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CORPORATE PARTICIPANTS

Michael McCain *Maple Leaf Foods Inc. - President & CEO*

Debbie Simpson *Maple Leaf Foods Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Irene Nattel *RBC Capital Markets - Analyst*

George Doumet *Scotiabank - Analyst*

Derek Dley *Canaccord Genuity - Analyst*

Michael Van Aelst *TD Securities - Analyst*

Mark Petrie *CIBC World Markets - Analyst*

Ken Zaslow *BMO Capital Markets - Analyst*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the Maple Leaf Foods third-quarter 2015 results conference call, hosted by Mr. Michael McCain.

Please be advised that this call is being recorded. Please note that there will be a question-and-answer following the formal remarks, and the question-and-answer instructions will be read after the presentation.

I would now like to turn the meeting over to Mr. Michael McCain. Please go ahead.

Michael McCain *- Maple Leaf Foods Inc. - President & CEO*

Thank you, and good afternoon, everyone, and thank you for joining us this afternoon. On today's webcast we will review Maple Leaf Foods' financial and operating results for the third quarter of 2015.

The news release and today's webcast presentation are available at mapleleaffoods.com under the Investor section. Some of the statements made on this call may constitute forward-looking information, and future results may differ materially from what we discuss. Please refer to our 2014 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.

As is usually the case, I will provide an operations overview and then ask Debbie Simpson, our Chief Financial Officer, to provide other financial information. We'll then open up the call for your questions.

So, if I could turn your attention to page 2 of the presentation. We continue to make meaningful progress this quarter, which we're very proud of, although the pace was slower than we expected.

Our adjusted operating earnings of CAD30 million was a CAD50 million turnaround from a year ago. The steady trend in our EBITDA margin expansion continued in the quarter. Our EBITDA margin for the quarter was 7.1%, up from 0.5% a year ago and 6.0% last quarter.

Our adjusted EPS increased to CAD0.16 compared to a loss of CAD0.12 per share a year ago. And although there was considerable market volatility in the quarter, the financial impact of this on our business was net neutral.

Finally, we estimate that the inefficiencies that are driven by the ramp-up of our new facilities to be worth over 320 basis points of margin in the quarter, and that gap between our current performance and our near-term margin target of 10% is entirely composed of the final stages of ramp-up and the optimization in our new plant network to close that 320 basis points of inefficiencies.

Turning to slide number 3, you can see the steady and continued progress in our financial performance, which was reflected in an EPS of CAD0.16 per share compared to the loss of CAD0.12 a year ago, and the steady EBITDA margin growth over the last number of quarters.

I'd like to give you a little bit of an historic perspective on that 7%. We set the margin target of 10% in adjusted EBITDA margin, fully 5 years ago in 2010. And at that time we anticipated achieving this margin some time in 2015.

This margin target represents a significant structural improvement to our historic margin. In fact, if you go back in the history books, between 2005 and 2012, over an 8-year period in which the currency was rising, our average adjusted EBITDA margin for the same portfolio that we have today was 3.5%. That's 3.5% over 8 years. And there was a standard deviation of 130 basis points, so it was quite steady.

As you can see from this chart, we've steadily recovered our margins, now in the 7% range. Plus, we know we have over 3% in plant network inefficiencies which are highly identifiable, measurable, and managed on a daily basis. That gives us tremendous confidence that our investments and our long, hard work has will continue to pay off well. That said, at this point closing the gap of that 300-basis-point operational gap appears to extend into 2016.

As slide number 4 illustrates, there was significant market volatility in the third quarter, which shows up in different segments of our business. In fact, the market outcomes highlight the proper balance we believe we have in our portfolio today. It won't always be perfect, but it achieved a good result this quarter.

Our earnings in the fresh pork business were robust, driven by a strong cutout, or the composite net price for fresh pork, which rose sharply. You can see this in the top graph.

The pork spread was above the 5-year average levels by roughly 5 per hog. Additionally, we had strong poultry markets in the quarter. However, offsetting this was the unexpected dramatic rise in pork bellies, a raw material for bacon, at a much more substantial pace than we would have reasonably anticipated. This compressed our margins in finished bacon in the short term, which shows up in our prepared meats margin. In aggregate, all of these factors roughly offset each other, and the net market impact in the quarter was neutral.

Slide 5 is an alternative view of our results that bridges the year-over-year results for the quarter and not the progression from Q2 to Q3. In total, we realized an improvement of CAD50 million in our adjusted operating earnings from one year ago. Last year we recorded a loss of CAD20 million in Q3, and this year we generated a CAD30 million profit.

The first bar represents the improvement in our gross profit in the prepared meats business. As I described a moment ago, it is important to point out that this margin improvement in fact would have been considerably higher had the bacon markets not compressed from the rising pork belly markets.

However, the positive offset to this shows up in the second bar, which reflects three factors in our year-over-year market influence. Number one, last year the pork markets were well below the 5-year average, which depressed year-ago performance somewhat. Number two, the strong pork markets in Q3 in fresh, versus the 5-year average, but which was offset in compressed bacon margins. And number three, the strong poultry markets.

Again, these market influences produced a net neutral market influence in the quarter, which we believe reflects the strength of our balanced portfolio.

Our volume in the quarter was not material in its impact on our financial results, as it was up in our core branded business, but that was offset by a decline in our non-branded and food service operations as we chose to exit some lower-margin business.

The next bar shows a CAD5 million improvement from lower SG&A compared to the prior year. This represents the benefit of our continuing efforts to reduce our non-strategic costs. And finally, the other bar on the far right represents a collection of non-material items in our portfolio.

Turning to slide number 6, I want to emphasize that the gap to our strategic margin target of double digit is more than 100% comprised of supply chain inefficiencies due to the ramp-up conditions in our plant network, which now are primarily in our large-scale and complex heritage facility in Hamilton, Ontario.

We estimate in the quarter that this alone was worth an aggregate of 320 basis points in our results. Many of you have asked over the last several months what the makeup of these ramp-up inefficiencies are. So, we are providing a little more color on their composition. Frankly, this list appears long, but it is quite normal in startup and ramp-up conditions, and we are at the final stages of eliminating these excess costs. However, because of the complexity and the unpredictable nature of problem resolution in these conditions, we're unable to provide specific short-term guidance as to when they get resolved.

These startup conditions include having more line crews than expected due to training and startup requirements; lower throughputs on our individual lines due to mechanical equipment performance and training of our people; lower yields than expected in the short term as we optimize formulas on new processes; materially higher levels of factory supervision staff during the training and startup phases; more resources from the OEMs and internal maintenance staff as new equipment requires more attention in the early stages of operation; higher utility costs than expected short-term as processes get dialed in; additional SG&A support in the very extensive problem-solving processes; and finally, the indirect consequences of unstable manufacturing rates including excess margin loss due to out-of-code production, some customer service deficiencies, and some minor sales volume limitations.

Again, I would highlight that this list is very normal in startup curves. Our management team has significant experience in plant startups. While we always want them to go smoothly and quickly, it's rarely the case.

But these issues that are on this list, always get resolved. We're making continuous progress on every front and we have very high confidence in the outcome. We're doing the right things. It just takes some time and some persistence.

Turning to slide 7, the last quarter we said that we saw some room for non-strategic cost reduction in our SG&A, and I would like to elaborate on this a little more. We've made significant organizational changes to our business following last year's sale of Canada Bread and our adoption of a single focus on protein. These efforts are starting to show improved SG&A numbers, as you saw previously, and with our supply chain transformation coming to an end we see even further opportunities to capture additional savings.

We're also acutely mindful that the entire food industry today in North America is focused on operating cost reduction, particularly in SG&A, in ways that haven't been explored in the past. We've actively sought to utilize the best practice from these approaches without compromising the long-term health of our business, and we feel they will generate savings beyond what we've previously expected.

Finding value for money by eliminating non-strategic costs in our SG&A structure and scrutinizing every individual expenditure that we make, will be a cultural norm for us and the catalyst for growth in the future.

Turning to slide number 8, I'd like to address what we see as our most powerful growth platform in more sustainable meat production. As consumers look not only to what they eat but how it is produced -- a sort of revolution in responsible consumption -- we're taking leadership positions that will result in a different kind of meat company, well into the future.

We'll have more products from animals never given antibiotics or hormones. More of our animals will be fed a complete vegetarian diet and continue to be raised in Canadian farms. We will take a leadership position in animal care. And we'll offer even more natural products, made with fewer, simpler ingredients.

All of this is enabled by a robust sustainability strategy based on four priority areas -- advancing nutrition and health; valuing our people and communities; treating animals well; and eliminating waste with an aggressive goal of cutting our environmental footprint in half by 2025.

Earlier this month we released our latest sustainability report and a new website, which provides considerable detail on our sustainability achievements and targets. It is more than a responsibility. This is the foundation of our growth platform.

With that, I'd like to turn the call over to Debbie Simpson, our Chief Financial Officer, who will provide some additional financial color and information.

Debbie Simpson - *Maple Leaf Foods Inc. - CFO*

Thank you, Michael. Slide 9 provides information on our cash flow and balance sheet. Cash on hand at the end of the quarter was CAD307 million after investing CAD96 million in the purchase of 4.3 million shares under a normal-course issuer bid. Under this program, we've acquired a total of 6.1 million shares for a cumulative investment of CAD138 million this year.

Our share buyback has been continuing this month, and as of the close of business on Tuesday this week we've acquired a total of 6.9 million shares for a total investment of CAD156.3 million. As a result, we had approximately 137 million common shares issued and outstanding at the end of September 2015 compared to 143 million at the 2014 year-end.

Our capital expenditures were CAD39 million in the quarter compared to CAD42 million last year. Year-to-date, capital expenditures were CAD109 million, compared to CAD184 million in the protein group a year ago. We expect capital spending for the year will be roughly in line with our estimate of approximately CAD120 million.

This is the time of year where we see our capital spend tail off. However, we are executing on some profit-enhancing initiatives, and depending on the cash flow timing of these, we may be slightly over our estimate.

Cash flow from operations increased to CAD42 million from CAD31 million last year.

Finally, for this quarter we saw a decrease in our restructuring costs to CAD3 million from CAD14 million last year, substantially all of which was in cash.

Our year-to-date restructuring costs were CAD22 million, of which CAD14 million was cash. We continue to expect restructuring costs for the year to be in line with our estimate of CAD25 million to CAD30 million.

I will now turn the call back over to Michael.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Thank you, Debbie. In conclusion, we continue to build a consecutive trend of quarter-over-quarter EBITDA margin growth, which we're very, very happy with. We've been making steady progress, and we know what needs to be done to achieve our strategic targets.

Our confidence in achieving the target is unchanged. Reaching that goal is expected to extend into 2016 as we continue to take actions to eliminate startup costs, largely in our new Hamilton plant. We're actively working to remove non-strategic spending from our SG&A.

And finally, we are launching a number of exciting new growth initiatives, including a strong platform for more sustainable meat production to deliver ongoing profit growth.

With that, I'd like to open the call to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Irene Nattel.

Irene Nattel - *RBC Capital Markets - Analyst*

A couple of questions. First of all, Michael, I'm just -- I'm trying to marry what's in slide number 7 with the commentary in the recent -- again, in the MD&A, around double-digit margin targets.

And I'm wondering whether your -- the statements around lower SG&A than previously anticipated, et cetera, et cetera -- whether in fact we should be looking to something higher than 10% margin at some point in 2016, 2017.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Well, Irene, that's a very good question. I've been saying now for the last 2 years that we believe that, once we achieve this target -- and I'll underline our focus is on achieving the target first -- but once we achieve this target, we believe that double-digit or 10% EBITDA margins, is a floor, not a ceiling.

We believe that we can demonstrate steady progress over the next 5 years. And being a low-cost operator in our SG&A, and taking steps in that direction, we'll be a contributor to that.

So, I'd like to think the answer to that is true -- absolutely true. That's what I believe. And we have strategic plans over the next number of years that we think will contribute to that. But certainly right now, in the here and the now, our focus is on achieving the double digits first.

Irene Nattel - *RBC Capital Markets - Analyst*

Understood. And on that subject, if we go back to slide number 6 -- I'm recognizing that these are all very, very normal -- well, it's what happens when you start up new facilities, particularly ones of this magnitude.

Presumably there are, in terms of resolving the issues and bridging that 320-basis-point gap, there's some sequencing. There's -- this leads to that; that leads to this. So, just kind of wondering what the key pieces of this puzzle are, or what the pieces that you're the most focused on resolving, might be.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Well, there's a long list here which, again, you rightly point out is a normal list of factors contributing to ramp-ups. Let me be very clear, Irene, that we've said for at least 18 months that we felt that we would hit our run rate in 2015 -- in the back half of 2015; but we wouldn't know what that was -- what that looked like until we got there, because it was highly unpredictable. And it could easily extend into 2016, which it is.

In terms of this list, we're at that stage where it's a long list of small things, not one list of big things. And tuning and optimizing many things on this list. There's a constant process of prioritization. And there are priorities in there.

Very broadly, it's mostly about labor and yield. Labor cost per unit, which is a combination of crewing and throughputs and yields. But at the end of the day, this is a game of very steady progress against all of these factors.

And to be quite honest with you, we're very happy. We're making progress. We understand the issues. The issues that are on this list are what we would describe as normal debugging, not structural. Maybe 2 years ago, we maybe didn't know that. Today, we look at this list and say, these are normal debugging issues. That doesn't make them predictable. But it makes them a little more comfortable -- a lot more comfortable.

And I think we know enough today, now that it's almost the end of October, to say that we probably won't hit that run rate in the -- or, we won't hit that run rate in the fourth quarter. But it's extending, as we said it easily might, into 2016.

I know there are some that would prefer more precision. I wish I could offer that. But given the complexity of a startup and ramp-up in a plant as large and complex as this, I just think that's normal, and not unexpected, should we say.

Irene Nattel - *RBC Capital Markets - Analyst*

Okay. Just one final question, and sort of just continuing this discussion, Michael. So, we saw sequential improvement of about 120 basis points from Q2 to Q3.

And again, not asking you to forecast; not asking to sort of give precise numbers. But should we be expecting that we will continue to see improvement in that kind of order of magnitude as we move forward? This is not a case where we're going to get 20 basis points and then 150 basis points or 200 basis points. But we should continue to see steady progress. Is that a reasonable statement?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Well, that's certainly what we're expecting. But I can tell you, in startup curves, I've seen progressions of every ilk. And there's very little predictability.

I mean, I've seen things that show tremendous hockey sticks. I've seen extended periods of flatlining and then a hockey stick. I've seen things take one step backwards before it takes 10 forward. It's just the nature of these.

Yes, we believe we'll make steady progress. That's what we believe. But I would tell you that in this phase of tuning up these types of normal and customary startup debugging issues, it can be somewhat unpredictable.

Irene Nattel - *RBC Capital Markets - Analyst*

That's great. Thank you, Michael.

Operator

George Doumet.

George Doumet - *Scotiabank - Analyst*

Some sizeable declines on SG&A. Can you give us a sense of what we can expect as, I guess, a normalized run rate in the near term, and what we can do in terms of improvements for the longer term after some right-sizing.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Well, we are focusing on our SG&A optimizing. You did see some in the quarter. I don't know that I've got any specific direction for you in terms of what your expectations should be, above and beyond our overall EBITDA margin expectations.

But I'll give you some flavor of what we're doing. We have exhaustive reviews, line by line, cost center by cost center, expenditure by expenditure, at a granular level, of every cost in our SG&A and factory overheads.

We think, as I alluded to earlier, that that's been enabled by the fact that we now have a single focus in our protein business, and it's timely because our transformation has ended. So, the organization is capable of handling that and leaning out in that way.

We are being very strategic in our view of this. So, we're going after non-strategic costs that don't add value to products, or both, for the Company going forward, and focused on minimizing those to the lowest possible costs, and doing extensive benchmarking. So, we have very rigorous processes in place.

At this stage, it's premature to give you any guidance in terms of what that might deliver. Certainly it helps contribute to the EBITDA margin goals and objectives that we've articulated previously.

George Doumet - *Scotiabank - Analyst*

Appreciate that, Michael. Can you just -- can you talk to, also, any potential price increases, magnitude, timing, I guess, to offset the meaningful rise we've seen in pork belly prices?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

We have raised prices some in the fourth quarter. We expect additional price increases in the marketplace, mostly actually to offset the currency factor, which combined with the commodities rise, to occur in the first quarter of 2015 -- or 2016, I'm sorry.

George Doumet - *Scotiabank - Analyst*

All right. One last one, if I may. There was a mention of some high potential growth platforms in your prepared remarks. Can you give us some flavor on what is meant there? Geography; size; anything?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Yes, , we're very excited about what we're doing in this whole genre of evolution for a protein company like ours, which we describe as sustainable meat, where we are leaders in that genre of products in North America.

We have made significant investments in animal welfare. We've made significant investments and are currently one of the largest suppliers in North America, of products produced from meat raised without antibiotics. We are one of the largest suppliers of natural meat products.

So, that whole genre of more sustainable meat and meat production, we think, is going to be a catalyst for growth for the next 5-plus years.

George Doumet - *Scotiabank - Analyst*

Appreciate it. Thank you very much.

Operator

Derek Dley.

Derek Dley - *Canaccord Genuity - Analyst*

Can you just talk about your EBITDA margin target for 2016 as a whole? Is it still in the 10% -- is 10% still the target?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

The answer's yes. 10%'s the target.

What does that mean for the year as a whole? To a large degree, I mean, factually, Derek, depends on when we hit that run rate. Is it January 1 or December 31? Certainly would depend on what the annualized number between January 1 and December 31.

As I said to Irene a moment ago, for the last 18 months, Derek, we've said this easily could push into 2016, and it has. We've made tremendous progress, and we're very happy about that progress. We're certainly doing the right things, and we'll hit it as quickly as we possibly can.

It's not a structural issue. There's nothing that's standing in the way of us solving these problems. They're somewhat normal, yet still unpredictable, debugging. The answer to your question depends on when that run rate occurs. And I don't know that it's any more predictable today than it was the last time we spoke a few months ago.

Derek Dley - *Canaccord Genuity - Analyst*

Okay. And then just a question on the prepared meat volumes. So, they were -- from when I said they were down a little bit in the quarter, but I think you just said that it was mostly you guys exiting non-profitable businesses. So, has all the volume that was lost when you guys implemented, alongside with your peers, the 8% price increase, back in 2014 -- has that volume all returned?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

We're very happy -- in aggregate, the volume that hasn't returned -- we didn't want it to return because we resigned it, for profitability reasons. Where we're focused is growth in our branded retail business and branded food service business. And frankly, we've had very positive growth trends there, and we're very happy with the volume story.

Derek Dley - *Canaccord Genuity - Analyst*

Okay. And then, Debbie, maybe just one for you. Just in terms of the working capital, [there was always] supposed to be sort of a working capital comeback of around CAD50 million in the back end of the year. Are you still expecting that in Q4?

Debbie Simpson - *Maple Leaf Foods Inc. - CFO*

I think so. That's our seasonal pattern. I don't know that the number's absolutely CAD50 million, but we'll certainly see a good return back in working capital.

Derek Dley - *Canaccord Genuity - Analyst*

Okay. Great. Thank you very much.

Operator

Michael Van Aelst.

Michael Van Aelst - *TD Securities - Analyst*

A few followup questions on those topics. First of all, on the new business, can you talk a little bit about your success to date in getting new business in the United States you're your raised-without-antibiotics?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Well, I can tell you we've got very good distribution. But transitioning that distribution into velocity takes some time. So, the progression curves are probably slower than we anticipated.

But we've had tremendous reception of the concepts, and the product propositions, and the brands, and the positioning. And so, we continue to be very optimistic about that as a growth platform, Michael.

As a new entrant into the US marketplace, there's always struggles, just transitioning distribution into immediate volume.

Michael Van Aelst - *TD Securities - Analyst*

If some of those customers were to start to adopt these programs or the product lines in a broader scale, are you in a position where you could actually supply them at this point?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Yes, depending on the category. We have more availability in some segments than in others. But, for the most part, yes.

Michael Van Aelst - *TD Securities - Analyst*

Okay. And then --

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

We also are very mindful of, in the early stages, the opportunities in food service appear to be quite significant as well. As you can see, the trends in antibiotic-free meat in food service is accelerating.

Michael Van Aelst - *TD Securities - Analyst*

So, I mean, it does seem like mostly QSRs and restaurants are trying to get into these, or promising to offer more of these products. Why do you think it takes so long to -- for them to adopt and start developing those products?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Supply.

Michael Van Aelst - *TD Securities - Analyst*

Right. You have -- you're saying that you have some of that supply, but it seems to be slow to ramp.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Yes, we have a large supply, but we don't have enough supply to supply all of the QSR needs in America, for example. So, if one of the large QSR outlets came to us and said, could you supply all of our pork needs,we have got a lot, but we don't have that much.

Michael Van Aelst - *TD Securities - Analyst*

Okay. All right. And then, when you look at the bottlenecks, or the -- I guess, the barriers to getting to your 10% as far as timing is concerned, I'd assume that the peak production period during the summer is a period when it's very difficult to make a lot of progress. So, what gives you the confidence that you can get the -- get through these -- a lot of these bottlenecks and these issues before you hit that peak production period again?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Well, peak production period's 9 months away. Is that what you're referring to, Michael?

Michael Van Aelst - *TD Securities - Analyst*

Yes, exactly.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

What gives us confidence that we can resolve this in 9 months? Well, we've done it before.

Michael Van Aelst - *TD Securities - Analyst*

Okay. All right. And then just finally, on the agribusiness side, the hog profitability seems to be running a little bit ahead of where the market would suggest. I think that's based -- in part based on your hedges.

Can you talk a little bit about your outlook for the agribusiness over the next year, for 2016, and whether that -- how important that is, and -- for that segment to be -- to have some profit or break even on its own. Or, does that get offset through the vertical integration?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

There is some offset in our portfolio. I think we've done a pretty good job of eliminating the volatility in that segment of our business. Our hedging strategy there is to materially reduce that volatility. And I think over the last couple of years we've taken the peaks off, and the valleys through our hedging strategies, and they've worked very, very well.

I can't commit that they'll work exactly right each and every year in perpetuity. But they certainly have worked incredibly well so far. So, the perspective in 2016 is not materially different than in aggregate from 2015.

Michael Van Aelst - *TD Securities - Analyst*

Thank you.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

And we're certainly hedged out well into 2016 now.

Michael Van Aelst - *TD Securities - Analyst*

Great. Thank you.

Operator

Mark Petrie.

Mark Petrie - *CIBC World Markets - Analyst*

Just a couple of followups. With regards to the RWA product, what would it take for you guys to ramp up supply there? Is there any capital involved, or is it just a matter of dedicating the resources to it?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

There's a tremendous skill set attached to ramping up RWA. We've been working at this for 5 years. I think we've become very good at it. It's a combination of a modest amount of capital and relatively, in a disciplined way, growing it step by step.

It's not a question of just turning on all of your production in RWA the very next day. That's not possible. There are employee training requirements. There are issues around converting actual hog genetics. There are capital requirements, and so on and so forth. So, it's something that we will steadily grow, but it's not something we can turn on a dime on.

Mark Petrie - *CIBC World Markets - Analyst*

And where does the rest of the industry sit on this, in terms of production in Canada and the US?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

I think there are others growing in this field; none as significant or as materially as we are. But there are others that are growing in this class of product as well.

I think we are ahead of anybody in North America proportionately, and in fact I know we are in absolute terms the largest in North America in raised-without-antibiotic pork.

I think in the US industry, the pace at which they convert, or if they convert, will depend on their commitment to this trend, and in some cases their ability to execute it.

I know in the US one of the challenges that they have to overcome is that the density of their livestock industry is materially higher than in Canada, and that's an obstacle to raising livestock without antibiotics.

Mark Petrie - *CIBC World Markets - Analyst*

Okay. Thanks. And just with regards to capital, Debbie, I assume you guys are still going through, or will go through, a planning process for next year. But how should we think about CapEx in 2016?

Debbie Simpson - *Maple Leaf Foods Inc. - CFO*

Mark, you're absolutely right about that. So, we are currently going through that process. We haven't finished yet. So, I'm not ready to give you a number for 2016. I guess we'll be back to you on that next time around.

Mark Petrie - *CIBC World Markets - Analyst*

But fair to say materially down from 2015?

Debbie Simpson - *Maple Leaf Foods Inc. - CFO*

No, it wouldn't be materially down from 2015. Our estimate for 2015's CAD120 million.

Mark Petrie - *CIBC World Markets - Analyst*

Yes.

Debbie Simpson - *Maple Leaf Foods Inc. - CFO*

Yes. It would not be materially down from that.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

The reason that's so, Mark, is that we have a combination of maintenance capitals and profit-enhancing capitals. So, if you were properly modeling that, I think you have to distinguish between the two. We will use a portion of our capital for our profit-enhancing capitals, inside our business on an ongoing basis at a measured pace.

Mark Petrie - *CIBC World Markets - Analyst*

Okay. Great. And what's the attitude -- I know -- I think you said before that you plan to max out the share buyback program that you've got in place now. What's the attitude towards that, sort of, in the future, and when do you sort of plan to make further disclosures around balancing returning cash to shareholders and acquisitions and future capital deployment?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

That's a Board matter that's unresolved. There's no progress other than what you are currently aware of.

We are executing against the current NCIB, or normal-course issuer bid. I think that expires in, Debbie, February? February/March. March. It expires in March. We would likely expect to fully utilize that NCIB. But the Board has not made any decisions as to what happens in capital allocation after that.

Mark Petrie - *CIBC World Markets - Analyst*

And sort of still waiting for the attainment of the 10% target before you make further (inaudible)?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Waiting for that, and constantly reviewing growth prospects.

Mark Petrie - *CIBC World Markets - Analyst*

Okay. Thanks very much.

Operator

(Operator Instructions). Ken Zaslow.

Ken Zaslow - *BMO Capital Markets - Analyst*

Now, you might have answered -- I got cut off, but I think you kind of answered it. I didn't -- I only heard the back part of it. Does the delay in the margin structure change when you're going to make a decision about capital allocation? If you answered that, you could just say I answered that, and I'll go back to the transcript. I just got cut off. I apologize.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

No, it doesn't change any of our decision-making. We're still weighing our current balance sheet against growth prospects.

We are allocating capital today in, I think, prudent ways. As you know, we increased our dividend 6 months ago or so. We've now got close to CAD160 million returned in through the normal-course issuer bid. And so, I think we're taking a prudent and step-by-step approach to that capital allocation, and there's really no change. No material change.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay. And then, with the delay in the margin structure, I know obviously there's a time issue; but is there a cash cost or a capital cost of facilitating [this to] delay?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

No.. Not at all. Ken, what's really important to understand here is, what we're dealing with here. We've structurally changed the margins. We've taken it from 0.5% a year ago to 7.1%. I would have liked it to be 8% or 9% in this quarter, but it was 7.1%, up from 0.5% a year ago, which is a very significant and material turnaround. We're very happy with that.

We've got 320 basis points of gap in startup or ramp-up efficiencies. We've tried to articulate exactly what the contributors are to those. They're primarily focused on the very complex facility in Hamilton. It's important to understand what they are, and what they're not. They are normal debugging-related issues. There's nothing structural or fundamental or market-related attached to those.

We've started up lots of plants in the past. That doesn't make it any more predictable. It's not. But we've said consistently, this could easily move into 2016, and it is.

And so, to a long-term shareholder, quarterly predictions like this aren't particularly relevant. I know they are to some, but to a long-term shareholder they're not particularly relevant. And we're making great progress, and we're very happy with that progress.

So, I would say right now it's steady as she goes. We're happy with the progress we've made, and we're going to continue to make progress.

Ken Zaslow - *BMO Capital Markets - Analyst*

Well, you said that it's no more predictable than it was last quarter, in terms of 2016. Is there a possibility it bleeds into 2017, or is there a level of certainty that we will get there 2015? And -- just curious.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

I've lived long enough to know in market startups, in plant startups, that darn near everything is under the column of possible. But I would classify that -- as I'm sitting here today, I would personally classify that as wildly remote. So, not likely by anybody's imagination at this stage, given the nature of the problems that we see today. Again, these are very normal debugging, startup, ramp-up-related issues.

Ken Zaslow - *BMO Capital Markets - Analyst*

And again this is not (inaudible) question, but has there ever been any need to change personnel or change any sort of underlying operations or systems or anything?

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

I think I've been involved, Ken, in about 30 different plant startups in my lifetime. And I think I've changed personnel on 100% of them, largely not because of performance issues but because startups are so grueling for people that they tend to burn people out. We don't look at it as if they're bad people. It's like a starting pitcher that needs a reliever. And so, the answer to that is very commonly true.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great. With that, thank you.

Operator

There are no further questions registered at this time. I would like to turn the meeting back over to you, Mr. McCain.

Michael McCain - *Maple Leaf Foods Inc. - President & CEO*

Okay. Well, thank you very much. Appreciate your time and attention. We are working hard to achieve all the targets we have declared. We're very excited about the future of the business -- more excited than we've ever been. We have the end in sight, with a now very measured gap, and focused challenge here to close that gap. And lots of growth prospects, both in cost and in top line growth for the next 5 years.

So, we feel we're in a very good place in this business, and we appreciate your support and guidance throughout. So, we look forward to updating you at the end of the next quarter and maybe we'll have more color at the time. Thank you very much.

Operator

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