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Maple Leaf Foods Inc Special Announcement Call

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the Maple Leaf Foods Ontario Poultry Announcement Conference Call. I would now like to turn the meeting over to Mr. Michael McCain. Please go ahead, Mr. McCain.

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

Thank you, [Retta], and good afternoon, everyone. Thank you all for joining us on short notice. Some time ago, we announced plans to build a world-class, value-added poultry processing facility in London, Ontario, and this represents a major step forward in extending Maple Leaf's industry leadership, securing the long-term competitiveness of the Canadian poultry sector and creating significant value for Canadian shareholders.

Some of the comments made on this call may constitute forward-looking information and future results may differ materially from what we discuss. Please refer to our 2017 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. The news release and webcast presentation for today's announcement are available at mapleleaffoods.com under the Investors section.

So now I'm going to offer some brief remarks followed by a Q&A with myself and our CFO, Debbie Simpson, and I'd like to turn your attention please to Page #3.

So at our Investor Day last November, we discussed the opportunity to make investments in our value-added fresh poultry network that would both reduce costs and enable us to expand margins in this business as one of the largest contributors to achieving our midterm target of 14% to 16% adjusted EBITDA margin target. Well I can tell you that today, we're really, really excited to provide the details of this strategy.

As announced, Maple Leaf will be building a $660 million value-added poultry processing facility that's going to be one of the most technologically advanced in the world, equipped with leading-edge processing, food and workplace safety, environmental and animal welfare technologies and practices, and establishing this facility as an important step towards achieving our financial and business goals.

It's an essential part of our strategy to increase profitability and competitiveness by increasing our capacity to produce higher-margin value-added products, leading in sustainable protein, improving operating efficiencies and lowering our cost structure. The facility is slated to be commissioned in the second quarter of 2021, and it will replace 3 subscale Ontario plants in St. Marys, Toronto and Brampton. These plants have served us well, but they're now 50 to 60 years old and severely growth-constrained because of location, footprint or infrastructure and nearing the end of their productive capacity.

I would emphasize that this is not a question of whether to invest or maintain the status quo, but rather, this is an investment to maintain and grow our leading brands and solidify our market position. It will also contribute to the long-term capacity and competitiveness of the Canadian poultry sector as evidenced by the Ontario and federal government's investment in this world-class facility. We very much appreciate the support we have received from all levels of government.

Together with Maple Leaf, this is the largest single-site investment ever made in the Canadian food sector, and one that will bolster its sustainability and competitiveness for decades to come.

Our investment is predicated on its ability to create shareholder value and will deliver a solid return on capital. The project is expected to deliver annualized benefits of $105 million to the company's adjusted EBITDA on a run-rate basis within 12 months of completing startup by the end of 2023. With our current annualized sales as a base and including recent acquisitions, we estimate this will contribute over 270 basis points to our current EBITDA margin.

With startup planned for Q2 2021, the project will be accretive to earnings beginning in 2022 and contribute to achieving our EBITDA margin target of 14% to 16% in that year.

The financial benefit of this strategy is capturing more margin, not market share, with the gain split pretty equally between commercial and operational benefits. The key value drivers are: a higher value-added product mix, lower costs and increased capacity. Simply put, by seizing the opportunity to build a state-of-the-art facility and consolidate 3 outdated processing plants into 1, we can significantly enhance our ability to meet growing demand for higher margin products at lower cost, and with more capacity to increase production over time in line with demand.

Let me take you through mix, cost structure and growth in each of the next slides.

Turning to Slide #5. Let's talk about the first major value driver, which is how this will increase our value-added product mix in poultry. The new scale plant will be built and equipped with technologies and processing capacity to increase conversion of whole chicken into higher margin, value-added, air-chilled, tray-packed, boneless and ground products. These all represent the higher growth, more profitable segments of the market where we are currently reaching production capacity in our network. This, in turn, is going to enable us to expand our retail branded business, where we have leading national market shares and provide much-needed capacity to grow within that market. It will also provide a high-quality supply of fresh chicken through our two further process facilities in Ontario as well as for our prepared meats business to meet ongoing demand for cooked and sliced chicken products.

On Slide #6, the second major driver comes from significant operational benefits, specifically reduce cost and complexity with increased yield. We expect the project to deliver more than a 30% savings in cost through lower labor overhead and distribution costs. At the same time, we expect improved process design and technologies for stunning, chilling, slicing and deboning to increase both yield and volume. Well, these are all proven technologies globally but this will be one of the first scale facilities in North America which brings them all together in one end-to-end plant.

By consolidating three plants into one integrated facility and process flow, we will reduce overhead costs and also the complexity associated with coordinating production supply and distribution from three separate plants to meet customer needs.

Turning to Slide #7. The third major value driver is growth. Chicken is the most consumed and fastest-growing protein in Canada, driven by consumer demand for healthy, easy-to-prepare and delicious meal options. Maple Leaf is the national brand leader by far in value-added fresh poultry. Maple Leaf Prime is the leading brand of Raised Without Antibiotics fresh chicken in Canada, and Mina is Canada's leader in Halal products, two premium market segments. Both of which are growing at double digits compared to the 4% growth for the broader retail fresh chicken segment.

Investing in additional capacity and ability to meet increasing demand is a win for Maple Leaf, for our customers and for our shareholders. At the same time, this new plant is designed to support steady market growth and increases in live allocation of approximately 2% annually within a supply-managed system. This facility represents a 33% increase from total current capacity at our three Ontario plants with design flexibility for further expansion beyond that as needed.

With the recent acquisition of Cericola foods, Maple Leaf will have the additional supply, expertise and assets to advance growth in the premium Raised Without Antibiotics, air-chilled and now, the organic markets.

The supply strategy builds on our track record of delivering significant structural margin expansion by executing on large-scale capital projects that deliver scale efficiency and sustained cost reduction. It is the product of several years of review and careful planning. It included detailed analysis of every strategic capital and operational element of the plan as well as the expected returns and potential risks. Our analysis was supported by independent experts advising on best practices from around the world, project governance and plant design.

As a point of reference, our capital risk has been materially mitigated but the fact that as of this moment, the project is now over 90% design-engineered, 90% design-engineered, providing a very high level of certainty in project cost and operational benefits. While this is a much less complex than our previous prepared meats initiative with fewer plants, a simpler portfolio of products, no product reformulations whatsoever and a simpler ramp down and ramp up process, it does require a significant capital investment. Of course, there are going to be startup costs, but we've gone to extraordinary lengths to mitigate as much of that risk as possible and deliver an attractive return to shareholders.

Slide #9 provides an overview of the plant's location, which was chosen following a rigorous site selection process. It's on a 100-acre industrial site in London, Ontario and is in close proximity to chicken farms and contract growers, which reduces transit time and provides important animal welfare benefits. It's also close to major transportation corridors and offers an attractive labor supply, including its proximity to our existing St. Marys facility. We've taken a very rigorous evidence-based approach to plant design and technology selection, while putting a priority on systems integration and the utilization of industry best practices for efficiency, food safety, worker safety and animal welfare. These are all central tenants to our vision to be the most sustainable protein company on earth and reflect the importance we place on leadership in these areas. It will deploy the latest technologies proven from around the world and operate at leading line speeds to optimize efficiency, and it will support some leading global standards of food and workplace safety.

The facility will finally advance animal welfare by using controlled atmosphere stunning, a more humane method to render birds fully unconscious. We will also install remote video auditing as we're doing across our other facilities as an important tool to train and continuously monitor compliance to our very high standards. Leadership in animal care also supplies important commercial benefits as it differentiates us in the market and supports ongoing expansion of our sustainable meat portfolio.

Now, Slide #10 is pretty important because it gives you a sense of how the project will unfold and how the capital investment will flow over the next three years. As construction has started in the spring of 2019, the majority of Maple Leaf's capital investment of $605 million will be roughly split between 2019 and 2020, with a small residual spend in 2021. In preparation for this, we've already purchased the site which along with the design engineering, accounts for approximately 5% of the total capital. We also expect to incur approximately $140 million in one-time costs to transition to this new plant, of which roughly 30% will be net cash restructuring costs and 70% in one-time project-related costs, including duplicative and overhead costs. These costs will occur over the life of the project, which we expect to begin in mid-2020 as we start training and will be completed by the end of 2022. We expect them to peak in mid to late 2021 as we initiate commissioning and as legacy plants begin to wind down. We plan to complete the transition of production from our three existing facilities into the new plant by the end of 2022. Please note that these are best estimates as timing of plant startups are well-planned but never precise.

Our plant in St. Marys is expected to close by 2021, while our plants in Toronto and Brampton are expected to close by mid-to-late 2022. These closures are expected to result in a net reduction of approximately 300 positions, with most occurring in 2022. Of course, we deeply regret the effect this has on our people in these communities. We are providing significant early notice, years in advance, so that we can support our people fully through this transition. They will be encouraged to seek opportunities at the new facility or at one of our other plants in the Greater Toronto Area where they will be given first priority for employment.

So to sum up, we're investing to advance our long-term profitable growth and leadership in value-added poultry. This investment is going to secure a competitive and thriving Ontario poultry industry. It's going to provide sustainable skilled jobs and is going to deliver related economic benefits for the entire community. It will deliver a great return on capital and significant shareholder value. The facility is going to provide the needed capacity to maintain our brand leadership and our growth in this market, and it advances our leadership and sustainability. This investment builds on our proven track record of execution. We have the know-how and wherewithal to successfully execute large-scale capital projects like this that deliver structural margin expansion through sustained cost reduction, scale efficiencies and enhance our value-added product portfolio.

It's backed up by an enormous amount of analytical rigor, combined with long-standing experience and expertise in the poultry industry. We're very excited about what it will deliver for Maple Leaf, for our shareholders and for other stakeholders by advancing a competitive and sustainable Canadian poultry industry. And it has all the hallmarks, all the hallmarks, of an excellent Maple Leaf investment, maximizing long-term value in ways that directly connect to our vision of becoming the most sustainable protein company on earth.

With that, operator, could you open the line for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from George Doumet.

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

Just looking from the value-added mix, just wondering where we stand today and maybe where you'd want it to be after the London plant is up and running.

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

Yes. We haven't put the statistics of mix into the marketplace for public disclosure. But suffice to say, George, there's a significant advance in our ability to produce the value-added array of product in both conversion of products, tray packing, grounds, all of the products that I mentioned, and that's a very significant contributor to the benefits of this investment.

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

Okay. Also like to understand a little bit about where you see the margin ramp going. I guess it starts in 2022 and it ends at some point in 2023. Should we expect that to be a linear improvement? Is it more back-half weighted? Just trying to get a sense of that evolution of margin.

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

Well, by definition, it's more back-half related -- sorry, back-half weighted. So suffice to say, George, I can -- the one thing I can guarantee you is that it won't be a straight line. But what I can't tell you is exactly what that line looks like because there's so many variables attached to a startup. So you would obviously tap into a larger share of the benefits once the larger Toronto and Brampton facilities are closed, collectively, in the GTA, which are at the end of that time line. But again, it's just not -- these things are just not that predictable in that 18-month period and they're not a straight line. So it's just -- even if I knew, it would not be a credible answer because it's not that -- there's too many variables.

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

Okay. Just 1 last one if I may. Just the closure of the St. Marys plant that's occurring in the second half of '21, can you maybe talk to the expectation, if any, of any potential disruption we may have to sale there?

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

You have to help me. Why would there be a disruption of sales?

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

I guess transferring products from 1 plant to the other. I guess...

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

No. I wouldn't think so. We'll have a sufficient transition period, a transitory period from 1 plant to the other that should -- that will mitigate that risk. I don't see a risk there.

Operator

The next question is from Irene Nattel.

Irene Ora Nattel ***RBC Capital Markets, LLC, Research Division - MD of Global Equity Research***

A couple of questions. Just in terms of your current sales mix and your ability to meet this evolving demand, are you finding that really, your current production capacity is, in fact, just you can't really deliver what the market wants right now or where the growth is going?

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

That's correct. We are -- our capacity in all of those value-added -- we've been -- we've experienced some tremendous success in our -- in the last 5 years, particularly in growth in the branded and value-added poultry product lines that we have. And we are definitely coming up to full capacity utilization in those areas.

Irene Ora Nattel ***RBC Capital Markets, LLC, Research Division - MD of Global Equity Research***

Okay. And so, Michael, do you -- between now and when the new capacity is going to come on stream, will you be able to meet some of that growing demand? Or really, we should kind of -- the current run rate is what it is until then?

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

We've had actually, in fact, we've been using, in select cases, co-packers to fill in our additional capacity needs over the last few years, and would expect to continue do to that to the extent that we need to, to maintain our market shares. I would also tell you that the acquisition of the Cericola facility has helped in that bridge.

Irene Ora Nattel ***RBC Capital Markets, LLC, Research Division - MD of Global Equity Research***

That's great. And so when we're looking out to 2023 and you say that in the release, that it will deliver annualized benefits of $105 million in EBITDA, what are you thinking in terms of run rate on revenue coming out of the facility?

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

So the one thing that we didn't do, first of all, we supplied a number of different facts to allow you to triangulate this in your modeling, Irene. First fact is that the benefits of this are $105 million a year, incremental to the adjusted EBITDA margin in 2023. I would tell you that, that number is in 2018 dollars. We did not -- that's not an inflated number. That's a today's dollars number on startups, so those -- there would be an inflation number to that which should be future-positive. The second number that we provided was that at -- based on the current revenue base adjusted for recent acquisitions, which is to say the 2018 revenue base, plus the acquisition of the revenue base from Cericola, plus the revenue base from the VIAU acquisition. If you look -- if you take the $105 million divided by that existing revenue base, adjusted for those acquisitions, it's 270 basis points. The challenge to your question is that there will be things beyond that, that will adjust the -- that will change the revenue base because this is not the only project that we're going to complete over the course of the next 4, 5 years. So that revenue base could change more or less from that and the exact 270 basis points that this adds could bounce around depending on the outcome of the other -- the mix related to how the other products -- or projects, I should say, unfold over the course of the next 4, 5 years. So we thought that the best way to model it, to give you an indication of what the return on capital which is the really most important metric here, to model the return on capital would be knowing that the -- against the $605 million of Maple Leaf capital investment, plus the $140 million of startup and restructuring-related costs versus -- compared to the $105 million, gives you a sense as to what the return on capital is, knowing also though that there's additional return beyond 2023. In fact, I would tell you, in the spirit of full disclosure here, that our expectation is by year 10 of this investment, the return will grow to in and around $150 million. So the -- when you look at the IRR of the project, I think it meets the conditions that we have highlighted to shareholders in the past, by which we make large-scale capital investments of this nature. But percentage, 270, I think is a good approximation of what it will do, but it could float a little bit around that depending on the mix influence of other projects between now and then. Does that make sense, Irene, or...

Irene Ora Nattel ***RBC Capital Markets, LLC, Research Division - MD of Global Equity Research***

That makes perfect sense, Michael.

Operator

The next question is from Michael Van Aelst.

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

You -- Michael, you made a comment that this is going to contribute to the 14% to 16% you're expecting in 2022. So when you first gave the 14% to 16%, you talked about that being a 5-year rate with a 5-year project or target, and that would essentially kick in, I guess, by the end of 2021 and run rate throughout 2022. So are you still expecting to be able to get into that 14% to 16% even with this project only partially completed at that point?

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

Yes. I believe the answer to that is true. I believe the answer to that's true. I have to go back and look at the exact run rates. Keep in mind that in 2022, we expect this to be -- to contribute, so we fully expect it to contribute. It won't contribute fully to the 270 basis points, but we do expect to be, based on this project in combination with the other initiatives, to be in that zone.

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

And when you say it's going to contribute, you said it was going to contribute to your earnings, I think, in the press release, but is it going to contribute to your margin? Is it going to be margin-accretive in 2022?

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

Yes, yes, yes. It won't -- but it won't be fully -- we won't we fully at run rate in 2022. You run rate in early 2023.

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

Right, right. I'm sorry, you did say, just to clarify on that, you said within 12 months of startup and by the end of 2023 you expect to get that 270 basis points. So should we just be expecting that...

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

I think I said that within 12 months of completing the startup.

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

So that's kind of late 2023, right?

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

Yes, that's -- so, yes, okay, that's true. I see where you're headed. Yes, yes, you're right. But I said within 12 months, it could be earlier than that but we wanted to put a stake on the ground.

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

Okay. And having gone through this for many years on the pork side, have you built in some conservatism into your timing?

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

There are a number of things I think, Michael, that make this materially different than what we've experienced in the past. It is a dramatically less complicated or complex initiative. This is obviously significant in the economics but it is a materially simpler project. I would start by the observation which is actually a first in my 40 years in the business, a first time ever where when we put shovel in the ground, we will have 90% design engineering complete. So that is a substantial capital cost, capital timing mitigator. But I would add that the conversion from the old network to the new network is significantly simpler for a range of reasons in addition to that. First, this is a single product line moving 3 plants into 1. The prepared meats network conversion was the construction of a whole new purpose-built center of excellence network that had to be up and running and then 1 plant at a time, closing the existing multipurpose facilities into that facility. This is a single product line versus a broad product range in prepared meats. I would add to that, there are no product reformulations. In the case of the prepared meats facility, virtually every SKU in the entire process had to be reformulated to run on the existing network -- or sorry, on the new network. And finally, it is a single province of 3 plants and 3 closures into 1, whereas the other -- the prepared meats conversion was 8 facilities closed into the new network in combination with the startup of 2 distribution facilities and the downsizing of 19 points of distribution into 2. So the complexity of the 2 different initiatives is chalk and cheese. Now that's -- I don't want to leave the impression that, that doesn't mean there won't be issues. Honesty, when you start up a facility like this, particularly technically-advanced facilities, there's always startups -- there's always startup issues. But I think that because of the level of design engineering completion combined with the other convexity factors, I just think it's -- I feel pretty good about the predictability of this.

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

Okay. And is this plant going to service all of Canada or maybe just Eastern Canada?

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

Eastern Canada.

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

Eastern Canada. So does that mean that you could potentially do a similar type exercise for Western Canada down the road, or not?

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

Highly unlikely. We don't have the scale in Western Canada to be able to do that. You need to have the scale of 1 region to be able to invest in a facility of this size. In Western Canada, we would produce somewhere around 25% of the volume of this.

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

And does any of your competitors have anything close to what you're going to end up with?

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

No. This is going to be, to the very best of our knowledge, the single most technologically-advanced facility of its kind in the world.

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

Okay. And just finally, what does this mean for your NCIB and dividend growth over the next number of years?

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

We haven't -- the board hasn't made any decisions on NCIB. We look at that virtually every board meeting and prudent capital allocation. We fully expect to maintain our dividend policy which is at steady growth rates as we've experienced in the last number of years.

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

Because you have -- you did stop your NCIB, I think, in the beginning of the month and I don't know if it's related to this or not, and maybe capital allocation now is going towards this. Should we assume that your NCIB is going to kind of be along that factor?

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

I think there's a prospect for that but it depends on how the other projects in the portfolio unfolds. Our balance sheet expectations are here, these are very clear with both management and the board and constant engagement on that. First of all, we expect throughout this to maintain an investment-grade balance sheet, so that's an important boundary that you can expect from us. What we do with share buybacks will depend not just on this project, but on the balance of projects in the portfolio. And we have a very robust pipeline, but they're not as advanced as this and so I can't say whether other projects will go forward or whether they won't go forward, depending on their merits and board approval. So I think we will -- obviously, it's easy for us to say that we'll have to look more closely at it than we had in the past. But I don't think it's fair to say that it's going to be completely off the table. It will be dependent on how the -- how all of the balance of projects unfold over the course over the next 4, 5 years. And...

Operator

The next question is from Derek Dley.

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

Yes. Just a question on the size and the scale of the 3 plants that you're closing is, I think you may have mentioned just there that the Toronto and the Brampton plants are much materially bigger than St. Marys. Is one of those -- can you just give us an order of magnitude of the 3 plant closures?

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

Yes. So the largest is the Toronto plant. Second largest is the St. Marys facility and the third largest is the Brampton facility. Is that helpful?

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

Yes. I mean, can you give, like I said, like in order of magnitude, is Toronto twice as big as Brampton or...

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

No, I said Toronto is probably about 50% larger than St. Marys, and St. Marys is about 50% larger than Brampton.

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

Okay. That's...

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

Those are round numbers. I'm just giving an approximation of that.

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

No, that's great. And then just looking at the one-time costs, so I think I understand what the $45 million in the restructuring costs are. In terms of the startup and the duplicative overhead, now is that all noncash? Is that the right way to be thinking about that?

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

Debbie's here with me. Debbie, do you want to those?

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

Yes, they are all noncash, Derek. Sorry, cash. So the $45 million is cash restructuring.

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

But the duplicative overheads are all cash as well. The duplicative overhead...

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

Yes. It's included in 2Q and we were very specific about the restructuring just so that you got the message that it was cash restructuring.

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

Right, okay. So the restructuring is cash, I understand that. And sorry, just to be clear, the startup and the duplicative, that is noncash?

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

No, that is cash.

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

No, that -- the duplicative would be cash, too. Those would be expenses that would flow through to our income statement than the way they would normally hit our income statement and they are cash costs. But we wanted to try and help you with the confusion around restructuring because restructuring is usually a mix of cash and noncash. But what we've given you here is cash restructuring costs.

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

Okay, I got you. Can you -- do you guys intend to give us sort of a quarterly update on where you're at on these one-time costs in terms of sort of segmenting them out?

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

It might not be quarterly. So the way this will work is we've given you a lot of numbers here. So there's capital numbers, there's restructuring numbers, overheads, and they all seek to drive basically what we've given you is the ability to predict the return on this project. And to the extent that they're going to differ as this project unfolds, we'll give you an update because it's going to drive you to a different outcome or a different assessment on this project. So I don't think every quarter we're going to be seeing things like, hey, that $45 million estimate, that's $44 million. But to the extent that we become aware, I mean, bear in mind that they're all estimates. To the extent that we see these numbers moving in a significant way, we'll give you updates.

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

Okay. So I mean, I guess what I'm trying to get at is just sort of the variation in the margin over the course of the plan. Given that you got a lot of the one-time costs coming in 2020 -- yes given...

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

Yes, for sure. We will -- yes, in our actual reporting, we will different -- we will pull those out for sure. We did in the last transformational effort, we pulled them out and we will do that again, for sure. So it will be very apparent, the difference between the underlying health of the business and these one-time costs.

Operator

(Operator Instructions) The next question is from Peter Sklar.

Peter Sklar ***BMO Capital Markets Equity Research - Analyst***

I just want to make sure I understand the $105 million. Is that the listed EBITDA in 2023 that you will receive above and beyond if you had not undertaken this project?

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

Correct. But it's on a run-rate basis in 2023, on a run-rate basis, Peter. So as we said, we would -- our wording was just trying to be as precise as possible for you to accurately model. We said within 12 months of completing the startup, which Michael Van Aelst correctly pointed out, is like in the -- near the end of 2023. At that run rate time, we will be at a run rate of additive to -- of $105 million in EBITDA margin at that time to -- we will be -- we will deliver that much on top of the base that exists at that time.

Peter Sklar ***BMO Capital Markets Equity Research - Analyst***

Okay. And that includes both the savings and the cost structure as well as the mix benefits?

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

Correct.

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

Yes.

Peter Sklar ***BMO Capital Markets Equity Research - Analyst***

Okay. And then how will you be -- like, you have to finance the $605.5 million as well as the $140 million. How are you going to finance that?

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

Basically out of our debt lines and cash generation.

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

Yes.

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

After through all of that, all of our -- we will be -- we expect to maintain an investment-grade balance sheet through this.

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

We have sufficient debt capacity to fund the project.

Peter Sklar ***BMO Capital Markets Equity Research - Analyst***

And so, how should we think about a kind of average funding cost for that when you draw on your facility?

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

Funded. It's just the same as what -- it's in our disclosure right now.

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

Yes. I think it will just be in line with what we've got at the moment. So that's on our end, just under 4% on our existing facilities.

Peter Sklar ***BMO Capital Markets Equity Research - Analyst***

Okay. And then finally, do you know what the depreciation charge on this facility would be when it's all up and running?

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

We don't have an estimate of that at my fingertips. We have the -- I don't have it in front of my fingertips. Why don't we get back to you on that, Peter?

Operator

The next question is from Matt Bank.

Matt Bank ***CIBC World Markets - Research Associate***

First, just wanted to ask, so this project addresses processing capacity for sustainable chicken. Can you talk about the supply side there? So we know you have a history of increasing sustainable supply and we know you bought Cericola, but can you just update us in terms of where you're at in terms of sustainable chicken supply? And also, how does that fit in within Canada's supply management system?

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

So we're -- we're allocated our share of poultry, and the allocation that we received is agnostic to whether it's conventional chicken or Raised Without Antibiotics chicken organic chicken. It's up to Maple Leaf to determine based on the premiums that we offer and the relationships we have with producers and our ability to convert those producers efficiently and effectively based on our growing demand to an RWA or an organic version of that supply. So important to separate supply from the RWA and organic definition of those. So we are in charge of -- so the industry, if you will, and supply management is in charge of what our allocation growth is. We are in charge of what our growth in sustainable meat is and we've -- we haven't segmented that in our continuous disclosure. But suffice to say, it's a significant double-digit growth rate and we expect that to continue.

Matt Bank ***CIBC World Markets - Research Associate***

Okay, great. And sorry, I actually missed this, I think. What was the capacity increase overall you'll be getting from this new plant?

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

33%.

Matt Bank ***CIBC World Markets - Research Associate***

Okay. And I just also want to follow up on saying that you expect to hit the 14% to 16% margin target in 2022. So with this being 270 bps, that would be slightly over half of that target. And I know you outlined kind of the pillars of the growth at your Investor Day, but could you maybe rank sort of the top maybe 1 or 2 initiatives within that, that you expect to drive that by 2022?

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

Yes. The first is our sustainability strategy and inside that sustainability strategy, which is comprehensive and is monetized throughout our commercial platforms both retail and food service. The biggest component of that would be growth in RWA but there are other components of it as well. So I bundled that all is our sustainability strategy, and the fact that, that is accretive to both the top line and it's margin accretive as well. Obviously there's the poultry investment, which we announced today. #3 is the improvements in both top line and bottom line in our core renovation, which we unfolded in 2018 and is going very well. #4 is the extraordinary growth that we're experiencing in -- at Greenleaf Foods, in our alternative plant-based protein business. And the fifth is just the ongoing margin enhancements that are available to us driven by our cost culture at Maple Leaf which is alive and well. So it's a combination of those 4 additional initiatives, combined with the 270 basis points from this project, I think puts us in a good position to be confident in the 14% to 16% growth EBITDA margin target.

Operator

There are no further questions registered at this time. I would now like to return the meeting back over to Mr. McCain. Please proceed, sir.

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

Okay. Thank you. Well, thank you very much. We appreciate everybody has had a tremendous attention to this or given this tremendous attention over the course of the next -- over the last year. We appreciate that attention very much. We advised all of our stakeholders that we would have details in the project by the end of 2018. We delivered on that promise today, and I think this is a sufficient detail for everybody to conclude, as we have, that this is an exciting project for all of the stakeholders. It is consistent with our vision to be the most sustainable protein company on earth. It's attractive to share owners and so it reflects a shared value creation across all of the portfolio of stakeholders, and will solidify and strengthen the poultry industry in Canada for the next many, many decades. So this really is a collaborative effort where, in spite of some of the difficult challenges associated with change, is long-term and the best interest of the whole industry and all our stakeholders. Thank you for your attention to that. We're very excited about it, and we look forward to talking to you more about this at our next quarterly update. Have a great day, and thank you for visiting on a short notice.

Operator

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