Corporate Participants
Deborah K. Simpson Maple Leaf Foods Inc. - CFO
Michael H. McCain Maple Leaf Foods Inc. - CEO, President and Director

Conference Call Participants
Derek Dley Canaccord Genuity Limited, Research Division - MD and Consumer Products Analyst
George Doumet Scotiabank Global Banking and Markets, Research Division - Analyst
Mark Petrie CIBC World Markets Inc., Research Division - Research Analyst
Michael Van Aelst TD Securities Equity Research - Research Analyst

Presentation
Operator
Good afternoon, ladies and gentlemen. Welcome to the Maple Leaf Foods First Quarter 2017 Results Conference Call hosted by Mr. Michael McCain. Please be advised that this call is being recorded. (Operator Instructions)

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

Michael H. McCain Maple Leaf Foods Inc. - CEO, President and Director

Thank you, Mary, and good afternoon, everyone. Thank you for joining us for our Q1 2017 conference call. Both Debbie Simpson, our CFO, and I will provide commentary on various aspects of the business, and then I will open up the call for your questions.

The news release and today's webcast presentation are available at mapleleaffoods.com under the Investors section.

Some of the statements on this call may constitute forward-looking information, and future results may differ materially from what we discuss. Please refer to our 2016 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.

Turning to Slide #3 in the deck that’s been circulated. We are very pleased to have started the year with another very solid quarter. We delivered Adjusted EBITDA margins of 10.8% and our fifth consecutive quarter of above the 10% strategic target. This positive outcome was achieved despite some market challenges during the quarter, notably some significant turbulence in the pork markets. On balance, this was relatively neutral to our overall results, and we delivered a 60 basis point increase in Adjusted EBITDA margin.

Our results added to our balance sheet and earnings as we generated $34.8 million in free cash flow and we increased our Adjusted EPS by 18% to $0.33 in the quarter. Our performance reinforces how far we've come in strengthening the underpinnings of our business. In recent quarters, I've been sharing highlights of our strategy to build the next level of profitable growth. We know this is of keen interest to all our investors, and in that regard, I would encourage you to please read our remarks at today’s Annual General Meeting of shareholders for a deeper awareness and insight into what we see as our future.

Turning to Slide #4. We closed the acquisition of Lightlife in March. We're very excited about that. It's an important milestone for us as we expand into the alternative protein segment.

Lightlife commands a 38% market share in the refrigerated plant protein category with the #1 brand. And the overall plant protein category is growing at a double-digit pace, well above conventional grocery. We're delighted with the transaction.
I and my operating partner, Gary Maksymetz, have been to the plant in Massachusetts several times to meet with management and the team, and it's been great getting to know them better. We're extremely pleased with their capabilities and breadth of knowledge in the plant protein space and the opportunities that we have to grow this business. Really nothing but positives post the close. I'm looking forward to building on their leadership in this important, profitable category. We have multiple paths to drive that growth. Lightlife is at the perfect intersection of a consumer need for additional protein choices and is very well positioned in the U.S. marketplace in this category. I'll come back to this theme of strategic drivers in a few minutes after Debbie discusses the financial highlights for the quarter. So Debbie, over to you.

Deborah K. Simpson - Maple Leaf Foods Inc. - CFO

Thank you, Michael.

Before I discuss the quarter, I want to describe a change in our segmented reporting. With the sale of non-core assets in our bakery operations, our business has been solely focused on growth in value-added protein. That's how we run and manage the business and how the organization is structured.

Our Agribusiness segment was a legacy carryover in our reporting and now a significantly smaller part of our company dedicated to supporting our core value-added protein business.

To better reflect how we view and run our business, we will be reporting our results in one reportable segment going forward. I want to be very clear, though, we will continue to provide the same level of disclosure regarding the major drivers of our business within this reporting segment, as we have in the past.

Now if I could turn your attention to Slide 5. You can see that we drove both top and bottom line growth compared to last year. This slide presents various financial metrics for the quarter, but I will call your attention to a few in particular.

Sales grew by 1.8% to $811 million, with stronger volume in higher-value-added fresh pork export sales to Japan contributing to the increase.

Adjusted earnings per share grew 18% in the quarter to $0.33 per share. In addition to the higher sales, our adjusted EPS benefited from stronger prepared meats volume and lower operating costs across our network, which we are very pleased with. Strong contributions from value-added fresh pork, including higher Canadian retail sales and value-added exports sales to Japan, also drove our results. These benefits were partially offset by lower poultry contributions due to markets and margin compression in packaged bacon. Our EPS also benefited slightly from the leverage of buying back our stock over the past year.

In the first quarter, Adjusted EBITDA margin was 10.8%, an increase of 60 basis points over last year.

Moving on to the balance sheet. We continue to generate increased cash flow during the quarter, which contributed to cash on hand at the end of the quarter of $144 million. On a year-over-year comparable basis, recall that we had all-in costs of about $191 million for our Lightlife acquisition and approximately $142 million of share buybacks in the last year.

In the first quarter, shareholders received a further increase in their quarterly dividend of $0.11 per share.

Turning to Slide 6, overall, we had a solid quarter from a commercial and operating perspective. Our prepared meats volume continued to improve and was higher than last year, even though the prior year had the added benefit of Easter, landing in the first quarter. We also had lower operating costs across the supply chain, which contributed to our results.

We had excellent benefits from strong commercial performance in fresh value-added pork. This was partially offset by margin compression in prepared meats, which showed up in packaged bacon. Poultry volumes were also up, but markets impacted margins and overall poultry performance was below year-ago levels.
We continue to grow volume in meat raised without antibiotics, with a much greater commercial thrust in 2017 in both the U.S. and Canada.

I will now turn the call back over to Michael to discuss our path forward.

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

Thank you, Debbie.

I discussed in my earlier remarks how Lightlife fits into our broader growth agenda in sustainable protein and our vision for being the sustainable protein leader in the world. Our leadership in sustainable protein is not a new goal for us. We've been discussing it for years, in fact. We've been working quietly in the background for the last several years as we completed our transformation to define this growth agenda, but it is true to who we are, is differentiating and delivers attractive returns to shareholders.

As we described at today’s Annual Meeting of Shareholders, we believe there’s great commercial and business value that can be derived from our vision to be the most sustainable protein company on earth. I would urge you to read through my remarks at the AGM again to deeply understand what this means to us. I would like you also to understand what we feel that means to shareholders, as the tenet for this path forward is truly “shared value”.

I would highlight that none of this is truly new news as we had been building the foundations of this path for many, many years - we are well on our way! That makes this point in our history so exciting and so personally invigorating for all of us here at Maple Leaf. We're at a juncture in which we are finally able to leverage all of the strategic capabilities that we've created and all of our passions and interests, and they all line up to where society is going today, where the market is headed, where our passions lie and where we also have a clear strategic advantage. So that becomes a real “North Star” for us!

The challenge has been clear: responding to societal and consumer changes in a way that is unique in the marketplace, and that delivers attractive commercial growth opportunities and returns. We have found that intersection and, over time, we believe it will be a game changer in the industry.

Turning to Slide #8. I’d like to outline our strategies which define that road map to deliver greater levels of profitable growth. With a high level of clarity, those strategies, of which there are 6, are, Number one, to lead in sustainability where we have the most aggressive goals in sustainability and shared value in the entire industry. Number two, to invest in our people. The foundation of our success is making Maple Leaf an inspiring workplace where the very best people can realize their full potential. Number three is in making great food. That includes advancing our safety agenda, health, nutrition and certainly leading in the important area such as of reducing antibiotic use in livestock. Number four is broadening our reach, which includes both the advancement in our portfolio of non-meat, plant-based alternative proteins, as well as geographic reach. Number five is building on a digital future, leveraging the new digital world that is so exciting to all of us to enhance our business. And finally, elimination of waste, which is relentlessly maintaining our culture across the Maple Leaf organization of reducing costs, including our environmental footprint.

Turning to Slide #9, a little bit of an insight in terms of how we’re doing against this very ambitious agenda. I would like to outline a few of the major milestones across our 4 sustainability pillars that we'll shortly be releasing in our 2016 Sustainability Report. For example, we built industry leadership in pork and poultry raised without antibiotics. We're also moving very aggressively to remove artificial colour and flavours, shifting our entire portfolio to simpler, natural ingredients.

In our signature community investment, we've launched the Maple Leaf Centre for Action on Food Security backed by a $10 million, 5-year commitment to advance sustainable food security through funding and innovation, through a learning hub in collaboration with communities across the country. Our goal in this initiative is to work collaboratively to reduce food insecurity by 50% by 2030.

Being a leader in animal care is critical to our culture and sustainability, and also an area of strong competitive differentiation for Maple Leaf. We have one of the leading animal welfare strategies in our industry and the track record of investment and progress to back this up. We're driving very comprehensive advancements in new technologies, in training and in more humane production practices.
And finally, we know that animal and food production leaves a large environmental footprint, and we have a bold goal to reduce the impact of that footprint by 50% by 2025. Last year, I’m very proud to say that we cut our energy and water usage by a phenomenal 15% and emissions by over 30%. We have every reason to believe we can accomplish our goal ahead of schedule.

Turning to Slide #10. There are many ways that these important strategies will show up in the marketplace commercially, and I think that’s important for all of the analysts and shareholders to understand. Perhaps the biggest differentiator is in the area of pork and poultry raised without antibiotics. Maple Leaf has a capability and advantage in this fast-growing market, and we’re focusing on accelerating our expansion and leadership.

Our Greenfield brand, which became the top-selling new brand in Canadian grocery last year, is our leading sustainable meat brand. While its major differentiator is meat raised entirely without the use of antibiotics, it certainly bundles, in addition to that, all aspects of our sustainable meat differentiation. In the second quarter, we plan to be in market with significant activities to support our Greenfield brand both in Canada and the United States. In fact, you may have seen the new Greenfield, what we describe as “farm-vertising” spots on Canadian television recently.

We’re seeing new emerging needs and commercial opportunities across the food industry in all aspects of more sustainable protein. This is increasingly true in the North American foodservice sector, where sustainability claims are providing important points of difference that are important to consumers, including a material focus on animal welfare. In our customer meetings, our actions on sustainability and what we bring to the market is increasingly taking up the agenda in defining who Maple Leaf is and why we’re different.

A small but rapidly growing part of the commercial opportunity is in the plant-based protein category. Coupled with our acquisition of Lightlife and enhanced U.S. presence, we see a continued opportunity to build our leadership in sustainable proteins in that segment in the U.S. marketplace.

Underpinning all of this, we continued to view cost reduction and improved margins through aggressive waste elimination as a key enabler to those plans and with some important cost-reducing capital projects clearly identified.

On Slide #11, it’s really important that everybody understands that as successful as we believe our transformation in the last decade has been, we believe there’s an equally compelling opportunity to drive enhanced profitability going forward.

There are several levers to support this aspiration. We see further cost reduction opportunities over a 5-year horizon through the execution of a poultry strategy that reduces costs across the network and improves our operating efficiencies. The decision to close our outdated turkey processing plant and enter a supply agreement is one step. We also believe that strategic investments in primary processing and furthering our value-added capabilities will be a material driver of further margin accretion.

Similarly, ongoing cost reduction in our supply chain and SG&A remains a core part of our DNA. There are opportunities, in addition to what we’ve already done, to maximize our network efficiencies, which are not yet at full performance potential, and to reduce SG&A so that we can deploy those savings into further brand, marketing and promotional activity.

Aside from cost saving initiatives, there’s a significant portion of margin enhancement expected to come from growing the margin-enhancing categories within our portfolio. In particular, the growth categories that we’ve identified, such as sustainable meat and alternative protein, are all margin accretive. As and our sales mix shifts over time, they will have a positive effect on our overall margin.

Finally, we also have significant efforts under way examining how we can clarify, update and focus our brand strategies in ways that will both regenerate growth in the categories that we operate in and enhance overall margins. This is emerging work, and we’re very excited about it.

In closing, we’re very pleased that we’ve delivered strong earnings growth during the quarter with our fifth consecutive quarter above our 10% strategic margin target set in 2010. We’ve delivered strong returns to shareholders in both share price appreciation and by returning cash through share buybacks and higher dividends. Our focus is delivering on our strategic targets and our plans to accelerate them.
All of our growth platforms and strategies, along with potentially targeted M&A activity in our pipeline, will play a role in that future. We have the road map to deliver higher levels of profitable growth, and the center of this is our vision to become the most sustainable protein company in the world. We believe that is the right path for Maple Leaf. We are well advanced in executing that vision. It distinguishes us, we have competitive advantage, we are uniquely positioned to do this, and in our view, we believe that the next journey will be as exciting and as rewarding as the last, creating genuine “shared value.”

So with that, I’d like to open up the call to your questions.

**Questions and Answers**

**Operator**

(Operator Instructions) The first question is from Michael Van Aelst from TD Securities.

**Michael Van Aelst** - TD Securities Equity Research - Research Analyst

So looking back on Slide 11 and your 5-year goal of 14% to 16% margins. Are you able to rank the importance of each of those 5 building blocks in terms of achieving those results?

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

Yes, I’d be happy to give you a directional ranking, Michael. I think the most powerful one will be margin accretion through our sustainable protein initiatives, which would include the accretive margin capacity in sustainable meat offerings and plant-based protein offerings. So that would be the largest of the collection of them. I believe the cost reduction opportunities from investing in our poultry assets or poultry supply chain would be the second largest. I think the margin accretion of our core renovation and the opportunities that we see in front of us from that will be the third. And I think extracting the full operating potential of the investments that we’ve made over the last 5 years in terms of the efficiencies in each one of the plants and improving our SG&A profile will be the fourth. So I’d rank them in that order. But those are directional rankings, Michael.

**Michael Van Aelst** - TD Securities Equity Research - Research Analyst

And the margin enhancement from growth categories, how does that differ from enhancing margins from sustainable meat and alternative protein and things like that?

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

That is it.

**Michael Van Aelst** - TD Securities Equity Research - Research Analyst

Okay. And then if you look specifically at the quarter that you just released, the margins were very good, up year-over-year despite the lower spreads and the spike in the pork belly costs. So what were the offsets in the industry and the company-specific factors that allowed you to do this?
Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

Well first of all, I would highlight that we're very pleased with how our balanced portfolio is performing in most market conditions. So there is some benefit to having a very balanced portfolio because our goal is to stabilize and to be able to deliver consistently quarter-to-quarter. And we've said that there's probably 100 basis points of natural variation around our 10% structural target. And we continue to believe that. But that's as a result of our balanced portfolio. That portfolio in this quarter, Michael, had some positives and some negatives. The positives were the performance of our fresh pork business which was strong in the context of a rising market. And that was offset by margin compression in our bacon portfolio, which showed up in our prepared meats business. We also had lower year-over-year poultry results but not similar to the other two. So those are the key moving parts, but they all ended up basically, roughly speaking, a wash, and so they really had no effect in total on the portfolio.

Michael Van Aelst - TD Securities Equity Research - Research Analyst

Well, if that's the case, does that 100 basis points of variability kind of start at closer to 10.8% now and you can go up and down 100 basis points?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

No, I don't think I would conclude that. I just think there are other factors that move the margin that are unrelated to market in the quarter. So we did have a rapidly rising raw material market in the quarter. It was relatively neutral. There's going to be, in fact, some carryover of that raw material market as it fell back off, in some cases, in the second quarter. And just timing related with that and timing of your promotional activity with customers. When did Easter fall last year. It was early last year in the first quarter. It was in the second quarter this year. Operating variances in your supply chain. There are just too many other moving parts to draw that conclusion, Michael.

Michael Van Aelst - TD Securities Equity Research - Research Analyst

Okay. And then last one before I get back into the queue. Back on the enhanced margins for sustainable meat and alternative proteins. When you look out 5 years over that 5-year goal, to what extent are you assuming that some of that premium margin that's built in there for sustainable meat might get eroded over time as others gain that capability?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

It would be a very natural thing to assume that all margins in all innovation have a life cycle. I mean, being in this business for 35 years, all margins in innovation have something of a life cycle. So the answer to that is clearly yes. But I would say that this particular life cycle will probably be longer than most because we're starting from a position of very low penetration and our expectation is that demand is going to exceed supply for the foreseeable future. So with that as an underpinning, we are of the view that any contraction that occurs in that life cycle would likely be after that period of time. Having said that, our job as innovators is to constantly be ahead of that curve. We're thinking 2 to 5 years out in how we enhance that bundle of benefits of sustainable protein and other innovations so by the time this innovation curve comes to the end of its life cycle, it's our job to make sure that we've got another one right behind it. So we feel pretty confident in those numbers. And honestly, the best test, Michael, for that target of 14% to 16% is, quite frankly, there are lots of people in the industry already operating there. So this is not moving to some aspirational target that's not currently in existence, practical, realized in many value-added CPG protein companies in North America already today as we speak. A 10% target looks great when we're at 3.5%. Today, I would tell you candidly it's not best in class. And we believe that these are the items that will propel us to that level that would be in line with best in class.

Operator

The following question is from Derek Dley from Canaccord Genuity.
Derek Dley  
Canaccord Genuity Limited, Research Division - MD and Consumer Products Analyst

Just on your longer-term margin target, can you give us an idea of what your assumption is in terms of your exposure to alternative protein and RWA, what that would look like in order to get you guys to those types of margins?

Michael H. McCain  
Maple Leaf Foods Inc. - CEO, President and Director

No. Unfortunately, Derek, I cannot give you that kind of granularity. I can only tell you that it is an important contributor, but it's not the only contributor. For example, the sustainable meat portfolio today would be a larger contributor than that.

Derek Dley  
Canaccord Genuity Limited, Research Division - MD and Consumer Products Analyst

Okay, that's great. And then in terms of your cost reduction within your poultry assets, I know this is something you talked about a little bit in the past. Is there an update on the timing of when some of those initiatives would start? I think you're starting with an Edmonton plan in 2017, but if you could just remind us.

Michael H. McCain  
Maple Leaf Foods Inc. - CEO, President and Director

First of all, we've already started with the actions that we took to consolidate our turkey processing in Ontario in the Thamesford facility. So this will happen from current time lines all the way through a 5-year horizon. Probably the bigger benefits from this type of initiative, which I have spoken to in a number of venues and formats and on this call in the past, would likely be more in the 2019 to 2021 time frame.

Derek Dley  
Canaccord Genuity Limited, Research Division - MD and Consumer Products Analyst

Okay, good. And just moving back to the quarter here. I know we saw pork belly costs spike materially in February and they've since fallen back down to sort of $107 level. Did you guys take any pricing in bacon during the quarter?

Michael H. McCain  
Maple Leaf Foods Inc. - CEO, President and Director

Yes. We had to. But it's actually, the belly cost, which was part of that margin compression I referred to earlier, from early December through to the end of January in U.S. market, which drives the Canadian market, the belly market went from $1 a pound to $1.82 a pound at its peak, an 80% increase in an 8-week period. Honestly, I have not experienced that kind of volatility ever in my history before. Now it's since come back. That resulted in some margin compression in the first quarter. And as I said earlier, there will likely be some carryover of that into the second quarter as well. But it has come down, and it's just an element of volatility that we have to deal with. I think to Michael Van Aelst's question earlier, we're very happy with the balanced portfolio that we have that in spite of that, we're able to deliver some pretty good results.

Derek Dley  
Canaccord Genuity Limited, Research Division - MD and Consumer Products Analyst

Yes, that's a good point. And just the last one for me. You noted that volumes were up in prepared meats in Q1. So have we seen the volumes come back to and this is going back a bit, but Q1 '16 levels when you took a strong pricing increase?

Michael H. McCain  
Maple Leaf Foods Inc. - CEO, President and Director

Well, we didn't take the pricing until the second quarter of last year. But having said that, the volumes were up over a year ago. So that's the good news. The bad news is that we're lapping a very poor quarter last year, so it's a bit of a cold comfort. So the volumes were up, but they were lapping a relatively weak quarter unrelated to pricing in the first quarter of a year ago. So we still are focused on the long-term value creation of renovating
our products and our brands to get at the consumer demand issues that are going to drive higher levels of growth in the category, but that's work that under way and not complete yet.

Operator

The next question is from Mark Petrie from CIBC.

Mark Petrie - CIBC World Markets Inc., Research Division - Research Analyst

I just wanted to follow up on the RWA topic. And in the quarter specifically, I think you called out sort of starting to get or getting more traction in foodservice, and I wonder if you could just talk about that and what your outlook is for the next year and how important that is as you look to continue to grow that business versus penetration in retail.

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

I don't think we have any different penetration in foodservice or retail. I do think that the foodservice channel oftentimes leads these trends. And we are seeing significant demand in the foodservice channel, although there's always obstacles in executing that across an entire customer base because it's just a very difficult thing to isolate your execution of that against one menu or one region as opposed to a total brand of the foodservice customers. In short, what that means is some longer lead times to execute it. The foodservice channel has actually been more receptive at the early part of that trend with the full suite of sustainable meat benefits. So it's not just our RWA, but it's also our leadership in animal welfare. We've developed a real skill set, operating set of principles. Our animal husbandry practices, our care practices, our stewardship and oversight are all leading edge and advanced in the marketplace, and we've become a bit of a go-to organization in terms of what leading-edge practices look like in animal welfare. And that's very attractive to most of our food service customers. We don't segment our retail versus foodservice channel, but I don't see a change in the mix in any material way between the two.

Mark Petrie - CIBC World Markets Inc., Research Division - Research Analyst

Okay. And is foodservice of greater or lesser or the same importance when you think about the U.S. versus Canada?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

I'd say the same.

Mark Petrie - CIBC World Markets Inc., Research Division - Research Analyst

And just switching gears a little, I wanted to ask about the Lightlife business and when you think about their growth over the next number of years, how do you think about what it is being driven by? I mean, is it new products that you plan to introduce? Is it just simply growth in the category because people are increasingly eating that way? Or is it expanded distribution? How do you rank those 3 drivers?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

Let me start with the category itself. It is growing at 11%. So that's the starting proposition. For the golfers in the crowd, that's green fees, 11%. So how are we going to accelerate it beyond that? Well, first of all, we've been investing in product knowledge and product development in this category for 2 to 3 years. So we actually have internally developed a pipeline of new products that are absolutely exceptional. Based on their pipeline plus our pipeline, we believe that product diversification and expansion in this space can be a real, very powerful accelerator in that growth. Second one is in-channel diversification. They have almost no business in foodservice, as an example, and other elements of the retail business,
and we believe we can accelerate that. The third is geographic expansion. There are many holes in their geographic distribution that we believe we can rapidly fill. And so we expect to support that. So in total, there are a number of different avenues to accelerate that growth across all of those opportunities. I would highlight that the household penetration of this category is extraordinarily low but growing rapidly. So there’s many opportunities to take these to yet another level of household penetration for this class of product, and our job is to really, really pull all of those levers that you’ve mentioned, Mark, to accelerate that.

Mark Petrie - CIBC World Markets Inc., Research Division - Research Analyst

Okay. And then I guess just as to follow up on that. Is Lightlife the brand and sort of the only business unit in order to be able to achieve all of that? Or do you think that there’s sort of other additions to the portfolio that could make some sense?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

We’re open to other additions, but we never plan on other additions. Our plans will always be based on what we have today. And if an opportunity for additional capital investment emerges, we would obviously pursue that. But our plans will ultimately be based on platform that we have in our possession today.

Operator

The next question is from George Doumet from Scotiabank.

George Doumet - Scotiabank Global Banking and Markets, Research Division - Analyst

Looking at the 5-year 14 to 16% EBITDA target, just wondering if, number one, if that’s organic. And number two, how should we think of the evolution around -- from today’s 10%-plus level? Is it more back half, kind of 2019, 2021 period?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

So we deliberately are not prepared to time-phase that before you, so we’ll leave that to your expert financial modeling to think that through, George, although I’ve given you some directional items on a few items. But honestly, I think it’s probably better for you to model that yourself. I do think it is certainly not like the last transformation because the last 5 years has been basically a capital play. You invest the capital, you go through the duplicate overheads and all of the pain of placing that capital on the ground. Then you start it up and you, within 18 months, realize the benefit attached to that capital. The next journey is not like that. It’s more block and tackling a range of initiatives, some of them revenue based, some of them margin enhancements based and some of them capital based. So I think it’ll tend to be smoother, but I would not be prepared to map that out on a year-by-year basis.

George Doumet - Scotiabank Global Banking and Markets, Research Division - Analyst

Fair enough. And it is organic, right?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

Yes, it's all organic.
George Doumet - Scotiabank Global Banking and Markets, Research Division - Analyst

Okay, great. And just one last one, if I may. There was a bit of a tick up in your exports sales to Japan. Can you maybe frame that opportunity for growth for us kind of looking out a year or 2?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

We will grow on a very steady basis. It’s not a strategic part of our growth. We don’t view ourselves as being fundamentally in the primary processing business for the world pork markets. We’re in the branded packaged goods business in North America, and that happens to be an adjunct business that helps us balance our portfolio and our sources of raw material. We have a value-added fresh pork business in Japan and in China that has emerged, and is part of that balanced portfolio. It continues to be attractive. And in fact, our sustainable meat propositions are starting to gain some traction in the Asian markets as well. But I don’t see extraordinary growth in those markets as a result of that. Our business is really the North American branded consumer goods business, and that’s the engine for growth in our business.

Operator

The following question is from Michael Van Aelst from TD Securities.

Michael Van Aelst - TD Securities Equity Research - Research Analyst

Just looking at Devour, your key line that you launched a little while back. How is the progress to date? From what you’re seeing now, do you have the confidence that you’re able to gain meaningful share in a category like that through organic growth rather than through acquisition?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

We’re committed to the category. We believe that it will be both top and bottom line accretive over time. But it’s a relatively small category with very slow build in the performance of that category and it’s not going to have for the foreseeable future a meaningful impact on our results. So we’re going to be still in it. We’re committed to it. We’re going to grow in that space. We’re going to continue to drive it. It’s a fantastic product. But relative to the other initiatives, Michael, that we’ve identified here, it won’t be as much of a driver.

Michael Van Aelst - TD Securities Equity Research - Research Analyst

Okay. And last question for me. I think you’re still probably raising about 1.5 million hogs internally. What percentage of that is RWA right now?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

We haven’t segmented that or put that into the marketplace. So I’m unable to answer that question at the moment, Michael, if that’s okay.

Michael Van Aelst - TD Securities Equity Research - Research Analyst

Okay. How about your source of RWA hogs? Is it still mostly internal?

Michael H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

Yes.
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 H. McCain - Maple Leaf Foods Inc. - CEO, President and Director

Okay. Well, thank you very much. 2016 was a pivotal year for Maple Leaf Foods. I want to reiterate my encouragement to all of you on the line to please take a look at our remarks at the Annual General Meeting of shareholders today. I think they very fully articulate what we see as the vision for Maple Leaf for the next journey, and we’re very excited about that vision. So we hope you take the time to read through that. We appreciate your support from where we’ve been in the last 5 years and look forward to your participation in the next journey here at Maple Leaf. So thank you for your time and energy and commitment, and we look forward to visiting with you in another 90 days. Thank you, and have a wonderful day.

Operator

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

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies’ most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2017, Thomson Reuters. All Rights Reserved.