



# Maple Leaf Foods

**Second Quarter 2019**

**Building momentum across the protein universe**

*All dollar amounts are presented in Canadian dollars unless otherwise noted.*

MAPLE LEAF FOODS – Q2 2019 BUSINESS AND FINANCIAL REVIEW | AUGUST 1, 2019



# Forward-looking Statements and non-IFRS Measures

This presentation contains "forward-looking information" within the meaning of applicable securities law. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which the Company operates, as well as beliefs and assumptions made by the Management of the Company.

The Company's expectations with respect to future sales and returns associated with the anticipated growth of its plant-based protein business as of the date hereof are based on a number of assumptions, estimates and projections that have been developed based on experience and anticipated trends, including but not limited to: market growth assumptions, market share assumptions, new product innovation, foreign exchange rates and competition.

These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. These assumptions have been derived from information currently available to the Company, including information obtained by the Company from third-party sources. These assumptions may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking information, which reflect the Company's expectations only as of the date hereof. Please refer to the sections entitled "Risk Factors" and "Forward-Looking Statements" in the Company's Management Discussion and Analysis for the fiscal year ended December 31, 2018 and for the quarter ended June 30, 2019 for additional detail.

In addition, this presentation contains the following non-IFRS measures:

**Adjusted Operating Earnings:** Defined as earnings before income taxes adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred.

**Adjusted Earnings per Share:** Defined as basic earnings per share adjusted for all items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred.

**Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization:** Defined as earnings before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred.

**Net (Debt) Cash:** Defined as cash and cash equivalents, less long-term debt and bank indebtedness.

**Construction Capital:** Defined as investments in projects over \$50.0 million that are related to longer-term strategic initiatives, with no returns expected for at least 12 months in the future and the asset will be re-categorized from Construction Capital once operational.

**Underlying Gross Margin:** Defined as gross margin adjusted for the impact of investments to support growth in the business

*Please refer to the Company's Management and Discussion and Analysis for the quarter ended June 30, 2019 for additional information on non-IFRS financial measures*



## **Strong top line growth with improved Adjusted EBITDA margin; raising the game in plant-based protein**

- **Sales up 12.5%, driven by acquisitions and organic growth in value-added product portfolio**
- **Meat protein adjusted EBITDA margin of 11.3%, with gains in sustainable meat and branded portfolio despite difficult market conditions**
- **Stepping on the gas in plant-based protein; changing our playbook to accelerate growth**
- **A new lens for defining Maple Leaf Foods in the marketplace**



## **Our objectives today**

**1. Review our meat protein business**

**2. Outline our view of the plant-based market and business potential**

**3. Describe how we are shifting our strategy to win in this hyper-growth market**

**4. Distinguish meat and plant-based protein for better shareholder visibility**



## Strong commercial performance delivers a solid quarter

	Q2 2019	YOY change
Sales (\$M)	\$1,023	↑ 12.5%
Adjusted EBITDA (%) Meat Protein	11.3%	↑ 150 bps
Adjusted EBITDA (%) Total	10.6%	↑ 50 bps
Adjusted EPS	\$0.33	↓ 2.9%
Net Debt (\$M)	\$403	↑ \$382



## Building momentum in key growth drivers



- **Strong commercial performance across the business**
- **Increased prepared meats profit driven by brand mix, volume growth and supply chain improvements**
- **Sustainable meat continued to grow at double-digits**
- **Hog/Pork market headwinds of 100 bps versus 5-year averages and dilutive impact of acquisitions of 65 bps**
- **China ban is expected to be transitory, but of unknown duration**
- **Expecting continued investments in protein kits and dry cured artisanal meats**

## Our views of the plant-based protein market opportunity



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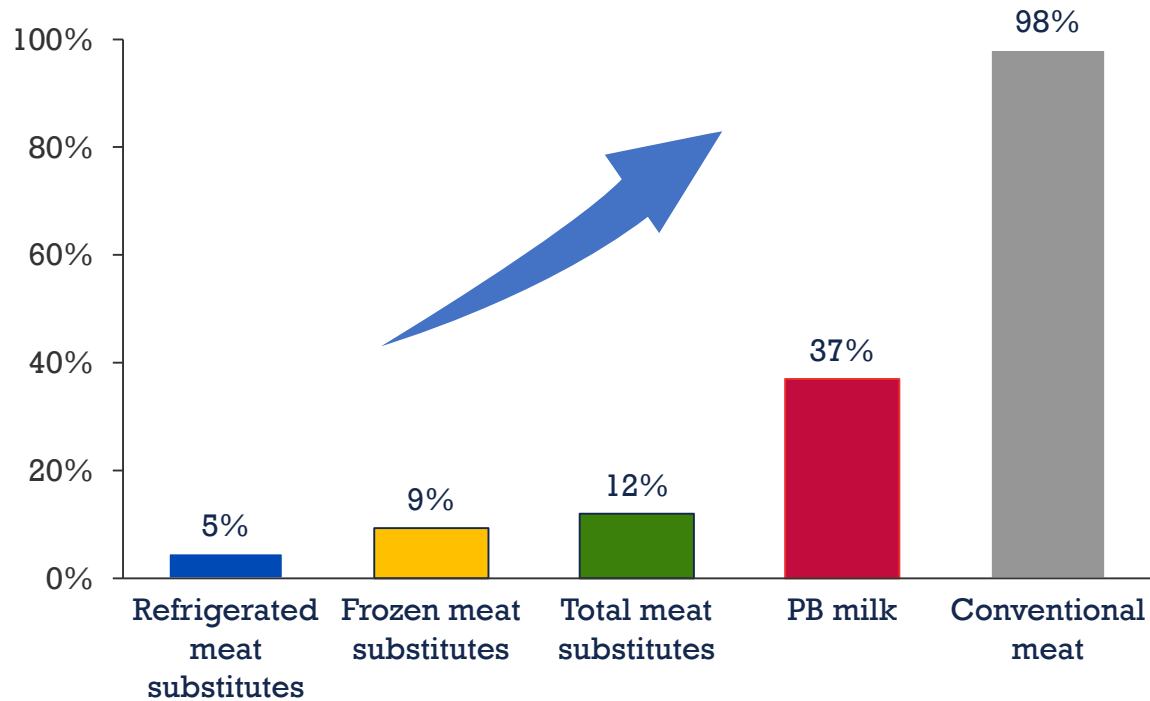
- We have a market leading position today
- We believe the drivers of growth will be protein consumption and diversification; not material substitution
- The plant-based market growth rate has accelerated dramatically
- Competitors all vying to capture a significant market position
- We are in this to secure our position and win for the long-term
- We are upping our game and leveraging our competitive advantages to achieve our goals



# Vast growth runway in plant-based protein; \$25B market opportunity by 2029

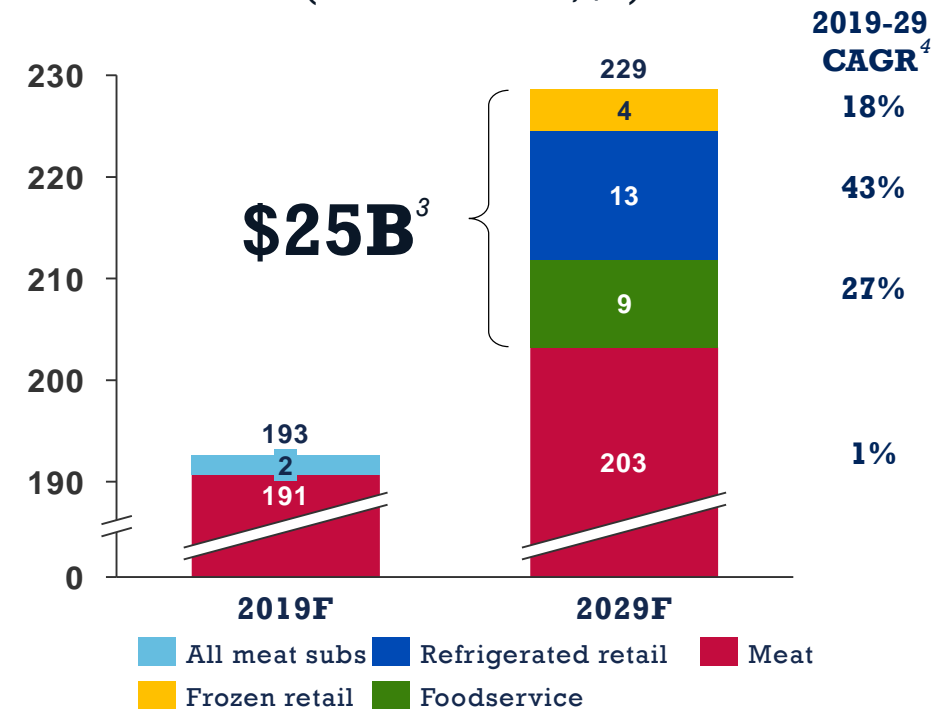
Refrigerated segment is underpenetrated compared with other plant-based categories

US household penetration<sup>1</sup>



Plant-based protein is expected to reach 10% - 15% of the meat protein market by 2029 versus 1% today

Forecasted protein market size (meat and plant based protein)  
(North America; \$B)<sup>2</sup>

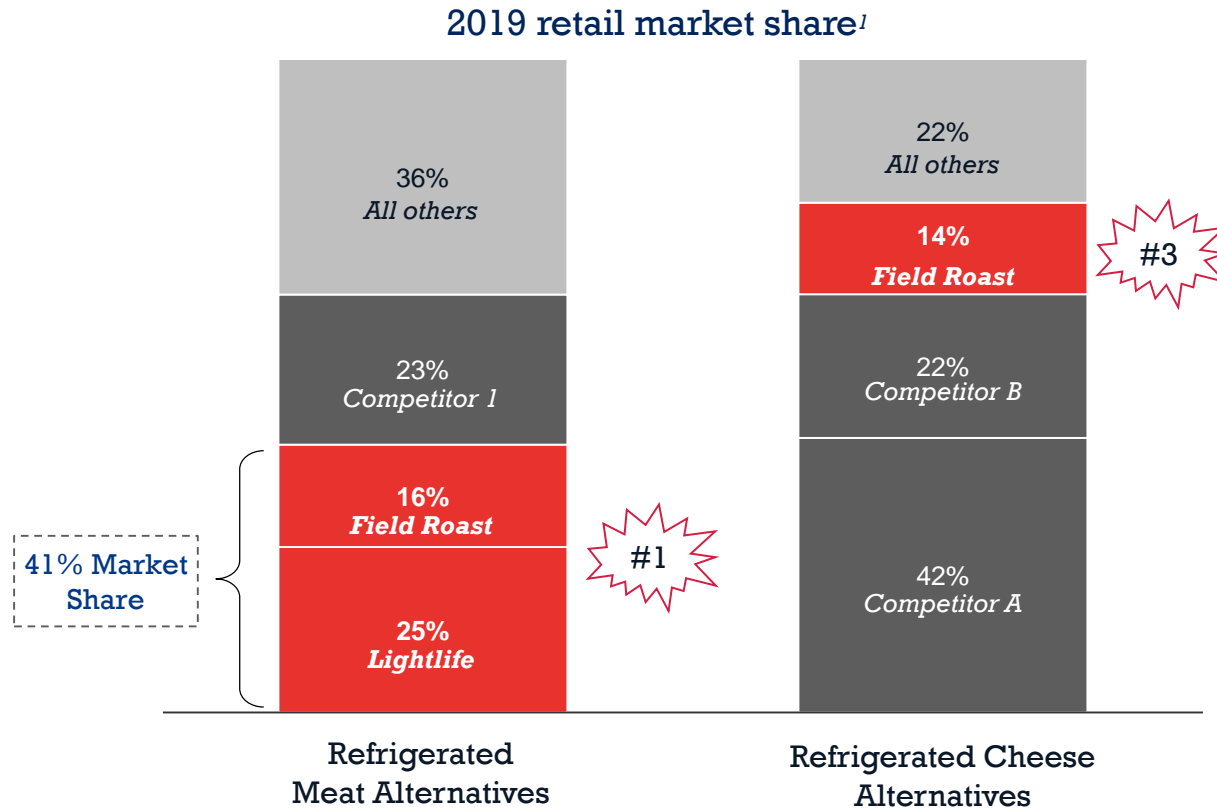


...with plant-based protein growth additive to total protein consumption

1) IRI panel data for the 52 week period ended November 18, 2018 (refrigerated and frozen meat substitutes) and Nielsen total US household panel 52 week period ended October 6, 2018  
2) Nielsen xAOC +WFM for the 52 week period ended August 11, 2018  
3) May not add due to rounding  
4) Assumed category growth rates



## We are leading the way in the highest-growth refrigerated category



**The largest growth vector will be in the refrigerated categories not frozen**

1) US Market, IRI MULO and Natural channels for the 52 week period ended June 16, 2019.

# We have leading brands across multiple categories

## Burgers



Launched new plant-based Burger in May 2019



#2

## Ground



#1

Launched new plant-based Ground in May 2019



Launched new plant-based Crumble in June 2019 in Foodservice

## Dinner Sausage



Launched new plant-based Bratwurst and Italian Sausages in May 2019



#1

## Tempeh



#1

## Loaves & Roasts



#1

## Breakfast



#1



#2

## Meatballs



#2

## Dogs



#1



#2

## Deli



#2

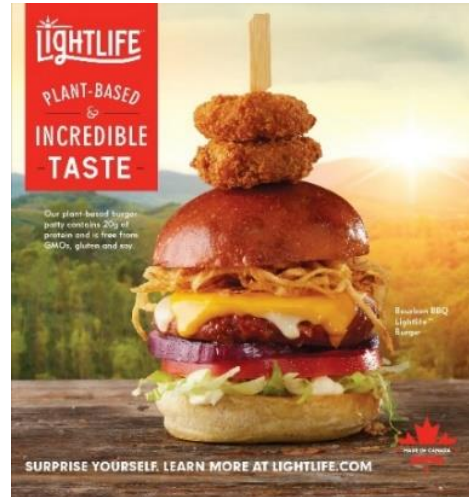


#4



# Bolstered by exciting new product launches

## Burgers



- ✓ Available at a growing list of retailers across North America



## Raw Ground

- ✓ First to market



## Sausages

- ✓ Launched two new Lightlife pea protein sausages and one new Field Roast beer bratwurst





# Leveraging our strengths, we are positioned to win a significant share of future growth

## Brand strength



## Innovation leaders



Lightlife plant-based Ground



Lightlife plant-based Burger



Lightlife Smart Sausages



Field Roast Beer Bratwurst

## Great products

*“We’ve had such awesome results, people are asking for it...this is here to stay”*



*Chef John Humphreys, Kelsey’s Original Roadhouse Restaurant*



## Broad product portfolio

*41 products across 9 key categories*

## Commercial strength

*Step-change investment in sales and marketing*

## Supply chain excellence

*~US\$310M investment in a state-of-the-art facility to complement existing bi-coastal supply chain*

## We are stepping on the gas in this hyper-growth market

- **Changing our operational imperative from “profitable growth” to investing for “revenue growth”**
  - Differentiating from profitable meat protein and investment in plant-based protein
- **To secure our market leading position significantly investing in:**
  - Robust innovation pipeline to win with products
  - Sizable brand investments to win “share of voice”
  - Deepen and broaden organizational bench strength to execute faster and better
  - Expand supply chain capacity to support growth and scale
- **Enhance disclosure to enable investors to better assess performance and value creation**





## What you need to know about our plant-based protein business today

**~\$204M**

Current sales  
run rate  
(95% in retail)

**>\$280M**

Forecasted  
2020 sales

**>\$3B**

Target  
10-year sales

**~38%**

Sales CAGR  
since acquisition

**~30%**

Current Underlying  
Gross Margin



## One more thing to know about Maple Leaf Foods

### Planned construction capital with asset value

<b>\$660M</b>	<ul style="list-style-type: none"><li>• World-class, <b>value-added poultry</b> facility</li><li>• \$105M run-rate EBITDA by 2023</li></ul>
<b>+</b>	
<b>\$406M</b>	<ul style="list-style-type: none"><li>• World-class <b>plant-based protein</b> facility and network</li><li>• 13% -16% expected return on capital</li><li>• Contributing to returns by 2022</li></ul>

### Net debt as at June 30, 2019

	<i><u>in \$M</u></i>
Total debt	\$470
Cash	\$67
Net debt	<hr/> \$403
<i>Construction Capital spent to-date</i>	<i>\$64</i>

**Providing visibility for project specific Construction Capital through to completion and return generation**



## Our core value drivers

### Meat protein – managed for “profitable growth”

- **#1 branded prepared meats** in Canada
  - Leading market shares in key categories
- **Sustainability visionary**
  - Leader in environmental sustainability and animal care
  - #1 in “Raised Without Antibiotics”
- **80%+ value added portfolio**

- **11.3% Adj. EBITDA margin in Q2-19**
- **14-16% target EBITDA margin by 2022**

### Plant-based protein – managed for “revenue growth & terminal value”

- **#1 in refrigerated plant-protein**
  - *Lightlife* and *Field Roast* are strong, recognizable brands
- **Broadest product portfolio** across nine key categories
- Successful **track-record in innovation**, most recently with launch of *Lightlife Burger*
- **Own manufacturing** with broad **supply chain and distribution network** in place

- **~\$204M current sales run rate**
- **>\$3B sales target in 10 years**

### Planned construction capital with asset value

- \$660M**
- World-class, **value-added poultry** facility
  - \$105M run-rate EBITDA by 2023
- +**
- \$406M**
- World-class **plant-based protein** facility and network
  - 13% -16% expected return on capital
  - Contributing to returns by 2022

- **\$64M invested to-date (part of net debt balance)**
- **Delivering attractive returns by 2022**

## **Our vision is to be the most sustainable protein company on earth**

- **Leaders in creating a sustainable enterprise**
- **Shifting the sustainability of meat protein**
- **Investing in hyper growth of plant protein**
- **Creating share value for all stakeholders**



# Maple Leaf Foods