THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

MFI.TO - Q2 2019 Maple Leaf Foods Inc Earnings Call

EVENT DATE/TIME: AUGUST 01, 2019 / 6:30PM GMT

THOMSON REUTERS

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

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

CONFERENCE CALL PARTICIPANTS

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

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

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

Mark Robert Petrie *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

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

Peter Sklar *BMO Capital Markets Equity Research - Analyst*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the Maple Leaf Foods Second Quarter 2019 Results Call hosted by Mr. Michael McCain. My name is Joanna, and I will be your conference operator today. Please be advised that this call is being recorded. (Operator Instructions)

Thank you. Mr. McCain, you may begin your conference.

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

Thank you. And good afternoon, everyone, and thank you for joining our Q2 2019 earnings call. Both Debbie Simpson, our CFO; and I will provide some commentary on various aspects of the business, and then we'll open up the call for your questions. The news release and today's webcast presentation are available at mapleleaffoods.com under the Investors section.

Before we start, Slide 2 is a reminder that some of the statements made on this call may constitute forward-looking information, and our future results may differ materially from what we discuss. Please refer to our 2018 annual and Q2 2019 MD&A and other information on our website for a broader description of operations and risk factors that could affect the company's performance.

So let me begin by turning into Slide #3. We had a very solid quarter in Q2 with top line growth and an improved adjusted EBITDA margin. Sales increased 12.5% driven by acquisitions and organic growth in our entire value-added portfolio. Strong commercial performance delivered an increased adjusted EBITDA margin of 10.6%. However, we began reporting EBITDA margin of our meat protein operations excluding Greenleaf Foods, a plant-based protein business. As we'll discuss, this is because for an upcoming period of time, our plant protein-based business is focused 100% on investing in revenue growth in a hyperactive-growth market, and we expect it will have negative adjusted EBITDA during that period. I'll go through this in more detail in a moment. Excluding the plant-based protein operations, our meat operations delivered an 11.3% margin.

During the quarter and moving forward, we are stepping up our game in the exploding plant-based protein market. This includes important strategic investments and prioritizing growth revenue (sic) [revenue growth] and a vision of terminal value over short-term profit. We're leading the way in this rapidly expanding space. And we're in a great position to have attractive opportunities in both our plant- and meat-based -- our meat and plant-based protein businesses. With 2 solid and distinct growth avenues and a rising North American market for protein options, we have compelling paths to sales and margin expansion.

like to outline how we are raising our game to win in this market. And number four, we want to -- I want to provide greater visibility for our meat protein and plant-based protein financial potential and future returns from our strategic capital investments.

So with that, I'd like to turn it over first to Debbie to review our financials and provide the highlights of our meat protein performance in the quarter. Debbie?

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

Thank you, Michael. As shown on Slide 5, our key metrics for the quarter included sales of $1 billion, an increase of 12.5% or 3.5% excluding acquisitions.

For the quarter, we delivered sales growth across our prepared meats, value-added pork and poultry operations driven by improved sales mix, fresh market values and pricing actions taken last year to manage for inflation. Continued double-digit growth in plant-based protein also contributed to higher sales.

Turning to other financial metrics. As Michael mentioned earlier, excluding plant-based protein where we are stepping up our investments to drive sales growth, our meat protein operations delivered an adjusted EBITDA margin of 11.3%, which we are very pleased with in these market conditions. In total, we delivered an adjusted EBITDA margin for the quarter of 10.6%.

Higher investments, largely in our plant-based protein operations, contributed to increased SG&A expense, which as a percentage of sales was 10.4% in the quarter. Excluding these investments, SG&A as a percentage of sales was 9.8% or flat to last year. Adjusted earnings per share for the quarter were $0.33.

We closed the quarter in a net debt position of $403 million of which $64 million was construction capital, primarily related to the building of our new poultry and plant-based protein facilities.

As a reminder, IFRS 16 Leases became effective for all public companies this past January. During the quarter, we recognized $8 million in depreciation and $1.8 million in interest related to the adoption of IFRS 16.

Flipping to Slide 6. During the quarter, each area of our meat protein operations made very good commercial progress. Prepared meats benefited from improved sales mix, volume and supply chain improvements, partially offset by higher pork-input costs. Our sustainable meats platform continued to realize significant competitive advantage for us, contributing to margin expansion and growth across both fresh pork and poultry and further penetration of our Greenfield brand in the U.S. market.

Overall, we are pleased with how our meat protein operations performed during the quarter. We delivered improved margins despite challenging pork markets, which resulted in the pork complex trading approximately 100 basis points below 5-year averages, and the short-term dilutive effect of recent acquisitions, which impacted our adjusted EBITDA margin, of 65 basis points. As we said in our Q1 call, we expect these acquisitions to be fully integrated by year-end.

Prior to the end of the quarter, China suspended imports of pork from Canada. While the ban had no effect on Q2 results, looking ahead, we expect its impact to be transitory, and we have mitigation strategies in place. In addition, we continue to invest in attractive growth areas such as protein kits and dry cured artisanal meats. We will provide you with updates as we make progress on these investments.

With that, I'll turn the call back to Michael for a review on plant-based protein business. Michael?

Yes. Thank you, Debbie. So for a little history, it was just over 2 years ago when we entered the emerging plant-based protein market with the acquisition of Lightlife Foods. Less than a year later, we acquired The Field Roast Grain Meat Company. Together, they provided Maple Leaf with a growth platform, which established us in the marketplace and gave us brands that continue to hold leading positions today.

The growth in plant-based protein is largely a result of increased protein consumption in total. Consumers are looking for more diversity in protein, adding different types of protein to their weekly basket and choosing both plant-based and meat protein alternatives.

Fueled by increased protein consumption, greater visibility, more choices and new product innovation, the market has grown dramatically in the last 12 months. Competitive intensity has definitely increased with new entrants, and more players are vying to establish a stronghold in this rapidly expanding and evolving market. Of course, while this introduces more competition, it also quickly shifts this small nascent category into a nascent -- a mainstream category with scale and significantly greater growth potential. So in total, we very much welcome that.

In the past 2 years, our view of the plant-based protein business has pivoted from a diversification strategy for Maple Leaf to a core and exciting growth platform that can literally transform this company over the next decade.

At our last quarterly review, our last quarterly review of Q1, we described 3 observations that are important. The first was that the game has radically changed in this market, specifically with new entrants and transforming it into a hyper-growth mode. Second was that these new entrants are playing what we observe to be a very fast-paced, technology-based playbook, focused on investing what has been described as a land grab. And thirdly, that we were in this market to win, but to do so, that we needed to change our swing and raise our game, so to speak. Well, that's exactly what we're doing, and we're going to outline this evolving story to you today. We've changed our plant-based protein strategy, and we're pursuing new and aggressive goals. We're raising our game, leveraging our competitive advantages to secure that leadership position, and we're in it to win for the long term.

Turning your attention to Page # -- Slide #8. Let's start by looking at the opportunity that we see ahead of us. Today, the meat protein segment has a household penetration in North America of 98%. In comparison, household penetration of the refrigerated plant-based protein is approximately 5%, lower than that of other plant-based categories across the grocery store and demonstrating growth rates that are far outpacing the broader plant-based protein universe. Case in point, the refrigerated segment grew approximately 40% in 2018.

As consumer awareness expands and adoption increases, we can reasonably assume that plant-based protein proportions of the broader category will reach similar levels to that of other analog segments. And the one that we would point to would be plant-based dairy. Our analysis would indicate that it will reach approximately 10% to 15% of the total meat market in 10 years' time. Some might describe it as conservative, but we think it's a reasonable estimate. And this represents a North American market opportunity of $25 billion for plant-based protein and an even greater opportunity globally.

Turning to Slide #9. Our focus remains on the fastest-growing refrigerated category. We essentially are only in the refrigerated space of this business. We don't participate in frozen, but all of the growth or the lion's share of the growth is occurring in the -- and will continue, we believe, to occur in the refrigerated segment. We're brand leaders in this segment, and we continue to hold the largest share. Our brands have existed in this space for decades. Lightlife is 40 years old, and Field Roast is 22 years in the market. Over our time in this business, we've deepened our expertise, we've invested heavily in product design and technology, we've built significant supply chain capability, and we've strengthened the equity in our 2 leading brands.

Together, these brands hold approximately 40% market share in the last 52 weeks, according to IRI. And that's before the recent launch of our pea-based Lightlife burgers, grounds and sausages. It's important to note that the category is so highly developmental that market share data will be quite varied, likely would depend on your definition of the market. And I would reiterate, we -- the market we participate in is refrigerated and will surely shift around from period-to-period as it evolves through the various developmental stages.

Turning to Slide #10. One of our most important assets is the breadth of our participation in this space. While burgers, obviously, have received significant attention recently, fact is that this is going to be a very broad category. And we have today one of the broadest portfolios in the plant-based positions across these 9 key categories. And that strategic asset is for us to leverage, and we are.

Adding to this diverse portfolio, as you can see on Slide #11, we've been very active recently launching new products. We feel our product technology and formulation and design capabilities are absolutely second to none. In May, our new pea-based product line entered the market. You'll find our Lightlife burger at major retailers across Canada and the United States. We also made some good headway in the foodservice channel, and our branded burger is featured on -- in the Canadian marketplace on the Kelseys Original Roadhouse menu and doing exceptionally well, with others soon to follow. We'll be announcing other listings in the coming weeks and months. As important, we've also penned deals with major food distributors in the U.S., which will expand the footprint of our products in that channel.

Along with our burger, our Lightlife raw grounds will be the first to be available on retail shelves. With the same great taste and juicy experience as our traditional ground beef, Lightlife grounds provide a very versatile and tasty alternative protein with superior product presentation, and we see great potential in that item. Many category experts in the retail market actually feel that the grounds business will be larger than the burger business at the end of the day.

To complete our pea-based lineup, we listed our new Lightlife sausages in the quarter, and that's had very good early reception.

Finally, in this -- in partnership with the Elysian Brewing Company, we also introduced a new, very high-end, decadent, beer-infused bratwurst in our Field Roast artisanal-inspired line. And that's doing very, very well in its early innovation.

As you can see, innovation is the key to growth in this category. We're dedicating significant resources to it. So our team of food scientists and culinary experts can accelerate this innovation pipeline and be first to market with new tastes and new products continuously. We're working on exciting new products that are going to further expand our portfolio, not just in the existing categories, but we also intend to extend into new categories, not the least of which will be plant-based chicken alternatives and blended products under the Maple Leaf portfolio.

The pipeline for new product activity has been materially increased. And most important, we've added enough resources to be able to significantly ramp up speed to market of all this new innovation. Consumers are demanding new products and new technology additions to the marketplace at a pace that I've never witnessed before in my time in this industry. It's super exciting, but we have to keep pace with that. Winning with product is central to our competitive strategy.

Turning to Slide #12. Greenleaf Foods is positioned to win a significant share of the future growth that we've identified, that many have identified, largely based on leveraging our competitive advantages in the marketplace.

Let's begin with our brand strength, which is our core asset in retail markets across the United States particularly but also now emerging in Canada as well. Number two, our innovation capabilities and winning with products. We have and are stepping up all aspects of our product innovation so that we win with product first. Number three is our execution capabilities, which we believe are second to none. Executing in food -- contrary to other categories, but executing in food is different and requires a very specific skill set, and that's our wheelhouse. And finally, in this business, in the long term, supply chain matters, and supply chain excellence matters. And again, that's in our wheelhouse. And we intend to leverage that, not the least of which with our investment in the Shelbyville facility.

So with these competitive advantages, we feel that we're well positioned to be a significant player and to strengthen our leadership position in this marketplace over the next decade.

Turning to Slide #13. As I mentioned, we -- in our plant-based protein business, the market has become explosive in the last 12 months. And that means stepping on the gas for us and changing our game, going from what we have run, which is a playbook based on profitable growth, to a playbook that's based on investing for revenue growth and terminal value.

our focus to revenue growth and terminal value. And to us, that means we have to invest in that growth aggressively in key areas. First, there's an elevation in our financial commitments to invest in product innovation and technology, and we're materially ramping up the resources to do that. Number two, we're investing heavily in our brand support, advertising and promotional activity. Winning the share of voice is as important as winning the share of market and winning with product. And we recognize that we'll be playing some catch-up in the next year or so. Our voice to consumers is going to be moving to the level of shout. Number three, we're significantly investing in talent and organizational capacity to grow at this pace. And finally, we're investing in supply chain capacity, which is our wheelhouse, as I said, but expect some operational variances from time to time as we work to keep pace with exponential market growth. Our supply chain strategy is very clearly, "Own it and run it."

Of course, a hyper-growth opportunity like this, which prioritizes investing in growth, means the potential for negative adjusted EBITDA margins especially in the early stages. We'll be expanding our communication to shareholders so that they can better assess our performance and progress along the way.

In that regard, let me start on Slide #14 with some compelling facts about our Greenleaf Foods plant-based business today as we speak. Since we acquired Lightlife and Field Roast, we have grown revenues by 38% annually. Our CAGR has been 38%, well in excess of our investment thesis. Today, our Greenleaf Foods plant-based protein business is generating run rate revenues of approximately $204 million today and is forecasted to deliver over $280 million in 2020. Given reasonable assumptions for growth of the plant-based protein market, we believe we can build the business with a top line of over $3 billion domestically and internationally in the next 10 years.

However, the pursuit of growth needs to be simultaneously keeping a watchful eye on the underlying profitability of the business that's being built to ensure that it has the capacity to realize on the terminal value when that growth phase is mature. Best metric to demonstrate this is gross profit, and our underlying gross profit of the business today is roughly 30%, excluding investments in growth and operating variances. And that gives us tremendous confidence, and we expect that this will continue with our -- continue and expand actually with our ongoing supply chain investments.

So the summary of all this is that our plant-based business investments and strategies are clear to us. We have a great business today. It's grown profitably well beyond our expectations. We're going to be investing to accelerate that growth in pursuit of a significant opportunity. And we have the skills, the assets and the people and the brands to do that.

Turning to Slide #15. There is one thing that I would like to switch gears on and speak on another topic, which is relevant to Maple Leaf shareholders. Over the next several years, we will be investing in the construction of new assets, both in our meat protein business and our plant-based protein business, that have very attractive future returns. At its peak, we will have construction capital inside our debt with asset value, no current earnings, only attractive future returns on the books. We feel it's important to provide that number to investors so they can appropriately value or assess its value to them.

As of the end of Q2, our construction capital investment was $64 million, but we can expect that to grow rapidly as the construction particularly of those 2 large-scale Greenfield facilities, matures to grow significantly over the next couple of years. We have started construction work on our new poultry processing facility in London and continue with the design and engineering phase of our plant-based protein facility in Indiana.

Turning to Slide #16. If we were to bring it all together, let me walk you through our view of Maple Leaf's 3 distinct value drivers here. First, we've got this meat protein business recognized as Canada's leading branded, packaged meats company. And our meat protein business is more than 80% value-added and includes iconic brands that hold unmatched market leadership positions. Our strategy is to manage that meat protein business for profitable growth, and our strategic initiatives to expand the structural EBITDA margin to between 14% and 16% by 2022 are on track. Continue to make meaningful progress in our sustainable meat business, in our poultry network, in our food renovation strategies. And while meat protein is a more mature sector, we're focused on creating meaningful points of difference in higher-growth, more profitable segments of the broader market that can deliver attractive growth and margin expansion. We can achieve this profit growth in our meat protein business, excluding the plant-based protein segment.

the category matures.

And third, we are building dedicated, scale-efficient assets, support the top and bottom line growth of that business. And it's important to recognize the capital captured in these real assets while they're under construction but not yet contributing to adjusted EBITDA yet.

So there are 3 components here of core value drivers in the business. And we think it's important to consider all 3.

In closing, on Slide #17, we are set on building this sustainable enterprise. We're creating important points of difference in the meat protein business through environmental sustainability, through animal care, through delivering social value. We're amplifying the future of our plant-based protein business in the marketplace and in our portfolio. And in the process, we're delivering compelling value for our shareholders. So we look forward to updating you on our progress in pursuit of becoming the most sustainable protein company in the world.

With that, operator, I'll open it up for questions from all of our participants.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is from Irene Nattel.

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

Thank you for outlining all of your views, Michael. Couple of questions. I guess first of all, on sort of the size of the prize, how confident are you that you won't see any cannibalization of the core protein business as the plant-based protein business grows?

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

I think it's a great question, Irene. And I don't -- all I can say to you is that we haven't seen any to date, as evidenced by the fact that in North America, the meat protein business is actually growing. So if you've got a hyper-growth plant-based business and a still growing meat business, I think we're confident in that to date just based on the facts.

In terms of the future, the consumers haven't told us that that's what they're interested in. What they've told us in our research is that they are keenly interested in more protein consumption in their diet. There's a focus on more protein, less carbohydrates and tons of fruits and vegetables. And that's where nutritional science seems to be heading.

And so I think our conservative estimate is that the size of the plant-based protein market in North America alone would be $25 billion. And that would represent somewhere around 10% to 15% of the underlying meat market, which is not out of line with other categories. What I would say is relatively speaking, relative to the size of the category in North America, we have a very large market share in plant-based protein and a very small, like 3% market share in meat protein. So I think we stand to gain a lot more than we stand to lose just based on that fact as well.

So, so far, I can tell you that I feel confident in that. The research supports that. But I can't -- it's so unpredictable. In a 10-year horizon, it's hard to say for sure. I don't personally believe there will be material cannibalization.

That's helpful. And certainly, as we look ahead over the next 2, 3 years, it is clear that you intend to and will significantly step up your investment. The -- so I guess the losses in Q2 were relatively modest. How large -- and so I guess what I'm really saying, what magnitude of losses are you willing to incur to build your position?

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

So I'm not -- you know, Irene, that we don't offer guidance, and so I'm not in a position to provide that today. But you can do the calculations, and for the second quarter, it was relatively modest.

As I said in my remarks, we are -- we will have to play a little bit of catch-up ball for the immediate future, and that's fine. I think we're in this to win, so I would start with a philosophical comment and say we're going to do what it takes to make sure that that's the right -- that that's the outcome. And these numbers aren't relatively modest relative to the size of the prize. Just to put it into perspective, we're -- people in the food industry that are long steeped in the food industry are used to growth being defined as high double or high single-digit growth rates. And we thought we were in very aggressive categories when it was 10% to 15%. We've had a CAGR of 38% in this category to date. We think that's going to continue. At that level, making sure that we do what it takes to participate and hang on to our market share or hang on to those growth rates is really smart business decision. And so that's the way we're -- that's what we're focused on. And ultimately, that'll be reflected in the terminal value of this investment.

Having said that, I think -- and that we're totally sensitive to the fact that our shareholders want to be clear about the underlying profitability of the business that we're investing in, which is why we're going to be, on a continuous basis, identifying what our underlying gross profit rates are because that's the most important metric to point to when the growth rates mitigate or mature, that we can revert back to a really top quartile financial performance in our EBITDA margin when that occurs. But if this market continues to grow at 30%, 40% or more, like it's just in everybody's best interest for us to do what it takes to participate in that.

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

That's -- and then I guess that leads to my next and final question, which is as this market evolves, Maple Leaf as a business that currently has, let's call it, round numbers, 93%, 95% of your revenues from animal protein, you have a certain set of shareholders and a certain set of financial metrics that those shareholders expect. And certain of your competitors are playing purely by that technology playbook, and their investors have very different metrics. Would you see or could you see a scenario under which you might sort of try and separate your animal versus plant-based businesses to be judged by those 2 different metrics?

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

We would hope that we don't have to do that, Irene, largely because you're going to see increasing integration between the 2 businesses. And that makes it very difficult to separate them. We already have a small amount of that today, and that's going to increase as we continue to use our asset base to benefit certain segments of the plant-based. It's just another product line, so to speak, in that regard. But it -- that is -- so difficult, not impossible, something we wouldn't -- we would rather not do. And I wouldn't say that we wouldn't consider it at some stage, but I just think that that's not our plan or desire today.

Having said that, I have consulted almost all of our large shareholders on this question and asked them, "Are there 2 distinct shareholders out there, technology investors and classic food investors?" And the answer that I keep getting is no. That's actually not the case, that they -- most of our investors have the bandwidth to do kind of a sum-of-the-parts calculation if they so choose and recognize that there's actually 3 different components of this valuation and with different metrics. It would be -- you're not going to -- it would kind of be nonsensical, I think, Irene, to take a business that you're investing for growth in but has got negative or flatline EBITDA margin and apply an EBITDA multiple to it, right?

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

That sort of just doesn't -- would be kind of nonsensical. I think most people would agree with that.

So I think what we do owe our investing community is -- and all their investors is higher levels of disclosure around the metrics that do matter in each individual component. And we've started that this quarter, and we're going to do more of that in the future.

Operator

Your next question is from George Doumet.

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

On the prepared meat volumes, I think they were down a little bit last quarter. Just wondering how they fared this quarter. And I guess with a sizable price increase coming up in Q3, just kind of wondering what your expectations would be there in terms of the volume response.

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

Yes. We had some modest growth in the quarter, year-over-year growth, but more importantly, improved mix, which I think is what we're aspiring to when we renovated our food -- our brand portfolio last year. So that was one of the important drivers in the quarter, George.

Yes, we did raise our prices as a result of what was going on in the market. You're well aware of the forces behind that and the price increases that took effect in July. There will be some volume responses. There always is. So there's nothing -- there's no new news in that. I think it's too early to tell exactly how much that is or what the depth or duration of that is. But again, it's -- those things occur in a quarter not in a structural way, a quarter or 2. So I'm not particularly concerned about it, but I think it's a fair statement to say that there would be some.

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

Okay. That's helpful. And maybe just following up, I think based on the parameters you guys provided, it looks like plant-based EBITDA is flat to slightly down this quarter. Your commentary suggests increasing OpEx there over the next little bit. So can we get a material, I guess, positive contribution when Shelbyville is up and running? Or do you think maybe you'd get there before? Just anything you can maybe give us a sense of maybe breakeven or any margin trajectory over the next 5 years.

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

EBITDA margin or gross profit?

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

Yes. EBITDA margin if possible.

No, I can't give you that forward number, George. But I would tell you if we can sustain 30%-plus growth rates, which is what we have been experiencing and what the market will support. And we can continue to do that, as an investor, I'm thrilled to continue to reinvest that in maintaining those growth rates, which is what exactly what we expect to do. So for as long as it takes and as long as that growth rate is on the horizon, whatever it takes.

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

Okay. And I just want to make sure I'm reading into this CapEx guidance accurately. I think we lowered our 2019 CapEx for poultry and plant projects to $200 million. I think it was $430 million, something you were alluding to last quarter for those 2. Maybe some color on that. I just want to understand if there's been...

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

Debbie, do you want to take that one, Debbie?

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

It's Debbie here. Yes, so we brought our overall CapEx down because we just want to hit the spending limits overall. And then within that, we've given you guidance on the 2 big projects. And within the 2 big projects, we're not getting the cash out the door as fast as we thought we would. So it's just an adjustment on our cash flow at this point. They're enormous projects, and there's an enormous amount of individual vendors and projects and letting those projects within the huge projects. And it's just the estimation of how much cash flow that we thought that we'd put out the door between now and the end of the year. And it's not going out as fast as we thought.

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

Okay. So Shelbyville is probably going to be more than 10% of total CapEx in 2021?

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

Yes. So -- but it's a better rate of spend at this point.

Operator

Your next question is from Mark Petrie.

Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

Just regarding the plant-based category, I'm curious to know if the competitive dynamics are as sort of challenging in all of the refrigerated categories. Or is it sort of focused on a few, I guess, the burger probably most intense? And then you highlighted the underlying 30% gross margin. Has that been a relatively stable level since you acquired these businesses?

Let me start with your first question about the intensity. Clearly, the -- because of the focus, in the short term, the burger has been more competitively intense. But -- so I think that's coming out of balance. The other categories have been probably less so, but we're getting good growth rates across the whole continuum and -- of products. And some we have dominant shares in, some we have smaller shares in. But -- so I think your thesis that burger has been more intense, yes, but we're focusing on innovation across the whole of the product categories, not just burgers. I mean we've got an amazing product in our burger today. We think it's the best burger on the market today in both taste and nutritional profile and texture. But we are equally focusing on innovation in the balance of the portfolio because we just see growth across all of that and in new categories, as I referred to, not the least of which is poultry products and blend.

To your second question about has the margin been sustaining, the answer is yes. It's been pretty consistent. So we've actually had some improvement actually in our margin in our Field Roast business because we brought some great operating skills to their existing business and -- that I think they were screaming out for. And that helped to improve the operating efficiencies of that facility.

Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

Okay. And then just with regards to the mix between retail and foodservice, I mean you called out that 95% of the business today is in retail. You highlighted the win that you had here in Canada for the Lightlife patty and expected additional wins. How should we think about, I guess, the profitability between those 2 channels and then the relative sort of growth opportunity?

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

Well, I'll tell you how I think about it. I mean foodservice has been an important part of our business, so we're going to continue to participate in that. But long term, the #1 priority for us is winning in retail. That's where we want to win long term. But the foodservice business and partnerships in this space is very important to us, and we're continuing to engage where we can in that. I'd give whole marks to a couple of the competitive entries where they were able to get on the menu board. That's fantastic. I mean that's something that many other food companies have not been able to achieve. But that's one way to create brand buzz, but it's certainly not the only way. And long term, I think long term being in the foodservice business has had lower profitability than the retail market.

Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

Okay. And then just last, back on the meat protein business. You called out the brand renovation as having a positive impact on margins, I guess, mostly from a mix perspective. You sort of always talked about the improvements there as a -- or that strategy as sort of a long-term strategy with a long-term payoff. Could you give us a better sense of what paid off in Q2, and how we should think about the benefits accruing from that strategy over the balance of '19 and into 2020?

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

We -- as we indicated, it was -- Mark, it was one of the building blocks. I think we prioritized it as the third, I think the third building block of -- in our progression from the 10%, 11% kind of zone of EBITDA margin to 14%, 16%. So I think that by definition, that dimensionalizes it for you, right, in terms of what it does. So it had a good improvement. We don't -- we, obviously, don't provide that amount of detail. But I think, generally speaking, directionally, it was an improvement in our -- a modest improvement in our sales mix, and we had volume growth in the quarter, both of which is accretive to our profitability.

So I think you can expect modest improvements progressively over the next number of years, we hope for, on the back of great marketing behind those renovated brands. We've got an innovation pipeline for each one of the brands that is very exciting. We're very -- we're super excited about that innovation pipeline that will be the backbone of those progressive improvements. And I think you'll see that that'll be one of the contributors to our progression to get the 14%, 16% margin. So -- and I hope that directionally gives you some indication as to what we're anticipating.

Your next question is from Peter Sklar.

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

Michael, I'm -- just back on the margins for your animal-based protein business, so I mean you talked about the headwinds, the hog prices. I think you talked -- I think you disclosed that market factors had a negative headwind of 100 basis points on your margins.

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

Relative to 5-year average, yes.

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

Okay. And the reason, though, you preserved your margin is what you're articulating on the call is mix and volume growth. So can you talk a little bit about -- elaborate a little bit about the mix in our brands? Is that some brands carry higher margins than others? Or is it assortment within the particular brand? Could you elaborate a little bit more?

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

What do you mean by preserved our margins, Peter? Just to help me understand your question.

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

Well, your margin, I think -- like you saw how your stock reacted this morning, like the -- your margins were better than were generally anticipated given what's happening in terms of market headwinds in terms of hog prices and packer margins and all of those kinds of things. And you talked about the positive offsetting impacts. And you talked about, yourself, that those market factors had a negative impact of 100 basis points versus your long-term average. So given that, though, you've talked about some positive contributions. You're talking about mix and volume growth. So that would have had to have been quite significant given where you ended up in terms of the quarter. So can you elaborate a little bit on -- I just don't understand how mix impacts your margins.

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

Okay. So mix impacts our...

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

You're talking -- in your deck, you're calling out mix.

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

Yes, mix. I mean sales mix is probably the single most important factor in improving -- in our margins up here. First of all, in the underlying fresh meat business, the packer margin was not great in the quarter, but important to note that because we are integrated back to the farm, that hog prices were significantly higher. They're 20-odd percent higher than they were a year ago, for example, in the quarter in hog prices. So as we've

So with that -- and as you saw some relief from that in the first -- in the second quarter, it obviously had a benefit for us. But the more important part of your question is how does mix affect our business. And I think mix is the single biggest driver of profitability. And it -- the fact is that we make more money in our premium brands than we do our regional brands. And we make more money in all of our brands than we do in private label. Our margins are stronger. We make more money in RWA meat than we do conventional meat. We make more money in dry cured artisanal meats than we do our mainstream product line. We make more money in lunch kits than we do our core meat business and so on and so forth.

So as we find all of these growth streams and growth factors in the business, category by category, as they improve their performance, we -- our overall profitability improves, and that shows up in all of our business. It shows up in the prepared meats business as those various categories improve in their percentage of our total sales. But it also shows up in our fresh business. When we -- the more we sell prime chicken and Mina brand chicken over either private-label or unbranded chicken, the better we do. Or the more we sell RWA fresh pork, the better -- or the more profitable we are. The more we improve our sales into very high-return, high-margin Japanese business, for example, but we've got long-standing relationships, some value-added premium markets, the better our margins.

So all of those things cascade down through our entire portfolio, Peter. And it's -- so our business really is all about that kind of mix.

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

Okay. That's a good answer. And on -- you articulated that you think, in the refrigerated plant-based, that your market share is 40%. What -- when you talk about 40%, which channels are you addressing? Is that the retail...

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

Retail, it's all -- it's retail, retail channel measured by IRI. I believe it's IRI. Yes, IRI. And important to note in the refrigerated segment, so that's not frozen, not foodservice.

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

And that's the U.S. market you're referring to?

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

U.S. market. Correct, U.S. market.

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

It is IRI, Michael.

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

Yes, IRI, yes.

And then just lastly, you did touch upon your 2 competitors. One has gone public. The other one's hooked up with a major QSR chain. They're getting so much publicity, they're almost household names. Are you not concerned about that in terms of your brand development? You did allude to your comments that you are going to be investing in your brand. Maybe you could talk a little bit more about your brand development plan.

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

Yes. Well, first of all, brand development and packaged goods marketing and building brands is the core of our organization's expertise. So this is not a new skill base for us. This is the core, the essence of our company's strength. And I think we've demonstrated that in the past. Number two is those -- the new entrants or certain need to be applauded for their ability to generate very rapid buzz. Check, got it. Number three, we will have to play some catch-up ball in that -- some catch-up in that race, which starts with dialing up our financial commitment to winning in share of voice. And we're doing that, just started doing that this summer over the course of the last 60 days. So just started that. Number four, it's a very long -- and this is a very long haul. So winning the buzz in the last 6 months does not mean winning the buzz or the share of voice or the market share over the next 10 years.

So one of the things we do -- are doing, well, first of all, we're dramatically ramping up our financial commitment. I mean you can't win share of voice on a shoestring. It's not possible. So we are --- we're ramping up our financial commitment. We expect to blanket all of the traditional methods of everything, brand building and brand development, everything from conventional media, social media, sponsorship, customer marketing activities, promotional -- consumer promotional activities and including some opportunities for third-party advocates and just aligning with different people -- or endorsers and various endorsing bodies. So there's all kinds of marketing tools that are available to a packaged goods marketer, and we're experienced in all of them, Peter. So we're going to have -- we have a broad range using all of those tools. But mostly, it's driven by ramping up your financial commitment to share of voice.

Most important thing is, though, I think, is when you're developing a brand, you have to have great brand strategy, and you have to have great brand -- you have to have great product underpinning that. And so these things are highly connected. We've dramatically increased our investment in R&D, our capabilities around product development, the pace at which we are going to launch new updates in our products and innovation. So I just think that we're going to be rapidly, rapidly innovating in the marketplace and then investing in the brand tools to win the share of voice behind that innovation.

Operator

Your next question is from Michael Van Aelst.

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

First set of questions, again, on plant-based proteins. Can -- clearly, you had a lot of channel fill in -- on the burgers on that in the quarter as well as the sausages. Can you talk a little bit about your -- the repeat purchase rates? And...

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

It's too early to tell, Michael. It's too early to tell. I mean we've only -- we've been -- many points of distribution, we've only been in that for a month or less. So it's just way too early to tell.

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

Okay. So you don't have any indication at this point of how the product's moving off the shelf?

Yes. No, but it's anecdotal. At the end of the day, anecdotal is -- I'd rather have data than anecdotal. Early days, you get a lot of anecdotal feedback, and the anecdotal feedback's very positive. Shows up well on shelf. Product delivery has been great. We've got a consistent supply chain, which is kind of an interesting point of difference because our supply chain is both consistent and the product's consistent. So it shows up well. The consumer experience has been very positive in terms of everything; from they're delighted at the nutritional profile of the products and the ingredient deck, clean ingredient deck; all the way through to its taste and texture experience. So, so far, so good. But it's -- but Michael, it's very anecdotal, and -- but would love to spend a lot of time on that.

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

Okay. On the meat side, how far in advance do you buy hogs?

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

We have contracts. We have contracts that span out up to 5 years. Majority of them are very long-term contracts. Like the portfolio, there's a -- they're all staggered portfolio, but they'd be anywhere from 1 to -- the portfolio will be 1 to 5 years in duration. Most of them when they're signed, they're 5-year contracts. But for the...

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

I meant more along the lines of how far in advance do you, like, lock in prices or hedge?

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

We don't. Are you talking on, like, with the price daily?

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

Okay. So you don't do any forward buying or any kind of hedging at all?

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

No. Well, we have hedging programs. We have forward -- if a hog producer comes to us and they would like to sell us at a fixed price in the future, we will buy those hogs on a fixed price, but then we will basically lay off that risk into -- convert it into a floating price, a market price through a derivative. So it's just -- it's basically a -- they want a hedging program through us, but we don't take any risk as a result of that.

So no, we don't do that. Some -- from time to time, there are some exceptions to that. From time to time, there will be specific pieces of business on the sell side that wants to lock in a price. If they want to lock into the price for a period of time, then we will lock in a cost on the other side of it to -- just to lock in our spread in our risk management programs. But the underlying anatomy of the business is basically daily on the -- on hog price.

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

So pretty much as on the prepared meats business, as the hog price runs up and -- then you see a pretty immediate impact on your margins.

No. So I was talking about fresh primary processing. We have a different risk management strategy for each of the 3. Each of the 3 segments of our business are all operated in risk differently on production, primary processing and prepared meats. So prepared meats -- what I just described to you was in primary processing. In prepared meats, as a distinct entity, we -- our hedging strategy in that business, because we mostly have pricing authority and lock in our prices with our customers out 2 to 3 months, we will -- we have an active strategy to lock in the cost of the meat, not the hogs, the meat. But you do it through a ratio hedge with the hogs for that period of time. And that tends to derisk the price volatility there.

So our goal in that whole continuum is to eliminate the volatility of our business. And so we try and connect the time line of the cost of meat to the -- to our ability to set prices in the marketplace in prepared meats, which is typically 2 to 3 months forward for all CPG. That's not just us. That's all CPG have kind of a time line like that. And that's in prepared meats.

In primary processing, it's about spreads. You want to -- your meat price is -- floats daily. So your hog price has to float daily, and you just try and maintain that consistent spread between those 2. And then in hog production, our strategy is -- basically is to try and derisk that on a longer-term basis as much as we can.

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

Okay. So the hog...

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

Is that helpful? I mean I'm trying to explain risk -- our whole risk programs are focused on reducing volatility of our earnings. So I hope that's helpful description.

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

Yes, that's helpful. And so if I look at it that way, so the hog price and the pork price started to run up 3 months or, I guess, at the end of March. You were probably locked in and hedged some then for your prepared meats during Q2. And now you've got price increases coming in Q3 to offset the higher meat costs for the -- or input costs. Is that accurate?

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

Yes.

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

How big are those -- or how big is the price increase? And when did it actually take effect?

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

July. And it's approaching 15% to 18%, varies by category.

Okay. So we should actually see that on the shelves now?

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

Beginning to. I mean there's inventories at play. So sometimes there's -- can be 30 days of inventory in the supply chain that could impact that. So it might vary location by location.

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

Okay. And so do you -- are you exposed for any period in that break between the time the price increase came and the time your hedges rolled off?

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

No, no. I don't believe so, no.

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

Okay.

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

Exposed, what do you -- just help me, what do you mean exposed?

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

Well, did the input costs spike without -- including the hedges when you got the pricing?

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

No, no. I think the offset to the pricing in this, basically, is volume. As -- because it was described earlier, there will be a volume offset for a period of time when you take a price increase like that, but it's -- we think that'll be transitory. And so...

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

Okay. Is that price increase pretty much across all prepared meats?

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

No. It varies. Pork-related products, not all our prepared meats. And the -- and bacon can be different. Bacon kind of runs its own market and its own pricing algorithms, separate and distinct from the rest of processed meats. Inside the processed meat business, you have -- basically, you have trim, ham and bellies, the 3 that get marketed. So...

And your next question is from Derek Dley.

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

Michael, just wondering, can you give -- perhaps give us an update in terms of the points of distribution that you're in with the plant-based protein business today? I think maybe last quarter, you said it was around -- I think it was around 90,000.

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

I don't -- I think I said it was around 9,000, not 90,000 in terms of retail points of distribution on the burger, I believe. If you looked at worldwide -- at least these numbers, Derek, I know others are throwing around these points of distribution. And I've been around the food industry long enough to know that, that metric is one of the world's worst metrics for judging either velocity or brand or category's ability to perform. So -- but I think our number is somewhere -- I don't know. I think in North America alone, it's somewhere around 30,000 to 40,000, something of that nature if you looked at our whole product line.

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

Yes. 30,000, Michael.

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

Yes.

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

Okay. 30,000. That's great. When we think about sort of the long-term opportunity here that you've outlined over the next 10 years, can we just talk about sort of what revenue capacity you would have at your new facility in Indiana?

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

Oh, boy. Yes. I think at full capacity -- because the problem is -- the problem answering that, Derek, is that we're thinking about that facility in multiple phases. And so in the first instance, we're building footprint, we're putting in capacity. That's Phase 1. But we've got -- we're going to adding footprint. The second phase will be much lower capital cost per unit of revenue, so to speak. So if I remember correctly, it's probably somewhere around $400 million, $500 million for the first phase. Debbie, will you know the number off the top of your head? [I just don't have it from memory].

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

We said on the first phase that our intention is to double our capacity. Like that's our plan. But we're phasing it, and what we're trying to do is look at the best way to achieve that capacity as we grow this business. And it's growing faster and faster. Michael, as you know, we're looking at the best way to reach that utilization. I don't know if that's helpful to you, Derek.

No, no, it is. That's helpful directionally. I know it's a 10-year plan, and I know there's a lot of moving parts. So that is helpful. Appreciate the answer there.

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

One of the metrics which we should consider offering is -- we'd have to get back to you with the number on this. And maybe over time, we're going to increase our disclosure to the capital markets over the course of the next year to help them fully understand that 10-year runway. One of the metrics that would be helpful is the amount of -- the aggregate over a long period of time what the amount of capital per dollar of revenue expected to be when you own the supply chain. So they even kind of build what the return on capital will be against that.

So -- but I have no doubt that it will be similar to the return on capital that what we articulated in the first phase of the Shelbyville facility, which was kind of high teens, Derek. So that's probably the return on -- you can back solve what that would be. And then return on capital will be probably in that zone, right, for each phase of the progression towards that 10-year ambition.

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

Right. Okay. I think that was 13% to 16%. Yes, okay.

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

Yes.

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

And then just sort of following up on your comment on the gross margins within the plant-based protein business at 30%, I mean those are extremely robust and more than double or roughly double your meat protein business. So should -- when we think about that, when you decide -- when this market -- as this market matures, and I gather that's going to be quite a while from now, would it be fair to assume that EBITDA margins in this business should be, at least, in line with your 14% to 16% target for the meat protein business?

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

Well, I hope it'd be higher.

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

Yes.

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

Higher. I hope it'd be higher, accretive.

Okay. That's great. And I guess just one more, switching to the meat protein business. Given the African swine flu that we're seeing in China, can you just help us think about how that impacts your business? I gather there's some puts and takes in terms of higher hog pricing potentially, which should be a positive, but you've had to shift some of your exports. And I gather your Chinese exports were relatively small to different countries. So how should we think about that impacting Maple Leaf over the next 1 to 2 years?

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

Well, in the -- making the assumption that the current scenario holds -- is true and stays where it is, which is North America is ASF-free, most of Europe is ASF-free, not all of Europe, but most of it is ASF-free, China is not, the estimates out of China are -- probably best estimates are around 30%, 30%, 40% contraction in their production, their productive capacity in the -- over the next couple or 3 years, it's -- that'll be sustainable. And it's going to be a fairly long period of time for them to recover. So there are people who have suggested that the global protein supply shortage is estimated to be at 5% or more, which you just think of that number as just staggering, a 5% impact on global protein available supply because of that one event in China.

So the impact on us is that the value of livestock goes up, obviously. But because this is demand-led as opposed to supply-led, it's meat demand-led, we would -- I think it's a reasonable expectation to believe that the processor margin would be -- when that demand materializes, it hasn't fully materialized yet. But when it materializes, it would be reasonable to expect that the processor margin would be comparable to industry averages, 5-year averages, maybe even slightly larger. So you've got a positive benefit in hog production, a neutral benefit in primary processing, offset by maybe a volume risk because of higher pricing in the marketplace in prepared meats. And we're confident in at least neutral, maybe slightly positive in margin from prepared meats. So positive, neutral and a slight negative in volume in prepared meats.

Operator

There are no further questions. I will turn the call back over to Mr. McCain for closing remarks.

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

Okay. Well, thank you very much. It was a rather lengthy story here today but an important one as we pivot in our dedication and commitment to winning in the plant-based protein market. We've got a great foundation today to build on and to leverage, and our expectation is to do just that.

As I said, we've got kind of these 3 value drivers over the next number of years. We expect to pursue a very aggressive profitable growth plan in our meat business, a revenue and terminal value commitment -- revenue growth and terminal value commitment in our plant-based protein business. And obviously, we have this construction capital, which is an important statistic or metric for our investors to be aware of. And we think over the course of the next few years, it should be very lucrative for investors and Maple Leaf, and that's what we're focused on.

So thank you for your attention today. And we would expect, over the course of the next several quarters, to continue to refine and expand on our disclosure in plant-based protein to allow our investors the opportunity and the data and information to be able to track our progress and properly evaluate what this means to Maple Leaf long term. So thank you for your attention to it, and it's a very exciting time to be with Maple Leaf, and we appreciate your ongoing support. Well, thank you very much, and have a good day.

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

Thank you.

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and we ask that you please disconnect your lines.