# PREMIUM BRANDS HOLDINGS CORPORATION REPORTS SECOND QUARTER 2020 RESULTS AND DECLARES THIRD QUARTER DIVIDEND

**VANCOUVER, B.C., August 6, 2020**. Premium Brands Holdings Corporation (TSX: PBH), a leading producer, marketer and distributor of branded specialty food products, announced today its results for the second quarter of 2020.

"I would like to acknowledge our associates from across Canada and the U.S. for their commitment and hard work during these truly unprecedented times. The challenges that our Company faced over the past quarter were by far the most difficult in our history and I am very humbled by how our people rose to the occasion. Their dedication, perseverance and ingenuity ensured that we were able to continue to provide our fellow citizens with essential food products and to play an active role in contributing to the well-being of the many communities that we are part of," said Mr. George Paleologou, President and CEO.

"April, in particular, was a very challenging month for us as COVID-19 related issues impacted almost all elements of all our businesses. The month proved to be a defining point as our management teams took exceptional measures to address the unique challenges that were faced by their respective businesses and pursued initiatives that not only dealt with immediate issues but also helped to position them to weather whatever was to come next. Fortunately, April proved to be the eye of the storm and since then we have seen steady and significant improvements across all of our businesses giving us solid momentum as we head into the back half of the year," added Mr. Paleologou.

## HIGHLIGHTS

- Second quarter revenue of $976.6 million representing a 3.3% or $31.2 million increase as compared to the second quarter of 2019
- Excluding the estimated impact of the pandemic, the Company's Specialty Foods and Premium Food Distribution segments' organic growth rates for the quarter were 7.6% and 14.9%, respectively
- Second quarter adjusted EBITDA of $67.1 million, which decreased from $88.3 million in the second quarter of 2019 due to impacts associated with the COVID-19 pandemic including lost sales and $10.9 million in net transitory cost impacts
- Second quarter adjusted EPS of $0.57 per share as compared to $1.10 per share in the second quarter of 2019
- At the end of the quarter the Company continued to maintain a strong balance sheet and liquidity with $379.9 million of available credit capacity
- Subsequent to the quarter the Company raised net proceeds of $308.7 million through the issuance of common shares and convertible debentures increasing its available credit capacity to almost $690 million
- The Company continues to suspend its revenue and adjusted EBITDA guidance for 2020 due to uncertainties associated with COVID-19 but reaffirmed that it expects to meet or exceed its 2023 targets of $6 billion in revenue and $600 million in adjusted EBITDA
- The Company intends to resume its acquisition strategy which had been put on hold due to uncertainties associated with COVID-19
- The Company declared a quarterly dividend of $0.5775 per share

## SUMMARY FINANCIAL INFORMATION

*(In millions of dollars except per share amounts and ratios)*

| | 13 weeks ended June 27, 2020 | 13 weeks ended June 29, 2019 | 26 weeks ended June 27, 2020 | 26 weeks ended June 29, 2019 |
|---|---|---|---|---|
| Revenue | 976.6 | 945.4 | 1,911.6 | 1,722.0 |
| Adjusted EBITDA | 67.1 | 88.3 | 131.4 | 148.6 |
| Earnings | 13.5 | 31.2 | 25.7 | 41.2 |
| EPS | 0.36 | 0.89 | 0.69 | 1.20 |
| Adjusted earnings | 21.2 | 38.5 | 41.1 | 56.1 |
| Adjusted EPS | 0.57 | 1.10 | 1.10 | 1.63 |

| | Trailing Four Quarters Ended June 27, 2020 | Trailing Four Quarters Ended June 29, 2019 |
|---|---|---|
| Free cash flow | 161.3 | 173.1 |
| Declared dividends | 82.7 | 69.5 |
| Declared dividend per share | 2.205 | 2.000 |
| Payout ratio | 51.3% | 40.2% |

"As we look forward, we are pleased to see demand patterns in certain channels returning to some level of normalcy as various economies begin to open and consumers start to return to their usual daily routines. We are especially pleased to see consumer demand recovering in the quick service restaurant (QSR) channel as the abrupt shutdown of a large portion of this market hit our sandwich platform particularly hard. At one point our sandwich platform had temporarily lost most of its legacy sales base as COVID-19 related issues impacted its QSR, airline and convenience store customers. The platform's management team faced this challenge head on and immediately pivoted to developing other sales opportunities. While many of these were at low or marginal returns, they enabled the business to avoid mass employee layoffs and ensure it was well positioned to service their legacy customers as demand returned, which to a significant degree it has" said Mr. Paleologou.

"Looking beyond COVID-19, I remain very optimistic about our future. We are very pleased with how our portfolio businesses reacted to the challenges created by the COVID-19 pandemic as they once again demonstrated the agility and responsiveness of our entrepreneurial based business model. I have no doubt that we will emerge from this crisis a stronger and even more resilient company. The momentum shown in our May, June and July results reflect this with a number of our businesses now facing unprecedented demand for their products from both new and legacy customers.

"In terms of our five-year objectives of reaching $6 billion in sales and $600 million in adjusted EBITDA by 2023, we remain on track. While the COVID-19 crisis has impacted the trajectory of how we will get there, the incredible amount of new product innovation being developed across our many businesses combined with an especially robust acquisition pipeline make us more confident than ever that we will meet or exceed them," added Mr. Paleologou.

## THIRD QUARTER 2020 DIVIDEND

The Company also announced that its Board of Directors approved a cash dividend of $0.5775 per share for the third quarter of 2020, which will be payable on October 15, 2020 to shareholders of record at the close of business on September 30, 2020.

Unless indicated otherwise in writing at or before the time the dividend is paid, each dividend paid by the Company in 2020 or a subsequent year is an eligible dividend for the purposes of the Enhanced Dividend Tax Credit System.

**ABOUT PREMIUM BRANDS**

Premium Brands owns a broad range of leading specialty food manufacturing and differentiated food distribution businesses with operations across Canada, the United States and Italy. For further information, please contact George Paleologou, President and CEO or Will Kalutycz, CFO at (604) 656-3100.

www.premiumbrandsholdings.com

## RESULTS OF OPERATIONS

The Company reports on two reportable segments, Specialty Foods and Premium Food Distribution, as well as corporate costs (Corporate). The Specialty Foods segment consists of the Company's specialty food manufacturing businesses while the Premium Food Distribution segment consists of the Company's differentiated distribution and wholesale businesses.

### Revenue

| *(in millions of dollars except percentages)* | 13 weeks ended Jun 27, 2020 | % (1) | 13 weeks ended Jun 29, 2019 | % (1) | 26 weeks ended Jun 27, 2020 | % (1) | 26 weeks ended Jun 29, 2019 | % (1) |
|---|---|---|---|---|---|---|---|---|
| Revenue by segment: | | | | | | | | |
| Specialty Foods | 647.8 | 66.3% | 653.7 | 69.1% | 1,278.8 | 66.9% | 1,190.6 | 69.1% |
| Premium Food Distribution | 328.8 | 33.7% | 291.7 | 30.9% | 632.8 | 33.1% | 531.4 | 30.9% |
| Consolidated | 976.6 | 100.0% | 945.4 | 100.0% | 1,911.6 | 100.0% | 1,722.0 | 100.0% |

(1) Expressed as a percentage of consolidated revenue

Specialty Foods' (SF) revenue for the second quarter of 2020 as compared to the second quarter of 2019 decreased by $5.9 million or 0.9% primarily due to issues associated with the COVID-19 pandemic including a general slowdown in Canadian and U.S. consumer activity and the shutdown, in whole or in part, of a number of SF's customers' businesses for a significant portion of the quarter. SF's sales to the foodservice industry, in general, and to quick service restaurants, in particular, accounted for most of the impact. The effect on SF's sales of COVID-19 related challenges, net of sales increases to retail food chains resulting from COVID-19 related shifts in consumer buying patterns, is estimated to be approximately $85 million. Normalizing for this amount, SF's organic volume growth rate (OVGR) for the quarter is approximately 7.6%, which is above the Company's long-term targeted range of 4% to 6% due to: (i) several very successful new product launches in the sandwich and meat snack product categories; and (ii) year over year favorable weather conditions in central Canada that resulted in increased sales of BBQ related products.

SF's revenue for the second quarter also benefited from: (i) net selling price inflation of $16.3 million, which was largely driven by price increases implemented by SF's protein businesses in reaction to higher pork and beef commodity input costs; (ii) a $12.7 million increase in the translated value of its U.S. based businesses' sales resulting from a weaker Canadian dollar; and (iii) business acquisitions, which accounted for $1.4 million of the increase.

SF's revenue for the first two quarters of 2020 as compared to the first two quarters of 2019 increased by $88.2 million or 7.4% primarily due to: (i) organic volume growth, net of the impacts of the COVID-19 pandemic, of $49.1 million; (ii) net selling price inflation of $20.5 million; (iii) a $16.9 million increase in the translated value of its U.S. based businesses' sales resulting from a weaker Canadian dollar; and (iv) business acquisitions, which accounted for $1.7 million of the increase.

Premium Food Distribution's (PFD) revenue for the second quarter of 2020 as compared to the second quarter of 2019 increased by $37.1 million or 12.7% primarily due to: (i) business acquisitions, which accounted for $28.8 million of the increase; (ii) net selling price inflation of $9.0 million, which was driven by price increases put through to address higher beef and pork commodity input costs partially offset by lower live seafood selling prices resulting from decreases in lobster and salmon commodity input costs; and (iii) a $2.5 million increase in the translated value of its U.S. based businesses' sales resulting from a weaker Canadian dollar. Adjusting for these factors PFD's sales decreased by $5.9 million due to an estimated $46 million in net lost sales resulting from the COVID-19 pandemic related issues outlined above partially offset by: (i) new sales generated by leveraging recent capacity investments, namely a new lobster processing facility in Saco, Maine, a recently expanded protein and seafood distribution facility in Montreal, and a new distribution and custom cutting operation in the Greater Toronto Area (GTA); and (ii) a new live lobster listing with a large U.S. based retail grocery group.

Normalizing for the impact of COVID-19, PFD's OVGR is estimated to be approximately 14.9%, which is above the Company's long-term targeted range of 4% to 6% primarily due to the factors outlined above.

PFD's revenue for the first two quarters of 2020 as compared to the first two quarters of 2019 increased by $101.4 million or 19.1% primarily due to: (i) business acquisitions, which accounted for $62.0 million of the increase; (ii) organic volume growth, net of the impacts of the COVID-19 pandemic, of $25.0 million; (iii) net selling price inflation of $11.4 million; and (iv) a $3.0 million increase in the translated value of its U.S. based businesses' sales resulting from a weaker Canadian dollar.

## Gross Profit

| *(in millions of dollars except percentages)* | 13 weeks ended Jun 27, 2020 | % (1) | 13 weeks ended Jun 29, 2019 | % (1) | 26 weeks ended Jun 27, 2020 | % (1) | 26 weeks ended Jun 29, 2019 | % (1) |
|---|---|---|---|---|---|---|---|---|
| Gross profit by segment: | | | | | | | | |
| Specialty Foods | 128.5 | 19.8% | 150.5 | 23.0% | 267.7 | 20.9% | 275.5 | 23.1% |
| Premium Food Distribution | 54.8 | 16.7% | 45.4 | 15.6% | 96.6 | 15.3% | 80.0 | 15.1% |
| Consolidated | 183.3 | 18.8% | 195.9 | 20.7% | 364.3 | 19.1% | 355.5 | 20.6% |

(1) Expressed as a percentage of the corresponding segment's revenue

SF's gross profit as a percentage of its revenue (gross margin) for the second quarter of 2020 as compared to the second quarter of 2019 decreased by 320 basis points primarily due to: (i) $14.6 million in COVID-19 related net transitory costs consisting mainly of employee absenteeism pay, employee thank-you bonuses, production inefficiencies and investments in additional employee safety measures partially offset by government wage subsidies; and (ii) sales mix changes and lost sales volume associated with COVID-19 related issues, the impact of which was amplified by SF's recent investments in the infrastructure of a number of plants. To a lesser extent, SF's gross margin was also impacted by: (i) labor wage inflation; and (ii) additional outside storage costs, mainly associated with long inventory positions taken to help hedge against unusually volatile global pork and beef commodity costs and to mitigate the risk of supply chain disruptions.

The above factors were partially offset by: (i) general margin expansion resulting from a combination of selling price increases and inventory strategies used to hedge against commodity cost volatility; and (ii) the reclassification of $1.3 million in costs to selling, general and administration expense.

SF's gross margin for the first two quarters of 2020 as compared to the first two quarters of 2019 decreased by 220 basis points to 20.9% primarily due to the factors outlined above.

PFD's gross margins for the second quarter of 2020 as compared to the second quarter of 2019 increased by 110 basis points primarily due to: (i) improved market conditions resulting from lower salmon and lobster commodity costs; (ii) favorable inventory positions relative to inflationary beef and pork commodity costs; and (iii) increased procurement by PFD businesses for the company's other businesses resulting in additional margin capture. These factors were partially offset by sales mix changes associated with COVID-19 related issues.

PFD's gross margins for the first two quarters of 2020 as compared to the first two quarters of 2019 increased by 20 basis points to 15.3% primarily due to the reasons outlined above plus an additional offsetting factor of lower live seafood margins in the first quarter of 2020 that were the result of certain businesses having to work through higher cost inventory relative to selling price decreases caused by COVID-19 related market disruptions.

### Selling, General and Administrative Expenses (SG&A)

| *(in millions of dollars except percentages)* | 13 weeks ended Jun 27, 2020 | % (1) | 13 weeks ended Jun 29, 2019 | % (1) | 26 weeks ended Jun 27, 2020 | % (1) | 26 weeks ended Jun 29, 2019 | % (1) |
|---|---|---|---|---|---|---|---|---|
| SG&A by segment: | | | | | | | | |
| Specialty Foods | 79.7 | 12.3% | 77.4 | 11.8% | 159.3 | 12.5% | 148.7 | 12.5% |
| Premium Food Distribution | 32.1 | 9.8% | 26.5 | 9.1% | 64.6 | 10.2% | 50.4 | 9.5% |
| Corporate | 4.4 | | 3.7 | | 9.0 | | 7.8 | |
| Consolidated | 116.2 | 11.9% | 107.6 | 11.4% | 232.9 | 12.2% | 206.9 | 12.0% |

(1) Expressed as a percentage of the corresponding segment's revenue

SF's SG&A for the second quarter of 2020 as compared to the second quarter of 2019 increased by $2.3 million primarily due to: (i) an increase in the translated value of SF's U.S. based businesses' SG&A resulting from a weaker Canadian dollar; (ii) the reclassification of $1.3 million in costs from cost of sales; (iii) additional variable compensation in certain businesses; and (iv) business acquisitions. These factors were partially offset by: (i) a decrease of approximately $2.2 million in discretionary marketing costs resulting from a number of retail promotions being cancelled or delayed due to COVID-19 related factors; and (ii) $0.6 million in COVID-19 related net transitory cost decreases consisting primarily of travel costs savings, wage reductions and government wage subsidies partially offset by employee thank-you bonuses.

SF's SG&A for the first two quarters of 2020 as compared to the first two quarters of 2019 increased by $10.6 million primarily due to the factors outlined above as well as additional variable selling and infrastructure costs in the first quarter of 2020 associated with supporting SF's growth initiatives.

PFD's SG&A for the second quarter of 2020 as compared to the second quarter of 2019 increased by $5.6 million primarily due to: (i) business acquisitions; and (ii) additional variable compensation in certain businesses. These factors were partially offset by $0.9 million in COVID-19 related net transitory cost decreases consisting primarily of wage reductions.

PFD's SG&A for the first two quarters of 2020 as compared to the first two quarters of 2019 increased by $14.2 million primarily due to the factors outlined above as well as additional variable selling and infrastructure costs in the first quarter of 2020 associated with supporting its growth.

### Adjusted EBITDA

| *(in millions of dollars except percentages)* | 13 weeks ended Jun 27, 2020 | % (1) | 13 weeks ended Jun 29, 2019 | % (1) | 26 weeks ended Jun 27, 2020 | % (1) | 26 weeks ended Jun 29, 2019 | % (1) |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA by segment: | | | | | | | | |
| Specialty Foods | 48.8 | 7.5% | 73.1 | 11.2% | 108.4 | 8.5% | 126.8 | 10.7% |
| Premium Food Distribution | 22.7 | 6.9% | 18.9 | 6.5% | 32.0 | 5.1% | 29.6 | 5.6% |
| Corporate | (4.4) | | (3.7) | | (9.0) | | (7.8) | |
| Consolidated | 67.1 | 6.9% | 88.3 | 9.3% | 131.4 | 6.9% | 148.6 | 8.6% |

(1) Expressed as a percentage of the corresponding segment's revenue

Adjusted EBITDA for the second quarter of 2020 as compared to the second quarter of 2019 decreased by $21.2 million or 24.0% to $67.1 million primarily due to the impact of COVID-19 related factors. The impact of these factors was most severe in April with the Company's May and June results each showing substantial sequential improvement.

## Plant Start-up and Restructuring Costs

Plant start-up and restructuring costs consist of expenses associated with: (i) the start-up of new production capacity; (ii) the reconfiguration of existing capacity to gain efficiencies and/or additional capacity; and/or (iii) the restructuring of a business to improve its profitability. The Company expects (see *Forward Looking Statements*) these projects to result in improvements in its future earnings and cash flows.

During the quarter and for the first two quarters of 2020, the Company incurred $3.5 million and $5.5 million, respectively, in plant start-up and restructuring costs for a variety of projects including: (i) the startup of a new 50,000 square foot lobster processing facility in Saco, ME; (ii) the startup of a new 45,000 square foot distribution and seafood processing facility in Montreal; (iii) the startup of a 25,000 square foot expansion of the Company's cooked protein plant in Montreal; (iv) staffing changes in certain businesses which resulted in unusually high severance costs; and (v) the shutdown of an unprofitable retail outlet in the Company's PFD segment.

## Sales and Adjusted EBITDA Outlook

See *Forward Looking Statements* for a discussion of the risks and assumptions associated with forward looking statements.

<u>2020</u>

The Company withdrew its annual sales and adjusted EBITDA guidance in May 2020 based on it being unable to forecast its results with reasonable accuracy due to the impacts of the COVID-19 pandemic being highly uncertain. While the Company has seen steady and consistent improvement in its business since that time, including through July and early August, there is still considerable uncertainty about what the impacts of COVID-19 will be in the latter half of 2020 and, as a result, the Company is continuing to suspend providing annual sales and adjusted EBITDA guidance. The Company does, however, based on current circumstances, expect continued improvement in its financial performance on a month to month basis after considering the normal seasonality of its businesses.

<u>5 Year Plan</u>

Despite the near-term uncertainty on what the impacts of COVID-19 will be, the Company remains confident in its ability to achieve the five-year targets set in 2018 of $6 billion in sales and $600 million in adjusted EBITDA. While COVID-19 has impacted many areas of the Company's business, substantially all of these are expected to be temporary. Furthermore, the COVID-19 crisis has enabled many of its businesses to develop new sustainable sales opportunities as well as strengthen customer and supply chain relationships, all of which will enhance its ability to achieve its five-year targets.

The Company also expects to resume its business acquisition strategy, which had been temporarily suspended due to the uncertainties surrounding the COVID-19 pandemic, based on: (i) the current trend of improving results in primarily all of its businesses; and (ii) the recent strengthening of its balance sheet and liquidity through the issuance of common shares and convertible debentures for net proceeds of $308.7 million.

## Premium Brands Holdings Corporation

### Consolidated Balance Sheets
(in millions of Canadian dollars)

| | Jun 27, 2020 | Dec 28, 2019 | Jun 29, 2019 |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | 14.6 | 18.4 | 12.0 |
| Accounts receivable | 373.6 | 346.5 | 354.6 |
| Inventories | 430.5 | 396.2 | 372.5 |
| Prepaid expenses and other assets | 17.5 | 19.4 | 16.7 |
| | 836.2 | 780.5 | 755.8 |
| Capital assets | 524.3 | 502.1 | 478.6 |
| Right of use assets | 316.2 | 300.4 | 266.7 |
| Intangible assets | 503.8 | 490.2 | 435.8 |
| Goodwill | 804.5 | 780.2 | 803.1 |
| Investment in and advances to associates | 75.2 | 64.6 | 29.4 |
| Other assets | 18.3 | 19.1 | 21.4 |
| | 3,078.5 | 2,937.1 | 2,790.8 |
| Current liabilities: | | | |
| Cheques outstanding | 13.2 | 16.4 | 14.6 |
| Bank indebtedness | 14.4 | 24.9 | 2.8 |
| Dividends payable | 21.7 | 19.7 | 19.7 |
| Accounts payable and accrued liabilities | 331.1 | 285.0 | 261.4 |
| Current portion of long-term debt | 7.9 | 7.7 | 8.5 |
| Current portion of lease obligations | 26.4 | 32.1 | 24.1 |
| Current portion of provisions | 15.9 | 8.5 | 9.1 |
| Current portion of puttable interest in subsidiaries | 53.3 | 58.2 | 53.8 |
| | 483.9 | 452.5 | 394.0 |
| Long-term debt | 689.9 | 603.0 | 567.8 |
| Lease obligations | 328.1 | 303.2 | 274.9 |
| Provisions | 56.8 | 62.4 | 55.0 |
| Puttable interest in subsidiaries | - | - | 5.0 |
| Deferred income taxes | 75.5 | 76.8 | 69.4 |
| Other liabilities | 10.1 | 4.0 | 3.6 |
| | 1,644.3 | 1,501.9 | 1,369.7 |
| Convertible unsecured subordinated debentures | 366.0 | 364.0 | 362.0 |
| Equity attributable to shareholders: | | | |
| Retained earnings | 2.2 | 19.9 | 17.0 |
| Share capital | 1,034.2 | 1,023.6 | 1,021.0 |
| Reserves | 31.8 | 27.7 | 21.1 |
| | 1,068.2 | 1,071.2 | 1,059.1 |
| | 3,078.5 | 2,937.1 | 2,790.8 |

# Premium Brands Holdings Corporation

## Consolidated Statements of Operations

(in millions of Canadian dollars except per share amounts)

| | 13 weeks ended Jun 27, 2020 | 13 weeks ended Jun 29, 2019 | 26 weeks ended Jun 27, 2020 | 26 weeks ended Jun 29, 2019 |
|---|---|---|---|---|
| Revenue | 976.6 | 945.4 | 1,911.6 | 1,722.0 |
| Cost of goods sold | 793.3 | 749.5 | 1,547.3 | 1,366.5 |
| Gross profit before the below | 183.3 | 195.9 | 364.3 | 355.5 |
| Selling, general and administrative expenses before the below | 116.2 | 107.6 | 232.9 | 206.9 |
| | 67.1 | 88.3 | 131.4 | 148.6 |
| Plant start-up and restructuring costs | 3.5 | 1.4 | 5.5 | 3.3 |
| Depreciation of capital assets | 16.6 | 14.5 | 32.5 | 28.8 |
| Amortization of intangible assets | 6.5 | 5.1 | 12.8 | 10.1 |
| Amortization of right of use assets | 7.9 | 6.8 | 15.6 | 13.5 |
| Accretion of lease obligations | 3.7 | 3.2 | 7.4 | 6.4 |
| Interest and other financing costs | 11.0 | 14.7 | 22.5 | 29.6 |
| Acquisition transaction costs | 1.5 | 0.5 | 2.9 | 1.2 |
| Change in value of puttable interest in subsidiaries | (4.3) | - | (4.3) | 0.5 |
| Accretion of provisions | 1.9 | 1.5 | 3.6 | 2.4 |
| Provisions not earned | - | - | (2.0) | - |
| Equity loss in investments in associates | 1.3 | 0.4 | 1.8 | 0.9 |
| Earnings before income taxes | 17.5 | 40.2 | 33.1 | 51.9 |
| Provision for income taxes (recovery) | | | | |
| Current | 8.2 | 7.8 | 12.3 | 10.5 |
| Deferred | (4.2) | 1.2 | (4.9) | 0.2 |
| | 4.0 | 9.0 | 7.4 | 10.7 |
| Earnings | 13.5 | 31.2 | 25.7 | 41.2 |
| Earnings per share: | | | | |
| Basic | 0.36 | 0.89 | 0.69 | 1.20 |
| Diluted | 0.36 | 0.89 | 0.68 | 1.20 |
| Weighted average shares outstanding (in millions): | | | | |
| Basic | 37.4 | 35.1 | 37.4 | 34.4 |
| Diluted | 37.5 | 35.2 | 37.5 | 34.5 |

# Premium Brands Holdings Corporation

## Consolidated Statements of Cash Flows

(in millions of Canadian dollars)

| | 13 weeks ended Jun 27, 2020 | 13 weeks ended Jun 29, 2019 | 26 weeks ended Jun 27, 2020 | 26 weeks ended Jun 29, 2019 |
|---|---|---|---|---|
| Cash flows from (used in) operating activities: | | | | |
| Earnings | 13.5 | 31.2 | 25.7 | 41.2 |
| Items not involving cash: | | | | |
| Depreciation of capital assets | 16.6 | 14.5 | 32.5 | 28.8 |
| Amortization of intangible assets | 6.5 | 5.1 | 12.8 | 10.1 |
| Amortization of right of use assets | 7.9 | 6.8 | 15.6 | 13.5 |
| Accretion of lease obligations | 3.7 | 3.2 | 7.4 | 6.4 |
| Change in value of puttable interest in subsidiaries | (4.3) | - | (4.3) | 0.5 |
| Equity loss in investments in associates | 1.3 | 0.4 | 1.8 | 0.9 |
| Non-cash financing costs | 1.3 | 1.2 | 2.5 | 2.3 |
| Accretion of provisions | 1.9 | 1.5 | 3.6 | 2.4 |
| Provisions not earned | - | - | (2.0) | - |
| Deferred income taxes (recovery) | (4.2) | 1.2 | (4.9) | 0.2 |
| Other | - | - | - | 0.3 |
| | 44.2 | 65.1 | 90.7 | 106.6 |
| Change in non-cash working capital | 63.8 | (30.1) | (3.4) | (66.3) |
| | 108.0 | 35.0 | 87.3 | 40.3 |
| Cash flows from (used in) financing activities: | | | | |
| Long-term debt, net | (68.8) | (192.6) | 56.8 | (139.0) |
| Payments for lease obligations | (10.3) | (8.7) | (20.0) | (17.0) |
| Bank indebtedness and cheques outstanding | 10.7 | (39.9) | (13.7) | (40.5) |
| Common share issuance from private placement – net of issuance costs | - | 250.9 | - | 250.9 |
| Dividends paid to shareholders | (21.7) | (17.7) | (41.4) | (33.8) |
| | (90.1) | (8.0) | (18.3) | 20.6 |
| Cash flows from (used in) investing activities: | | | | |
| Capital asset additions | (19.5) | (24.0) | (48.8) | (38.7) |
| Business acquisitions | (1.2) | (1.9) | (13.0) | (23.3) |
| Payments to shareholders of non-wholly owned subsidiaries | (0.6) | (1.1) | (0.6) | (2.3) |
| Payment for settlement of puttable interest of non-wholly owned subsidiary | - | (0.5) | - | (0.5) |
| Payment of provisions | - | - | (7.0) | (0.8) |
| Proceeds from sale-leaseback | 6.4 | - | 6.4 | - |
| Net change in share purchase loans and notes receivable | 0.3 | 0.2 | 0.8 | 0.3 |
| Investment in and advances to associates – net of distributions | 0.1 | (2.3) | (10.6) | (3.3) |
| Other | - | (0.1) | - | 0.3 |
| | (14.5) | (29.7) | (72.8) | (68.3) |
| Change in cash and cash equivalents | 3.4 | (2.7) | (3.8) | (7.4) |
| Cash and cash equivalents – beginning of period | 11.2 | 14.7 | 18.4 | 19.4 |
| Cash and cash equivalents – end of period | 14.6 | 12.0 | 14.6 | 12.0 |
| Interest and other financing costs paid | 11.9 | 17.7 | 20.7 | 25.9 |
| Income taxes paid | 5.0 | 2.7 | 9.6 | 5.4 |

## NON-IFRS FINANCIAL MEASURES

The Company uses certain non-IFRS financial measures including adjusted EBITDA, free cash flow, adjusted earnings and adjusted earnings per share, which are not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities, nor should they be construed as an alternative to other earnings measures determined in accordance with IFRS. These non-IFRS measures are calculated as follows:

### Adjusted EBITDA

| *(in millions of dollars)* | 13 weeks ended Jun 27, 2020 | 13 weeks ended Jun 29, 2019 | 26 weeks ended Jun 27, 2020 | 26 weeks ended Jun 29, 2019 |
|---|---|---|---|---|
| Earnings before income taxes | 17.5 | 40.2 | 33.1 | 51.9 |
| Plant start-up and restructuring costs | 3.5 | 1.4 | 5.5 | 3.3 |
| Depreciation of capital assets | 16.6 | 14.5 | 32.5 | 28.8 |
| Amortization of intangible assets | 6.5 | 5.1 | 12.8 | 10.1 |
| Amortization of right of use assets | 7.9 | 6.8 | 15.6 | 13.5 |
| Accretion of lease obligations | 3.7 | 3.2 | 7.4 | 6.4 |
| Interest and other financing costs | 11.0 | 14.7 | 22.5 | 29.6 |
| Acquisition transaction costs | 1.5 | 0.5 | 2.9 | 1.2 |
| Change in value of puttable interest in subsidiaries | (4.3) | - | (4.3) | 0.5 |
| Accretion of provisions | 1.9 | 1.5 | 3.6 | 2.4 |
| Provisions not earned | - | - | (2.0) | - |
| Equity loss in investments in associates | 1.3 | 0.4 | 1.8 | 0.9 |
| Adjusted EBITDA | 67.1 | 88.3 | 131.4 | 148.6 |

### Free Cash Flow

| *(in millions of dollars)* | 52 weeks ended Dec 28, 2019 | 26 weeks ended Jun 27, 2020 | 26 weeks ended Jun 29, 2019 | Rolling Four Quarters |
|---|---|---|---|---|
| Cash flow from operating activities | 164.2 | 87.3 | 40.3 | 211.2 |
| Changes in non-cash working capital | 63.0 | 3.4 | 66.3 | 0.1 |
| Lease obligation payments | (35.8) | (20.0) | (17.0) | (38.8) |
| Business acquisition transaction costs | 3.3 | 2.9 | 1.2 | 5.0 |
| Plant start-up and restructuring costs | 9.6 | 5.5 | 3.3 | 11.8 |
| Maintenance capital expenditures | (26.5) | (13.0) | (11.5) | (28.0) |
| Free cash flow | 177.8 | 66.1 | 82.6 | 161.3 |

## Adjusted Earnings and Adjusted Earnings per Share

| *(in millions of dollars except per share amounts)* | 13 weeks ended Jun 27, 2020 | 13 weeks ended Jun 29, 2019 | 26 weeks ended Jun 27, 2020 | 26 weeks ended Jun 29, 2019 |
|---|---|---|---|---|
| Earnings | 13.5 | 31.2 | 25.7 | 41.2 |
| Plant start-up and restructuring costs | 3.5 | 1.4 | 5.5 | 3.3 |
| Business acquisition transaction costs | 1.5 | 0.5 | 2.9 | 1.2 |
| Accretion of provisions | 1.9 | 1.5 | 3.6 | 2.4 |
| Provisions not earned | - | - | (2.0) | - |
| Equity loss from associates in start-up | 1.3 | 0.4 | 1.8 | 0.9 |
| Change in value of puttable interest in subsidiaries | (4.3) | - | (4.3) | 0.5 |
| Amortization of intangibles associated with acquisitions | 6.5 | 5.1 | 12.8 | 10.1 |
| | 23.9 | 40.1 | 46.0 | 59.6 |
| Current and deferred income tax effect of above items | (2.7) | (1.6) | (4.9) | (3.5) |
| Adjusted earnings | 21.2 | 38.5 | 41.1 | 56.1 |
| Weighted average shares outstanding | 37.4 | 35.1 | 37.4 | 34.4 |
| Adjusted earnings per share | 0.57 | 1.10 | 1.10 | 1.63 |

## FORWARD LOOKING STATEMENTS

This press release contains forward looking statements with respect to the Company, including, without limitation, statements regarding its business operations, strategy and financial performance and condition, cash distributions, proposed acquisitions, budgets, projected costs and plans and objectives of or involving the Company. While management believes that the expectations reflected in such forward looking statements are reasonable and represent the Company's internal expectations and belief as of August 6, 2020, there can be no assurance that such expectations will prove to be correct as such forward looking statements involve unknown risks and uncertainties beyond the Company's control which may cause its actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward looking statements.

Forward looking statements generally can be identified by the use of the words "may", "could", "should", "would", "will", "expect", "intend", "plan", "estimate", "project", "anticipate", "believe" or "continue", or the negative thereof or similar variations. Forward looking statements in this press release and analysis include statements with respect to the Company's expectations and/or projections on its: (i) revenue; (ii) adjusted EBITDA; (iii) plant start-up and restructuring costs; (iv) income tax rates; (v) dividend policy; (vi) capital expenditures and business acquisitions; (vii) senior debt capacity utilization; and (viii) convertible debentures.

Some of the factors that could cause actual results to differ materially from the Company's expectations are outlined in the Company's MD&A for the 13 and 26 weeks ended June 27, 2020 and for the 13 and 52 weeks ended December 28, 2019.

Assumptions used by the Company to develop forward looking statements contained or incorporated by reference in this press release are based on information currently available to it and include those outlined below as well as those outlined elsewhere in this press release. Readers are cautioned that this information is not exhaustive.

- The general economic conditions in Canada and the United States will return to pre COVID-19 levels in the medium term post the COVID-19 pandemic.
- The Company's businesses impacted by the COVID-19 pandemic will recover from the resulting disruptions in the medium term and, to the extent there are ongoing changes in their operating costs resulting from the crisis, will be able to recover these in their selling prices.
- The Company's organic growth initiatives will progress in line with previous expectations post the COVID-19 pandemic.
- The average cost of the basket of food commodities purchased by the Company will be relatively stable over the medium term.
- The Company's major capital projects, plant start-up and business acquisition initiatives will progress in line with its expectations.
- The Company will be able to continue to access sufficient skilled and unskilled labor at reasonable wage levels.
- The Company will be able to continue to access sufficient goods and services for its manufacturing and distribution operations.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with recent levels.
- The Company will be able to achieve its projected operating efficiency improvements.
- There will not be any material changes in the competitive environment of the markets in which the Company's various businesses compete.
- There will not be any material changes in the long-term food trends that have been driving growth in many of the Company's businesses. These include: (i) growing demand for higher quality foods made with simpler more wholesome ingredients and/or with differentiating attributes such as antibiotic free, no added hormones or use of organic ingredients; (ii) increased reliance on

convenience oriented foods both for on-the-go snacking as well as easy home meal preparation; (iii) healthier eating including reduced sugar consumption and increased emphasis on protein; (iv) increased snacking in between and in place of meals; (v) increased interest in understanding the background and stories behind food products being consumed; and (vi) increased social awareness on issues such as sustainability, sourcing products locally, animal welfare and food waste.

- Weather conditions in the Company's core markets will not have a significant impact on any of its businesses.
- There will not be any material changes in the Company's relationships with its larger customers including the loss of a major product listing and/or being forced to give significant product pricing concessions.
- There will not be any material changes in the trade relationship between Canada and the U.S., particularly with respect to certain protein commodities such as beef, pork and chicken products.
- The Company will be able to negotiate new collective agreements with no labor disruptions.
- The Company will be able to continue to access reasonably priced debt and equity capital.
- The Company's average interest cost on floating rate debt will remain relatively stable in the near to medium future.
- Contractual counterparties will continue to fulfill their obligations to the Company.
- There will be no material changes to the tax and other regulatory requirements governing the Company.

Management has set out the above summary of assumptions related to forward looking statements included in this press release in order to provide a more complete perspective on the Company's future operations. Readers are cautioned that these statements may not be appropriate for other purposes.

Unless otherwise indicated, the forward looking statements in this press release are made as of August 6, 2020 and, except as required by applicable law, will not be publicly updated or revised. This cautionary statement expressly qualifies the forward looking statements in this press release.