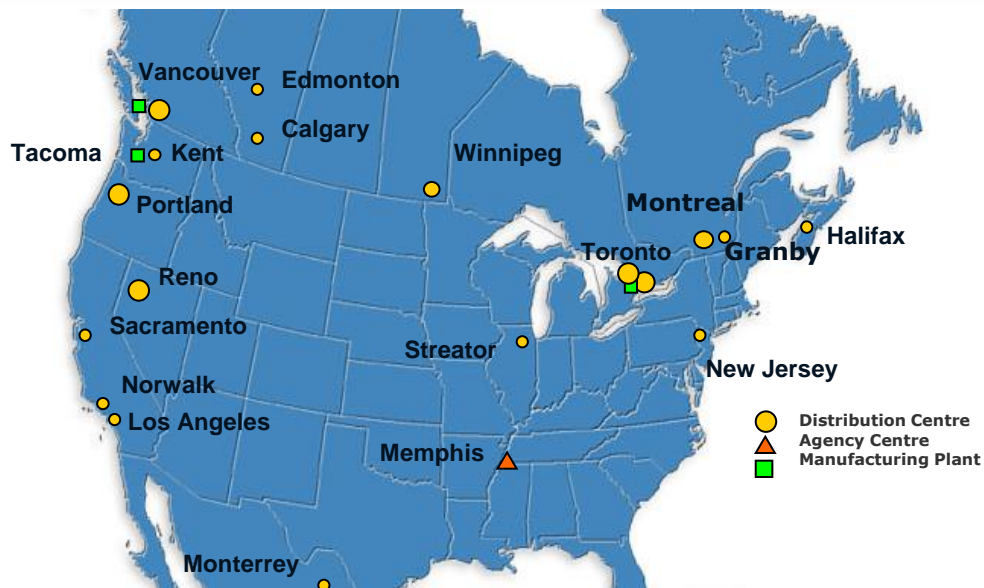


Highlights

- #1 packaging distributor in Canada; #3 in North America
- Healthcare footprint in Canada only (25% of total enterprise)
- Highly diversified geographically and by end customer markets
- 63% in the US and 37% in Canada
- Higher than industry average organic growth
- Adjusted EBITDA as a % of sales up mainly on impact of coronavirus and fixed cost economies of scale
- Acquired Clarion Medical Technologies for \$60 mil. with \$35 mil. debt, \$15 mil. cash and \$10 mil. holdback
- Strong balance sheet with leverage at 0.4x adjusted EBITDA and 21% payout ratio at an 11¢/month distribution
- Minimal capital expenditure requirements



Richards Overview – since 1912



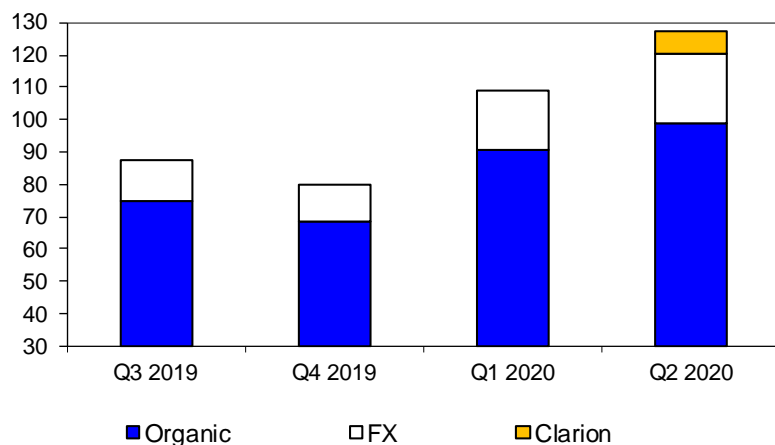
Diversified Customer Base

- Over 16,800 customers
- 37% Canada & 63% US
- Optimize concentration of small customers – 2/3rds
- Distributor of over 7,900 items sourced from over 900 suppliers; 5% manufactured
- ~ 600 employees



Revenue growth amidst a challenging F/X environment

(\$ millions)



(% change)

Revenue disaggregation

	2019		2020		Qtr.2
	Qtr.3	Qtr.4	Qtr.1	Qtr.2	TTM
Cosmetics.....	4.6%	-2.6%	86.0%	82.5%	43.9%
Healthcare.....	8.0%	-2.2%	15.4%	25.1%	11.5%
Clarion.....				7.7%	1.6%
Food, beverage & other.....	5.0%	-4.5%	5.9%	11.1%	4.3%
Exchange translation.....	2.3%	0.1%	8.1%	10.8%	5.4%
Weighted average growth.....	7.2%	-2.8%	33.0%	48.6%	21.8%

- FX annual 2019 Q3/4 = 75.7¢, 2020 = 72.9¢
- Revenue FX sensitivity - 1¢ movement = \$0.7 mil.
- 2020 Q2 coronavirus impact \$19.3 mil., FX \$9.2 mil., Clarion \$6.6 mil., excess supplier inventory \$1.3 mil.
- 2020 Q1 coronavirus impact \$16.3 mil. \$1.9 mil. new customer activity, FX \$6.6 mil.
- 2019 Q4 organic down \$2.4 mil., healthcare Ontario budget cuts \$0.5 mil., lost 2 large customers due to China tariffs \$2.0 mil.
- 2019 Q3 organic up \$4.0 mil., cosmetic up \$1.1 mil. (large customers), Q2 healthcare sales to Q3 (\$0.7 mil.), Food & beverage new customers \$1.9 mil., FX = \$1.8 mil.



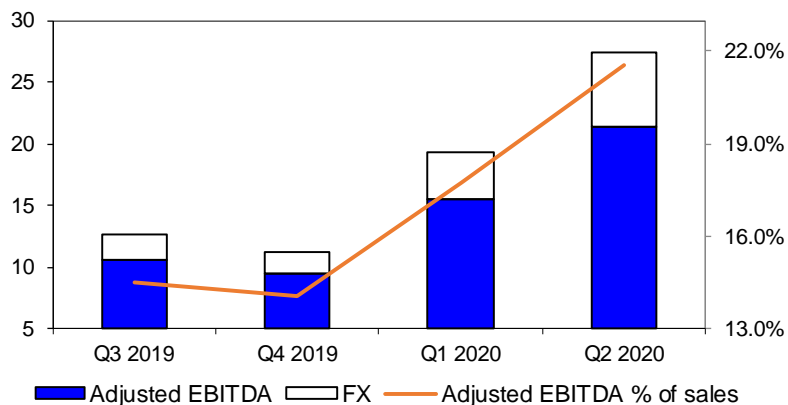
Clarion acquisition and bank debt

- **Clarion**
 - Purchase price of \$60.3 mil.
 - Funded with \$35.0 mil. debt, \$14.8 mil. cash and \$10.5 mil. holdback
 - Fees of \$1.1 mil.
- **New debt**
 - \$100 mil. line split \$35 mil. term debt for Clarion and \$65 mil. available for future acquisitions
 - Borrowing rates at BA's + 0.95% - 1.70% to mature May 2024; standby fees of 20% of drawn
 - Fees of \$0.5 mil.



Adjusted EBITDA¹ strengthening on organic growth and mix

(\$ millions)



(\$ millions)

	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
Revenue	\$87.3	\$79.5	\$108.9	\$127.0
Margin	16.0	14.6	22.9	32.2
Admin. Exp	18.3%	18.4%	21.1%	25.3%
Adjusted EBITDA	3.3	3.5	3.7	4.8
<i>Diluted/Unit</i>	\$12.7	\$11.2	\$19.3	\$27.3
	14.5%	14.1%	17.7%	21.5%
	1.08	0.96	1.65	2.34

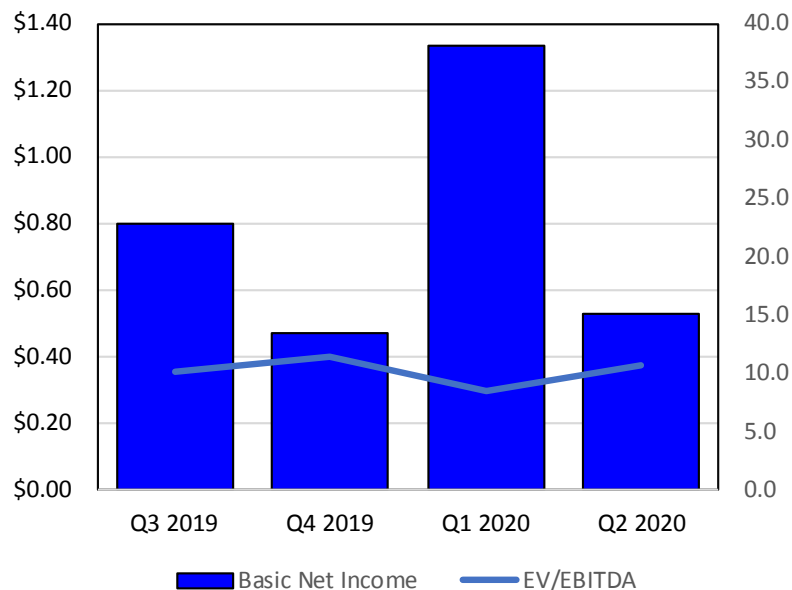
	Revenue	Adjusted EBITDA	
	(\$ thousands)		
2019 Q2	85,451	12,446	14.6%
Organic growth.....	32,382	4,728	14.6%
Product mix.....		3,445	2.7%
Fixed cost.....		2,914	9.0%
Foreign exchange.....	9,186	3,812	3.0%
2020 Q2	127,019	27,345	21.5%

¹ Adjusted for exceptional items, unrealized losses on exchangeable shares, share of income - Vision



Net Income

Basic Net Income Per Unit



	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
<i>(\$/Unit-basic)</i>				
Adjusted EBITDA	\$1.14	\$1.00	\$1.72	\$2.43
Amortization	0.22	0.22	0.23	0.26
Lease payments	-0.14	-0.15	-0.17	-0.20
Financial expenses	0.08	0.07	0.09	0.11
Exceptional items	0.00	0.00	0.00	0.10
Exchangeable shares	-0.08	0.15	-0.26	0.95
Income taxes	0.26	0.23	0.50	0.69
Basic Net Income	\$0.80	\$0.47	\$1.33	\$0.53
Fully diluted basis ¹	\$0.68	\$0.47	\$1.03	\$0.53
Unit price	\$40.50	\$45.59	\$38.85	\$61.59
EV/EBITDA	10.2	11.4	8.4	10.7

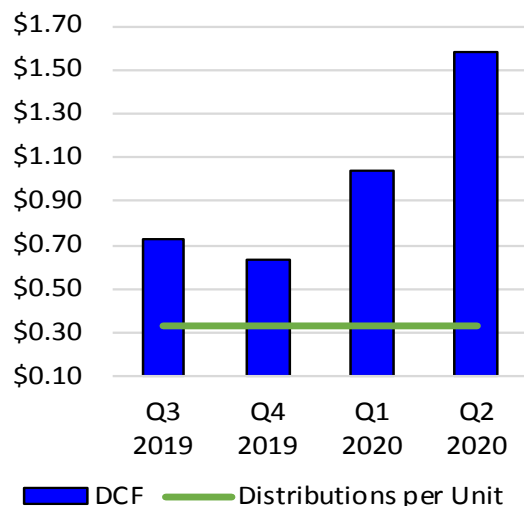
- Exchangeable shares treated as debt therefore impact above is mark-to-market adjustments – no cash or tax effect
- Debt paid off then reborrowed \$35 mil. in Q2

¹ reverts to basic in Q4 2019 and Q2 2020 for accounting



Distributable Cash Flow (DCF)

DCF Per Unit



<i>(\$/Unit-fully diluted)</i>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
Adjusted EBITDA	\$1.08	\$0.96	\$1.65	\$2.34
Interest	0.05	0.04	0.05	0.06
Mtce. Capital	0.03	0.05	0.03	0.02
Taxes	0.27	0.23	0.52	0.67
DCF	\$0.73	\$0.64	\$1.04	\$1.58
Distributions per Unit	\$0.33	\$0.33	\$0.33	\$0.33
Free Cash Flow	\$0.40	\$0.31	\$0.71	\$1.25
Payout Ratio	45%	52%	32%	21%
Debt/Adjusted EBITDA	0.4	0.3	0.2	0.4

- Maintenance capital – will add \$1.0 mil. for system upgrades end of 2020
- Distributable cash flow FX sensitivity - 1¢ = \$0.05 mil.



Board of Trustees/Directors

Trustee/Director	Active Since	Background
Donald Wright Chair	2004	President and CEO of Winnington Capital Group Inc. Mr. Wright was Deputy Chairman of TD Bank Financial Group from 2001 to 2002 and Chairman and Chief Executive Officer of TD Securities Inc. from 1998 to 2002.
Susan Allen Chair – Audit Committee	2017	Director positions on various boards of directors, public and private, and has extensive experience with Audit Committees from her 34-year career with PricewaterhouseCoopers LLP, where she held both National and Global leadership positions as an audit partner until her retirement in 2016.
Rami Younes Chair – Compensation and Corporate Governance Committee	2005	Director positions on various boards of directors including Lancaster Technology Board, a private packaging business. Mr. Younes served as President of CCL Container, a division of CCL Industries Inc. from 1980 to 2006.
Gerry Glynn Chief Executive Officer	2004	Chief Executive Officer of Richards Packaging since November 2002.

