



REMARKS

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2020 Annual Meeting of Shareholders

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Check Against Delivery

Thank you Geoff; and Good morning, everyone.

In a normal year, I'd welcome you to our ThinkFood! Centre, the heart of innovation at Maple Leaf Foods. I think we can all agree that 2020 has been anything BUT normal.

Still, thank you for attending the 2020 VIRTUAL meeting of shareholders.

In my youth in the 60's and 70's, I was a fan of Nobel Laureate poet and songwriter, Bob Dylan.

His track "*The times they are a changin'*" was always relevant:

*"Come gather 'round, people
Wherever you roam
And admit that the waters
Around you have grown"*

He wrote ... "*The times they are a changin'*"

This is a time of great change and tremendous disruption. Those who understand it and adapt will thrive. Those who don't, well ... not so much.

Food and consumption are changing. Consumers want more basic, natural, less processed food choices they feel are healthier. They want more protein in their diets, with less carbs and lots of fruits and vegetables. And, they want to consume responsibly.

The climate is changing with profound effects on our lives, and on the future we leave to our children and grandchildren. Society is expecting governments and business to "step up" to solve this threat. The resources required to sustainably feed up to 10 billion people in the future is anxiety-producing, and made only more difficult by political, social and economic resistance to change.

Environmental concern among our consumers and investors, led, but not restricted to climate change, is real and demanding, also. People are intensely interested in what we can do to reduce waste and water usage, and where they can support reusable solutions. Both capital and public policy are rapidly fleeing high-emitting enterprises.

The global balance is changing. As the U.S. abdicates its role in global leadership, China is increasingly flexing its muscle and making strategic moves. Globalization is under attack and nationalism is on the rise. The implications for trade, stability and supply chains are enormous, and Canada's role in this as a relatively small nation is even more difficult.

Capitalism is changing. The pure pursuit of quarterly shareholder value has driven business to a dead end, where communities and governments around us are increasingly hostile. The need to acknowledge inequities of prosperity that defy the senses, grows by the day. We need to reconnect the interests of business with those of the broader community and shared value, as we have articulated for many years, must emerge as the new capitalist ethos.

Yes.... *the times they are a changing!*

And then there was COVID!

The global COVID-19 pandemic has been the greatest threat this generation has faced. It has killed thousands of Canadians and sickened many more. It forced governments to put the economy into a coma, resulting in the largest, fastest contraction of jobs and economic activity in history. And of course, it's not over.

In a crisis, it is easy to criticize leaders. In this country, our governments largely did the right things. They conveyed the seriousness of the virus. They did not minimize or ignore it. They followed the science and drilled into us the need to isolate and social distance. They provided large and urgently needed financial support for individuals and business.

One might think that food and the food industry would be somewhat unaffected. Indeed, ours was declared appropriately "critical infrastructure" and an "essential service." It has often been said "*no society is more than three meals away from revolution.*" Yet, we were not immune to the prospect of disruptions.

I would describe the most significant of these as:

- The dislocation of channel shift, from food away from home, to food at home, almost overnight
- The skyrocketing adoption of e-commerce
- An acceleration in plant protein interest, trial and growth, and
- The clear fragility of the US protein industry

The Foodservice industry represents 40% of food consumption in Canada, and roughly 24% of Maple Leaf volume. Migrating foodservice volumes to retail in such rapid time frames is impossible unless excess retail capacity exists, which it generally does not. Maple Leaf took steps to adjust capacity as much as possible in short windows of time, but there were limits on these options. During the most difficult stages of the pandemic, consumers avoided in-person shopping experiences. This fueled the skyrocketing e-commerce volumes, which most believe will be sticky. Many consumers used the sometimes-empty retail meat shelves as an option to try a plant-based alternatives, so growth in these categories accelerated.

And finally, it is clear the U.S. protein industry had greater challenges operating in a pandemic environment than we did. The consequences of this, combined with other factors such as channel shift, yielded the most perverse market dynamics we have ever seen. It created the paradox of excess supplies of livestock at one end of the value chain, with empty store shelves at the other. There simply wasn't enough processing capacity in the middle to connect the two, which created highly volatile near-term market pricing as well.

In the middle of all this turmoil, change and crisis, how did Maple Leaf behave?

We enabled a crisis team very early to assess the risk factors and to set our priorities firmly and fast...

- 1) To protect the health and safety of our people first
- 2) To protect the operational integrity of the food supply chain as an essential service
- 3) To follow the best available science, even as it evolved, guided by the CDC, and
- 4) To collaborate and communicate actively with all stakeholders

We established aggressive protocols quickly, throughout our supply chains, including measures such as...

- Aggressive daily health screening and temperature checks of all our people, including mandating “stay at home” if they didn’t pass
- Increasing social distancing in all our facilities, with staggered work
- Mandatory face coverings for all team members at all sites
- Increased sanitation in all areas of our supply chain
- Protocols for transport to and from facilities, and
- The addition of trailers and tents to decrease density during breaks

We communicated and coordinated with public health, the CFIA and our unions, as it was also imperative to give our people the confidence to come to work! Our IS teams did extraordinary things, rapidly transitioning all of us to full work-from-home in lightning speed. They are awesome!

Because of the stress this placed on the heroes of our front-line workforce, especially during the early stage of this crisis, we also adjusted our compensation practices to recognize and support our people doing the “right thing.” This helped protect our team financially and encouraged them to stay home when necessary. But no compensation can fully express our gratitude for their incredible commitment.

All these efforts could not ensure we’d be untouched; we WERE. A valued and dedicated employee and colleague died, and we mourn his loss. To date, 72 team members across our network have tested positive for COVID-19. Even a single case is too many.

During the crisis, Maple Leaf Foods actively engaged in supporting our communities with emergency food relief donations and funding of over \$1.3 million through the Centre for Action on Food Security, and we supported front line health care workers across the country with a \$2.5 million donation to The Frontline Fund.

The challenge for society now is to provide people with confidence to re-enter the workplace and to re-engage the outside world. The more successful we are at minimizing a public health threat, the more readily we can gain trust, open our society and rebuild the economy.

Maple Leaf Foods happens to be expert in pathogen control in complex environments. That gives us some credibility in advocating to governments a path forward that includes materially higher levels of community COVID testing, a re-engineering of testing strategy from reactive to proactive, and tracing capacity that is able to run every case to its source. Our country isn't there yet.

With health, economic and social issues looming so large, it can be easy to overlook our operational and financial performance. But this performance underpins our ability long-term to create shared value, and to execute on our purposeful journey..... to Raise the Good in Food and our Vision to be the Most Sustainable Protein Company on Earth.

In 2019, we made progress on each of our sustainability pillars: better food that meets consumer needs, a sustainable environmental footprint, responsible treatment of the animals in our care, and creating social value through our work on food insecurity.

I'd like to mention two highlights from last year, which are foundational on our journey:

In 2019, we took the most significant action in our history; action I have never been prouder of in my 40-year career in this industry. Maple Leaf Foods announced we had become the very first large-scale food company – not just meat company, FOOD company – IN THE WORLD, to become CARBON NEUTRAL NOW! It has been a journey, and one based on the core principles of a robust carbon footprint initiative: Avoid, reduce, recycle, and offset.

We have re-upped our prior 2015 emissions reductions, but now committing – at the time, one of only 290 companies in the world to do so – to the rigorous, challenging science-based targets initiative for 30% scope 1 and 2 absolute carbon emissions reductions by 2030. We are confident we can achieve these. While there is a short-term cost, we view climate change as the greatest threat facing humanity. It is incumbent on companies like ours – on the front line of this challenge – to act now and to act decisively. Our hope is that all our competitors do the same.

The second highlight is the pivot in our Greenleaf business model to compete in the incredibly compelling and lucrative Plant-based Protein category. Prior to 2019, we had strategically acquired a leading position in Plant Protein supported by strong brands in Lightlife and Field Roast. We originally deployed our familiar “profitable growth” playbook; however, as we entered 2019, the game radically changed. Growth in Plant Protein consumption accelerated from low double-digits to greater than 30% for the foreseeable future, spurred by innovation and more prominent presentation in both the Retail and Foodservice channels.

New entrants deployed aggressive “land-grab” playbooks focused on revenue growth and terminal value, with little regard for short-term profitability in favor of investment. Clearly, our prior approach was no longer viable in this new environment, so we had to decide: Are we in it to win? Or are we just in it to play?

To make a balanced, informed choice on behalf of all our stakeholders, we needed to answer four key questions:

- 1) What do we feel the size and growth rate is for both the category, and our potential share of that category?
We concluded this category will grow to “at least” \$25 billion in North America by 2029 and we believe we can command a \$3 billion market share.
- 2) What skills do we need to win?
Our brands, our innovation capacity, our marketing skills and our supply chain proficiency were all deemed to be essential to winning, and our core skill set. We are in a pole position.
- 3) Do we have the financial capacity to support this?
Maple Leaf is a very profitable, cash generating business that can comfortably support the investments required. We needed to adopt the lens of SG&A investment sized at roughly \$150 million per year, investment levels required to drive sustained 30% growth rates.
- 4) Finally, are we creating value long-term?
Our discounted cash flow behind this model of high growth and underlying gross margin, showed us how profoundly lucrative this opportunity could be to shareholders over time.

We were excited by the answers to each of these central questions and seized the moment as an opportunity with transformative potential for our company.

True to our entrepreneurial culture, we took fast, decisive action pivoting to a new economic model defined by our long-term goals of 30% annual revenue growth and underlying gross margins of 30%, supported by this upfront SG&A investment and infrastructure to manufacture the products. And we are now focused on executing the sustaining brand strategies which will provide the framework for this growth expectation.

While I have spent time today walking through the lucrative Plant Protein growth trajectory available to us, it is important to acknowledge it isn't the ONLY growth vector we are pursuing at Maple Leaf. We have also positioned ourselves for accelerated growth in categories such as sustainable meat, where we are leaders in North America, poultry, which is the highest growth meat segment, artisanal meats and in value-added meal kits.

Financially, we began reporting our results in 2019 as two segments or platforms. Our meat protein business with a profitable growth economic model measured by modest organic revenue growth rates, capital investment and expansion of our EBITDA margins over time. And, our plant protein business with a revenue growth plus terminal value model measured on exceeding our strategic growth rate target of 30%, while protecting underlying gross margin of at least 30%.

I am happy to report we delivered on these targets in 2019, despite erratic commodity markets and an increasingly competitive plant protein marketplace. In Meat Protein, sales increased 4.9% excluding acquisitions, while we expanded our adjusted EBITDA margin 50 bps to 10.4%. It is important to note that we achieved this expansion despite experiencing a 110-bps headwind from weak pork markets.

In Plant Protein, sales increased 24% excluding acquisitions, with strong 31% growth in the back half of the year after we pivoted our playbook. Plant Protein underlying gross margins, excluding short-term inefficiencies, were in the 27-30% range.

Our investment profile and therefore our balance sheet rapidly changed towards the end of 2019 and into 2020. To support significant growth capacity behind our poultry business, and ongoing growth in plant protein, capital spending was \$271 million in 2019, is estimated to be \$600-650 million in 2020, and is likely to remain elevated in 2021. Because of the cash generating ability in our core business, we expect to be able to maintain balance sheet leverage in line with investment grade ratings through this period of heavy investment, although we now have a modest debt in our capital structure after several years of a strong cash position. We did, however, scale back our share buy-backs to \$20 million in 2019. Reflecting our balanced approach to capital allocation, and our optimism in future growth, your Board recently authorized a 10% increase to our quarterly dividend, maintaining our track record of consistent dividend growth.

We know the future will be dynamic in the short-term, but our focus remains unchanged: executing on our well-defined vision to become the most sustainable protein company on earth. This adds value for all stakeholders, and it is deeply inspiring.

Our purpose and vision are stronger and clearer than ever, and we proved our company's nimble nature during the pandemic, as we adapted and changed at a pace I never imagined possible. There will be lasting impacts from the COVID 19 pandemic, notably in redefining how we work together in the future as we seek to find new, more flexible, efficient and effective work structures that are also safe.

This has been a once in a generation moment. We have seen fragility in many of our global networks and physical supply chains. Clearly, this was the unequal pandemic where our most vulnerable in society felt the impacts most severely. We saw this first hand in our response to surging food security challenges across the country through the lens of the Maple Leaf Centre for Action on Food Security.

Our global community needs to restore commitment to global institutions and collaboration. The self-serving interests of Nationalist policy cost us all dearly through this time, and left unchecked, it will get worse. We can do better!

So, as much as Maple Leaf Foods has changed for the better – more profitable and more sustainable – we are not complacent. More change is coming, and we need to respond to it and shape it, lest we be left behind.

Capitalism creates jobs and economic prosperity, but it isn't working for everyone and is under great attack. Millennials working in the gig economy do not see capitalism's superiority and wonder how the profit motive will fix our problems. We need to knit the interests of business back together with the interests of people, or we will all be poorer for it.

COVID's stress was hard enough for everyone to bear, but its strain was made worse by a stunning and very public awakening to the harsh reality of racism in our society, leading to an outpouring of protest; in some unfortunate cases, violence. These events, we hope, have brought us a long overdue tipping point in our understanding of racism's unacceptable persistence -- and its tragedy.

Just as Maple Leaf has taken important stands on so many social issues, from LGBTQ rights to food insecurity, we will confront racism in our midst head on, beginning at our own company by educating ourselves, having important, transformational dialogues, and taking the actions required to effect change.

As for the pandemic, its lessons are before us and we need to be prepared to learn how to live safely with these viruses around us. In our business, we need to buttress and secure our supply chains, which buckled, but did not break. And we need to understand and acknowledge the role that poverty plays in public health and do something about it.

Dylan's message from 1963 should resonate for all of us....

*“As the present now
Will later be past
The order is rapidly fadin'
And the first one now
Will later be last
For the times they are a changin'”*

By basing our profitability on a set of values and a higher purpose and vision, Maple Leaf Foods has positioned itself well for the new consumer environment. By operating according to our values and vision, Maple Leaf Foods will play our role in building a stronger Canada.

External events like COVID, climate change, food insecurity and social unrest will not define who we are. But our response to them WILL.