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# Call Participants

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*Chief Financial Officer*

**Dennis Pat Rick Organ**  
*President of Pork Complex*

**Omar Javed**  
*Vice President of Investor Relations*

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# Presentation

## Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to Maple Leaf's Second Quarter 2025 Financial Results Conference Call. As a reminder, this conference call is being webcast and recorded. [Operator Instructions]

I would now like to turn the conference call over to Omar Javed, Investor Relations at Maple Leaf Foods. Please go ahead, Mr. Javed.

## Omar Javed

*Vice President of Investor Relations*

Thank you, and good morning, everyone. Before we begin, I would like to remind you that some statements made on today's call may constitute forward-looking information, and our future results may differ materially from what we discuss. Please refer to our second quarter 2025 MD&A and financial statements and other information on our website for a broader description of operations and risk factors that could affect the company's performance. We've also uploaded our second quarter investor presentation to our website. As always, the Investor Relations team will be available after the call for any follow-up questions you may have.

With that, I'll turn the call over to our President and CEO, Curtis Frank.

## Curtis Eugene Frank

*President, CEO & Director*

Thank you, Omar, and good morning, everyone. It's great to be with you today to share our second quarter 2025 results. Joining me on today's call are David Smales, our Chief Financial Officer; and Dennis Organ, President of our Pork Complex and the incoming CEO of Canada Packers.

I'll begin our call today with a strategic and operational update, after which Dennis will provide insights into the performance of our core complex, and David will walk you through a more detailed review of our financial results, I'll then return to share some closing thoughts before we open the line to your questions. The key takeaway today is that we are sustaining strong momentum across the business, driven by the disciplined execution of our strategic blueprint and an unwavering focus on value creation.

In the second quarter, we again made meaningful progress to delivering on our annual objectives, showcasing the earnings potential of our business as we move beyond the heavy capital investment phase, execute our profitable growth strategies and benefit from a return to more normalized pork market conditions. It was another strong quarter of financial performance where sales increased by over 8%; adjusted EBITDA increased by 29% to \$182 million; our adjusted EBITDA margin rose to 13.3%, a year-over-year gain of 210 basis points; free cash flow grew to \$216 million; and we further deleveraged our balance sheet.

Given the strength of our year-to-date performance, our growing confidence in the resiliency of The Maple Leaf Blueprint, the underlying expectation of a stable operating environment through the remainder of the year, we are increasing our 2025 adjusted EBITDA outlook to be in the range of \$680 million to \$700 million. Now coming back to Q2, the strength of our results across the CPG and pork businesses clearly demonstrates the effectiveness of our strategy and the resilience of our portfolio as we continue to drive disciplined execution. You'll note from the pro forma quarter and LTM views provided today, showcasing each business on a standalone basis that we continue to deliver margin progression in both The Maple Leaf Foods CPG company and the future Canada Packers company.

Within our Pork operating unit, top line growth of 10.7% was driven by an increase in the volume of hogs processed and with markets operating at more normal levels, improved financial results followed, of which Dennis will provide more details. In our Prepared Foods and Poultry business, sales growth of 7.8% was driven by solid execution of our proven growth strategies, where we continue to be pleased with the resilience of our brands and the agility that our commercial teams have demonstrated as they navigate a stable yet challenging consumer environment.

We continue to leverage our portfolio of market-leading brands anchored by Canada's #1 prepared meats brand, Schneiders, the #2 prepared meats brand in the category, Maple Leaf, and the #1 fresh poultry brand, Maple Leaf Prime. At the same time, we are building the next generation of distinctive brands that resonate deeply with consumers and strengthen our competitive edge. Our proven ability to incubate, scale and sustain these brands alongside our core portfolio is a powerful driver of long-term growth and value creation. We are not only brand builders, we are brand creators. Take Greenfield Natural Meat Co. for example, cross-border

brand that has become the #1 Raised Without Antibiotics meat brand in Canada and the #3 antibiotic-free meat brand in the U.S. since its launch in 2015.

Greenfield's continued to grow at a double-digit pace this past quarter and has delivered a 5-year compound annual sales growth rate of 15%. Built on industry-leading commitments to sustainability and animal welfare, Greenfield products are raised without antibiotics, humanely raised, gestation crate free and produced by a carbon-neutral company. This suite of consumer-relevant attributes uniquely positions Greenfield to meet the growing demand for responsibly-sourced protein across Canada and the United States.

Similarly, our Mina halal brand demonstrates our strength in serving culturally relevant markets. Since its launch in 2012, Mina has grown into the #1 halal poultry brand in Canada. Rooted in authenticity and backed by the Halal Monitoring Authority certification, Mina delivered double-digit sales growth this past quarter and has achieved a 5-year compound annual sales growth rate of 23%, supported by rising consumer demand, accelerating brand awareness, and expansion across the fresh poultry, packaged meats and frozen foods categories. These results highlight the power of our purpose-led portfolio strategy, meeting evolving consumer needs, capturing both mainstream and niche opportunities in the pursuit of building loved brands.

Armed with a robust innovation pipeline and deep insight into emerging consumer trends, we are well positioned to launch the next generation of distinctive, market-shaping and protein-focused brands. This portfolio of brands will continue to set Maple Leaf Foods apart and drive enduring shareholder value for the many years to come. While our brand-building initiatives and the execution of our growth strategies continues to drive excellent top line performance that is outpacing the broader North American CPG industry, we also remain equally focused on expanding our adjusted EBITDA margins and strengthening our overall profitability. As we highlighted last quarter, we are making steady progress on our Fuel for Growth initiative. We have implemented a leaner, more agile organizational structure. We are realizing the benefits from our supply chain sourcing initiative. And in Q2, we reached a key milestone by completing the planned decommissioning of our aging Brantford facility, successfully transitioning production to other sites. This step also advances our broader strategic manufacturing review, which is expected to deliver meaningful cost savings through 2026 and beyond.

Consistent with our objective to reshape our portfolio as a purpose-driven, protein-focused, brand-led consumer packaged goods company, we made significant progress on the Canada Packers spinoff this past quarter. At our Annual and Special General Meeting in June, shareholders overwhelmingly approved all motions, including the spinoff of Canada Packers with support from over 99% of all shareholder votes cast. This strong endorsement marks a major milestone in our strategy to unlock long-term value. Following shareholder approval, the spinoff is on track to be completed in the second half of 2025, subject to receipts of the advance tax ruling and satisfaction of customary closing conditions. I should also note that we have made significant progress advancing our operational readiness to complete this historic transaction.

On July 28, Canada Packers began operating as a wholly-owned subsidiary, Maple Leaf Foods, allowing it to start operating in many ways as a separate entity. This planned and thoughtful approach further enhances our readiness to complete the transaction once we have received the advance tax ruling, which is expected later this year.

Before concluding, I want to highlight that we recently released our 2024 Integrated Report, which outlines our progress towards realizing our vision to become the most sustainable protein company on Earth. Among the many successes that we featured in the report, I am particularly proud to highlight that we have celebrated our fifth year as a carbon-neutral company, an accomplishment that continues to set us apart. We've reduced our scope 1 and 2 emissions by over 5% in absolute terms and cut scope 3 emissions intensity by nearly 16% versus our 2018 baseline. We've achieved a 98.9% reduction in antibiotic use in our hog operations since 2014. We are delivering on our safety promise in food safety, people safety and animal care, and we continue to work through The Maple Leaf Centre for Food Security to see to it that food insecurity in Canada is reduced by 50% by 2030. By leading in sustainability, we are building a stronger, more resilient company, one that we believe will continue to earn the trust of consumers, of customers, and of shareholders for decades to come.

With that, I will pass things over to Dennis to discuss the Pork Complex and then to Dave to review our financial results. Dennis?

**Dennis Pat Rick Organ**  
*President of Pork Complex*

Thank you, Curtis, and good morning, everyone. The Pork Complex, now known as Canada Packers, delivered a strong quarter of operational and financial performance. We remain focused on disciplined execution and are beginning to see the full benefit of the operational improvements we have made over the past 18 months. This translated into a 6% year-over-year increase in hog processing

volumes in Q2, driven primarily by gains in our internal hog raising operations. Through targeted improvements in areas such as animal health, nutrition and overall farm management, we were able to produce more market-ready hogs within our own system.

In addition to improving our supply reliability and cost structure, these gains have delivered a positive environmental impact by raising more hogs using fewer resources per animal. We expect this level of growth to normalize in the coming quarters as we begin to cycle the incremental hogs generated from these internal improvements. In Q1, we noted that stability had returned to the relationship between input costs and meat values. That trend continued in second quarter, contributing to quarter-over-quarter consistency and year-over-year improvement. These dynamics supported another period of strong performance and have increased our trailing 12-month pro forma adjusted EBITDA to \$170 million. We continue to benefit from a supportive backdrop, including tightening North American supply, low freezer stocks, and pork's compelling value proposition compared to other animal proteins like beef.

Canada Packers holds a strong presence in the world's most attractive importing countries. These are premium high-margin markets where our solution-based products such as customized cuts, branded programs, specification-driven offerings, and labor-friendly formats give us a competitive advantage and build long-term customer relationships. And back at home in Canada, we are also seeing growing demand for premium produced pork that solves real-world challenges for our customers. Our solutions are labor-friendly, traceable, and aligned with the highest standards of quality and sustainability. This approach resonates strongly with the values of the Canadian market. Our domestic offerings are well aligned with the evolving consumer expectations, and we are capturing increased value in retail channels. Our ability to meet both global and domestic demand for premium pork, combined with the capital-light path to scale, positions Canada Packers uniquely in the market. Looking ahead, we will focus on our vision to be the global standard in sustainable pork, selling a better mix of products to a better mix of countries while driving consistent and profitable growth.

Before I turn it over to Dave, I want to take a moment to thank all our employees across Canada Packers and Maple Leaf Foods as well as the countless number of external resources that have supported this transaction. Performance we are delivering and the opportunity ahead is a direct result of their hard work, discipline and belief in our purpose. The fact that we are already operating as a wholly owned subsidiary with established systems, structures and processes significantly increases our readiness to complete the spin transaction and positions us to hit the ground running on day 1 as a standalone company. A century ago, Canada Packers set the standard for pork in Canada. In the century to come, we remain committed to that legacy, proudly raised, responsibly made.

With that, I will turn it over to Dave to walk through the financials in more detail.

**David Smales**  
*Chief Financial Officer*

Thank you, Dennis, and good morning, everyone. Turning to our results, I'll comment on the company's consolidated results for the quarter before addressing the balance sheet and discussing the overall outlook for 2025. Total sales in the second quarter were \$1.36 billion, an increase of 8.5% compared to last year, driven by solid growth across Prepared Foods, Poultry and Pork, where sales were up 7.5%, 8.5% and 10.7%, respectively. Prepared Foods, which includes meat and plant protein, saw the impact of inflationary pricing along with improved product mix and higher volumes in the quarter. In Poultry, sales were up due to improved channel mix with growth in both retail and foodservice volume as well as pricing impacts. And Pork sales increased due to volume growth from a 6% increase in the number of hogs processed in the quarter as well as higher average hog weights.

Earnings for the quarter were \$57.8 million, or \$0.47 per basic share, compared to a loss of \$26.2 million, or \$0.21 per share last year. After removing the impact of the noncash fair value changes in biological assets and derivative contracts, start-up and restructuring costs and items included in other expense that are not representative of ongoing operations, adjusted earnings represented \$0.56 per share for the quarter compared to \$0.18 per share in the second quarter of 2024. Adjusted EBITDA increased by 29% to \$182 million in the quarter, with adjusted EBITDA margin improving by 210 basis points to 13.3% compared to 11.2% in the second quarter of last year.

Within Prepared Foods and Poultry, increased profitability was primarily driven by favorable mix impacts and improved operating efficiencies, including the year-over-year benefits from our London poultry and Bacon Centre of Excellence facilities. Increased trade promotions to support our brands were a partial offset in the quarter.

Our Pork operating unit saw another quarter of what we consider to be near to more normal pork markets, reflecting a significant improvement in the vertically integrated spread due to lower feed costs and a stronger cutout compared to the second quarter of 2024. SG&A decreased by \$3.6 million in the second quarter compared to last year, mostly due to a higher level of consulting fees that were incurred in the second quarter of last year, partially offset by higher variable compensation costs this year. During the quarter, we invested \$24.7 million in capital compared to \$15.7 million in the second quarter of last year. While we expect capital expenditures to

increase in the second half of 2025 compared to the first half, we are adjusting our full year outlook to be in the range of \$160 million to \$180 million, down from our previous outlook of \$175 million to \$200 million due to the timing of projects.

Our capital expenditure plan for the year remains primarily focused on maintenance capital, along with capital related to cost efficiency and support for profitable growth initiatives. As we progress through 2025, our capital allocation priorities remain focused on strengthening the balance sheet through free cash flow generation, maintaining leverage in an investment-grade range and creating flexibility to execute on investor-friendly capital choices. In the second quarter, free cash flow was \$216 million due to strong profitability and the timing of capital spend and working capital. Last 12 months' free cash flow remained strong at \$487 million, although due to the timing of capital spend and working capital investments, it is expected to moderate to some extent over the balance of 2025.

On the balance sheet, net debt ended the quarter down by \$379 million versus a year ago to approximately \$1.34 billion and down from a peak level of \$1.8 billion during our large capital project investment phase. In line with our stated priorities, our leverage ratio is well within an investment-grade range with a net debt to trailing 12-month adjusted EBITDA ratio of 2.1x at the end of the quarter compared to 2.6x at the end of the first quarter of 2025 and 3.4x a year ago. Based on the strength of our first half results, supported by relatively normal pork market conditions and a stable consumer environment, we are increasing our full year 2025 adjusted EBITDA outlook to be in the range of \$680 million to \$700 million, up from \$634 million or greater previously. We continue to expect mid-single-digit sales growth for the year.

I will now turn the call back to Curtis.

**Curtis Eugene Frank**  
*President, CEO & Director*

Okay, Thank you, David. I'll close our remarks today by restating today's key message. We exited the second quarter with strong momentum, we have growing confidence in our execution and the positive trajectory of our business, and we are firmly on track to deliver against our increased 2025 outlook. This includes mid-single-digit revenue growth and adjusted EBITDA, as David said, that is now in the range of \$680 million to \$700 million, and investment-grade leverage to enable investor-friendly capital allocation choices. We also remain on track to complete the successful execution of the spinoff of our Pork Complex in the second half of 2025, unleashing Canada Packers as a global leader in sustainably-produced, premium-quality, value-added pork focused on capturing the significant growth potential of its business.

In parallel, Maple Leaf Foods stands today as a purpose-driven, protein-focused and brand-led consumer packaged goods company with a clear vision to be the most sustainable protein company on earth. We are well positioned to meet the growing global demand for sustainably produced protein and unlock the full potential of our business, and we have the right strategy, the blueprint, and the people to make it happen. Now before we move to questions, I want to thank the entire Maple Leaf Foods team. It's a privilege to work alongside such passionate and capable individuals, and the progress we're making is a direct reflection of your dedication and your energy.

With that, operator, please open the line for questions.

# Question and Answer

## Operator

[Operator Instructions] Our first question comes from the line of Irene Nattel.

### Irene Ora Nattel

*RBC Capital Markets, Research Division*

Great quarter. So I guess my question is, can you walk us through what is going better than you had anticipated or maybe feared might not go so well year-to-date and your confidence in the sustainability as we look out through the balance of the year?

### Curtis Eugene Frank

*President, CEO & Director*

Hi. Irene. Thank you. A couple of comments I think that might be helpful. Number one, we're now in a position where we've had 3 consecutive quarters of very strong results, and that's certainly driving confidence for us as we raised our outlook over the balance of the year, as you heard. There's really 3 things from my perspective that are contributing to, number one, the quality of the results; and number two, our confidence as we look out to the future into the sustainability of the results. Those 3 are the quality of the execution of our growth strategies, the fact that our cost reduction playbook is right on track, and of course, the fact that pork market conditions have normalized here as we expected that they would.

And maybe a little bit of commentary on those 3. In the first one, the quality of the execution of our growth strategies is something I'm really pleased with and proud of. Our brands are proving to be very resilient in the market in what's still a challenging consumer demand environment. Our U.S. platform is growing. We had another quarter of double-digit growth in the Prepared Foods part of our business in the quarter, led by our Greenfield brand, which we highlighted in our materials today. Our leadership in sustainable meats continues to be a very meaningful point of difference for us. And the innovation engine is really accelerating. We had 20 items launched in the first part of this year, 20-plus actually, that are contributing to the results. The second area with respect to cost reduction, playbook remains on track. You're seeing, obviously, the benefits of the large capital projects coming to fruition in a way that we expected. They're materializing in a way that we had expected. The work that we've completed so far in the procurement area and in the SG&A components of our business are supportive. We've recently retired our Brantford plant as we committed that we would. And there's still more work to do on our Fuel for Growth playbook that will contribute over the course of this year and into next year and beyond, actually. And when you take that, combined with the fact that our operations and supply chain is performing extremely well in the context of the current environment, very happy with how cost reduction is shaping up. And then finally, pork market conditions, as David and Dennis commented, are all but normal here and in a more normalized range within the quarter. So we expect all of that to continue into the second half, and we've updated our outlook in a very positive way in response.

### Irene Ora Nattel

*RBC Capital Markets, Research Division*

That's really helpful. And then just on return of capital. As we move through the back half of the year, would you start to execute on the NCIB ahead of the spin? Is this more likely something that occurs post spin? Any color you can give us there would be great.

### Curtis Eugene Frank

*President, CEO & Director*

Yes. Thanks, Irene. David, maybe you take that one.

### David Smales

*Chief Financial Officer*

Yes. So obviously, as we generate free cash flow, we're very mindful of our ability to deploy capital. We're focused on the fact we have the NCIB in place in the short term and intend to be active on that as we move forward. That could be -- we have the flexibility to utilize the NCIB before the spin as well as post spin, obviously. And so we'll look at that when we come out of the blackout period here, and we do intend to be active over the second half of the year. We don't know exactly the timing of the spin yet, obviously, but we can be active before and after. So that's how we intend to look at it. We do believe our share price today still doesn't reflect the full fundamental value of the business. We've seen a run-up this year, but that's more, in our view, on the back of strong performance, not necessarily on the back of multiple expansion. So if you look at the valuation of the business today relative to our peers, we believe

we're outperforming in terms of operations and growth. We still think there's a good opportunity to buy back stock at an undervalued level today.

**Operator**

Our next question is from Michael Van Aelst.

**Michael Van Aelst**  
*TD Cowen, Research Division*

Yes, and I wanted to follow up on Irene's questions because obviously, a very strong quarter and very strong first half. And usually, mid-single digit for people means 4% to 6%, and you're running at 8.4% revenue growth in the first half. So I know you're lapping some tougher comps as you get to the back half, but can you give us some broader assumptions that you're building into that second half outlook on the top line? And how much of that is conservatism around the client -- the customer? How much of that is lapping tougher comps? And did you see your volumes pull back after your price increase at the beginning of June?

**Curtis Eugene Frank**  
*President, CEO & Director*

Thanks, Mike. Yes, as you noted, in our outlook, we've maintained our view of mid-single-digit revenue growth over the course of the year. I'll answer your last question first, maybe, which is the volumes haven't pulled back in a material way, but it's early days in our pricing, and we're paying particular attention to the volume performance in the third quarter, just given the macro consumer environment and the fact that we've recently implemented in and around 3% pricing throughout the last quarter.

There's a couple of things that I think are important in outlining that our revenue outlook hasn't changed. The first is, to your point, we do expect to be lapping more challenging quarters or better quarters from a year ago. So that certainly plays a role. But also, we do expect that the growth that we're experiencing in hog processing compared to a year ago will moderate to a certain extent in the second half as well, and that will be a factor. We had over 10% revenue growth in the Pork Complex last quarter, and that's likely to moderate in the second part of the year. So those 2 factors are predominantly the reasons that we've kept our guidance in line with what you would have seen historically.

**Michael Van Aelst**  
*TD Cowen, Research Division*

Okay. That's helpful. And just to follow up on that. When I look at your geographic revenue growth, it seems like Japan and other international markets are seeing some pretty strong growth right now other than China. And then U.S. is relatively flat, even though you had double-digit growth in Prepared Foods. So maybe this is a question for Dennis. I'm assuming this is where most of that business is. But is it right to assume that your fresh pork business is maybe not -- maybe declining in the U.S. and growing in Japan and other. And what's behind that move, if that's the case?

**Curtis Eugene Frank**  
*President, CEO & Director*

Yes. So Dennis can give you some color, Mike, if that's okay.

**Dennis Pat Rick Organ**  
*President of Pork Complex*

Mike, yes, remember, optimization is critical for us. And with the impact of tariffs, there is some repositioning of pork throughout the world. So the U.S. is typically a sort of -- it's not our primary location, right? They're a net exporter of pork. So if we're down there, it means we've found a better place to position it. And your comment on Japan is well received because, obviously, that's a focus for us. Domestic Canada is critical where we're using solution-based selling and getting into labor-friendly items to grow in Canada. But Japan is the one place that we act as close to a CPG company as we act anywhere. We have multi-tier branded strategy. We have go-to-market strategy on brand reviews. And early days, but we've talked a lot about Japan here, but early days, and we're doing sort of a strategy revisit and have had some early successes on volume wins there. And then the other thing to remember when it comes to revenue in pork, the markets and the increase in markets relative to prior quarter or prior year will always impact revenue as well.

**Curtis Eugene Frank**  
*President, CEO & Director*



The only thing that I would add, Mike, that's a good summary, obviously, on the pork side. In Prepared Foods, we did see double-digit sales growth in the U.S. market. So our momentum continues there. And the beachhead was the sustainable meats portfolio, led by our Greenfield brand in particular.

**Operator**

Our next question is from Luke Hannan.

**Luke Hannan**

*Canaccord Genuity Corp., Research Division*

I wanted to follow up on the CapEx guidance. You mentioned that some of those projects were delayed into 2026. This year is going to be more focused on maintenance CapEx. But can you just give us a rough sense? I mean, what is CapEx for next year going to look like? And how much, roughly speaking, is going to be split between maintenance and growth CapEx?

**Curtis Eugene Frank**

*President, CEO & Director*

David, go ahead.

**David Smales**

*Chief Financial Officer*

Yes. So we're not giving guidance for 2026 at this point. Obviously, as we move through the second half of the year and we put our plans together in more detail, we'll be able to give some more color around that. I think from a -- I would say from a maintenance capital perspective, we're pretty comfortable with the run rate that we have for 2025. And it will just be a question of other projects that we choose to add to the overall growth capital envelope for 2026. So we don't have a number for '26 at this point. But obviously, as we move through the year and we start to get more detail on our plans for 2026, we'll be able to communicate more around that.

**Luke Hannan**

*Canaccord Genuity Corp., Research Division*

And I wanted to follow up on poultry and specifically sustainable poultry sales. It was mentioned in the earnings deck that there was strength with the RWA with Maple Leaf Prime, but that it remained below potential. So I just want to follow up on that. Is that just a function of the consumer being a little bit weaker? Or is there anything else to call out there?

**Curtis Eugene Frank**

*President, CEO & Director*

No, Luke, thanks for clarifying that question. No, it's just simply a function of the consumer environment, the consumer being a little bit weaker. The fact that we had growth in sustainable meats was something we were quite pleased with in the quarter, and that was the very reason we pointed it out. But it's very modest growth and doesn't reflect the full potential of the RWA and sustainable meats portfolio within poultry. I should also point out, it was a very strong quarter in poultry. We had branded sales growth, market share expansion. The Maple Leaf Prime brand grew significantly. The Mina brand, which we highlighted in our materials, contributed to growth. We had growth in both the retail and the foodservice channels. And London poultry is obviously contributing in a way that we're pleased with and proud of. So overall, it was a very positive and constructive quarter in the poultry business.

**Luke Hannan**

*Canaccord Genuity Corp., Research Division*

Okay. Last one for me and then I'll pass the line. I wanted to follow up on the decommissioning of the Brantford facility. I know you mentioned that the broader strategic manufacturing review, it sounds like most of the cost savings there will be '26 and beyond. But do you expect to get specifically at the Brantford facility? Will there be meaningful cost savings associated with that in the back half of 2025 as well?

**Curtis Eugene Frank**

*President, CEO & Director*

I wouldn't view it as material in terms of -- there's obviously cost savings associated with the closure of a facility. But I don't think you should be thinking about it as material in the context of the back half of 2025, Luke. And where I would point you is to our outlook for the back half and just simply state that the positive impacts of that decommissioning are included in our outlook for the back part of the year. It's just an example of the types of things that can add up to give us benefit in the P&L over the course of time.

## Operator

Our next question is from Vishal Shreedhar.

### Vishal Shreedhar

*National Bank Financial, Inc., Research Division*

With regard to the \$680 million to \$700 million guide that you gave us for the year, it suggests very strong progress on a year-over-year basis, on a margin rate basis on year-over-year. Notwithstanding, if you look sequentially, it doesn't suggest H2 improvement, notwithstanding the momentum that you indicated that you're seeing and the confidence in your initiatives. So just wondering, as I look into H2, what are some of the bigger puts and takes. And as I reflect upon your supply chain, your sourcing, and your optimization initiatives, how that should all figure into H2?

### Curtis Eugene Frank

*President, CEO & Director*

Yes. Vishal, the way we're thinking about Q2 right now -- or sorry, H2, second half of the year and our confidence in the second half is really simply an extension of the first half of the year, as I noted earlier. We are seeing the benefits of years of hard work and the investments that we've made in the network, in particular, coming to fruition and paying off over the first half of the year, and we expect that to continue into the second half. So first and foremost, it's not an accident that we are where we are today. It's been long planned, and those benefits are surfacing in a way that we knew they would at some stage. And probably most importantly, we continue to believe that there's more potential to unlock from where we are today.

The big contributors, as I noted earlier, are the continued execution of our proven growth strategies. And again, I would consider that an extension of the first half of the year where we've seen very high-quality execution, the benefits of the cost playbook that are already materializing and will continue into the second half of the year, and we're forecasting pork market conditions to the best of our ability, which is more of the same of what we're seeing today, stability, improvement, and that's very good news in our business. And we're also operating in the context of an environment where the consumer demand environment continues to be what I would describe as very stable, which is a good thing, but also continues to be challenged given the magnitude of inflation that consumers experienced and some of the geopolitical overtones that exist more broadly in the market.

And we've also tried to be cognizant of there is still a lot of trade and geopolitical uncertainty to play out here over the course of the year. We've advanced inflationary-based pricing that certainly will enter the market in a material way in the second half of the year. And we've got to migrate and manage through those things. So the underlying, I think, comment that we'd like you to take away or highlight is that very confident in our second half outlook. We expect a continuation of the first half, which was excellent in terms of the progress that we've made over the last 3 quarters and look forward to obviously continuing to update you along the way.

### Vishal Shreedhar

*National Bank Financial, Inc., Research Division*

Okay. And with respect to the sales trends, obviously, trending above the guide, and you commented on that, But wondering if we dig deeper in that number, and to the best of your abilities, there's seemingly a lot of things going on. There's trade down from beef into other proteins. There is the Buy Canadian movement. There's strong general trends in retail in general associated in part with perhaps less vacationing into the U.S. Wondering if any of that you're noticing that lift in your trends on a transient basis? Or do you think the underlying momentum is strong and those attributes that I discussed are less significant?

### Curtis Eugene Frank

*President, CEO & Director*

Yes. Well, really important points, and very hard to tease apart, as you know, and we've commented on in prior calls. We're certainly, to some extent, getting some benefit from the Buy Canadian movement and what's happening and the pride that Canadians have in Canadian-based products. So we're certainly getting, we think, some benefit from that regard, but it's really hard in the data to tease that apart, Vishal. At the same time, we know for certain that a demand for protein in particular continues to be very, very strong, and we're a protein company, obviously. And our growth strategies have been very, very resilient, very diverse, and are performing on or ahead of our expectations. So I think it's the combination of momentum, really great work from our commercial teams in terms of leveraging the moment that's on us in terms of the pride that Canadians have in Canadian food, and obviously, high-quality execution.

## Operator

Our next question is from Martin Landry.

**Martin Landry**

*Stifel Nicolaus Canada Inc., Research Division*

Congrats on a strong quarter. My first question, I want to touch on your Fuel for Growth initiative that you've announced at the beginning of the year. That includes a strategic manufacturing review. And I was wondering if you can give us an update on where you are in that review process. Should we expect more consolidation of your capacity in the near future?

**Curtis Eugene Frank**

*President, CEO & Director*

Sorry, could you repeat the last part of your question? I just missed the last part.

**Martin Landry**

*Stifel Nicolaus Canada Inc., Research Division*

Just wondering if we should expect more consolidation of your capacity in the near future.

**Curtis Eugene Frank**

*President, CEO & Director*

Well, it's premature to comment on consolidation at this stage. I think it would be -- the short answer would be, premature. The development of our strategic manufacturing review program is well underway. In fact, we're now in a place where from a data and analytics perspective, I would say, that portion of our work is complete, and we're now transitioning what we've learned into a more succinct playbook. So we're in playbook development mode as opposed to information gathering mode. As we start to, to David's point earlier, start to formulate our 2026 outlook, which we'll pull together over the course of the year, both through the development of our 2026 plan and the presentation to our Board and all of the discipline that comes with that and attached to that, we'll be in a better position to outlook you on -- to give you an outlook on the benefits of the Fuel for Growth platform beyond what we're delivering today. But as a reminder, many of those benefits are already showing up in our results or supporting our results today. And certainly, there's more upside from today into the future, but we'll quantify that at a bit of a later date. But progressing well would be the headline. And very confident -- what I can say with a very high level of confidence is that we will have availability of capacity available in our network without any consideration for diminishing our potential for growth. So we'll have significant capacity available to support growth in the future, which is exactly what we want, given the growing demand for protein.

**Martin Landry**

*Stifel Nicolaus Canada Inc., Research Division*

And I was wondering if you can just comment on M&A. Where is M&A in your priorities at this point? Is this lower down? Are you actively looking? Just a bit of color on where that stands in your order of priorities.

**Curtis Eugene Frank**

*President, CEO & Director*

Yes. David can comment on the capital allocation priorities and the hierarchy of where M&A sits. There's nothing -- I think the most important point is, there's nothing imminent in the pipeline today. But we're obviously active in studying the market. And given the balance sheet health, at some stage, it will be appropriate for us to be active from an M&A point of view. But in the short term, we're solely focused on delivering our commitments in the year, our outlook on the year, and we don't want to disrupt the quality of our execution at a time when the primary objectives are: number one, continuing to improve the financial results in the business, making great progress; and number two, the very important work that comes alongside spinning out Canada Packers, and we're nearing that milestone, but not across the finish line yet, and it's important we don't get distracted. And then number three, advancing our vision, of course, to be the most sustainable protein company on Earth. So David, maybe you'd add some color, but those are our priorities in the near term. And Dave, you can add some extra commentary.

**David Smales**

*Chief Financial Officer*

Yes. Building on what Curtis said around timing with M&A being further out with the other areas being more near-term focus, that means the priority for us between now and then is 2 things: one, preserving that investment-grade balance sheet level of leverage, which will then give us the capacity to execute on the growth opportunities at the right time. But I think we're comfortable that we'll be able to -- with the cash flow we're generating, we'll be able to do that and look at other opportunities for deployment of capital, whether that's for internal growth initiatives or return of capital initiatives. Obviously, dividend has been a strong focus for us with 10 years of strong growth there, an NCIB in place, I think we're building a platform for lots of flexibility and optionality around capital

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ahead of any M&A opportunities. But it will all be in the context of maintaining that strong balance sheet so that we can execute on the right opportunities at the right time.

**Operator**

Our next question is from Chantel Pearce.

**Chantel Pearce**

*CIBC Capital Markets, Research Division*

I'm on for Mark Petrie. I know you have provided some commentary on the expected debt issuance at Canada Packers. But given the strong results in commodity environment, can you update us on the latest thinking, including the implied leverage of the core MFI business post spinoff?

**Curtis Eugene Frank**

*President, CEO & Director*

Yes, Dave, go ahead.

**David Smales**

*Chief Financial Officer*

Yes. So I think there was -- if you go back to the management information circular, there were pro forma numbers in there. There was a pro forma balance sheet as if the transaction had taken place. So if you look at that, balance sheet for Canada Packers in the circular, we were using a number of \$450 million of initial debt at Canada Packers, which was an assumption at that point in time. We disclosed that under the terms of the financing arrangements for Canada Packers, the ultimate number will be the lesser of 3x financeable EBITDA or \$450 million. And that's what we modeled in the management information circular, and that's how you should continue to think about the position on closing.

**Operator**

Our next question is from Bea Fabrero.

**Bea Andrea Fabrero**

*Scotiabank Global Banking and Markets, Research Division*

In your investor deck, you reference higher trade investments. This seems like an evolution. when we think about your trade spend. Do you expect this elevated spending to continue going forward?

**Curtis Eugene Frank**

*President, CEO & Director*

Yes, we do for a period of -- for some period of time. I don't think you're seeing a consumer environment yet that's quite returned to what we would define as somewhat more normal or somewhat more consistent. The consumer still has a lot of stress related to multiple years of significant inflation, a wallet that's stretched pretty assertively, and obviously, some of the more kind of geopolitical stress that exists in the environment. So I think it would be reasonable to assume that, that will continue into certainly the back half of this year. We've factored to the best of our knowledge and ability that consumer sentiment into our outlook. And again, I think the headline would be more of the same, not better, not worse, more of the same. And that means practically that we're investing a little bit more trade than we would like to be or have historically, but I think is appropriate from the moment we're in. What's important in that is to get the outcomes that we expect. And we have a high-quality revenue management team that's very active. And what we experienced in the second quarter as an example was 2% growth in volume in the Prepared Foods business. Very happy with that. Again, in the context of broader North American CPG that was very strong, revenue growth that we were obviously pleased with and market share expansion in our prepared meats business and in our poultry business. So I think we're managing the environment quite well, but certainly expect it to continue into the second half.

**Bea Andrea Fabrero**

*Scotiabank Global Banking and Markets, Research Division*

And then just a follow-up On your SG&A, it looks relatively flat year-over-year, and that's fairly impressive given the top line. Can you talk about the sustainability of that? Or does that give you the ability to make other investments to grow the business?

**Curtis Eugene Frank**

*President, CEO & Director*

Yes. David can comment on that. Thank you. Important point, actually. So appreciate you bringing that up.

**David Smales**

*Chief Financial Officer*

Yes. So obviously, we factored in what we expect for SG&A into our overall guidance for the year. We don't give specific SG&A guidance, but it's factored into the overall EBITDA expectation for the year. And as you noted, in the context of strong top line growth, the number has been pretty flat. So we've seen on a percentage basis, for example, Q2 this year was closer to 8% versus 9% in the same quarter a year ago. And so we would expect on a percentage basis, continued improvement just given the initiatives we've talked to already in terms of fuel for growth. But that's all factored into the guidance for the full year EBITDA number.

**Operator**

Thank you. There are no more questions at this time. I would like to hand the conference back to Mr. Frank.

**Curtis Eugene Frank**

*President, CEO & Director*

Okay. Thank you, everyone, and I appreciate your questions and discussion this morning. I would like to leave with the message that we're exiting the first half with very positive momentum. We've had 3 consecutive quarters inside of Maple Leaf Foods with very strong and excellent performance. We've had a very strong first half of the year with 8.5% revenue growth, a 35% improvement in our adjusted EBITDA and very strong margin performance of 13.4%. So we're raising our outlook in response for the second half of the year, given the positive momentum, and very much look forward to providing further updates when we have an opportunity to discuss Q3. So thank you for your support and engagement today, and look forward to reconnecting after our next quarter.

**Operator**

This concludes today's conference call. Thank you for participating. You may now disconnect.

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