



# THIRD QUARTER REVIEW 2015

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## Third quarter highlights

Steady progress in Q3, although slower than expected

Adjusted operating earnings up \$50M from last year

EBITDA margin up to 7.1% vs. 0.5% last year; 6.0% in Q2

EPS increased to \$0.16 vs. (\$0.12) last year

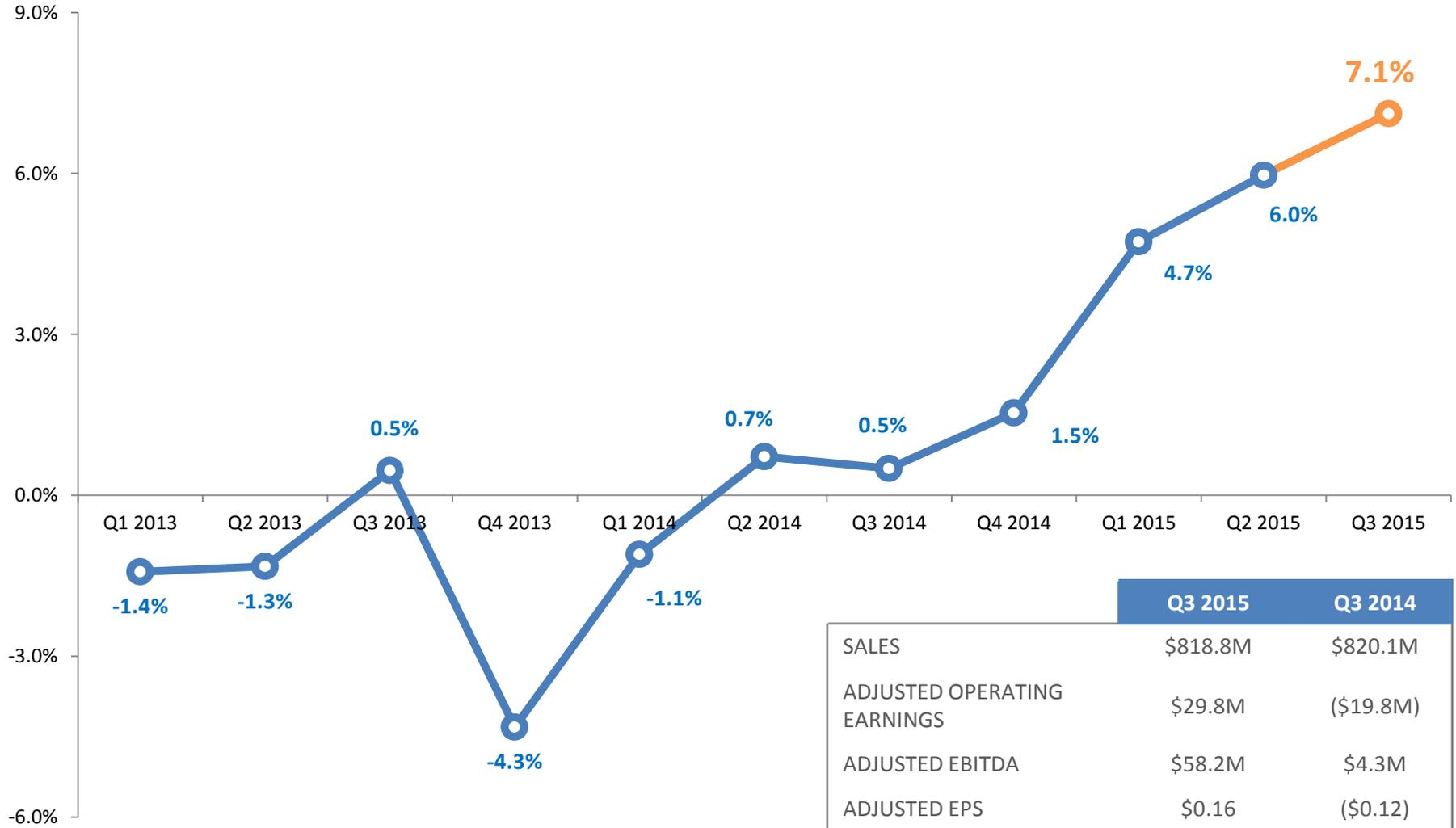
Highly volatile markets, net neutral financial impact

Operating variances of over 320 bps in current margin



# Steady trend of EBITDA margin expansion

## Quarterly Consolidated Adjusted EBITDA Margin





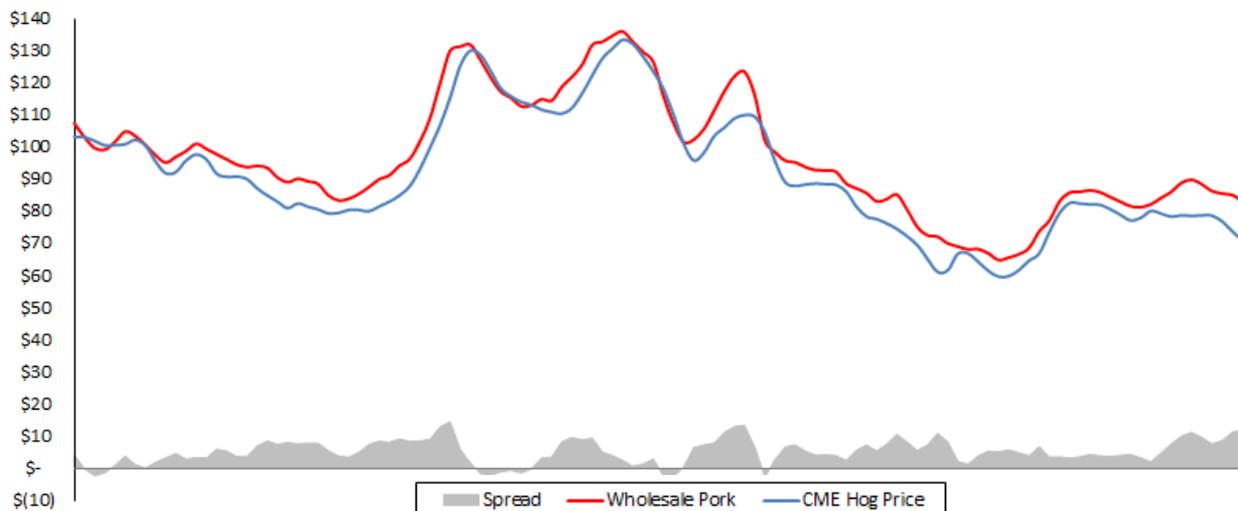
# Market volatility – net neutral Q2 vs. Q3 impact



*Higher fresh margins*

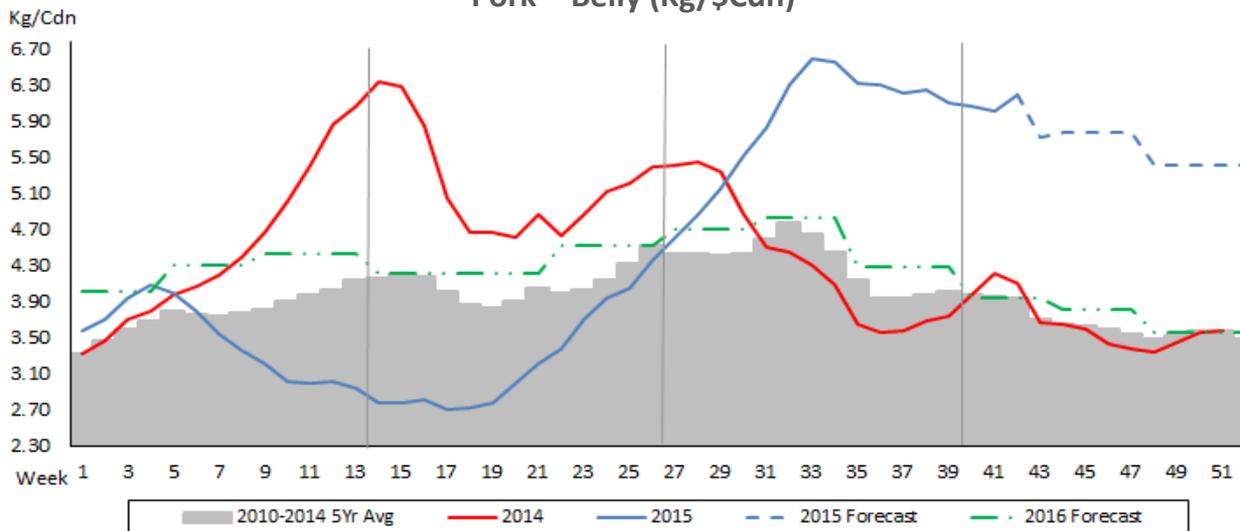
## USDA Pork Processor Margins

Live Hog versus Wholesale Pork Price



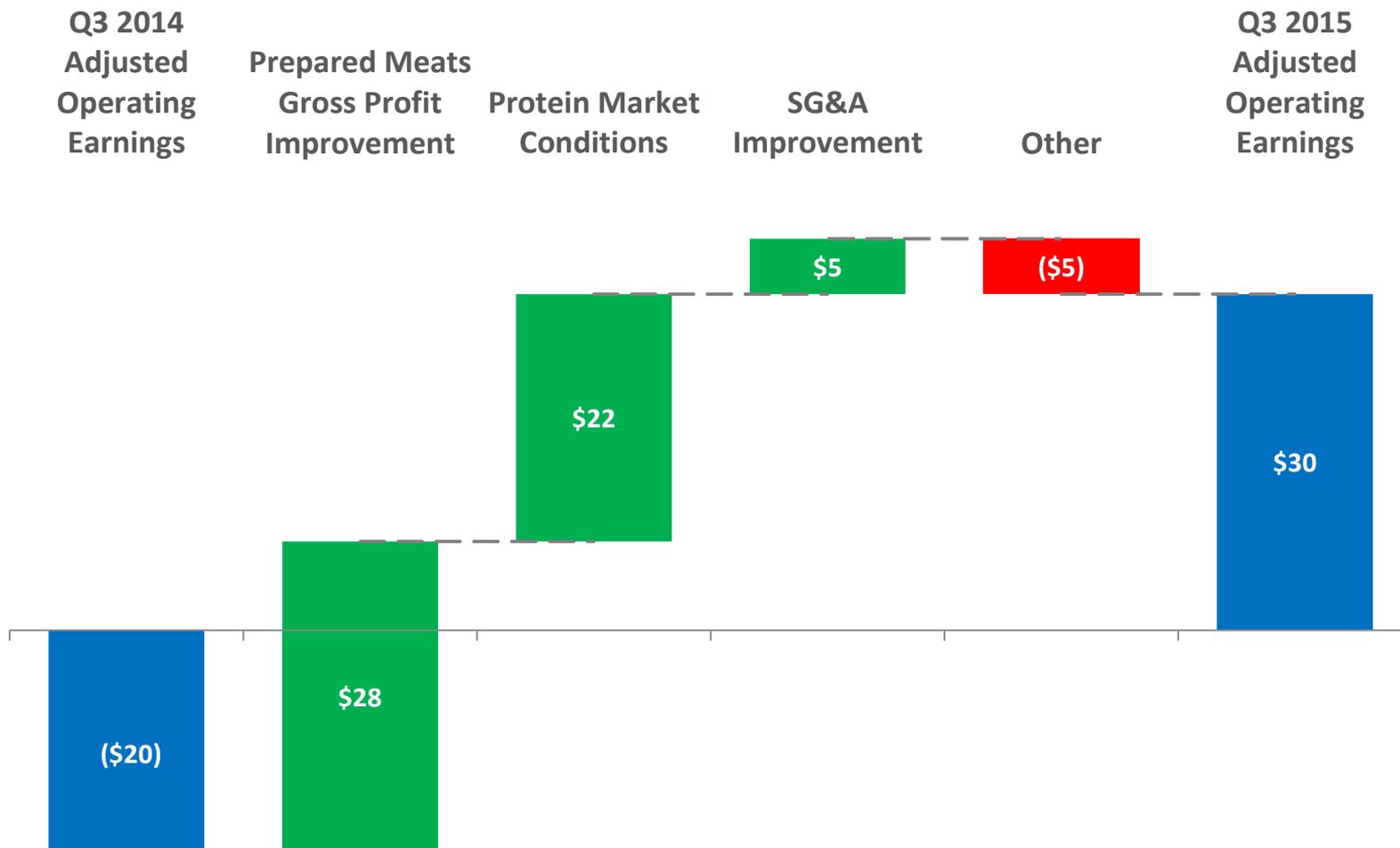
*Higher raw material costs in prepared meats*

## Pork – Belly (Kg/\$Cdn)





# Adjusted operating earnings up \$50 million vs. last year



Figures in millions.



# Ramp-up inefficiencies of over 320 bps

## Contributing Factors in Ramp-up

Excess labour

Reduced line production rates

Lower yields than anticipated

Excess supervisory staff

Excess equipment maintenance

Higher utility costs than expected

Additional SG&A support

Indirect consequences: out-of-code;  
service deficiency; volume limitations



**Very High Confidence In Resolving These Inefficiencies;  
Unpredictable Pace & Timelines**



## Creating a low cost operating structure

Ongoing opportunity to remove non-strategic costs

Enabled by single focus on protein, transformation ending

Process reviews for factory overhead cost reduction

Building a cost culture to enable growth

Expecting lower SG&A levels than previously anticipated



# Building a powerful growth platform in sustainable meat

## *A Different Kind of Meat Company*

No hormones  
or antibiotics

All vegetarian  
feed; raised  
on Canadian  
farms

Leadership in  
animal care

Simpler, more  
natural  
products

## *Enabled by a Robust Sustainability Strategy*

Advancing nutrition  
and health



Valuing our people  
and communities



Treating  
animals well



Eliminating  
waste





## Balance sheet highlights

Cash on hand of \$307M at quarter end

Invested \$96M to buyback 4.3M shares of MFI stock in Q3;  
\$138M to buyback 6.1M shares YTD

Capital expenditures of \$39M in the quarter

Cash flow from operations increased to \$42M from \$31M  
last year

Restructuring and other related costs of \$3M in the quarter  
and \$22M YTD



## Summary

Building on consecutive trend of quarter-over-quarter EBITDA margin growth

Steady progress and path to achieve strategic financial goals

Pace extended into 2016; confidence unchanged

Further action on operational cost reduction

Moving ahead on high potential growth platforms



## Non-IFRS measures

**Adjusted Operating Earnings:** Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes from continuing operations adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred.

**Adjusted Earnings per Share:** Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate ongoing financial operating results. It is defined as basic earnings per share from continuing operations attributable to common shareholders, and is adjusted for all items that are not considered representative of on-going operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred.

**Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization:** Adjusted EBITDA is calculated as earnings from continuing operations before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Adjusted EBITDA for 2010 and thereafter is calculated based on results reported in accordance with IFRS. Adjusted EBITDA for periods before 2010 is calculated based on results previously reported under Canadian GAAP.

Unless otherwise stated, all figures in this presentation have been restated for the presentation of the Bakery Products Group as discontinued operations. Please refer to Note 21 of the Company's 2015 third quarter unaudited condensed consolidated interim financial statements for more information.