

# **Q3 QUARTERLY REPORT**

## **Richards Packaging Income Fund**

Quarter ended September 30, 2021

### **Report Contents**

Report to unitholders.....	1
Management's discussion and analysis .....	2
Financial statements.....	9
Notes to financial statements .....	13



## ***Richards Packaging Income Fund***

### **REPORT TO UNITHOLDERS**

*September 30, 2021*

---

Richards Packaging has been providing packaging solutions to small-and medium-sized North American businesses since 1912. Over this period Richards Packaging has developed into the leading packaging distributor in Canada, and the third largest in North America, with one of the most diverse product and service offerings available to product marketers and healthcare providers.

Financial performance in the third quarter was similar to the first two quarters with the exception that the inventory rise of \$14 million as of June has been partially reduced by \$4 million as Richards and our customers try to find a new normal in a supply-disrupted world while compensating for shipment uncertainty and maintaining price stability. Half of this investment should unwind by year end. While slowing purchasing activity resulted in a \$6 million reduction in accounts payable, the other significant changes relate to the Clarion acquisition with the accrual of an additional \$7 million for the payment of a potential future earn out.

Third quarter revenue was down 13% with 11% due to the unwind of the coronavirus impact and 6% due to a currency translation loss as the dollar strengthened to U.S./Cdn. 79¢, partially offset by 4% organic revenue growth. Adjusted EBITDA<sup>1</sup> was down \$8 million, at 16% of revenue, mainly due to lower volumes and the foreign currency impact of a stronger dollar somewhat muted by a 28% drop in Richards US revenue. Earnings were lower due to a less favorable product mix and the lack of fixed cost savings on higher comparable volumes without any price increases. Net income decreased \$3 million, or 23¢ per Unit, due to the recognition of contingent consideration for the Clarion acquisition and lower Adjusted EBITDA net of taxes partially offset by a lower mark-to-market loss on exchangeable shares.

October revenue will be down approximately \$12 mil., similar to April and July, due to the unwinding of the revenue associated with the coronavirus and the Canadian dollar strengthening by 5¢ to U.S./Cdn. 81¢.

Free cash flow<sup>2</sup> of \$8 million generated in the third quarter was utilized to release part of the Clarion acquisition holdback, purchase units, repay revolving debt and increase cash on hand. The leverage at 0.2x as of September 30<sup>th</sup> was unchanged from the previous year end.

Monthly distributions of 11¢ per Unit represented an annualized yield of 2.1% on the September 30<sup>th</sup> closing price of \$62.65 per Unit. The third quarter payout ratio<sup>3</sup> was 32%. Purchases under the normal course issuer bid were \$1.4 mil. for 22,400 units.

We appreciate the support of our customers, suppliers, employees and investors and will continue to execute on our commitments with the highest degree of quality, care and integrity.

*“Gerry Glynn”*  
Director & Trustee  
Richards Packaging Income Fund  
6095 Ordan Drive  
Mississauga, Ontario, L4T 2M7

October 28, 2021

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

October 28, 2021

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the third quarter should be read in conjunction with the attached condensed interim financial statements dated September 30, 2021, the second and first quarter reports dated July 29, and May 4, 2021, and the 2020 Annual Report and Annual Information Form dated March 5, 2021, respectively. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a consistent basis with the 2020 annual financial statements.

#### Description of the Business

Richards Packaging serves a customer base of approximately 17,000 regional food, beverage, cosmetic, healthcare and other enterprises. Revenue from the distribution of over 8,000 different types of packaging components and healthcare products is sourced from over 900 suppliers and 4 dedicated manufacturing facilities. Manufactured product sales represents 5% of revenues (2020 6%).

#### Financial Highlights

This MD&A covers the three and nine months ended September 30, 2021, generally referred to in this MD&A as the "third quarter" and the "nine months", respectively. The following table sets out selected financial information:

(\$ thousands)	Qtr. 3		Nine months	
	2021	2020	2021	2020
<b>Income Statement Data:</b>				
Revenue.....	112,150	128,591	335,053	364,501
Net income.....	3,927	6,502	19,687	27,412
Diluted per Unit <sup>a)</sup> .....	35.1¢	57.9¢	\$1.16	\$2.44
<b>Financial Position Data:</b>				
Assets.....	347,836	329,684		
Long-term financial liabilities.....	58,876	66,102		
Leverage <sup>b)</sup> .....	0.2	0.4		
<b>Cash Flow Statement Data:</b>				
Distributions.....	3,848	3,858	11,564	11,576
Diluted per Unit.....	33.0¢	33.0¢	99.0¢	99.0¢
Payout ratio <sup>3</sup> .....	32%	22%	33%	24%
Unit purchases.....	1,407	—	3,040	—
Debt repayments (borrowing)...	1,452	1,000	1,000	(19,000)

a) anti-dilutive result reverts back to basic income per Unit

b) Term debt/Adjusted EBITDA<sup>1</sup>

#### Financial highlights for the nine months:

- Revenue was down 8.1% due 11.6% to the unwinding of the coronavirus impact and 7.5% from currency translation with a U.S./Cdn. 6.3¢ increase to 79.9¢, partially offset by an 10.1% increase from Clarion,
- Adjusted EBITDA<sup>1</sup> decreased \$19.2 mil., at 15.9% of revenue, on less fixed costs and product mix benefits at lower revenue levels and a drop of \$8.9 mil. currency translation gain,
- Income taxes down \$7.2 mil. on lower taxable income,
- Net income decreased \$7.7 mil., or \$1.28 per Unit, due to \$19.7 mil. contingent consideration for the Clarion acquisition and lower Adjusted EBITDA net of taxes partially offset by a higher mark-to-market gain on exchangeable shares due to a \$14.20 reduction in the unit price (2020 \$38.41 increase),
- Assets increased by \$18.2 mil. mainly to invest in inventory and to reduce accounts payable while long-term financial liabilities decreased by \$7.2 mil., due to debt payments,

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

October 28, 2021

- Non-cash working capital increased \$15.3 mil. mainly due to higher inventory and a \$7.2 mil. reduction in accounts payables,
- Free cash flow<sup>2</sup> of \$24.0 mil. was utilized to purchase \$3.0 mil. of units for cancellation, repay \$1.0 mil. term debt, release \$9.1 mil. of the Clarion holdback and fund working capital,
- Leverage ratio at 0.2x was comparable to the ratio at December 31, 2020,
- Distributable cash flow<sup>2</sup> down \$12.6 mil., or \$1.08 per Unit, resulted in a 32% payout ratio<sup>3</sup>, and
- Monthly distributions of 11¢ per Unit paid represented a 2.1% annualized return on the Sept. 30<sup>th</sup> closing price of \$62.65 per Unit. These distributions have been characterized as taxable dividends.

#### Financial highlights for the third quarter:

Revenue was down \$16.4 mil., due mainly to the full unwinding of the coronavirus impact and a loss from currency translation, as the U.S./Cdn. rate increased 4.3¢ to 79.4¢.

Cosmetics packaging decreased \$9.9 mil., excluding the impact of translation, mainly due to reversal of volumes related to the coronavirus.

Healthcare decreased \$2.1 mil. mainly due to decreased volume related to the coronavirus.

Clarion monthly revenues increased \$2.3 mil. due to successes in the vision and aesthetic lines.

Food, beverage and other packaging increased by \$0.3 mil., excluding the impact of translation, despite a \$0.9 mil. lost customer due to increased pricing caused by the US tariff on China.

Cost of sales, before amortization, decreased by \$7.5 mil., or 7.9%. Gross profit margins were down 4.3%, slightly improved over the first half levels.

Resin price volatility did not have a material impact on margins due to management's practice of passing through increases and decreases to customers.

Administrative expenses (before amortization) decreased \$1.0 mil. mainly due to lower bonuses. Foreign currency loss resulted from exchange rate changes applied to our U.S. dollar denominated working capital position in Richards Canada and our U.S. and Euro dollar positions in Clarion.

Amortization is comprised of \$1.8 mil. for leases, \$0.7 mil. for intangible assets, representing a charge for customer relationships, and for depreciation for capital assets of \$0.6 mil.

	Qtr.3		Nine months		Qt
	2021	2020	2021	2020	2021
<b>Revenue growth</b>					
(% change over p/s)					
Cosmetics.....	-29.9%	67.7%	-33.2%	78.6%	-27.1%
Healthcare.....	-9.4%	13.1%	-5.4%	17.9%	-4.0%
Clarion.....	17.3%	22.8%	17.4%	10.4%	18.2%
Food, beverage & other.....	1.0%	1.6%	-0.5%	6.1%	-3.4%
Exchange translation.....	-5.5%	5.6%	-7.5%	8.1%	-7.0%
<b>Weighted average growth</b>	<b>-12.8%</b>	<b>47.3%</b>	<b>-8.1%</b>	<b>43.2%</b>	<b>0.9%</b>
<b>Revenue trend</b>					
(\$ thousands)					
<b>Prior year</b>	128,591	87,273	364,501	254,623	
Organic growth.....	1,970	2,914	3,310	9,698	
	1.5%	3.3%	0.9%	3.8%	
Coronavirus.....	(13,596)	13,596	(42,296)	52,949	
Clarion.....	2,272	19,911	36,809	26,519	
Foreign exchange.....	(7,087)	4,897	(27,271)	20,712	
<b>Current year</b>	<b>112,150</b>	<b>128,591</b>	<b>335,053</b>	<b>364,501</b>	

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

October 28, 2021

(\$ thousands)	Qtr. 3		Nine months		Adjusted EBITDA <sup>1</sup> decreased \$8.0 mil., or 4.2% of revenue, on less fixed cost and product mix benefits at lower revenue levels and a drop in the currency translation gain as the dollar appreciated 4.3¢.
	2021	2020	2021	2020	
Revenue.....	112,150	128,591	335,053	364,501	Adjusted EBITDA <sup>1</sup> trend
Cost of sales.....	86,768	94,221	259,673	270,895	
Lease payments.....	2,087	2,136	6,001	6,229	(\$ thousands)
Gross profit	23,295	32,234	69,379	87,377	2021
	20.8%	25.1%	20.7%	24.0%	2020
Administrative expenses...	5,392	6,417	15,799	14,600	Prior year
Foreign currency loss.....	263	166	475	488	(% of revenue)
Adjusted EBITDA <sup>1</sup>	17,640	25,651	53,105	72,289	2021
	15.7%	19.9%	15.8%	19.8%	2020
Lease payments.....	(2,087)	(2,136)	(6,001)	(6,229)	2021
Amortization.....	3,134	3,069	9,234	8,533	2020
Contingent consideration..	6,500	—	19,700	—	Prior year
Exceptional items.....	—	—	—	1,118	(% of revenue)
Financial expenses.....	1,426	1,384	4,201	3,628	2021
Exchangeable shares.....	800	10,528	(6,117)	18,242	2020
Share of income - Vision...	(25)	14	(60)	(79)	Current year
Income tax expense.....	3,965	6,290	12,461	19,664	(% of revenue)
Net Income	3,927	6,502	19,687	27,412	2021
					2020

Financial expenses were higher mainly due to credit card fees.

Exchangeable shares mark-to-market gain reflects a price increase of \$1.40 to \$62.65 per Unit (2020 \$22.41 per Unit). Exchangeable share distributions were flat at \$0.2 mil.

Income tax expense decreased \$2.3 mil. on lower taxable income and a \$0.5 mil. recovery of refundable dividend tax on hand. Net income was down \$2.6 mil., which represented a 23¢ per Unit decrease.

#### Distributable Cash Flow<sup>2</sup>

Distributable cash flow<sup>2</sup> for the third quarter and nine months was \$5.3 mil. and \$12.4 mil. lower, respectively, as Adjusted EBITDA<sup>1</sup> decreases were partially offset by associated income taxes.

Non-cash working capital increased for the third quarter mainly due to lower payables offset by lower inventory and receivables. During the nine months, working capital increased on higher inventory and lower payables.

Current income tax decreases reflect the reductions in Adjusted EBITDA and a \$0.5 mil. recovery of the refundable dividend tax on hand.

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

October 28, 2021

(\$ thousands)	Qtr. 3		Nine months	
	2021	2020	2021	2020
Cash provided by operating activities .....	15,780	4,749	30,523	52,612
Lease payments and write down (gain)...	(2,087)	(2,136)	(5,873)	(8,919)
Exceptional items.....	—	—	—	1,118
Changes in non-cash working capital.....	(509)	7,322	15,322	5,230
Income tax payments.....	4,456	15,716	13,133	22,248
<b>Adjusted EBITDA<sup>1</sup></b>	<b>17,640</b>	<b>25,651</b>	<b>53,105</b>	<b>72,289</b>
Interest <sup>a)</sup> .....	912	905	2,732	2,191
Current income tax.....	4,188	6,497	13,180	20,441
Maintenance capital.....	541	975	1,624	1,672
<b>Distributable cash flow<sup>2</sup></b>	<b>11,999</b>	<b>17,274</b>	<b>35,569</b>	<b>47,985</b>
<i>Diluted per Unit</i>	<i>\$1.03</i>	<i>\$1.48</i>	<i>\$3.05</i>	<i>\$4.10</i>
Distributions.....	3,848	3,858	11,564	11,576
<i>Diluted per Unit</i>	<i>33.0¢</i>	<i>33.0¢</i>	<i>99.0¢</i>	<i>99.0¢</i>
<i>Payout ratio<sup>3</sup></i>	<i>32%</i>	<i>22%</i>	<i>33%</i>	<i>24%</i>
<b>Free cash flow<sup>2</sup></b>	<b>8,151</b>	<b>13,416</b>	<b>24,005</b>	<b>36,409</b>
<b>Units outstanding (average)</b>				
<i>Diluted basis 000's</i>	<i>11,658</i>	<i>11,693</i>	<i>11,676</i>	<i>11,693</i>

a) financial expenses less interest on leases and bank refinancing fees

Free cash flow<sup>2</sup> generated in the third quarter was used to repay \$1.5 mil. of the revolving debt, purchase \$1.4 mil. units for cancelation, release \$1.1 mil. of the Clarion holdback and increase cash on hand.

Monthly distributions paid of 11¢ per Unit represent an annual yield of 2.1% on a \$62.65 price per Unit at September 30<sup>th</sup>.

The distributable cash flow<sup>2</sup> definition excludes changes in non-cash working capital and capital expenditures for the expansion of the business, as they are necessary to drive organic growth and are expected to be financed by a \$65.0 mil. revolving facility, which is currently undrawn, or free cash flow<sup>2</sup>.

## Liquidity and Financing

### Cash flows from operating activities

Cash flow from operating activities was up \$11.1 mil. for the third quarter primarily due to lower income tax of \$11.3 mil offset by lower profit from operations, net of the contingent consideration revaluation of \$6.5 mil. The tax payments were unusually high in 2020 as governments relief programs allowed deferrals in the first half. Working capital decreased by \$0.5 mil. on lower payables (\$6.7 mil) and higher prepaids (\$0.1 mil.) offset by lower inventory (\$6.0 mil.) and receivables (\$1.3 mil). For the nine months, working capital increased \$15.3 mil. mainly due to higher inventory (\$9.8 mil.) and lower payables (\$7.2 mil.) offset by lower receivables (\$1.0 mil.) and prepaids (\$0.7 mil.).

Actual distributions paid during the third quarter were \$3.9 mil., with \$1.3 mil. declared for September which was paid October 14<sup>th</sup>.

## ***Richards Packaging Income Fund***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*October 28, 2021*

---

#### ***Normal Course Issuer Bid***

On March 14, 2021, the Fund renewed the normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2022. As of September 30<sup>th</sup>, 47,400 Units have been purchased at an average price of \$64.11 per Unit.

#### ***Current income taxes***

Current income tax expense decreases of \$2.3 mil. (2020 \$3.3 mil. increase) and \$7.3 mil. (2020 \$11.0 mil. increase) for the third quarter and the nine months reflects the lower taxable income and recovery of the refundable dividend tax on hand, respectively. Current income tax payments of \$13.1 mil. for the nine months included \$0.9 mil. for 2020.

#### ***Capital expenditures***

Maintenance capital expenditures for the nine months of \$1.6 mil. (2020 1.7 mil.) were comprised of \$0.3 mil. in each of: equipment, mould refurbishments for replacement packaging, warehouse and office and leasehold improvements, with the remaining \$0.4 mil. computer equipment upgrades.

#### ***Financing activities and instruments***

Credit facilities include a \$23.0 mil. term loan (2020 \$34.0 mil.) with maturity on May 31, 2024 and up to \$65.0 mil. in revolving debt to fund future acquisitions and working capital expansion. The term loan facility bears interest at BA's plus a premium of 0.95% to 1.70% or a prime rate plus a premium of 0% to 0.7%. During the third quarter, \$1.5 mil. was repaid on the revolving loan (2020 \$1.0 mil. term loan).

The credit facilities are subject to several covenants including the leverage ratio which was to maintain debt less than 2.75 times the trailing twelve months Adjusted EBITDA<sup>1</sup>. As at September 30, 2021, our leverage ratio was 0.2 times (2020 0.4 times).

#### ***Outlook Sensitivities<sup>4</sup>***

Management believes that the performance of Richards Packaging is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to unitholders at the current level through 2021.

October revenue was down approximately \$12 mil. due to the \$9 mil. impact of the coronavirus demand unwinding and \$3 mil. due to the exchange translation impact at U.S./Cdn. 81¢, which has strengthened 5¢. The current sensitivity for every 1¢ movement in exchange rates to revenue is \$0.5 million and to Adjusted EBITDA<sup>1</sup> is \$0.1 million.

Maintenance capital will continue to be funded by cash flow from operations at \$0.4 mil. per quarter with an additional \$0.5 mil. set aside for IT system upgrades.

## ***Richards Packaging Income Fund***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*October 28, 2021*

---

US corporate taxes would increase by US\$0.4 mil. per quarter if President Biden's tax plan increases are adopted. Distributable cash flow<sup>2</sup> sensitivity to foreign currency fluctuations is \$0.1 mil. for every U.S./Cdn. 1¢ movement.

For 2021 surplus distributable cash is expected to be deployed to purchase units under the normal course issuer bid and build cash to fund the payment of contingent consideration associated with the acquisition of Clarion.

#### **Risks and Uncertainties**

Investment in Units involves risks inherent in the ordinary course of business including: the impact of the coronavirus, changes in China tariff rates, sustainability of customer and supplier relationships, financial stability of customers, disruption and allotments by suppliers and logistics partners, competition from other companies, the extent and duration of an economic downturn, inventory obsolescence, trade risks, exchange rate fluctuations, interest rate volatility, income taxes and reliance on key personnel. For a detailed description of these and other risks and uncertainties facing investors in the Fund please refer to the 2020 Annual Information Form dated March 5, 2021. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the nine months.

#### **Critical Accounting Estimates**

Preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported, and disclosure of contingent amounts for assets and liabilities as at September 30, 2021 and revenue and expenses for the period then ended. There have not been any significant changes in the critical accounting estimates of the Fund in the nine months, relative to December 31, 2020. For more information on critical accounting estimates, see the Management's Discussion and Analysis, the audited consolidated financial statements and the notes to the consolidated financial statements included in the Fund's 2020 Annual Report.

#### **Disclosure Controls and Internal Controls over Financial Reporting**

There have been no changes in the Fund's internal controls over financial reporting during the nine months that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

#### **Cautionary Statement**

Additional information relating to the Fund is available on Richards Packaging's website at [www.richardspackaging.com](http://www.richardspackaging.com), SEDAR at [www.sedar.com](http://www.sedar.com) or TSX at [www.tmx.com](http://www.tmx.com)

---

*1 Management defines Adjusted EBITDA as net income before non-lease amortization, contingent consideration revaluation, exceptional items, financial expenses, distributions and unrealized gains/losses on exchangeable shares, share of income - Vision and income tax expense less lease payments. The reconciliation of Adjusted*



## **Richards Packaging Income Fund**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

October 28, 2021

---

*EBITDA to net income can be found on page 4. Our lenders use this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue are intended to provide additional information on the operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and therefore the method of calculating Adjusted EBITDA may not be comparable to similar measures presented by other companies.*

- 2 Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as Adjusted EBITDA less non-lease interest, cash income tax expense, maintenance capital expenditures plus dividends from equity investments. The reconciliation to cash flow from operations can be found on page 5. Free cash flow is distributable cash flow less distributions. The objective of presenting this measure is to calculate the amount which is available for distribution to Unitholders or exchangeable shareholders and to determine the amount available to fund increases in working capital or expansion capital. Investors are cautioned that distributable cash flow should not be construed as an alternative to cash flow from operating, investing and financing activities as a measure of liquidity and cash flows. Distributable cash flow does not have a standardized meaning prescribed by IFRS and therefore the method of calculating distributable cash flow may not be comparable to similar measures presented by other companies.*
- 3 Management defines payout ratio as distributions declared over distributable cash flow<sup>2</sup>. The purpose of this measure is to calculate the percentage of distributions compared to the amount available for distribution under our credit agreement. Payout ratio does not have a standardized meaning prescribed by IFRS. The method of calculating payout ratio may not be comparable to similar measures presented by other companies.*
- 4 The Report to Unitholders and this MD&A contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management's current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and Richards Packaging. We use words such as "may", "expect", "believe", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and analysis made by us considering our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. Readers should not place undue reliance on forward-looking information as several factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. The risks and uncertainties are more fully described on page 7. While management believes the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information.*

<p><b>Notice to Unitholders</b></p>
-------------------------------------

<p>The attached consolidated financial statements have not been reviewed by the Fund's external auditors</p>
--

**Richards Packaging Income Fund**

**STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME**

*Unaudited*

*For the three and nine months ended September 30*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>Three months</b>		<b>Nine months</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenue</b>	3	<b>112,150</b>	128,591	<b>335,053</b>	364,501
Cost of sales		<b>89,854</b>	97,235	<b>268,787</b>	279,308
Administrative expenses		<b>5,440</b>	6,472	<b>15,919</b>	15,838
Foreign currency loss		<b>263</b>	166	<b>475</b>	488
Contingent consideration revaluation	2	<b>6,500</b>	—	<b>19,700</b>	—
<b>Profit from operations</b>		<b>10,093</b>	24,718	<b>30,172</b>	68,867
Financial expenses		<b>1,426</b>	1,384	<b>4,201</b>	3,628
Exchangeable shares					
Mark-to-market loss (gain)	5	<b>648</b>	10,376	<b>(6,575)</b>	17,784
Distributions		<b>152</b>	152	<b>458</b>	458
Share of loss (income) - Vision		<b>(25)</b>	14	<b>(60)</b>	(79)
Income tax expense (income)					
Current taxes	4	<b>4,188</b>	6,497	<b>13,180</b>	20,441
Deferred taxes	4	<b>(223)</b>	(207)	<b>(719)</b>	(777)
		<b>3,965</b>	6,290	<b>12,461</b>	19,664
<b>Net income for the period</b>		<b>3,927</b>	6,502	<b>19,687</b>	27,412
Basic and diluted income per Unit	5	<b>35.1¢</b>	57.9¢	<b>\$1.16</b>	\$2.44
<b>Other comprehensive income (loss)</b>					
<i>(subsequently recyclable to Net income)</i>					
Richards Packaging US					
Currency translation adjustment		<b>2,813</b>	(1,642)	<b>210</b>	(913)
<b>Comprehensive income for the period</b>		<b>6,740</b>	4,860	<b>19,897</b>	26,499

*See accompanying notes*

“Susan Allen”  
Chair – Audit Committee

“Enzio Di Gennaro”  
CFO – Richards Packaging Inc.

**Richards Packaging Income Fund**

**STATEMENTS OF FINANCIAL POSITION**

*Unaudited*

*As at September 30 and December 31*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>Sept. 30</b>		<b>Dec. 31</b>	
		<b>2021</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents		3,399	4,654	7,720	8,023
Accounts receivable		48,847	52,493	49,802	32,339
Inventory		98,035	78,062	88,251	58,692
Prepaid expenses and deposits		10,269	11,428	10,942	4,812
		<b>160,550</b>	146,637	<b>156,715</b>	103,866
<b>Long-term Assets</b>					
Leases		39,769	36,853	46,553	39,918
Plant and equipment		6,462	6,419	6,618	4,776
Leases receivable		—	—	—	2,215
Investment - Vision		726	716	667	637
Intangible assets		29,647	29,097	31,678	11,644
Goodwill		110,682	109,962	110,654	84,958
		<b>187,286</b>	183,047	<b>196,170</b>	144,148
		<b>347,836</b>	329,684	<b>352,885</b>	248,014
<b>LIABILITIES &amp; EQUITY</b>					
<b>Current Liabilities</b>					
Accounts payable and accruals		64,686	65,572	71,690	41,438
Income tax payable		(391)	(339)	(438)	674
Distributions payable		1,281	1,286	1,286	1,286
Due to previous shareholders	2	20,939	10,459	10,366	1,024
Exchangeable shares	5	28,834	38,720	35,409	20,935
		<b>115,349</b>	115,698	<b>118,313</b>	65,357
<b>Long-term Liabilities</b>					
Term debt		22,656	33,540	23,559	14,962
Lease obligations		36,220	32,562	42,436	37,385
Deferred income taxes		7,283	5,773	8,006	3,580
		<b>66,159</b>	71,875	<b>74,001</b>	55,927
<b>Equity</b>					
Unitholders' capital	5	2,237	5,276	5,276	16,314
Retained earnings		152,660	125,049	144,074	97,717
Accumulated other comprehensive income		11,431	11,786	11,221	12,699
		<b>166,328</b>	142,111	<b>160,571</b>	126,730
		<b>347,836</b>	329,684	<b>352,885</b>	248,014

*See accompanying notes*

**Richards Packaging Income Fund**

**STATEMENTS OF CHANGES IN EQUITY**

*Unaudited*

*For the nine months ended September 30*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Unitholder capital</b>	<b>Retained earnings</b>	<b>AOCI<sup>a)</sup></b>	<b>Equity</b>
<b>December 31, 2019</b>	16,314	97,717	12,699	126,730
Comprehensive income (loss)		27,412	(913)	26,499
Distributions	(11,038)	(80)		(11,118)
<b>September 30, 2020</b>	5,276	125,049	11,786	142,111
<b>December 31, 2020</b>	<b>5,276</b>	<b>144,074</b>	<b>11,221</b>	<b>160,571</b>
Comprehensive income (loss)		<b>19,687</b>	<b>210</b>	<b>19,897</b>
Purchased for cancellation, net	5	<b>(3,039)</b>		<b>(3,039)</b>
Distributions		<b>(11,101)</b>		<b>(11,101)</b>
<b>September 30, 2021</b>	<b>2,237</b>	<b>152,660</b>	<b>11,431</b>	<b>166,328</b>

a) AOCI - Accumulated other comprehensive income (loss) reflects the foreign currency translation of the net investment in Richards US.

See accompanying notes

**Richards Packaging Income Fund**

**STATEMENTS OF CASH FLOWS**

*Unaudited*

*For the three and nine months ended September 30*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>Three months</b>		<b>Nine months</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>					
Profit from operations		10,093	24,718	30,172	68,867
Add items not involving cash					
Plant, equipment & lease depreciation		2,458	2,417	7,210	6,906
Lease write down (gain)		—	—	(128)	2,690
Intangible assets amortization		676	652	2,024	1,627
Contingent consideration revaluation	2	6,500	—	19,700	—
Income tax payments		(4,456)	(15,716)	(13,133)	(22,248)
Changes in non-cash working capital	6	509	(7,322)	(15,322)	(5,230)
<b>Cash provided by operating activities</b>		<b>15,780</b>	<b>4,749</b>	<b>30,523</b>	<b>52,612</b>
<b>INVESTING ACTIVITIES</b>					
Acquisition, net of holdback		—	—	—	(49,826)
Due to previous shareholders	2	(1,128)	(1,092)	(9,127)	(1,092)
Additions to plant and equipment		(541)	(975)	(1,624)	(1,672)
<b>Cash used in investing activities</b>		<b>(1,669)</b>	<b>(2,067)</b>	<b>(10,751)</b>	<b>(52,590)</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of revolving & term debt		(1,452)	(1,000)	(1,000)	(16,000)
Proceeds from debt for acquisition		—	—	—	35,000
Extinguish Clarion debt		—	—	—	(2,997)
Lease payments		(2,087)	(2,136)	(6,001)	(6,229)
Financial expenses paid (excluding leases)		(927)	(905)	(2,732)	(2,689)
Purchase of Units for cancellation	5	(1,407)	—	(3,040)	—
Distributions paid to Exchangeable Shareholders		(152)	(152)	(458)	(458)
Distributions paid to Unitholders		(3,697)	(3,706)	(11,106)	(11,118)
<b>Cash used in financing activities</b>		<b>(9,722)</b>	<b>(7,899)</b>	<b>(24,337)</b>	<b>(4,491)</b>
<b>Net cash flow for the period</b>		<b>4,389</b>	<b>(5,217)</b>	<b>(4,565)</b>	<b>(4,469)</b>
Cash, beginning of period		(1,033)	9,468	7,720	8,023
Foreign exchange effect		43	403	244	1,100
<b>Cash, end of period</b>		<b>3,399</b>	<b>4,654</b>	<b>3,399</b>	<b>4,654</b>

*See accompanying notes*

## ***Richards Packaging Income Fund***

### **NOTES TO INTERIM FINANCIAL STATEMENTS**

*Unaudited*

*September 30, 2021*

*[Cdn\$ thousands]*

#### **1. BASIS OF PRESENTATION AND CORONAVIRUS IMPACT**

These condensed interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standard [“IFRS”] IAS 34 *Interim Financial Reporting*. As such these statements do not contain all the explanatory notes, descriptions or accounting policies or other disclosures that can be found in the 2020 audited annual financial statements. The accounting policies used in the preparation of these condensed interim financial statements are consistent with the 2020 audited annual financial statements.

The coronavirus pandemic necessitated the shutdown of non-essential businesses within the jurisdictions of Richards Packaging locations. Due to the nature of our business, we were deemed essential serving the food and beverage and healthcare industries and therefore remained open. Employees were provided the option to work from home and most continued to safely perform services in the workplace.

#### **2. ACQUISITION**

In association with the acquisition of Clarion, \$9,127 of the holdback was paid out. Based on the twelve months performance to September 30, 2021, contingent consideration has been valued at \$19,700. Therefore, the Statement of Net Income and the Statements of Financial Position have been adjusted to reflect the contingent consideration revaluation and the holdback payments.

#### **3. REVENUE & SEGMENTED INFORMATION**

	<b>Three months</b>		<b>Nine months</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenue by geography</b>				
Canada	<b>61,453</b>	58,240	<b>182,955</b>	145,532
US	<b>50,697</b>	70,351	<b>152,098</b>	218,969
	<b>112,150</b>	128,591	<b>335,053</b>	364,501
<b>Revenue by end user</b>				
Cosmetics	<b>28,694</b>	43,473	<b>86,540</b>	140,468
Healthcare <sup>a)</sup>	<b>42,704</b>	43,009	<b>128,854</b>	96,213
Food, beverage & other	<b>40,752</b>	42,109	<b>119,659</b>	127,820
	<b>112,150</b>	128,591	<b>335,053</b>	364,501

a) *Healthcare includes \$2,654 and \$8,206 for of revenue recognized over time from the sale of maintenance and warranty service plans for three and nine months, respectively.*

**Richards Packaging Income Fund**

**NOTES TO INTERIM FINANCIAL STATEMENTS**

*Unaudited*

September 30, 2021

[Cdn\$ thousands]

**4. INCOME TAXES**

	Three months		Nine months	
	2021	2020	2021	2020
Profit from operations	10,093	24,718	30,172	68,867
Financial expenses	(1,426)	(1,384)	(4,201)	(3,628)
Contingent consideration revaluation	6,500	—	19,700	—
<b>Income subject to income taxes</b>	<b>15,167</b>	<b>23,334</b>	<b>45,671</b>	<b>65,239</b>
Statutory tax rate	26.5%	26.6%	26.5%	26.6%
Income tax expense at statutory tax rate	4,013	6,198	12,115	17,328
<b>Deferred income taxes</b>	<b>223</b>	<b>207</b>	<b>719</b>	<b>777</b>
Current period adjustments				
Refundable dividend tax <sup>a)</sup>	(471)	4	(493)	164
Leases	—	(7)	—	699
Foreign rate differential	77	(115)	491	36
Acquisition costs	—	—	—	580
Withholding tax	380	—	380	475
Other items	(34)	210	(32)	382
<b>Current income taxes</b>	<b>4,188</b>	<b>6,497</b>	<b>13,180</b>	<b>20,441</b>

a) Tax recovery associated with refundable dividend tax on hand of \$493 has been fully recognized.

**5. UNITS AND EXCHANGEABLE SHARES**

<i>Number outstanding</i>	Units basic	Weighted average	Exchangeable Shares	Units diluted	Weighted average
December 31, 2019	11,230,007	11,021,566	463,006	11,693,013	11,693,013
September 30, 2020	11,230,007	11,230,007	463,006	11,693,013	11,693,013
Nine months ended		11,230,007	463,006		11,693,013
<b>December 31, 2020</b>	<b>11,230,007</b>	<b>11,230,007</b>	<b>463,006</b>	<b>11,693,013</b>	<b>11,693,013</b>
Units purchased	(47,400)				
<b>September 30, 2021</b>	<b>11,182,607</b>	<b>11,194,839</b>	<b>463,006</b>	<b>11,645,613</b>	<b>11,657,845</b>
Nine months ended		<b>11,212,501</b>	<b>463,006</b>		<b>11,675,507</b>

## ***Richards Packaging Income Fund***

### **NOTES TO INTERIM FINANCIAL STATEMENTS**

*Unaudited*

*September 30, 2021*

*[Cdn\$ thousands]*

Exchangeable shares mark-to-market loss (gain) reflects a price increase of \$1.40 per Unit [2020 \$22.41 per Unit] and a decrease of \$14.20 per Unit [2020 \$38.41 per Unit increase] during the three and nine months ended September 30, 2021, to \$62.65 per Unit, respectively. The average purchase price paid for the Units purchased for cancellation was \$64.11 per unit.

#### **6. ADDITIONAL CASH FLOW INFORMATION**

The net change in non-cash working capital excluding the impact of the revolving debt borrowing consists of the following:

	<b>Three months</b>		<b>Nine months</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Accounts receivable	<b>1,342</b>	(1,207)	<b>976</b>	(13,007)
Inventory	<b>6,011</b>	(9,673)	<b>(9,822)</b>	(2,329)
Prepaid expenses and deposits	<b>(146)</b>	188	<b>641</b>	(4,943)
Accounts payable and accruals	<b>(6,698)</b>	3,370	<b>(7,117)</b>	15,049
	<b>509</b>	(7,322)	<b>(15,322)</b>	(5,230)

For the three and nine month periods the total foreign exchange translation excluded from the above values was \$1,629 loss [2020 \$1,082 gain] and \$21 gain [2020 \$361 loss], respectively.