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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the Maple Leaf Foods' third-quarter 2016 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 session following the formal remarks, and the question-and-answer session 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 and CEO*

Thank you, Mary, and good afternoon, everyone. Thank you for joining us on our Q3 2016 conference call. On today's call, we will review Maple Leaf Foods financial and operating results for the third quarter of 2016. 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 2015 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.

I will begin with an operations and business review very briefly, followed by Debbie Simpson, our Chief Financial Officer, who will provide some key financial highlights, and then we'll open the call for your questions.

If I could turn your attention, please, to slide number 2 in the presentation deck. We delivered solid results this quarter, and it's our third consecutive quarter of double-digit EBITDA margins with consistency, even as we address some headwinds in the quarter. We again drove strong commercial performance in our value-added pork and poultry businesses, and our trendlines in prepared meats continues to improve.

We've had material year-over-year improvements in our supply chain costs and efficiencies, and we continue to focus on executing the pillars of our strategy, including leading in sustainability, driving innovation and growth, consistently reducing our costs, and expanding our geographic footprint. I'll touch more on our operational highlights in a few minutes, but let me first review our financial highlights, which include an EBITDA margin of 10.3%, an adjusted EPS of CAD0.32 per share doubling from last year's CAD0.16 per share.

Turning to slide number 3, as you can see, we continued our strong performance improvements versus a year-ago. Sales were up 4% from the prior-year to CAD852 million. Adjusted operating earnings more than doubled to CAD62 million. Adjusted earnings-per-share also doubled from a year ago, and adjusted EBITDA was up 51% from the prior year to CAD88 million.

Turning to slide number 4, we delivered another solid quarter of financial results, as shown on the charts on this page. This quarter represents our eighth consecutive quarter of adjusted operating income improvements, as you can see on this slide. This demonstrates the performance that we expected from our many, many years of strategic transformation.

Turning to slide number 5, as I mentioned earlier, this represents our third consecutive quarter of exceeding our EBITDA margin target of 10% that we established in 2010. As with the last quarter, we delivered an EBITDA margin of 10.3%. We see opportunity to grow that level over time, but it is important to mention that our structural margin will be subjected to normal fluctuations, similar to our CPG peers.

We believe that the proper way to look at our business is in a range of 200 basis points or, in this case, 9% to 11% EBITDA margins, and that's the best way to think about our structural margin level for the time being, a quarterly bandwidth which we believe, and the data shows, is very much in line with all of our packaged goods peers. Our longer-term strategic thinking is to expand that structural margin further towards the best-in-class goal, but this 200 basis point quarterly bandwidth is a reasonable expectation even at the higher structural levels, again, which is in line with packaged goods peers.

We fundamentally shifted the profitability and trajectory of the business, and now we are focused on the next phase. Over time, we do expect our profitability to grow through a relentless focus on cost reduction, through leading in sustainability, which really differentiates us in the industry; leading in our sustainable meat portfolio of products, investing in our brands, and expanding our geographic footprint.

Turning to slide number 6, I'll add some color to the operating highlights and focus. We've driven materially better margins year-over-year through a persistent focus on taking out operating costs. Commercially, we had strong performance in our value-added pork and poultry business. In poultry, we continue to drive growth in our retail branded portfolio, supported by our flagship prime brands.

In our value-added fresh pork business, sales of our products have been strong in both retail and export channels. Our strength in value-added fresh pork has benefited by the raised without antibiotics category, which we invested in over the last five years. We've also made continued progress in improving the trend line in prepared meats throughout 2016. While volumes were down compared to last year in the quarter, we have gained ground over the last two quarters in closing gaps. This was one of our headwinds in the quarter.

On the operations front, we've made substantial year-over-year progress in eliminating ramp-up inefficiencies at Heritage, the new facility in Hamilton. However, we did not make as much progress on those efficiency gains as we might have expected or have liked to have done quarter-over-quarter. But we also didn't expect to move the needle significantly through the summer, because this is a peak season for volume in this facility and truly is not a good time for continuous improvement.

Something we did not call out that is very important is that we've also achieved material supply chain cost improvements and efficiencies. This has been an important driver of the 1,500 basis point improvement in our margin structure pre-transformation. We've continually made cost improvements across our network. At our bacon facility in Winnipeg, Manitoba, which is exceeding our original expectations, we have now successfully completed additional capital enhancements to meet demand.

Finally, we continue to actively build our innovation pipeline across the portfolio. I spoke last quarter about the successful launch of Canadian Craft. This quarter, we launched a brand-new product and brand called Devour in the jerky category. I'll expand on that a little more shortly.

In addition, we continue to grow our Greenfield Natural Meat company business, our investment in meeting the needs of responsible consumption consumers who seek out sustainable meat options. After only a very short time, the Greenfield brand is number one in the Canadian market in this space.

Turning to slide number 7. I've spoken often before about the importance of sustainable meat, which we see as a competitive advantage for Maple Leaf and makes us distinctive. Significant and growing segment of consumers is looking for better meat from animals raised with care, continuous reductions in environmental impact, with more nutrition and health benefits, and from companies that demonstrate a greater societal consciousness.

Maple Leaf is uniquely positioned at the forefront of sustainable meat, and we're deploying resources and market development strategies to leverage our advantages in these areas. There is rapidly growing demand for meat raised without antibiotics. Maple Leaf is a North American leader in pork raised without antibiotics and we are the largest source of poultry raised without antibiotics in Canada.

We are increasingly excited about sustainable meat as a core growth platform for Maple Leaf, and you will be hearing lots more about this as we ramp up our differentiation and our growth in this expanding market.

Turning to slide number 8, another future growth platform is in alternative snacking. You heard me briefly speak to the new brand launch Devour on our last call, our new product introduction aimed at helping us redefine the beef jerky category. Protein snacking is one of our three primary growth platforms, and beef jerky is currently outpacing the overall meat snacking category.

Devour addresses this opportunity in a highly innovative way. It's early days, but we are very excited about participating in a category in such an important initiative.

I'll now turn the call over to Debbie Simpson, our Chief Financial Officer, to provide some additional financial information and color. Debbie?

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

Thank you, Michael. I'll ask you to turn to slide number 9 where you can see the significant year-over-year impact of the transformation on our income statement. I'm going to highlight two things. We have increased our structural adjusted gross margin from 12% of sales in Q3 2015 to 16.4% in Q3 2016. This reflects the successful completion of our prepared meats transformation.

At the same time, selling, general and administrative expenses increased this quarter to 9.2% of sales from 8.4% in Q3 2015. SG&A in our third quarter of 2015 was lower due to downward adjustments and short-term incentive recognitions. At Maple Leaf, short-term incentive programs are linked to financial results. In 2015, we did not achieve our targets, and accordingly, we reduced our variable compensation. This year, we are on track to hit our target.

I just want to pause and say that as a company, we are laser focused on reducing our nonstrategic costs, and we expect that, over time, we will continue to aggressively manage SG&A. This focus is entrenched in our cost culture at Maple Leaf and a key element to our ability to continue to invest in our brands and people. The net result of this is that adjusted operating earnings improved to 7.2% of sales and EBITDA margin improved to 10.3%.

Moving to slide 10, we generated significant cash flow during the quarter. Cash generated from our operations rose to CAD176 million compared to CAD42 million in Q3 2015. The increase was driven by improved operating earnings and an anticipated seasonal unwind of working capital, approximately CAD37 million of the increase related to our open derivative position.

This resulted in an increase in free cash flow of CAD147 million in Q3 2016 versus CAD3 million in Q3 last year. Consequently, cash on-hand at the end of the quarter improved to CAD444 million. Our capital expenditures for the quarter were CAD30 million compared to CAD39 million last year. Due to changes in timing, we now anticipate our 2016 capital expenditure to be approximately CAD125 million for the year.

I will now turn the call back over to Michael to wrap up our remarks.

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

Thank you, Debbie. In closing, we delivered a strong quarter, in excess of our strategic 10% EBITDA margin target. While our results were strong, we are quite confident that they can get even better as we continue to focus on executing our strategies. We are now focused on the next horizon for Maple Leaf, building on the strategic pillars that we've identified, leading in sustainable meat, driving innovation and growth, relentlessly reducing our costs, and expanding our footprint geographically.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) George Doumet.

George Doumet - *Scotiabank - Analyst*

You mentioned about 100 basis points of improvement in structural EBITDA margins. I was hoping you could maybe give us a sense of what specific levers would be pushed there? And is that something we can get in the next 12 to 18 months, assuming normalized operating environment?

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

George, you'll have to clarify for me. You are saying with 100 basis point structural increase in EBITDA margins?

George Doumet - *Scotiabank - Analyst*

Yes. I think above and beyond, you mentioned a band of 200 basis points, but you also mentioned, I think, some further improvements off of the 10% EBITDA margins we're running at right now.

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

I think those are two isolated comments, George. We've had tremendous consistency this year 10.2%, 10.3%, 10.3%. That's tremendous consistency in the operating results this year, and we are very pleased and proud of that. I don't think that's natural in our portfolio. I think that -we are in line with CPG peers, completely the data says in line with CPG peers.

But there's 150 to 200 basis point bandwidth quarterly. I have to emphasize that quarterly that is a reasonable expectation. And so when we say we are at a structural 10%, that's plus or minus 100 basis points quarter to quarter. But obviously this year, we haven't experienced that and there's nothing to suggest that we will in the immediate future. But it's important to make sure that everybody understands that in our shareholder community.

With respect to growing our margins, which is moving the structural level higher than 10%, we are focused on the strategies that we've identified. We think, over the course of the next five years, they will deliver best-in-class margins in the industry. We've materially improved them over the last five years, but we have still have mileage to go to achieve best-in-class margins in our industry.

And those strategies really are centered on, number one, leading in sustainability. The benefits of that in the portfolio, particularly around our sustainable meat product offerings, is quite important to us and our portfolio. So, that's one.

Number 2, consistently reducing our costs. We think there are many more cost reduction opportunities. As Debbie described, we are very diligent in our cost culture around SG&A and overheads, but there are also other cost reduction opportunities from capital deployment in our supply chain.

Number three, investing in our brands and innovation. There's many opportunities to both generate growth and margin improvement through leveraging our brands and innovation. And then finally, expanding geographically, which we think will have the capacity to provide growth, which will expand our margin performance over time.

So those are the big themes, George, and we would expect that those can move that 10% structural margin that we've achieved today to a new higher level. But even when we get to the higher level, shareholders should expect that there is a natural CPG peer group kind of movement around the quarter-to-quarter of plus or minus 75 or 100 basis points.

George Doumet - *Scotiabank - Analyst*

Thanks, Michael. That's really helpful. One last one if I may. Could you maybe provide us some commentary on the CETA opportunities maybe from a risk/reward standpoint? I believe we are the low-cost producer versus Europe, right?

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

We don't see that as a big opportunity for Maple Leaf. It will be for other participants in the Canadian industry but not so much for Maple Leaf. It's important to understand that our business is really not in the fresh pork business for the purpose of being in the fresh pork business. We try not to participate in the commodity markets.

You know, we only sell in international markets to the extent that it's a value-added sale that disposes of surplus meat that can't be utilized in our processed meat supply chain. And frankly, if there's an opportunity that opens up in CETA there would have to be a better value-added margin sustainably than what we enjoy today. And so, we're not out walking around the world trying to find commodity meat opportunities. That's not who we are.

George Doumet - *Scotiabank - Analyst*

All right. Great. Thanks a lot.

Operator

Irene Nattel.

Irene Nattel - *RBC Capital Markets - Analyst*

Michael, I was listening to your commentary today and it's quite clear where your areas of focus are on a go-forward basis. And you did mention several times geographic expansion and wanting to get bigger on the sustained meat piece. And I guess my question really is, as I look at that, and I look at the CAD444 million worth of cash on the balance sheet and no activity on the NCIB, I'm trying to understand how big these opportunities might be, or how much capital you think you might be prepared to or need to invest to get from where you are today to where you would like to be?

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

That's a big, big, big question with lots of scope to your question, Irene, so I'll do my best to synthesize that into a simplified answer. First of all, I think it's a mistake to look at our cash position or strategic moves in M&A or capital deployment on a quarter-to-quarter basis. I think that's just not how capital deployment should be managed in these situations.

Windows open. They don't open. There are sometimes long lead-times in developing opportunities. Timing is often fragile and so on and so forth. I think a quarter-to-quarter focus is not an operational game when you are dealing with a business development of that nature. So, quarterly assessments, Irene, I think can lead down a lot of rat holes.

Having said that, your question is a good one. We have no intentions of perpetually running a lazy balance sheet. We are certainly comfortable to have a fortress Canada balance sheet, but that's not where we would choose to be. And our focus on deploying that capital isn't in one initiative. It's in a suite of initiatives. And geographic expansion is one of them.

I've said many, many times before, we are not elephant hunters. We have a range of strategic initiatives that all have the ability to responsibly consume capital. By responsibly, I mean with a reasonable risk profile and very significant shareholder returns.

Geographic expansion, which you highlight, is certainly one of them. You know, there are lots of opportunities, for example, in other markets around the world to deploy capital and acquire assets. We certainly are looking at all those opportunities. We've obviously not come to any conclusions or you'd know about it.

But we continue to look and we continue to evaluate and talk about and pursue various options in that regard. With respect to the size of them, obviously that's dependent on the market. If you go into the US market, for example, what we would consider smallish here you have to add a zero to it in the US marketplace, and so we think that would be something we would be interested in.

I'm not going to quote a number for you. I think you can do that math yourself. But I certainly don't see any one event or action consuming the bulk of our available capital capacity. It will be likely a suite of actions that we engage in over the course of the next several years.

I'm not sure that's the color that you are looking for, Irene. It didn't specifically answer your question. Obviously I can't specifically answer your question as you might desire in the world of M&A opportunities or capital deployment opportunities. But as a general theme, the strategies haven't changed. The themes haven't changed, and I think that's how we are thinking about it, if you will.

Irene Nattel - *RBC Capital Markets - Analyst*

No, and that is very helpful. Thank you, Michael. Just on this subject, which when it comes to going into new markets, is your preference to go via M&A? Or, for example, would you look at a Greenfield set up in the US, something involving sustainable meat? Not asking you to commit to it. Just saying is that something you would consider? Yes or no.

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

Well, the short answer is it will likely be both. We are increasing our business in the US marketplace around sustainable meat today. We have a sales force on the ground. We have a broad customer distribution. We've got distribution with the Greenfield Natural Meat Company brand in some very significant retail outlets in America today. I think in excess of 3,000 points of distribution, in fact; greater than the number of distribution points that we have in Canada today.

So, we are continuing to do that, but it's always important to recognize that Greenfield development in the US marketplace is a very slow build. Are we interested in platforms that would accelerate that? Absolutely. So, I think the answer is both.

Irene Nattel - *RBC Capital Markets - Analyst*

That's great. That's really helpful. And then if I could just return to the quarter for a moment, please. You noted on the prepared meats side that the trend continues to improve, but that volumes are still down. Do you still think, Michael, that what we are looking at is a typical kind of three to four quarters of sort of pass-through economics before we get back to sort of where volumes were a year ago?

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

I can't say that for certain, Irene, and we are certainly contingency planning for that. I don't think it's structural in the sense that it will impair our ability to deliver our targeted or better results. But I think we have to be looking at it in the context that most people in the call here would have access to the publicly available information that suggests that in the United States and in Canada, some of our key categories have more recently been down in volume to a small degree.

So, just in terms of consumer consumption. But we think that that's completely addressable. We've seen that in other situations, other market conditions before, and we are certainly approaching it on the basis of that can be addressable through our marketing initiatives, addressing specifically consumer needs. But it's not a secret that in both the United States and Canada, some of our core categories in the last six months have been very mildly, a very small amount, have been down slightly.

Irene Nattel - *RBC Capital Markets - Analyst*

Thank you. And just one final one, a housekeeping question on CapEx. The CAD50 million reduction in the MD&A, you noted that a lot of it is timing of projects. So is it reasonable to assume that whatever the CapEx budget would have been for next year, it will go up by a similar amount?

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

I wouldn't assume that, Irene. These things push all in one direction. When you're trying to manage through a number of projects, there's only so many you can take on in a window. So I wouldn't assume that what we don't get to this year necessarily gets added on to next year. It's more a case of specific to that project and timing and capacity to do that project. So it's not an automatic add on to the next year

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Irene Nattel - *RBC Capital Markets - Analyst*

That's very helpful, Debbie, thank you.

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

Irene, one other comment with respect to the market categories that I'd like to highlight is, notwithstanding some categories that you've referred to that have had volume challenges in the last six months, we've had every bit of an offset to that in a positive way in some of our value-added branded fresh portfolio. And we are more than happy about that.

In our branded poultry offerings, Maple Leaf Prime, our Mina brand, have all been extraordinarily positive. Our RWA offerings in fresh, sustainable meat have been very positive. So we've had positive volume outcomes in other parts of the portfolio. So, that gives me the confidence that we do have a balanced portfolio. And that consumers will respond in different categories at different times.

Irene Nattel - *RBC Capital Markets - Analyst*

Thank you.

Operator

Michael Van Aelst.

Michael Van Aelst - *TD Securities - Analyst*

So you mentioned some headwinds, but I'm not quite sure if you finished your thought on it or not. So in the headwinds, I think you touched on the fact that the prepared meat volumes are still below last year but improving. And then I guess you are also probably commenting on not getting all of the inefficiencies out of the plans still. Is there anything else that you didn't touch on?

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

No, those are the two.

Michael Van Aelst - *TD Securities - Analyst*

Okay.

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

The reality is we were very happy with the results we delivered in the quarter. I think we are candid enough to say that, golly, we could maybe even do a little better than that in the quarter looking back. And those are a couple of things that, while a great result, could've done better.

Michael Van Aelst - *TD Securities - Analyst*

Okay, great. And then on the new products, Devour, Canadian Craft, and Greenfield, you gave us a little bit of details, but can you elaborate a bit more on how some of these product launches are performing? And I guess the importance of them in your portfolio in terms of size?

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

Individually, they are not material to the overall performance of the portfolio in their early days. It usually takes years to drive a meaningful success in the portfolio, but collectively, they are valuable. Innovation pipeline is about launching dozens of new initiatives, small and medium-sized and large. And the collection of them, Michael, tends to drive a successful outcome.

You know the old metrics in branded packaged goods in the United States, in the US marketplace, most brand gurus would tell you that if you hit $100 million threshold, you've got a clear win on your hands. Canadian equivalent to that would be a CAD10 million win on your hands, you've got a clear win on your hands. But you can imagine it takes many different CAD10 million successes to move the needle for a company the size of Maple Leaf.

Michael Van Aelst - *TD Securities - Analyst*

Got you. And on the bacon capacity expansion, have we started to see that in Q3? Or does that just get completed later in the quarter?

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

I think you saw a portion of that in Q3. Some portion and you'll see that continuing for the balance of the year and into next year.

Michael Van Aelst - *TD Securities - Analyst*

Okay. And then, with the RWA, to what extent have you made more progress in selling a greater percentage of the hog as RWA finished product?

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

We've actually made excellent progress. And we've got a pipeline full of customer opportunities that will continue to advance that metric through till the end of next year, and we're going to work hard and are continuing to work hard at increasing our supply of raw materials. So, our supply is increasing and our utilization is increasing.

Michael Van Aelst - *TD Securities - Analyst*

But how should we think about that as you increase your supply? Are we going to see some margin dilution initially until you can get the product out? Or are you at the point now where until you can sell more of the hog as RWA? Or are you at the point now where the demand is pulling you into, I guess, ramping up that supply?

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

No, I mean, there's in aggregate, our investments are profit accretive today and will increasingly so. Important to note, you know. And we are the number one supplier of sustainable meat and RWA pork in North America today. Not just in Canada, in North America. And today is contributing to our bottom-line and it's going to continue to grow and improve our profitability over the next five years.

Michael Van Aelst - *TD Securities - Analyst*

Okay. And a question for Debbie. So in Q3 the SG&A had a tough comparison because of the reversals of the bonuses last year, short-term bonuses last year. Is there anything in Q4 SG&A last year that we should be aware of?

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

Yes, so Q4 last year was an unusually low number, Michael. I think you might have quoted that. So if you are looking for what you think we should be doing for the balance of this year, I would take it more on the basis of what we've been run rating for this year versus comparing it to Q4 last year.

Michael Van Aelst - *TD Securities - Analyst*

Okay, thank you.

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

No problem.

Operator

Thank you.

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

Michael, structurally, we are in the 9.5% range. It will bounce around quarter to quarter, but structurally, that's where we are at.

Operator

Thank you. The next question is from Derek Dley. Please go ahead.

Derek Dley - *Canaccord Genuity - Analyst*

Can you just comment on some of the marketing initiatives you guys are doing around your new brands? And is it safe to assume that some of the efficiency gains that you may get over the next couple of quarters will be invested back into SG&A to grow the new brands that you are launching?

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

Yes, we've done that this year actually, Derek. That's a great question. Our strategy is and Debbie articulated this, that we are going to continue to grind down costs and eliminate all the inefficiencies and waste that we can find, and that's a continuous process. It's not an event. And as we do that, our intention is to reinvest those savings in growth initiatives, primarily supporting our brands and our people.

Some of the specific initiatives this year, we had a large suite of new product launches this year Canadian Craft in the second quarter, Devour in the third quarter. Very important new launches. Those are obviously costly. That was funded by that. But we also had some important promotional initiatives this year highlighted by our relationship with the Blue Jays. And more recently, the Maple Leaf brand with the Raptors, two of our favorite teams.

We also are leaders, I think, in digital marketing, Derek. We have a digital marketing team that is best-in-class and they are migrating an increasing portion of our promo investment into the digital space. That includes obviously social media but also really managing search marketing tightly.

And so, whether it's a videos on YouTube, various social media activities. I think we are one of the largest or most frequently visited Facebook sites today in Canada, in the food industry. We've got very active Instagram marketing. Twitter activity is strong. But also really working hard at managing search engines to our benefit. So, all of those things combined, Derek, they support our premium brands and they support our premium margins, and we'll continue to build on that.

Derek Dley - *Canaccord Genuity - Analyst*

Okay. And you mentioned at Hamilton Heritage facility, there's still some inefficiencies to go. You may not have realized them this quarter obviously being a heavy volume quarter. Can you quantify the amount of inefficiencies left or where you are at in that process in getting that to design capacity?

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

We discontinued identifying that when it became less if not material to our results. So I don't want to open up that can of worms again, Derek, because there's a lot of artform that goes into the measurement. It's variances and standard-setting and so on and so forth.

But suffice it to say there is still more room to improve in that facility. We've made great year-over-year, fantastic year-over-year improvement. Didn't make for the reasons you identified, it is very difficult to make continuous improvement when you are in the heat of the summer moments, our volumes are really significant relative to the balance of the year. Continuous improvement is not ideal in that environment. So we didn't make as much quarter over quarter improvement as we'd like.

Derek Dley - *Canaccord Genuity - Analyst*

Okay. And then just on the reduction in CapEx, I believe you guys had about CAD60 million or so, CAD65 million in growth CapEx initiatives slated for 2016. Were part of those or sorry were some of those part of the deferrals that we are going to see into next year and beyond?

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

In part, yes, Derek, you are absolutely right. Some of the timing on some of those projects is just being pushed back a bit. Some of them resulted by picking the right timing and having the right choices in place to make them happen. So they are not off the list. They will actually happen. We're just not ready.

Derek Dley - *Canaccord Genuity - Analyst*

Okay, thank you very much.

Operator

Matt Bank.

Matt Bank - *CIBC World Markets - Analyst*

With commodity costs volatile but lower overall in particular bellies, how are you looking at the balance of pricing versus volume? And have your retail partners looked to take advantage of lower costs to drive traffic?

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

Yes. So your question is, is how our current market conditions influencing volumes? Is that your question, Matt?

Matt Bank - *CIBC World Markets - Analyst*

Yes and sort of with you know if lower costs are being used to push lower pricing to drive traffic at the retail level by the grocers and the other partners?

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

Well, first of all, there's a lot of moving parts to your question. Let me start with, yes, the commodity markets are lower today than they were, say, a year ago. But there's also a Canadian dollar, a currency story offsetting that.

So the commodity markets influencing Canadian dollars to our customers is not exactly in line with what you might observe in movements of the commodity markets. So we sell to our customers in Canadian dollars and the markets that you are tracking are in US dollars.

Number two is we have inflation in other areas of our business that obviously continues -and we have to pass that on in responsible pricing in the marketplace. So we had to price for that earlier in the year. Obviously, the most volatile of all of them happens to be in the belly market. Bellies, which is the core raw material for bacon has been extraordinarily challenging this year, because we've had tremendous volatility, the belly market underlying bacon pricing in the marketplace.

You know, I can tell you that from peak to trough, it went from CAD1.40 a pound to CAD0.80-some-odd a pound, back up to CAD1.10 a pound, which is an interesting environment. Obviously because of our brands and our brand portfolio and the stability in our business, we insulate ourselves from that to the best degree possible.

But it makes this particular year for all the brands in North America, the premium value-added brands in the marketplace, that kind of underlying raw material volatility has been challenging. And the last ingredient to that mix is the fact that because we operate in brands in the branded space predominantly, we end up forward pricing. We end up forward pricing in these markets to a much larger degree than the commodity players or private labels, and we hedge that raw material costs in the forward pricing.

So again, that insulates us from some of it and we have much less movement in our pricing in the marketplace. Having said that, we are seeing more activity coming into the fourth quarter as we get past all of that volatility into a more stable, lower area specifically for the belly. And I think you'll see more aggressive pricing in bacon in the fourth quarter and we are hopeful that that will be a contributor to our volumes in the quarter.

But recognize when we've got a broad suite of products, we've got the hotdog category and sliced meats and deli products, and we've got poultry and turkey. And so, as a total suite of products, looking at the volatility of one small segment like bacon sometimes can lead to inappropriate conclusions. Long answer to a complicated question but hopefully that gives you some color.

Matt Bank - *CIBC World Markets - Analyst*

Thank you. Yes, that helps. How much capacity for volume growth is there in the refresh plant network overall as it sits now? And if you were to exceed that, what would be the lever to support growth?

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

When we built the facility, the new network, Matt, we built that network with the principle of sizing the chute to fit. A.k.a. we did not build material excess capacity. Having said that, as very good operators, it's our job to find extra capacity as the market needs. Obviously coming into this quarter with volume being down a bit, that's not at the top of our needs list, if you will right now.

But we are optimistic over the next five years, our growth will seek out more capacity in the existing network. And while we didn't engineer material excess capacity, as responsible operators, we're pretty confident we can find and squeeze extra capacity out of the assets that we have. I don't know that I could give you a number to model, however, in line with that.

A good example of that is in the bacon facility. If you look at one of our assets in Western Canada, the bacon facility in Winnipeg, overachieving business case doing extraordinarily well. We've made very small investments to basically tweak the output of that facility post-realization of the business case results.

Matt Bank - *CIBC World Markets - Analyst*

Thanks. And just one quick last one. And I may have missed this in the prepared comments, but working capital was quite positive in the quarter. How should we look at that in Q4?

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

Sorry, did you say it was quite positive in the quarter?

Matt Bank - *CIBC World Markets - Analyst*

That's what I'm wondering.

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

Yes. So that's to be expected. So Q3 and Q4 are quarters in the year where we tend to free up working capital. So it was on our end where we would expect it. And then I wouldn't say it's unusually high or low. It's just where we are in the space of the season.

Matt Bank - *CIBC World Markets - Analyst*

Okay, thank you.

Operator

Ken Zaslow.

Ken Zaslow - *BMO Capital Markets - Analyst*

So just trying to think about it in terms of the margin structure, because you did say I think it was page 5, that margins kind of got in that 10.3% range and it's been stable. Do you kind of think of yourself as in investment mode right now, that anything that you would get in excess of 10%, you would kind of invest into the growth initiatives?

And is there a period of time that you think will kind of start to pay off and then get some favorable operating leverage? Is that the way you think about it? Or that's kind of off-kilter?

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

I think we are in investment mode, but I don't know that you should expect any compression of our margin structure to accomplish that.

Ken Zaslow - *BMO Capital Markets - Analyst*

No, I wasn't asking about compression. Because it kind of seems like it leveled off. So it seems like if you are getting access margins, you are reinvesting that to eventually get the volume growth, which will get you operating leverage, which would then kind of take the next step up in margin structure. Is that?

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

No, no. I'm not sure I would think of it that way, Ken. I don't think that we necessarily have in the moment, I'm talking right now, as we discussed this, have significant excess margin that we are reinvesting. I think today we have significant excess margin that we wish we could tap into if we had full recovery of our volume, and full expectation of our business case results in the Heritage facility, then our number by definition would have been higher than 10.3% in the quarter.

But that's not reinvesting in future growth. I think our desire to reinvest in future growth is going to be pay as you play in the sense that we are continuing to drive costs down in our SG&A structure, for example, and we intend to as we did this year, we significantly increased our promotional investments in our brands and our investments in our people and a few other areas, sustainability and a few other areas.

But that's kind of a consequence of redeploying the savings in our SG&A structure that we could find. So, I'm not sure how you would label that or characterize it, but those are the moving parts.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great, I appreciate it. Thank you.

Operator

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

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

Okay. Well, thank you very much. We are very pleased with how 2016 is unfolding. We fully expect to have a year of what we committed to many, many years ago of double-digit EBITDA margins. And we take great satisfaction from that, but we are equally focused on the fact that there's a lot more to do and a lot more to accomplish, and bigger hills to climb over the next five years.

So thank you for your support, and we look forward to updating you in the next quarter.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. Thank you for your participation.
