



Management's Discussion and Analysis

(presented in US dollars)

Forward-looking statements: Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent Wipak's current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Factors that could cause results to differ from those expected include, but are not limited to: the terms, availability and costs of acquiring raw materials and the ability to pass on price increases to customers; ability to negotiate contracts with new customers or renew existing customer contracts with less favorable terms; timely response to changes in customer product needs and market acceptance of our products; the potential loss of business or increased costs due to customer or vendor consolidation; competitive pressures, including new product development; industry capacity, and changes in competitors' pricing; ability to maintain or increase productivity levels; ability to contain or reduce costs; foreign currency exchange rate fluctuations; changes in governmental regulations, including environmental, health and safety; changes in Canadian and foreign income tax rates, income tax laws and regulations. In addition, factors arising as a result of the Coronavirus (COVID-19) global pandemic that could cause results to differ from those expected include, but are not limited to: potential government actions, changes in consumer behaviors and demand, changes in customer requirements, disruptions of the Company's suppliers and supply chain, availability of personnel and uncertainty about the extent and duration of the pandemic. Unless otherwise required by applicable securities law, Wipak disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

Financial Performance

Net income attributable to equity holders of the Company for the first quarter of 2021 of \$24.5 million or 38 cents in earnings per share (EPS) exceeded the corresponding quarter of 2020 by \$1.3 million or 5.8 percent. Higher sales volumes were a key contributor, adding 2.5 cents to EPS. It is estimated that COVID-19 had a limited impact on EPS. Foreign exchange augmented EPS by 3.5 cents while both operating expenses and income taxes raised EPS by 0.5 cents. Gross profit margins subtracted 3.0 cents from EPS. Net finance expense (income) and net income attributable to non-controlling interests also had a negative influence, lowering EPS by 1.5 cents and 0.5 cents, respectively.

Operating Segments and Product Groups

The Company provides three distinct types of packaging technologies: a) flexible packaging, b) rigid packaging and flexible lidding and c) packaging machinery. Each is deemed to be a separate operating segment.

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. Modified atmosphere packaging extends the shelf life of perishable foods, while at the same time maintains or improves the quality of the product. The packaging is used for a wide range of markets and applications, including fresh and processed meats, poultry, cheese, medical device packaging, high performance pouch applications and high-barrier films for converting applications. Specialty films include a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating and bag making, including shrink bags. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and is ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

The rigid packaging and flexible lidding segment includes the rigid containers, lidding and specialized printed packaging product groups. Rigid containers include portion control and single-serve containers, as well as plastic sheet, custom and retort trays, which are used for applications such as food, pet food, beverage, dairy, industrial and healthcare. Lidding products are available in die-cut, daisy chain and rollstock formats and are used for applications such as food, dairy, beverage, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

Revenue

COVID-19 has influenced the Company's product groups to varying degrees. In total, it is estimated that the pandemic reduced first quarter sales volumes by less than 0.5 percent. For customers that focus on the food service and restaurant industries, sales activity continued to rebound in the early stages of 2021, but was limited by the varied public health orders in place across North America. Conversely, for customers that supply the retail food industries, volumes benefitted from the shift to greater at-home meal consumption.

Revenue in the first quarter of 2021 of \$224.8 million surpassed the prior year level of \$213.6 million by 5.2 percent. Volumes grew by a sizeable 6.6 percent with all three operating segments progressing. The flexible packaging operating segment experienced volume growth of 5 percent. For the modified atmosphere packaging product group, demand and the corresponding order levels were heightened for customers that service the retail meat and cheese markets. Volumes within the rigid packaging and flexible lidding operating segment expanded by 9 percent. The significant uptick in rigid container volumes stemmed from the success of customers' new product offerings in addition to the gains made with respect to condiment and snack food containers along with meat trays. Building on the momentum of the prior year, volumes for the packaging machinery operating segment advanced by 12 percent. Selling price and mix changes lowered revenue by 1.7 percent. Foreign exchange had virtually no effect on revenue.

Gross Profit Margins

Gross profit margins in the current quarter of 29.3 percent of revenue contracted by 0.7 percentage points from the 2020 first quarter level of 30.0 percent. Higher raw material costs, in tandem with lower selling prices, generated a decrease in EPS of 5.0 cents. The downward movement in selling prices was attributed to the timing of selling price pass-through adjustments to customers on formal indexing programs which had a negative influence in the current quarter but had the opposite impact in the initial quarter of 2020. Fixed manufacturing costs increased at a lesser rate than the expansion in sales volumes, enhancing EPS by 2.0 cents.

In the first quarter of the year, the raw material purchase price index advanced by 16.8 percent compared to the fourth quarter of 2020. In the past 12 months, the rise in the purchase price index was similar. The substantial increase in the index during the quarter was caused by the continued elevated global demand for the Company's main resins and the tightness in producer supply, which intensified in the latter part of the quarter due to the winter storm that transpired in the US Gulf Coast region in mid-February, creating unexpected producer outages. During the first quarter, polypropylene resin had the most notable increase of 67 percent while polyethylene and nylon resins each experienced increases of approximately 10 percent.

Expenses and Other

Operating expenses in the current quarter, adjusted for foreign exchange, increased by 5.8 percent but were outpaced by sales volume gains, generating a favorable impact on EPS of 0.5 cents. Contributing to the higher operating expenses were elevated freight costs as well as strategic additions to the healthcare product line's salesforce in alignment with the recently announced Wiicare initiative. Foreign exchange added 3.5 cents to EPS in the quarter due to the favorable translation differences recorded on the revaluation of monetary assets and liabilities in comparison to the large unfavorable translation differences recorded in the prior year's opening quarter. A modest decrease in the effective income tax rate raised EPS by 0.5 cents but was offset by the magnitude of income attributable to non-controlling interests. Net finance expense (income) lowered EPS by 1.5 cents, reflecting the much lower rate of interest applied in the current quarter to the cash and cash equivalent balances.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the first quarter of 2021 at \$496.2 million, an increase of \$0.9 million from the end of the prior year. Winpak continued to generate solid cash flow from operating activities before changes in working capital of \$45.4 million. Cash was consumed by net working capital additions of \$26.0 million. Trade and other receivables advanced by \$15.7 million mainly due to the 6.0 percent advancement in revenue in comparison to the immediately preceding quarter. In addition, inventories grew by \$11.6 million, reflecting the magnitude of raw material purchases towards the end of the quarter, notably higher resin costs and the build-up of work-in-process and finished goods to accommodate strong customer order levels. Cash was utilized for plant and equipment expenditures of \$9.1 million, income tax payments of \$7.4 million, dividend payments of \$1.5 million and other items amounting to \$0.5 million.

Summary of Quarterly Results

	Thousands of US dollars, except per share amounts (US cents)							
	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	224,806	212,091	210,605	216,201	213,596	217,456	212,734	219,618
Net income attributable to equity holders of the Company	24,495	27,256	26,684	29,226	23,155	26,679	28,578	31,086
EPS	38	42	41	45	36	41	44	48



Looking Forward

Winpak continues to navigate through the ongoing consequences of the Coronavirus (COVID-19) pandemic being an essential supplier of packaging materials and machinery for our customers. The Company is paying attention to the effects from the economic reopening activities taking place in North America with the United States progressing at a much faster rate. Concerns are emerging as a third wave of COVID-19 has commenced in Canada with a noted increase in infections from more dangerous variants. Moving forward, key factors will be whether the current approved vaccines will be able to effectively combat the multiple variants and the timing/execution of the vaccination plans across North America which are wide-ranging with the United States being well ahead. The Company continues to address the challenges arising from the pandemic with the expectation that it will persist, in varying degrees, for the balance of the year. All plants continue to be fully operational with a nominal number of COVID-19 cases. Winpak remains steadfast in its efforts to curtail the pandemic and will remain focused on ensuring all required health and safety protocols are fully supported at each facility to provide our highly dedicated and ardent employees and their families with a safe work environment.

Current market views are that the economy could gradually return to levels close to pre-COVID-19 later this year, however, the timing and extent is unclear. During the first quarter, pandemic-related business trends continued within the Company's operating segments with soft volumes being realized in the foodservice and hospitality markets and strong volume growth from retail protein and cheese products. New customer business volume gains from initial product launches within the rigid container product group (retort pet food and single-serve desserts), in addition to reclose label packaging, spouted pouch and frozen food wins from the flexible packaging segment, will provide a solid foundation for volume expansion in 2021. The flexible lidding and specialized printed packaging product groups continue to execute on new business activity with pharmaceutical customers. The packaging machinery segment has a healthy level of orders which will keep the operations active for the rest of the year. Several new business prospects are progressing in the sales funnel with execution dependent upon the customers' time horizon. Winpak along with Wipak, its European sister Company, formally announced and launched its strategic initiative Wiicare to create a global commercial healthcare platform to respond to customer requirements and expectations from their procurement partners in the medical and pharmaceutical markets. New healthcare opportunities are being sourced and pursued.

Raw material costs for Winpak's three principal resins started to increase during the fourth quarter of 2020. During the first quarter of 2021, this trend continued and intensified with sharp resin price increases implemented by producers. The rapid elevation in resin costs has come about due to: heightened North American demand for feedstocks, unplanned plant outages at producers, an increase in global demand for feedstocks creating a vibrant export market and to add further pressure on producer supply, the severe winter event "Uri" occurred in mid-February across the US Gulf Coast. This storm caused epic power, water, and electrical outages throughout the Gulf Coast where most of the resin producers are located. Resin production was significantly disrupted with plants slowly returning to service in the second half of March, however, several are not yet operating. This supply disruption has forced producers to put customers on allocations and most have declared force majeure. The Company has been working diligently to source sufficient supply of the affected resins, however, there is the potential that we could encounter some resin shortages, for a short period of time, and may have to curtail certain production lines until producer supply has been stabilized. The reduced producer supply capabilities have created marked resin price increases which will elevate the Company's costs of goods sold in the upcoming quarters and put stress on gross profit margins. Fortunately, these higher resin costs will generate appreciable customer selling price increases due to the pass-through of higher raw material costs as 66 percent of Winpak's revenues are indexed albeit with a three to four-month time lag. The Company expects to pass on selling price increases to non-indexed customers as well. Additionally, there have been noteworthy increases in freight costs with this dynamic expected to be prevalent in the upcoming quarters.

In the first quarter, capital spending was less than anticipated due to equipment supplier delays stemming from the pandemic and the timing of supplier progress payments. Expenditures for 2021 are forecast to be in the range of \$60 to \$70 million. The Winnipeg, Manitoba modified atmosphere packaging facility is completing several key projects including: new conversion capabilities for reclosable lidding and spouted pouches and retrofitting a cast co-extrusion line which will elevate Winpak's sustainable product offering with the next generation of reusable/recyclable high-barrier thermoformable films. These three initiatives will be coming onstream in the second quarter, and in addition, incremental capacity with a new cast co-extrusion line is scheduled to start-up in the fourth quarter. The new BOPA line installation in Winnipeg, Manitoba is progressing with pre-production scheduled by the end of the third quarter. At the Sauk Village, Illinois rigid container facility, the Company will be expanding its product offering with the installation of the infrastructure and production equipment to enter the injection molded container and in-mold label market with initial production expected by the fourth quarter. Bolstering and expanding Winpak's sustainable packaging product offering will remain at the forefront to meet our customers' expectations. Potential acquisition opportunities have started to slowly resurface as many transactions were put on hold in 2020 due to the pandemic with the expectation that activity will pick up moving forward. In this regard, the Company will evaluate acquisition opportunities that align strategically with Winpak's core strengths in sophisticated high-barrier packaging for food, medical and pharmaceutical applications.

Accounting Changes - Accounting Standards Implemented in 2021

a) COVID-19-Related Rent Concessions

In May 2020, the IASB issued “COVID-19-Related Rent Concessions (Amendment to IFRS 16)”, which amends IFRS 16 “Leases” to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendment was implemented with retrospective application, effective December 28, 2020, and had no impact on the Company’s unaudited interim condensed consolidated financial statements.

Accounting Changes - Future Changes to Accounting Standards

a) Property, Plant and Equipment: Proceeds Before Intended Use

In May 2020, the International Accounting Standards Board (IASB) issued “Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)”, which prohibits deducting amounts received from selling items produced while preparing the asset for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds and related costs will be recognized within the statement of income. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2022.

b) Onerous Contracts - Cost of Fulfilling a Contract

In May 2020, the IASB issued “Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)”, which specifies which costs a Company includes when assessing whether a contract will be loss-making. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied prospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2022.

Controls and Procedures

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management’s evaluation of the design of the Company’s disclosure controls and procedures, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of March 28, 2021 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management’s design of the Company’s internal controls over financial reporting, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of March 28, 2021 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended March 28, 2021, there have been no changes to the design of the Company’s internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.