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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the Maple Leaf Foods Fourth Quarter 2017 Results Conference Call hosted by Mr. Michael McCain. Please be advised that this call is being recorded. (Operator Instructions) I would now like to turn the meeting over to Mr. Michael McCain. Please go ahead.

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Thank you, Hugo, and good afternoon everyone, and thank you for joining us for our Q4 and year-end 2017 earnings conference call. Both Debbie Simpson, our CFO, and I will provide commentary on various aspects of our business, and then we'll open up the call for your questions. The news release and today's webcast presentation are available at mapleleaffoods.com under the Investors section.

Some of the comments made on this call may constitute forward-looking information, and future results may differ materially from what we discuss. So please refer to our 2017 annual MD&A and other information on our website for a broader description of operations and risk factors that could affect the company's performance.

So if I could turn your attention please to Slide #3 on our webcast deck. We were very pleased overall with the quarter, which saw top line and earnings growth. Our sales performance built on earlier progress in the year with an increase of 6%. The increase in sales was very broad based with healthy year-over-year increases in several areas of our portfolio, including prepared meats, fresh value-added poultry and in our developing U.S. platform. Lightlife Foods also contributed, as the brand continues to participate in the very dynamic and rapidly growing categories of plant protein.

In our margins, we had several moving components this year versus a year ago, which contributed to an overall 30 basis point increase this year over last. First, we significantly improved our prepared meats performance year-over-year, and this helped to offset a softening in the primary processing margins. Continued high demand for fresh value-added poultry also contributed to our results. We did have a fourth quarter catch-up in our variable compensation expense this year due to overperformance, but it was not as much as in the prior year.

Due to all of these factors, our adjusted EBITDA margin grew to 10.7% compared to a year ago, which continues our year-over-year progression. Higher sales and our commercial performance, as well as benefit associated with the U.S. tax reform, contributed to a 32% increase to our adjusted earnings per share of $0.41 compared to $0.31 the same quarter last year.

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I will provide some additional insights after Debbie Simpson goes through the financial highlights and her commentary. Debbie?

Deborah K. Simpson - *Maple Leaf Foods Inc. - CFO*

Thank you, Michael. Our momentum continued this quarter, reflected by higher top line sales and adjusted operating earnings. The higher sales Michael reviewed benefited from targeted pricing actions that we implemented in the third quarter. Our commercial success also continued to benefit from our balanced portfolio.

With significant new pork processing capacity ramping up in the U.S., there's short-term margin compression in primary pork processing as the industry has expected for some time, and this will likely continue in the first half of 2018. Fortunately, our balanced portfolio helps to mitigate volatile market dynamics, which we saw with our improvement in commercial performance in prepared meats in the fourth quarter.

Lightlife continued to deliver excellent sales and earnings growth, benefiting from double-digit category growth and high consumer demand in the rapidly growing plant protein space.

And if you want to flip to Slide 5, overall, we are pleased with our performance this year, continuing our positive growth trajectory in the fourth quarter and ending the year on a positive note. There were a number of items that impacted net earnings for both the quarter and the full year that we don't consider representative of our underlying operations and are therefore adjusted.

Progress in our business and a onetime tax change associated with the U.S. tax reform were more than offset in fourth quarter net earnings by mark-to-market adjustments for biological assets required by IFRS, foreign exchange and commodity contracts not settled in the period, and restructuring costs.

In terms of our underlying operations, we delivered good progress across key financial metrics in the fourth quarter. We continued to grow sales this quarter, which were up 5.9% to $877 million. Sales for the year increased 5.7% to $3.5 billion. Our 10.7% adjusted EBITDA margin in the quarter is a 30 basis point increase versus the prior year. Higher sales and volume growth, coupled with lower operating cost, contributed to the increase.

Adjusted EBITDA margin for the year increased 50 basis points from 10.3% to 10.8%. We also realized strong growth in adjusted EPS for the quarter, which increased 32% to $0.41 per share, reflecting our underlying performance, the tax benefit that I mentioned previously, combined with the benefit from buying back our stock.

We continue to generate healthy free cash flow during the quarter, which contributed to cash on hand of approximately $203 million. Our cash on hand reflects $26 million of share buybacks during the quarter. Year-to-date, we have invested roughly $200 million on acquisitions and executed $180 million in share buybacks. Our strong operating performance has afforded us great financial flexibility, enabling us to return value to shareholders and investing in accelerating growth, as you will see on the next slide.

Now turning to Slide 6. We take a very balanced and disciplined approach to capital allocation. Our increased profitability and strong free cash flow has allowed us to return value to our shareholders. Over the past 4 years, as our earnings have grown, we have consistently increased our dividends, more than tripling from $0.16 a share per year to $0.52 per share for the full year expected in 2018, after the latest increase. And we plan to continue to grow in the future as the business grows. We have returned $435 million to shareholders as we bought back 16.5 million shares over the past 3 years.

Our strong and flexible balance sheet, robust free cash flow and borrowing capacity, positions us well to execute against our vision and fuel growth. We have the ability to invest strategically in capital with a view to increasing our capacity for growth, driving continued productivity savings and maintaining a highly cost competitive asset base. Not only are we able to invest in capital projects to create value, but we are also assessing acquisition opportunities to expand our reach and leadership in targeted segments of the market that align with our vision.

As well, total shareholder return is a critical component of our evaluation and profitability assessments. We apply disciplined financial rigor to our evaluation. In 2017, we invested approximately $200 million in acquisitions, including Lightlife. Last month, we were very pleased to announce

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that we closed another acquisition in the plant protein space with our purchase of The Field Roast Grain Meat Company, which Michael will expand on shortly.

Turning to Slide 7. This chart perfectly captures the results of our efforts over the past 5 years. This improvement in our financial performance has rewarded our shareholders, with our share appreciation significantly outperforming both the TSX Composite and S&P 500. As the stock moved from $12 to over $34 per share, approximately $3 billion in shareholder value was created. We are now focused on accelerating growth and profitability.

I will now turn the call back to Michael to provide some additional perspective and to wrap up our commentary.

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Thank you, Debbie. If I could turn your attention to Slide #8, please. This quarter, I'd like to provide some color on 2 relatively small but high-growth parts of our business, those being our emerging U.S. platform and plant-based protein.

Starting with our U.S. platform. We shared highlights of how we've been scaling this part of our business in a very systematic way during our investor conference in November. Our team has been focused on accelerating our growth. It has made great progress as we head into 2018 with momentum very much on our side.

While relatively small in relationship to our overall portfolio, we experienced double-digit sales growth in prepared meats in the U.S. in the fourth quarter. This level of growth is underpinned by the relationships we now have formed with all of the top 10 retailers in the United States.

By building our sales organization capabilities with an experienced and dedicated U.S. team and creating a compelling and differentiated offering anchored in our sustainable meat platform, we believe we've created competitive advantage in that market. We're leveraging our cost-competitive manufacturing network and we're focusing on our differentiated offerings, resulting in productive discussions with each of these major U.S. retailers.

Turning to Slide #9. We've really moved the needle, in our view, in pursuing the growth opportunities in plant-based protein today in the marketplace, which is a core part of our strategic growth platform. In a short period of time, we've established market-leading positions in plant protein in the United States, with 2 of the top 3 brands in the refrigerated segment and opportunities for profitable growth in both the U.S. market and in Canada.

Lightlife has exceeded our expectations by every measure, and they're contributing to both our sales and earnings growth. We sustained double-digit sales increases at Lightlife as it continues to benefit from rapid growth in the plant-based protein category.

The Field Roast acquisition, which we're very excited about, was closed in late January following the fourth quarter, and that reinforces our new role as a leader in this space in the U.S. Over the past 20 years, Field Roast has created tremendous brand loyalty in the premium segment of grain-based meat and vegan cheeses.

The brand's consumers are fiercely loyal and appreciate the culinary heritage and artisanal nature of the brand across the breadth of its product offering. So we're very excited about the opportunities that both these brands have to accelerate growth and build on their respective positions as leaders in plant protein and solidify that growth platform for Maple Leaf in North America.

Turning to Slide #10. I would say that of all the commercial activity underway in our business, the single initiative that I am most proud of and excited about right now is the brand strategy work that we've pursued in 2017 and it's near launch time, ready for the second quarter of this year. In the first quarter, we will finalize our efforts required to bring this very, very important work to conclusion in advance of the second quarter launch.

We've got a unique opportunity to drive category growth across our entire prepared meats portfolio. We've taken a very rigorous evidence-based approach to understanding consumer behavior and insights and identifying very specific demand spaces that will drive consumer purchase, and we've been working to target and align our flagship brands in a way that delivers a maximum benefit.

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For example, our flagship Maple Leaf brand is targeting roughly 30% of the total prepared meats demand, focused on a segment that our marketers call responsible parenting. These consumers are looking for natural food with nothing artificial. They're looking for clean and simple ingredients, real food, and they want family-friendly flavors. This is very consistent with the Maple Leaf brand's heritage, but we're aligning the entire portfolio with what that responsible parenting consumer needs and wants in today's marketplace.

The Schneiders brand, in some respects, is going back to its roots as well to move the demand forward. We're targeting 25% of the prepared meats demand, driven by consumers who are looking for authentic and indulgent food. They value craftsmanship and provenance and authenticity and of course, an irresistible taste. These are hallmarks of that brand that were established by J.M. Schneider in the 19th century, and it's just as relevant today as it was back then.

And finally, there's a portion of the prepared meats demand that is driven by what we call the quick-fix consumer. These are people motivated by both convenience and value. Swift is our new leading brand targeting this portion of the market, which makes up close to 1/3 of prepared meats purchasing demand. In addition to providing excellent value, the Swift brand will be known for affordability, ease of preparation and family-friendly flavors.

What we're very excited about is that for the first time in decades, we're going to have 3 very clearly differentiated flagship brands that are targeting unique consumer behavior, specifically addressing that consumer demand space needs and drive demand for most of the prepared meats category. I cannot overstate the complexity and the importance of this initiative.

In addition to the exhaustive consumer insights research that underpinned our strategy, it involves the repositioning of more than 400 SKUs in the second quarter of this year. Feedback from our customers on our brand and product renovation work has been outstanding, and we're very energized about changing the way we are connecting with and delivering for our consumers, driving category growth. We expect to be in the market with new packaging around April, and we'll spend more time discussing this initiative and the rollout plans after the first quarter.

So turning to Slide #10. To wrap things up, we're very pleased with our overall quarterly results, delivering year-over-year sales and Adjusted Operating Earnings growth and sustaining our Adjusted EBITDA margin expansion. Commercially, we had a very good quarter with our improvement in prepared meats, which offset the softness in primary pork processing that developed in the fourth quarter.

Contributions from both our developing U.S. platform and plant proteins continue to be an emerging part of our growth algorithm, which is a planned development consistent with our overall strategy. Our prepared meats brand strategy, which is set to go to market in the second quarter, has the potential, in our view, to be a significant contributor to commercial performance and category growth in the long term.

When you combine the supply chain and start-up implications of this initiative in the first half of 2018 with the effects on our primary pork processing from the new industry capacity that started up in the U.S., we do believe it is, however, possible to have more volatile earnings in the first half of 2018, but our long-term view would not consider this to be consequential.

There are opportunities across our business in pursuit of our vision and growth agenda that are positioning our business for continued success that will take us to the next stage of profitability over time. Our financial performance is allowing us to invest to fuel growth and to reward shareholders on the journey.

We are energized behind this vision of becoming the most sustainable protein company on earth. We believe with great conviction that pursuit of this vision will create enormous social and business value, and we look forward with anticipation to the years ahead.

So with that, Hugo, I'll open the call up for questions, please.

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Irene Nattel.

Irene Ora Nattel - *RBC Capital Markets, LLC, Research Division - MD of Global Equity Research*

Focusing for a moment on the capital allocation side of things. So the $200 million that you spent on acquisitions in 2017, as we look forward, should we be expecting an acceleration in that level as your cash flow accelerates? Or is it more likely that we're going to get more of an acceleration in underlying CapEx as you build out some of these new businesses, or both?

Deborah K. Simpson - *Maple Leaf Foods Inc. - CFO*

I think the answer is both, Irene, in a balanced way. I mean, we obviously operate within a range of boundaries that dictate how that all unfolds. And obviously, I can't comment on exactly when and how it's going to unfold over any specific time period. I would tell you that acquisitions occur when we meet the conditions of strategically on target, available to acquire and at a valuation that is acceptable to us and offers a return to our shareholders. And we can't pick the timing in any of that. I would equally say to you that we have very strategic capital investments that we intend to make specifically, as we've articulated many times over the last several years, in our poultry assets and several other areas where we believe we can get very attractive returns by investing in our assets and reducing our costs. So that will unfold over the course of the next several years as well. We match that with, I think, a balanced approach in capital allocation to systematically raising our dividends, which we just did by 18% again this quarter for the fourth year in a row as well as filling in the blanks with appropriate and systematic share buybacks. So there's lots of boundaries around the timing attached to all of that, Irene, and we pursue some components of it as opportunistic windows open up. And so I think that's how it's worked for us in the past several years. I think that's how it will continue to work for us. I do think that the acquisitions and the M&A that we've done are 100% aligned with the parameters that we set early on in this journey when we declared that we would be active in the acquisition arena, that being that they would be bite-size, they'd be more bolt-on, and they'd be highly strategic. We were not looking for any elephant hunting sort of transformational investments. And I think to date, all of our acquisitions have been aligned with that.

Irene Ora Nattel - *RBC Capital Markets, LLC, Research Division - MD of Global Equity Research*

That's very helpful. Michael, and just to continue on that discussion, certainly, you've outlined RWA in pork, and you've outlined plant-based proteins as 2 key areas. What about other animal species in the U.S.? Is that something that you would be likely to pursue or not?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

I think that's unlikely. I think we're very actively engaged, obviously, in the North American pork and poultry industries. I don't see us broadening way outside of those 2 primary species. Today, most of our focus, in the United States particularly, would be in highly value-added processed meats that would be complementary to the assets that we have, namely our position in sustainable meat and/or plant-based proteins. And those are the 2 platforms that are most attractive to us.

Irene Ora Nattel - *RBC Capital Markets, LLC, Research Division - MD of Global Equity Research*

That's very helpful. And just one final housekeeping-type question, if I might. U.S. tax reform, what impact do you think that's going to have on the tax rate going forward?

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Deborah K. Simpson - *Maple Leaf Foods Inc. - CFO*

Very negligible, Irene. The impact in Q4 that you wrote about and very accurately reflected with a onetime pickup. And the ongoing change in the tax rate, given the relative size of the business that we have in the U.S. right now, it will be negligible in our ongoing rate.

Operator

The next question is from Mark Petrie.

Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

Just wanted to follow up on the brand repositioning exercise. Obviously, you guys have a lot of experience with large and complex programs. But where in the process would you say there is the most execution risk?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

I think the execution risk is we have over 400 SKUs. It's a very significant exercise, over 400 SKUs that are basically repositioning in the marketplace. And important to recognize that each one of those, when you reposition that, it's an amalgamation of brand, packaging, product, formulation, and even in many cases, some pricing in the marketplace realignment. Most of that is commencing in early April, and we'll basically follow on the bulk of it through the second quarter. The risk factor is largely around in a normal way, I mean, to be perfectly blunt, we don't expect things to go perfectly. I mean, that would be naive for us to expect things to go perfectly. And some of the things that can go wrong typically fall in the category of start-up processes around the new SKU, whether it's getting the formulations exactly right and during what we would describe internally as a warranty period all the way through the logistical challenges of ensuring packaging, the new packaging arrives at a facility on time all the way through to a listing basis in the retail channels. So these aren't complicated. They're not rocket science. I mean, we've been doing this now for 40 years. This one is, I think, differentiated by the scale of it all. And we would kind of view that as what we do kind of in our day job around here. But that's not to say that it will go perfectly. It surely won't. And we'll feel most of that probably through the end of the first quarter and into the second. Having said that, what we're most focused on is what this will do for us in positioning, in the marketplace, following the launch. This is some of the most exciting brand renovation work that is both strategically and analytically derived that I've ever been associated with in my almost 40 years in packaged goods marketing. It's completely on target in terms of the various demand spaces that consumers have told us through a very broad and deep set of analytics. So right on target with where consumers are at today and what their specific needs are for the demand space and would encourage growth in each one of those individual demand spaces. But also, and I think I made a comment about this earlier, Mark, and I think it's super important is that for the first time, it really provides differentiation amongst our core brands because now we've got brands positioned in a nonoverlapping way against very clearly unique demand sets amongst consumers when they're shopping in the space. Might be the same consumer but just a different demand state, whether you're a responsible parent or you're behaving differently over a Friday night over the barbecue. So there are very different demand spaces that will pull these brands apart, if you will, to specifically address the needs of those individual demand spaces and specifically engineered products and positionings that are completely on target for what those demand spaces dictate. So I think the executional challenges that are borderline inevitable, frankly, are really sort of a secondary story to what's really going on here in the long-term benefit that this has for both not just our brands, but we think for the category at large.

Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

Okay. That's a really helpful outline. So just to be clear, the execution of the repositioning will effectively be completed by the end of Q2. And then after that, it's just sort of back to...

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Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

I would say -- okay, I'm going from a little bit of memory. There's some tag-ins that carry through to the third quarter, I believe, but I think it's like a 90% to 95% by the end of the second quarter. And something less than 5% would be scheduled for kind of the final tag-in in the third quarter. The overlay to that is oftentimes that our execution in the marketplace is not dictated by our timing, but by a customer's timing because they have very specific windows by which they will launch new modular sets in the marketplace. And we have to roll things out in collaboration with the windows that are dictated to us by our customers.

Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

Okay. And then my other question was just related to the price increase that I think you guys took at the end of Q3 on some of your feature prices, mostly in bacon, I think. Could you just walk us through how that played out with belly prices coming back off a little bit? How did that play out in terms of that price increase sticking and the impact on profitability?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

So the short answer is it played out well. I mean, first of all, the price increase was absolutely necessary because we had significant market increases. In fact, probably our biggest challenge in the year is that we were 3 or 4 months late in taking that price increases. But at the end of the day, it went well in this sense, or I'd say well as predicted. Obviously, when you advance the prices of that nature, the normal quarter, first quarter after, response is you have a little bit of softening in your brand portfolio, a little bit of strengthening in your private label portfolio, but that was obviously offset by the economics of the price increase itself, all of which contributed to a very significant improvement in our prepared meats profitability in the quarter. So as I said earlier, we had a very significant year-over-year improvement and quarter-over-quarter improvement in our prepared meats portfolio, offset by the softening of the pork markets. Net-net, I would say that we had, which is probably the best evidence, is that we did have volumetric growth in the quarter in aggregate. There are some puts and takes in that, but we did have aggregate growth in prepared meats in the quarter, which is something that sometimes occurs and sometimes it doesn't in the first quarter after pricing. So I think that was a good news outcome as well.

Operator

And the next question is from Michael Van Aelst.

Michael Van Aelst - *TD Securities Equity Research - Research Analyst*

I just want to follow up first on the last line of questioning. Can you give us a sense as to your presence in the value segment now that Swift will be targeting? I'd assume it's mostly on the private label side.

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Yes. That segment and the quick-fix segment, we participate in, but we didn't necessarily participate in a coordinated way. There's 2 things: we participated through private label. We participated through some of our regional offerings. So I would have characterized as a very undisciplined and uncoordinated way. Secondly, the Swift lineup of products has been engineered to maximize what the quick-fix consumer is looking for, which is a balance of value and convenience. So they're not looking to compromise good taste experience, but they really are genuinely in a rush in a particular time of day, usually on their own, and they're looking for sustenance quickly, so conveniently and quickly. And in most cases, value does place. So we've engineered formulas and offerings in a way that specifically addresses that demand space but does it also in a way that is consistent across the country. So we feel very positive about it. We've also reformulated the product so that it's margin-neutral, depending which choice they make in each demand space. So we think it's a very important part of that calculus.

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Michael Van Aelst - *TD Securities Equity Research - Research Analyst*

Okay. And as you bring Swift to the market, is it replacing some of the local brands that you have in that place now?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

No, no.

Michael Van Aelst - *TD Securities Equity Research - Research Analyst*

Of course, and you're comfortable with the listings that you've secured for Swift?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

You know what, the short answer is yes. There are some of our customer partners that would say that they would prefer to meet the needs of that demand space with private label. There are others that are saying, that would say, "Thank you. That actually fits perfectly with where we would like to go." And we find that a more effective solution for them using the Swift brand. So we're open to outcomes and certainly, there's lots of ways to meet the needs of that particular demand space. That's not the case with the Maple Leaf brand or the Schneider brand, but that would be the case for the Swift brand and we'd be agnostic to that.

Michael Van Aelst - *TD Securities Equity Research - Research Analyst*

Okay. And then on the variable comp, last year, you said it was just about $10 million in extra or incremental variable comp as you got through the VCP. Can you give us an idea what that number was this quarter, this year and this quarter?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Yes. I think somewhere in the quarter in the vicinity of $4 million.

Michael Van Aelst - *TD Securities Equity Research - Research Analyst*

Okay. Now how is that variable comp determined? Is it strictly a margin base? Is it revenue growth and margins? What's driving that?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

No, it's basically bottom line earnings before tax.-- It's connected to our earnings before tax, so it's profit based.

Michael Van Aelst - *TD Securities Equity Research - Research Analyst*

And it's based off of achieving certain growth targets?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Yes, performance targets in year.

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Michael Van Aelst - *TD Securities Equity Research - Research Analyst*

All right. And as far as last year in this quarter, you had a pretty good bump from market factors. I think it was something like 50 basis points on the margins. How did the market factors impact the quarter this year?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Relative to 5-year average, in and around neutral. So it's down from last year, but in and around neutral, the 5-year average. I think I would say as a little bit of color on that, that our year-over-year compression in margins in the pork markets was probably a little bit, not a lot, but a little bit greater than probably the compression in the marketplace by virtue of the fact that on the margin, these are kind of small nuance differences. But if you look at year-over-year, we had hedging programs last year that probably enhanced a little bit last year that we didn't have this year and vice versa. But you could look at that and say certainly less than 1 point, but somewhere between half a point and a point is probably margin compression from pork.

Michael Van Aelst - *TD Securities Equity Research - Research Analyst*

Okay. And then when you look out to the first half of '18, you talked about some concerns or some risks over the commodity complex. What would be the biggest concerns? Is it the primary processing spreads or is there something else?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

No. First of all, this has been predicted, Michael, and not the least of which predicted by you and many others, been predicted for several years is that there's been significant new capacity come on stream in the primary pork processing markets in the United States. That capacity largely came on stream in the latter part of 2017 and in the first half of 2018. There's always a trend. And when that occurs, there's always a transition period in hog production and really an ancillary margin compression in primary pork processing. When we were asked the question 1 and 2 years ago, as people expected this to take place in the marketplace, fully predicted, we were asked what do we feel the impact would be. We said there is some possibility, in fact, a likelihood, that there would be a very short-term transitional margin compression in primary pork processing. And we said that 1.5 years ago, a year ago, 6 months ago. And I think by questions from you and many others, and I think that's what we experienced in the final quarter of 2017, and we should expect it in early part of 2018 as well. The only other factor that, I think, will contribute to some volatility in the first half of this year will be the market story as well, well within the boundaries of natural variation or volatility in our portfolio. And we have several offsetting components of our portfolio, the benefit of which is seen in our stable operating performance. The only other component is that the start-up associated with our brand renovation and relaunch, which I described and discussed a moment earlier. But as I said, these are both very short-term factors. I think, certainly, we are, as a management team, focused on the extraordinary positive outcome and the exciting outcome long-term attached to them.

Operator

The next question is from Peter Sklar.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Michael, on the brand relaunch, I would have thought that the expenses we're going to see over this quarter and the next quarter would be quite considerable because I would think you'd have reformulation costs, packaging costs, marketing costs, promotional costs. Aren't these costs going to be considerable and noticeable in your results?

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Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Well, if everything went according to plan with perfect execution, which is a naive assumption because it won't, if everything went according to plan, Peter, the answer to that would be no. And it's a little bit of a counterintuitive no, but the reason is because we have an infrastructure that's focused on innovation each and every year. We are developing products constantly. We are launching those innovative new products constantly. We are advertising constantly. But most of our advertising has been on new product extensions, additions, what we would describe as an initiative around innovation, not core product renovation. So for the most part, we've diverted resources from innovation to renovating the core, right? So it's a diversion of resources that had been part of our infrastructure as a branded packaged goods company. That infrastructure had been devoted to innovation for years and years and years. And when this is all done, we'll refocus it on innovation. But for the last 18 months or more, it has been diverted into core product renovation. And most of the expenses that you described, that infrastructure has been in place and been working on this for the last 1.5 years. The volatility that I described would mostly occur in the unexpected challenges of logistics of start-up and launching new products of that magnitude inside the plant. So it's the things that go wrong that will be the source of that volatility, not the things that go right. And out of 400 SKUs, I don't know which one, but they're not all going to go perfectly.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Right. Like what about listing fees? Are you buying shelf space to accommodate...

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Not in many cases because we're renovating our core products, so a listing in the shelf, a slot already exists. There's some of that, but there's some of that in that we have listing fees as a normal course of our infrastructure and SG&A investment spend anyway, whether it's listing fees for a new product or a new/old product.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Right, okay. And then the last thing I wanted to ask you but on a different topic. I believe you said that you have a relationship, I think, you said the top 8 grocers or retailers in the U.S. that you're selling to. What are you selling? Are you talking about these new brands you've bought in the U.S.? Or are you selling some of your Canadian brands? It wasn't clear to me where you're growing with these U.S. retailers.

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

The brand platform that we're focused on in the United States is the Greenfield Natural Meat Company, and the reason that is true is because that is the platform in our branded portfolio that we have the most differentiation with in the U.S. It's a brand that reflects our strength and leadership in sustainable meat, and it's a brand that allows the retailers that we have relationships with to take advantage of our offering and our differentiation in that category. But we also are growing, in some cases, in private label. Obviously, we like a balance in both brand and private label, but we do have some private label relationships in that mix as well. But even in the private label, in many cases, we we are doing private label with some retail customers in the sustainable meat segment. So that is reasonably attractive margins as well. Finally, we're finding some growth opportunities in foodservice. There are a number of foodservice operators in the U.S. that again find our proposition to be differentiating and attractive to them.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

But Greenfield would have no brand equity at this point, so...

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Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

It doesn't, but the real paradox here is that, first of all, none of our brands have brand equity in the United States, so any one of them would be a start-up, if you will, from a brand perspective. But the most important trend in the food industry is the extraordinary, if not explosive, growth in start-up brands, and that's occurring across the entire food space. So in fact, the fact that we are there as a start-up brand, but yet a start-up brand from a company with scale, experience and a differentiated proposition, actually is a very attractive thing to retailers. So where 10 years ago and 5 years ago, the fact that you're launching a new brand in the marketplace would be viewed as sort of put a gun to your head, today, it's viewed as the hottest thing in retail. And we're pretty proud to be participating in that. I would tell you, the Canadian marketplace is a reflection of that. Last year, there were, and this is a shocking statistic, 2,600 new brands, according to AC Nielsen, launched in the Canadian retail space. And of that 2,600, the largest in first year revenue was Greenfield Natural Meat Company, of 2,600 new product launches. So the proposition has a lot of merit.

Operator

And the next question is from Derek Dley.

Alexander Diakun - *Canaccord Genuity Limited, Research Division - Associate*

This is Alex on behalf of Derek. So it was mentioned that prepared meats was a driver of volumetric growth in the quarter. Just want to see what the magnitude of this volume increase was.

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

So we don't publish our individual volume changes on a quarter-to-quarter basis, but it was very low single digits, I think. Honestly, Alex, that's the first quarter after the price increase, we view that as a victory.

Alexander Diakun - *Canaccord Genuity Limited, Research Division - Associate*

Okay. The only other question I had from that was do you expect kind of further volumetric growth as part of the brand repositioning? Or are you expecting sales growth to come from pricing?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

That's the core raison d'être for why we're doing it.

Alexander Diakun - *Canaccord Genuity Limited, Research Division - Associate*

Okay. Is there any element of this sales growth that you expect to come from pricing?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

In the brand relaunch?

Alexander Diakun - *Canaccord Genuity Limited, Research Division - Associate*

Yes.

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Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

No. And we're hopeful over time that if we've got a very attractive proposition, and we'll continue to launch products that support those demand spaces, that we can find ways to be margin accretive into our additional innovation. But in the first instance, we intend to be margin-neutral, but we hope to drive growth. That's the strategic intent here.

Operator

And the next question is from George Doumet.

George Doumet - *Scotiabank Global Banking and Markets, Research Division - Analyst*

I just want to talk a little bit about the RWA. I think one of the large U.S. poultry players came out and said that the RWA supply seems to be greater than the demand. Just wondering how those dynamics are playing out in Canada as it relates to poultry. And maybe as it relates to pork, are we seeing the same level of premiums to pay for RWA today as much as you were seeing maybe, call it, last year or so?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

So first of all, I'd highlight, George, that the United States is very different than Canada in the sustainable meat and specifically, RWA space. And pork is very different than poultry. Let me begin with the difference in Canada and the United States. The U.S. market permits from a regulatory perspective, a definition of RWA that is not exactly only raised without antibiotics. They're not raised with antibiotics important to human health. So there can actually be an antibiotic used and still call it RWA in the United States. The Canadian market to date does not have that. All of our production is never-ever, like it's never from origin or all the way through to production. It's a never-ever antibiotic program. And what difference that makes is it's a little easier to enter in that in the U.S. definition than it is the Canadian definition. The second point of differences between pork and poultry: there's no question that it's easier to raise poultry antibiotic-free, even in the never-ever program, than it is in pork. The challenges in pork production are significantly higher, and so the supply-demand calculus in pork is very different than poultry. I would say, well, your fundamental question is are we seeing the accretive margins in RWAs on a sustainable basis? To date, the answer to that is yes.

George Doumet - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Maybe just shifting over to the poultry enhancements. Just wondering if you can maybe give us a time line as to when you expect to disclose that to us. And when should we expect to see, from a timing standpoint, the positive impact from the margins?

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

The positive impact on the margins, on poultry? Is that poultry investments?

George Doumet - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Yes, correct. Just the poultry operations, the program, the plans that we have for that division.

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Yes. I think what I can conservatively say to you that we should have more clarity on that by the end of this year.

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George Doumet - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay. When will we expect to see that...

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

That would include time lines. I would also say, George, just to add a little color on your earlier question that it's important to note that as we see it today in our current portfolio, we have greater demand in the sustainable meat portfolio than we do supply.

Operator

(Operator Instructions) The next question is from Irene Nattel.

Irene Ora Nattel - *RBC Capital Markets, LLC, Research Division - MD of Global Equity Research*

Sorry. Question was just answered.

Operator

Thank you very much. So we have no further questions. I would now like to turn the meeting back over to Mr. McCain.

Michael H. McCain - *Maple Leaf Foods Inc. - CEO, President and Director*

Okay. Well, thank you very much all, for your questions, your excellent questions and keen interest. I reiterate, this was in the face of some market challenges, frankly, that we were able to demonstrate because of our balanced portfolio. And some of the very important initiatives that we have underway.

We were able to demonstrate both top line growth of 6% and in the quarter, 30 basis points of margin growth. So from our perspective, it was a very successful quarter. And most importantly, the seeds that we're planting now in terms of the vision for our business, the realignment of our entire product portfolio to support that vision through 2018 and the direction that we're heading is a very energizing and exciting point in time for our company.

So we think it was a good quarter, and we really appreciate your questions and your support through this. Look forward to chatting with you again in the next quarter, and telling you more about how the brand renovation story is unfolding. Thank you, and have a wonderful afternoon.

Operator

Thank you very much. And the conference has now ended. Please disconnect your lines at this time, and we thank you very much for your participation.

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