



**Maple Leaf Foods**  
**2016 Annual and Special Meeting of Shareholders**

Wednesday, May 4, 2016

11:00am

Michael H. McCain  
Chief Executive Officer & President  
AGM Remarks

My father, Wallace McCain, passed away five years ago this month. I still miss him deeply, and his voice resonates in my mind every day.

He and his brother always spoke – as they toiled away over good times and bad to build a world class frozen food company – of the need for “single mindedness of purpose”. This message speaks to many things in our lives, and certainly here at Maple Leaf. It speaks of core values. It speaks of having a strong set of beliefs. It speaks of commitment, determination and ultimately, perseverance.

We have been rebuilding this business for more than seven years, and you have heard me in past annual meetings speak over and over and over about the merits of our transformational strategy. At times you likely grew weary of the message because it was a very long journey.

But the story this year is recognizing the power of persistence. The strategy we defined has been the right one in huge measure because its implementation was a demonstration of dogged determination by thousands of committed people. It was a big comprehensive plan, involving massive capital investment, decommissioning of plants, integration of new technologies, product and systems reconstruction, and complex change management. We can see the results now, but when you are in the middle of it, the successful end is not always in sight. What it comes down to is unrelenting perseverance.

Our goal when we launched this strategy was to make Maple Leaf a significantly more profitable and stronger company. One that is not only NOT threatened by foreign competition, but able to take the competitive fight beyond our borders. One that delivers higher margins based on value-added products and lower cost structures. And, one that is sustainable for the long term. When the strategy was developed, we were proud of a plan that we felt would transform Maple Leaf and add tremendous shareholder value. We took



the long-term view. Today I am proud to tell you that this transformation, one of the largest in the North American food industry, is complete and delivering the financial goals that we set back in 2010.

Let's recap what this involved.

In order to develop the scale we needed, we closed twelve facilities across the country. That's never an easy process. Those plants were important elements of communities, and of people's lives. We managed this in a socially responsible way, in keeping with our values, and treated those affected with respect and fairness. At the same time, we made our company leaner with a streamlined structure and lower costs.

We eliminated over six hundred products and reformulated more than twelve hundred others, to run on faster lines with new technologies. That's a lot of new recipes! At the same time, we migrated up the value chain to focus on higher margin products. At the risk of understating the change management involved, our operations and product development teams have been busy!

We refocused our business, divesting ourselves of non-core assets that took time and resources away from growth in the protein market, where we saw much more potential. A rigorous process allowed us to extract appropriate value from those assets.

Our massive billion-dollar investment program to improve the scale of our plants, and to bring our technology and systems to a global standard, is complete. This includes a very smooth and successful implementation of SAP, something that has given other companies fits. Our new facilities are realizing excellent efficiency gains although there is still a lot more upside. We now have among the most modern and efficient prepared meats plants in the food industry, which are delivering a targeted return on this large investment.

Today, we can speak directly to the impressive results attached to this persistence, and I want to pay special tribute to the people behind it; the people who made it happen.

As a baseline, from 2005-2012 our EBITDA margin averaged 3.5%. In the face of rising currency we couldn't expand it during this time, with the facilities and cost structure we had. Keeping our margin flat was something of a back-handed accomplishment, actually. Through 2015, we saw our investments pay off, as the quarterly EBITDA margins rose progressively from 1.5% in Q4/2014, to 4.7%, to 6.0%, to 7.1% and in the final quarter of the year to 8.7%. This was a turnaround from EBITDA of \$15 million in 2014 to \$220 million last year.

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We had hoped to finish 2015 delivering our 10% EBITDA target but we were 130 basis points short, entirely driven by start-up inefficiencies at our new facility in Hamilton, the largest in our network. Notwithstanding this, it was substantial progress leading to an improvement in our earnings per share from a loss of \$(0.56) in 2014 to a profit of \$0.58 per share in 2015.

The story continues, and I believe we now can say – “**mission accomplished.**” 2016 is starting out reflecting the full benefits of our transformational journey.

I am very pleased to report that in the first quarter of 2016, we realized our target and delivered an EBITDA margin of 10.2%. As a result, we printed earnings per share of \$0.28, up from \$0.05 last year and a record number for our first quarter.

Our shareholders should be very happy, and our people should be very proud! Persistence is alive and well at your Maple Leaf Foods. I have the voice of Wallace McCain in my ear, speaking about “single mindedness of purpose”.

Let’s reflect for a moment about the shareholder impact of this journey. In October of 2008, at the height of the listeria tragedy, our stock bottomed out at around seven dollars. Things were quite dire at the time. A year or two later when the Board and I presented the transformation strategy to you, our shares were trading in the \$10-12 range. For the past year, Maple Leaf shares have been worth more than twice that, firmly in the \$22-24 range, and more recently moving to the twenty-seven-dollar range – an all-time high for the value of this company. Investors are drawing their own conclusions about what we are doing and it appears that they are putting their money behind it. Many feel that at these levels, the company is actually still undervalued and lower risk than at much lower prices.

At the end of December, we were debt-free with cash on hand of \$292 million. Our improved financial performance and cash position have allowed us to enhance shareholder value in a number of ways. First, our stock has materially outperformed the TSX in a comparable period.

Second, we doubled the dividend and further increased it in early 2016, to deliver a yield within the range of our peer consumer packaged goods companies. Third, we initiated a share repurchase program, buying back 8.65 million shares at an excellent value of \$22.48 per share. Borrowing from a very basic Warren Buffet philosophy; when we acquire our own shares below their intrinsic value, it increases the long-term value for all the continuing shareholders.

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Now I would like to pause to pay tribute to the people who made this happen. These are the individuals who demonstrated the perseverance of which I speak. They are passionate. They are talented. They are committed. The ethos of Maple Leaf is a culture defined by our Leadership Values, and these people live those values every day. I would like to take a moment to introduce you to the outstanding leadership team who are here today, and when I do, please remember that they represent eleven thousand other associates who worked and persevered right alongside each of them.

Please stand when I say your name ....

Ben Brooks, Rocco Cappuccitti, Chris Compton, Curtis Frank, Adam Grogan, Ian Henry, Randy Huffman, Lynda Kuhn, Andreas Liris, Gary Maksymetz, Rory McAlpine, Debbie Simpson, Iain Stewart, Rick Young

A deep heartfelt thank you to each and every Maple Leaver on this journey! This is singularly about your success.

Much has been written recently about the danger of short-termism, and the benefit of a long-term view with a plan. That is the Maple Leaf story, and without that long horizon we simply would not be willing or able to take the risks we need to take, and achieve the value creation we know is possible. For that, I want to acknowledge the support and conviction of your Board of Directors who, with the confidence and patience of our steadfast shareholders, saw this imperative and persevered in their own way through this journey. For your commitment to taking a longer-term view, to building a great Canadian food company, to Maple Leaf Foods, thank you!

So where to from here? While savoring the moment is important, it is not in our DNA to rest. We have more mountains to climb, and climb them we will. Let me be clear that our aspirations for the future are no less ambitious than they were for the transformation we have just completed.

We have laid the foundation for Maple Leaf to be a globally competitive and highly profitable company well into the future. That foundation is based on a driven culture of highly talented people, leading brands and market shares, and now a low cost structure. But what we have built is just the foundation. We have given ourselves the tools needed to be a strong and agile competitor.

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We see two themes going forward:

- 1) Maintaining the momentum of our cost culture and investing in our assets. There is more we can do; and
- 2) Driving disciplined, strategic and profitable growth.

High performing food companies recognize that a low cost culture provides the fuel for growth. Here is where we expect to find these opportunities.

First, we have adopted materially more aggressive cost planning and review methods to find every wasted, inefficient or poorly-spent nickel we can. Identifying these cost reductions every day isn't just about growing the bottom line. We expect that a material portion of savings we find in our overhead and SG&A structures will be reinvested in growth – brand building, product innovation, and sustainability– that will drive further success in the very near future.

We also see significantly more opportunity to further improve efficiency and drive down cost in our supply chain, especially now in our poultry operations. This will involve capital spending, but with very attractive returns.

The next chapter of the Maple Leaf story will headline growth, and it is an equally exciting one. While the physical infrastructure transformation was going on, our marketing and product innovation people were busy. The results of their work is rolling out in stores and on TVs and smartphone screens as I speak. This year, we will deliver the most ambitious marketing and innovation program ever in our history.

We already have the leading national brands in pork, poultry, and prepared meats. But there is no time to rest on our laurels. Tastes and preferences of consumers are going through a sea change and we continue to be quick off the mark as the innovation leader in our categories. Our Naturals line, which we launched six years ago, now has annual sales of almost \$250 million. It is the market leader in meeting the fast-growing consumer preference for prepared meats made with simpler, natural ingredients.

The launch of Maple Leaf Canadian Craft takes this to a whole new level.

This new brand and line of craft meats is designed to leverage the strong reputation of Maple Leaf to create a distinctive line of artisanal premium products that have wide consumer appeal. It is avowedly Canadian, taking the nationalist credentials of Maple Leaf, putting

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Canadian right in the name, and drawing on iconic foods from across the country to inspire the recipes. Products like Quebec Maple Ham. Ontario Cherry Wood Smoked Ham. Atlantic Coarse Salt Prosciutto. And one of my personal favourites...Canadian Whiskey and Apple Bacon! They are all made with simpler, natural ingredients and I think they are among the best tasting products we've ever developed. We expect a very strong consumer response to Canadian Craft, which is being unveiled in retail stores across the country.

This is only one illustration of the innovation we are ramping up. Four years ago we launched our Mina brand to meet the culinary needs of Canada's growing Muslim population, estimated at over a million people. Today Mina is Canada's #1 brand of halal fresh poultry and its success is a strong contributor to our leadership in branded value-added chicken. We have plans to continue to drive further market growth through innovation and brand building.

We are also making a concerted push into the snacking market. Incredibly, snacking now represents roughly half of daily food and beverage consumption, but it is a category that is dominated by low nutrition convenience foods. We increased our presence in this market with Protinis, a full line-up of ready-to-eat healthy meat snacks. Hayley Wickenheiser, five-time Olympic champion and the best female hockey player in the world, is our official Protinis spokesperson. The meat snacks of today have evolved significantly and we're preparing for a major launch of a whole new line of flavor-filled, better nutrition products later this year.

A relatively small but growing segment of the protein market involves non-meat proteins. While our exploration is in the early stages, it is an intriguing opportunity. The North American market for alternative protein is forecast to grow at 5% to 8% annually, fueled by health and environmental concerns, and could be a natural extension for us. We are continuing to explore this emerging market to assess paths to growth.

There is also a lot happening on the marketing front...

Our first priority this year is rolling out a complete rejuvenation of the Schneiders brand. Schneiders is an iconic 126-year-old brand known across the country for quality and craftsmanship. It was time for a fresh look for the famous logo. We did a lot of research and we know from talking to many passionate consumers that Schneiders has been a big part of Canadian traditions, big and small. The Schneiders relaunch – which includes new packaging, products, and marketing, reinforces the brand's role in creating memorable traditions and their place in our social fabric. Here's one of our new commercials running on-line and on national TV <Play Schneiders – 'It's Tradition' commercial>

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Social media also figures prominently in building our direct connection with consumers. Our promotional videos have been viewed more times in the first quarter of 2016 than in all of 2015 – over 6.8 million views on social media channels! Our Appetite recipe site posted over 1.5 million visits last year. We have rethought our entire approach to our media buy, balancing strong television advertising with increased investment in social media in order to reach consumers on their laptops, tablet and smartphone screens. Our marketing people call this “stretching the canvas” to reach a broad spectrum of consumers, from millennials, boomers, and ethnic groups to the rising smaller households.

Increasingly our growth is going to come from markets outside Canada, especially the United States. Our products are now sold in as many retail locations in the US as in Canada. We will be expanding this push through a focused sales effort and strategic geographic targeting. Our market leadership in pork from animals raised without antibiotics, coupled with our competitive cost structure and some currency tailwinds, provides a compelling market opportunity that we are moving aggressively to capture.

We are also guided by core values that we deliberately, consciously hold as a company. In part, this stems from our role in the twenty-three deaths that resulted from listeria in 2008. This has forever conferred on us a special obligation to Canadians, one that we are discharging by being a global leader in food safety and a constant advocate for better science and better practices.

But these values are more broadly a reflection of what we believe consumers and citizens expect of us, and therefore what is essential for our success. The result of this is our determination that Maple Leaf Foods will be “the better meat company”.

We have made important strides in this direction by recognizing increasing societal concern regarding the overuse of antibiotics. It is one of the most important health concerns related to meat production. In recent years the demand for meat from animals raised without antibiotics has been exploding. Maple Leaf was there early, managing the complexity and care it requires to adopt a whole new method of animal husbandry. The consumer receptiveness can be seen in the great success of our growing value-added poultry and pork businesses. Maple Leaf is the largest poultry supplier in Canada and one of the largest pork suppliers in North America of meat raised without antibiotics – something we are very proud of. We have also brought these benefits to a full line of prepared meat products.

But to be truly sustainable; to become “the better meat company”, requires that we go much further. We are executing a comprehensive sustainability platform that spans four pillars – health and nutrition, people and communities, animal care, and environmental responsibility.

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Consumer interest in the health and nutritional quality of food is growing. There are any number of issues this encompasses, but for them it really comes down to “natural”. Natural means raised without antibiotics. It means no artificial colours, preservatives or additives. It means lower sodium levels. This is not a consumer aspiration. It is increasingly a consumer demand. In turn, we are accelerating our shift to simple, natural ingredients and charting a defined work plan to eliminate ingredients people don't want, and provide more of the benefits they do want.

Our community involvement initiatives are centered on the issue of food insecurity. Hunger is something people associate with sub-Saharan Africa, not Canada. Yet one out of every eight households in this country is food insecure, and one out of six children live with food insecurity. These are shocking statistics in a country as food rich as Canada. This is a national and global issue that I am, we are, determined to do something about it. Maple Leaf donates over a million and a half dollars of food to families in need every year. We fund food relief efforts nationally and abroad. Later this year we plan to scale up our efforts through launching a comprehensive approach that goes well beyond emergency relief, to advance sustainable food security.

Late last year we announced our commitment to become a leader in animal care through advancing the Five Freedoms, the most globally-accepted standard for responsible animal welfare. We are implementing a comprehensive three-year plan, from transitioning our sows to loose housing to installing technological advances like remote video auditing in our facilities that handle live animals. Animal care is important from an ethical and commercial perspective, and a critical component of aligning with customer and consumer expectations. On the environmental front, feeding the world contributes as much as 30% of total greenhouse gas emissions today, of which an estimated 18% comes from livestock production. Compounding this, meat consumption in the developing world is expected to double over the next thirty years. Environmental sustainability is not an option to any growth plan – it is essential. Our goal is to reduce our environmental footprint by fifty percent by 2025 – encompassing climate change impact, water usage and waste. We believe this is one of the most ambitious environmental targets in our industry. All of our facilities are developing environmental action plans that will chart the path to reach this goal and deliver meaningful waste and cost reduction. We expect to make headway this and every year.

Sustainability for us is about creating shared value – making changes that deliver social, environmental and business benefits. Farming practices that conform to consumer expectations, moral leadership on food insecurity, and less water and energy consumption will make this country and planet a better place, and secure our capacity to generate value over the long term.

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I hope today that I have conveyed to you the absolute confidence we have in the path we are on, and the excitement we have about what lies ahead. We have made such incredible progress over the past several years. This company bears little resemblance to the company we agreed to rebuild in 2010. It is stronger. It is globally competitive. It is at the leading edge of production and product innovation. It is building a sustainable future. And we are committed to making the next chapter as lucrative as the last.

To all of the people who made this vision a reality – thank you. We have much, much more to do!

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