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Maple Leaf Foods Reports Third Quarter 2019 Financial Results

Mississauga, Ontario, October 30, 2019- Maple Leaf Foods Inc. ("Maple Leaf Foods" or "the Company") (TSX: MFI) today reported its financial results for the third quarter ended September 30, 2019.

Quarterly Highlights

- Initial quarter with segmented results; meat protein and plant protein each with distinct value creation strategies
- Sales increased 13.8%, or 5.4% excluding acquisitions, driven by growth in both meat and plant protein businesses
- Meat Protein Group delivered Adjusted EBITDA margin[(1)] of 9.0% in erratic markets
- Plant Protein Group sales grew 30.1%, while maintaining a solid core gross margin of 28.9%, or 21.3% including start-up costs related to high growth

"Our third quarter marks our first on the journey to operating two significant segments with different economics: one in meat protein with a robust multi-year agenda of profit growth, and one in plant protein that is capitalizing on enormous opportunities for rapid revenue growth", said Michael H. McCain, President and CEO. "Our plant protein business saw 30% growth and accelerating, and we are intentionally investing very heavily in that growth. Meat protein faced an unexpectedly erratic market condition in the quarter connected with global trade, and we expect that to reverse in short order. We are very excited about how we are positioned and where we are headed!"

Financial Highlights

During the third quarter of 2019, the Company completed a comprehensive analysis of the role of its rapidly expanding plant protein business in the Company's meat and plant protein portfolio, their respective financial profiles and long-term value creation opportunities. Based on the importance of these two distinct businesses and differing strategic and financial requirements to maximize their market leadership and long-term shareholder value, the Company has disaggregated its business into two operating segments. As described below, these segments offer different products, with separate organizational structures, brands, financial and marketing strategies. The Company's chief operating decision makers regularly review internal reports for these businesses; performance of the Meat Protein Group is based on revenue growth, Adjusted Operating Earnings and Adjusted EBITDA, while the performance of the Plant Protein Group is based predominately on revenue growth rates, while managing gross margins and controlling investment levels which generate high revenue growth rates.

Measure[(a)]	Three months ended September 30,			Nine months ended September 30,		
(Unaudited)	**2019**	2018	% Change	**2019**	2018	% Change
Sales	**$ 995.8**	$ 874.8	13.8 %	**$ 2,925.6**	$ 2,601.6	12.5 %
Net Earnings	**$ 13.4**	$ 26.6	(49.5)%	**$ 57.2**	$ 89.4	(36.0)%
Basic Earnings per Share	**$ 0.11**	$ 0.21	(47.6)%	**$ 0.46**	$ 0.71	(35.2)%
Adjusted Operating Earnings[(3)]	**$ 9.7**	$ 51.0	(81.0)%	**$ 117.0**	$ 161.6	(27.6)%
Adjusted Earnings per Share[(2)]	**$ 0.03**	$ 0.29	(89.7)%	**$ 0.55**	$ 0.93	(40.9)%

[(a)] *All financial measures in millions of dollars except Basic and Adjusted Earnings per Share.*

Third quarter sales increased 13.8% to $995.8 million and Adjusted Earnings per Share for the quarter was $0.03. For the nine months ended September 30, 2019, sales increased 12.5% and Adjusted Earnings per Share was $0.55.

Net earnings for the third quarter of 2019 were $13.4 million ($0.11 per basic share) compared to $26.6 million ($0.21 per basic share) last year. Strong performance in prepared meats, value-added pork and poultry and plant protein, and a tax recovery from the favourable resolution of an income tax audit was more than offset by adverse pork market conditions, including heightened volatility in hog prices and the Chinese import suspension of Canadian pork, and strategic investments in plant protein to drive top line growth and market leadership. Year-to-date results were also impacted by changes in the fair value of biological assets and derivative contracts, which are excluded in the calculation of Adjusted Operating Earnings below.

Adjusted Operating Earnings for the third quarter of 2019 were $9.7 million compared to $51.0 million last year, and Adjusted Earnings per Share for the third quarter of 2019 was $0.03 compared to $0.29 last year. Year-to-date Adjusted Operating Earnings for 2019 were $117.0 million compared to $161.6 million last year, and Adjusted Earnings per Share for 2019 were $0.55 compared to $0.93 last year.

For further discussion on key metrics and a discussion of results by operating segment, refer to the section titled Operating Review.

Note: Several items are excluded from the discussions of underlying earnings performance as they are not representative of ongoing operational activities. Refer to the section titled Reconciliation of Non-IFRS Financial Measures at the end of this news release for a description and reconciliation of all non-IFRS financial measures.

Operating Review

The following table summarizes the Company's sales, gross profit, selling, general and administrative expenses, Adjusted Operating Earnings, Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), and Adjusted EBITDA Margin by operating segment for the three months ended September 30, 2019 and September 30, 2018:

	Three Months Ended September 30, 2019				Three Months Ended September 30, 2018			
($ thousands) *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated[i]**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[i]	Total
Sales	**$ 953,306**	**46,998**	**(4,517)**	**$ 995,787**	$ 838,709	36,118	—	$ 874,827
Gross profit	**$ 123,351**	**9,995**	**6,371**	**$ 139,717**	$ 119,342	9,056	(9,816)	$ 118,582
Selling, general and administrative expenses	**$ 78,783**	**44,867**	**—**	**$ 123,650**	$ 68,750	8,627	—	$ 77,377
Adjusted Operating Earnings	**$ 44,568**	**(34,872)**	**—**	**$ 9,696**	$ 50,592	429	—	$ 51,021
Adjusted EBITDA	**$ 85,430**	**(31,616)**	**(392)**	**$ 53,422**	$ 79,087	2,045	—	$ 81,132
Adjusted EBITDA Margin	**9.0%**	**(67.3)%**	**—%**	**5.4%**	9.4%	5.7%	—%	9.3%

[i] *Non-Allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

The following table summarizes the Company's sales, gross profit, selling, general and administrative expenses, Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA Margin by operating segment for the nine months ended September 30, 2019 and September 30, 2018:

	Nine Months Ended September 30, 2019				Nine Months Ended September 30, 2018			
($ thousands) *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated[i]**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[i]	Total
Sales	**$ 2,807,699**	**126,673**	**(8,796)**	**$ 2,925,576**	$ 2,500,830	100,750	—	$ 2,601,580
Gross profit	**$ 417,507**	**27,815**	**(15,108)**	**$ 430,214**	$ 385,034	29,386	(24,411)	$ 390,009
Selling, general and administrative expenses	**$ 254,679**	**73,646**	**—**	**$ 328,325**	$ 228,071	24,723	—	$ 252,794
Adjusted Operating Earnings	**$ 162,828**	**(45,831)**	**—**	**$ 116,997**	$ 156,963	4,663	—	$ 161,626
Adjusted EBITDA	**$ 282,956**	**(36,674)**	**(392)**	**$ 245,890**	$ 245,556	9,666	—	$ 255,222
Adjusted EBITDA Margin	**10.1%**	**(29.0)%**	**—%**	**8.4%**	9.8%	9.6%	—%	9.8%

[i] *Non-Allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

Meat Protein Group

The Meat Protein Group is comprised of prepared meats, ready-to-cook and ready-to-serve meals, hog production and value-added fresh pork and poultry products that are sold to retail, foodservice and industrial channels. The Meat Protein Group includes leading brands such as Maple Leaf®, Maple Leaf Prime®, Schneiders®, Mina®, Greenfield Natural Meat Co.®, Swift® and many leading sub-brands.

Sales for the third quarter of 2019 increased 13.7% to $953.3 million compared to $838.7 million last year. Excluding acquisitions, sales grew 4.8%, driven by favourable mix tied to food renovation supporting major brand strategies and pricing actions implemented during the quarter and in late 2018 to mitigate higher raw material input costs. Continued expansion of sustainable meats, including double-digit growth in the U.S., also contributed to strong sales.

Year-to-date sales for 2019 increased 12.3% to $2,807.7 million compared to $2,500.8 million last year. Excluding acquisitions, sales grew 3.1% consistent with the factors noted above.

Gross profit for the third quarter of 2019 was $123.4 million (gross margin of 12.9%) compared to $119.3 million (gross margin of 14.2%) last year. Stronger commercial and operational performance, including favourable mix attributed to food renovation, continued expansion of sustainable meats and pricing action taken to mitigate higher raw material costs, contributed to higher gross profit in the quarter. This improved performance was partially offset by a significant decline in North American pork markets, which traded approximately 220 basis points below five-year averages, as well as a temporary import suspension of Canadian pork into China. In addition, the Company locked in raw material costs for its prepared meats business in anticipation of rising meat prices that were not fully recovered by subsequent pricing action in the quarter. These factors resulted in a decline in gross margin.

Year-to-date gross profit for 2019 was $417.5 million (gross margin of 14.9%) compared to $385.0 million (gross margin of 15.4%) last year. The change in gross profit is attributable to strong commercial and operational performance offset by adverse market conditions and the Chinese import suspension of Canadian pork.

Selling, general and administrative ("SG&A") expenses for the third quarter of 2019 were $78.8 million (8.3% of sales), compared to $68.8 million (8.2% of sales) last year. The increase in SG&A expenses was due to investments in advertising and promotion. On a percentage of sales basis, SG&A expenses were in line with last year.

Year-to-date SG&A expenses for 2019 were $254.7 million (9.1% of sales), compared to $228.1 million (9.1% of sales) last year. The change in SG&A is consistent with the factors noted above.

Adjusted Operating Earnings for the third quarter of 2019 were $44.6 million compared to $50.6 million last year. Improved commercial and operational performance was driven by favourable mix attributed to food renovation, higher sustainable meats sales and pricing action taken to mitigate higher raw material costs. This was offset by adverse market conditions, the Chinese import suspension of Canadian pork and increased investment in advertising and promotion.

Year-to-date Adjusted Operating Earnings for 2019 were $162.8 million compared to $157.0 million last year. The change in Adjusted Operating Earnings is consistent with factors noted above.

Adjusted EBITDA Margin for the third quarter was 9.0% compared to 9.4% last year.

Year-to-date Adjusted EBITDA Margin was 10.1% compared to 9.8% last year, with the increase consistent with the factors noted above. Adjusted EBITDA Margin was impacted by the adoption of IFRS 16 - Leases (“IFRS 16”). Upon the adoption of IFRS 16, leases previously classified as operating leases were capitalized on the Company’s consolidated interim balance sheet. For the third quarter an incremental $8.2 million in depreciation and $1.8 million in interest was recorded on the Company's consolidated interim statement of earnings, not included in Adjusted EBITDA. Incremental increases in depreciation and interest for the first nine months were $24.4 million and $5.3 million, respectively.

Plant Protein Group

The Plant Protein Group is comprised of refrigerated plant protein products, premium grain-based protein and vegan cheese products sold to retail, foodservice and industrial channels. The Plant Protein Group includes the leading brands Lightlife® and Field Roast Grain Meat Co.™.

Sales for the third quarter of 2019 increased 30.1% to $47.0 million compared to $36.1 million last year. Sales growth was driven by expanded distribution of new products and continued volume increases in its existing portfolio.

Year-to-date sales for 2019 increased 25.7% to $126.7 million compared to $100.8 million last year. Excluding acquisitions, sales grew 20.6% consistent with the factors noted above.

Gross profit for the third quarter of 2019 was $10.0 million (gross margin of 21.3%) compared to $9.1 million (gross margin of 25.1%) last year. The increase in gross profit was attributed to improved manufacturing and operating processes. The Company is strategically investing in SG&A to drive higher levels of growth and brand leadership in the rapidly growing plant protein market. After excluding the impact of inefficiencies associated with start-up production and other costs related to building scale to support high growth, core gross margin was approximately 28.9%.

Year-to-date gross profit for 2019 was $27.8 million (22.0% of sales) compared to $29.4 million (29.2% of sales) last year. Excluding investments in growth initiatives, core gross margin was approximately 29.9%. The change in gross profit is consistent with the factor noted above.

SG&A expenses for the third quarter of 2019 were $44.9 million (95.5% of sales), compared to $8.6 million (23.9% of sales) last year. The increase in SG&A expenses reflects the evolution of the Company’s plant protein strategy to drive sales growth and secure market share in a rapidly growing market. Supporting this strategy, significant investment in advertising, promotion and marketing was incurred during the quarter to enhance brand awareness and support new product launches and expanded distribution. In addition, the Company invested to broaden organizational capacity and its innovation pipeline.

Year-to-date SG&A expenses for 2019 were $73.6 million (58.1% of sales), compared to $24.7 million (24.5% of sales) last year.The change in selling, general and administrative expenses is consistent with the factors noted above.

Adjusted Operating Earnings for the third quarter of 2019 were a loss of $34.9 million compared to earnings of $0.4 million last year. The decline in Adjusted Operating Earnings reflects a deliberate focus on accelerating sales growth through increased investments in advertising, promotion and marketing, organizational capacity, product development and operational efficiency.

Year-to-date Adjusted Operating Earnings for 2019 were a loss of $45.8 million compared to earnings of $4.7 million last year. The change in Adjusted Operating Earnings is consistent with factors noted above.

Other Matters

On October 29, 2019, the Board of Directors approved a dividend of $0.145 per share payable December 31, 2019 to shareholders of record at the close of business on December 6, 2019. Unless indicated otherwise by the Company at or before the time the dividend is paid, this dividend will be considered an eligible dividend for the purposes of the "Enhanced Dividend Tax Credit System".

Conference Call

An investor presentation related to the Company's third quarter financial results is available at www.mapleleaffoods.com and can be found under *Investor Information* on the *Investors* page. A conference call will be held at 2:30 p.m. EDT on October 30, 2019, to review Maple Leaf Foods' third quarter financial results. To participate in the call, please dial 416-764-8609 or 1-888-390-0605. For those unable to participate, playback will be made available an hour after the event at 416-764-8677 or 1-888-390-0541(Passcode: 289271#).

A webcast presentation of the third quarter financial results will also be available at:

https://event.on24.com/wcc/r/2107264/A4A3634EC8B34054D06D5EB1035E8C5B

The Company's full unaudited condensed consolidated interim financial statements and related Management's Discussion and Analysis are available on the Company's website.

Outlook

Maple Leaf Foods is committed to creating shared value with a focus on driving commercial and financial results and enhancing competitive advantage through addressing some of society's most pressing issues. The Company is a leading consumer protein company, with the competitive advantages of a portfolio of leading brands, a robust pipeline of opportunities in attractive expanding markets and a proven-track record of execution. Combined with its solid balance sheet and capital structure that provide the financial flexibility to invest in future growth, Maple Leaf Foods is well-positioned to drive sustainable growth and create shareholder value.

Ongoing uncertainty in fresh pork markets is expected with continued global trade negotiations, the confirmation of African Swine Fever ("ASF") in China and China's temporary suspension of Canadian pork imports. ASF is leading to a shortage of pork protein in China, which is expected to increase worldwide market pricing of lean hogs as well as processed pork. Maple Leaf Foods is partially mitigating the impact of the Chinese import suspension of Canadian pork with exports to other countries and inventory management strategies. Within this environment, Management remains focused on existing opportunities to grow the core business by improving commercial performance, operational efficiencies and progressing against strategic initiatives for longer-term value creation.

In 2017, Maple Leaf Foods set a profitability target to achieve an Adjusted EBITDA margin between 14% - 16% within five years. The Company remains focused on meeting this target in its profitable Meat Protein Group with ongoing progress in key margin expansion initiatives, including its sustainable meat strategy, poultry network strategy, its food renovation strategy supporting Maple Leaf's flagship brands and its cost culture to deliver operational savings and efficiencies to fuel growth. Distinct from the more mature meat protein market, plant protein is rapidly expanding and presents a dynamic marketplace with vast growth opportunities. Leveraging its market leadership, Maple Leaf has changed its plant protein strategy and is pursuing aggressive new growth goals focused on expanding sales. Continued investments in its plant protein brands' strength, product innovation, people and supply chain excellence serve to secure Maple Leaf Foods' leading position in this burgeoning market.

In 2019 the Company expects to:

- Invest approximately $300.0 million in capital expenditures, including approximately $100.0 million related to the construction of the new value-added poultry facility in London, Ontario and the new plant protein facility in Shelbyville, Indiana. This includes continuing construction of its London Poultry facility and advancing its Shelbyville plant protein facility. The Company's net debt includes $79.5 million of Construction Capital[(9)] related to these projects;
- Continue to build its leadership in sustainable meat with further advancement in animal care including progress towards transitioning all sows under management to open housing systems by 2021, and ongoing retail and food service growth of the raised without antibiotics category in Canada and the U.S.;
- Gain further momentum in prepared meats sales volume as the Company benefits from the food renovation and brand repositioning of its Maple Leaf®, Schneiders® and Swift® brands; and
- Pursue aggressive new growth goals focused on expanding sales and accelerating its leadership in the refrigerated plant protein market under its flagship Lightlife® and Field Roast Grain Meat Co.™ brands, targeting 2020 sales to exceed $280.0 million with an opportunity of greater than $3.0 billion in sales on a 10-year horizon, based on the plant protein market's growth potential and the Company's anticipated share of the market.

Reconciliation of Non-IFRS Financial Measures

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA, Adjusted EBITDA Margin, Construction Capital and Net Debt. Management believes that these non-IFRS measures provide useful information to investors in measuring the financial performance of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures used by Management to evaluate financial operating results. Adjusted Operating Earnings is 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 EBITDA is defined as Adjusted Operating Earnings plus depreciation and intangible asset amortization, adjusted for items included in other expense that are not considered representative of ongoing operational activities of the business. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by sales.

The tables below provide a reconciliation of earnings (loss) before income taxes as reported under IFRS in the consolidated financial statements to Adjusted Operating Earnings and Adjusted EBITDA for the three and nine months September 30. Management believes that these non-IFRS measures are useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

	Three months ended September 30, 2019				Three months ended September 30, 2018(i)			
($ thousands) *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated(ii)**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated(ii)	Total
Earnings (loss) before income taxes	**$ 39,617**	**(34,925)**	**(2,884)**	**$ 1,808**	$ 50,293	384	(15,092)	$ 35,585
Interest expense and other financing costs	**—**	**—**	**8,137**	**8,137**	—	—	2,274	2,274
Other expense	**363**	**53**	**1,118**	**1,534**	299	45	3,002	3,346
Restructuring and other related costs	**4,588**	**—**	**—**	**4,588**	—	—	—	—
Earnings (loss) from operations	**$ 44,568**	**(34,872)**	**6,371**	**$ 16,067**	$ 50,592	429	(9,816)	$ 41,205
Decrease in fair value of biological assets(5)	**—**	**—**	**1,289**	**1,289**	—	—	5,781	5,781
Unrealized (gain) loss on derivative contracts(5)	**—**	**—**	**(7,660)**	**(7,660)**	—	—	4,035	4,035
Adjusted Operating Earnings	**$ 44,568**	**(34,872)**	**—**	**$ 9,696**	$ 50,592	429	—	$ 51,021
Depreciation and amortization	**41,225**	**3,309**	**—**	**44,534**	28,794	1,661	—	30,455
Items included in other expense representative of ongoing operations(6)	**(363)**	**(53)**	**(392)**	**(808)**	(299)	(45)	—	(344)
Adjusted EBITDA	**$ 85,430**	**(31,616)**	**(392)**	**$ 53,422**	$ 79,087	2,045	—	$ 81,132
Adjusted EBITDA Margin	**9.0%**	**(67.3)%**	**—%**	**5.4%**	9.4%	5.7%	—%	9.3%

(i) *Comparative figures have been presented to align with current reportable segments.*

(ii) *Non-Allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

($ thousands) (Unaudited)	**Nine months ended September 30, 2019** **Meat Protein Group**	**Plant Protein Group**	**Non-Allocated[(ii)]**	**Total**	Nine months ended September 30, 2018[(i)] Meat Protein Group	Plant Protein Group	Non-Allocated[(ii)]	Total
Earnings (loss) before income taxes	**$ 155,923**	**(45,979)**	**(46,574)**	**$ 63,370**	$ 156,081	4,437	(37,498)	$ 123,020
Interest expense and other financing costs	**—**	**—**	**24,648**	**24,648**	—	—	5,793	5,793
Other (income) expense	**926**	**148**	**6,818**	**7,892**	(3,089)	226	7,294	4,431
Restructuring and other related costs	**5,979**	**—**	**—**	**5,979**	3,971	—	—	3,971
Earnings (loss) from operations	**$ 162,828**	**(45,831)**	**(15,108)**	**$ 101,889**	$ 156,963	4,663	(24,411)	$ 137,215
Decrease in fair value of biological assets	**—**	**—**	**13,316**	**13,316**	—	—	33,134	33,134
Unrealized loss (gain) on derivative contracts	**—**	**—**	**1,792**	**1,792**	—	—	(8,723)	(8,723)
Adjusted Operating Earnings	**$ 162,828**	**(45,831)**	**—**	**$ 116,997**	$ 156,963	4,663	—	$ 161,626
Depreciation and amortization	**121,054**	**9,305**	**—**	**130,359**	85,504	5,229	—	90,733
Items included in other (expense) income representative of ongoing operations	**(926)**	**(148)**	**(392)**	**(1,466)**	3,089	(226)	—	2,863
Adjusted EBITDA	**$ 282,956**	**(36,674)**	**(392)**	**$ 245,890**	$ 245,556	9,666	—	$ 255,222
Adjusted EBITDA Margin	**10.1%**	**(29.0)%**	**—%**	**8.4%**	9.8%	9.6%	—%	9.8%

(i) *Comparative figures have been presented to align with current reportable segments.*

(ii) *Non-Allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

Adjusted Earnings per Share

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings per share as reported under IFRS in the consolidated statements of net earnings to Adjusted Earnings per Share for the three and nine months ended September 30, as indicated below. Management believes this basis is the most appropriate on which to evaluate financial results as they are representative of the ongoing operations of the Company.

($ per share) (Unaudited)	**Three months ended September 30,** **2019**	2018	**Nine months ended September 30,** **2019**	2018
Basic earnings per share	**$ 0.11**	$ 0.21	**$ 0.46**	$ 0.71
Income tax recovery not considered representative of ongoing operations	**(0.08)**	—	**(0.08)**	—
Restructuring and other related costs[(4)]	**0.03**	—	**0.04**	0.02
Items included in other expense not considered representative of ongoing operations	**0.01**	0.02	**0.04**	0.05
Change in the fair value of biological assets[(7)]	**0.01**	0.03	**0.08**	0.19
Unrealized loss (gain) on derivative contracts[(7)]	**(0.05)**	0.02	**0.01**	(0.05)
Adjusted Earnings per Share[(8)]	**$ 0.03**	$ 0.29	**$ 0.55**	$ 0.93

Construction Capital

Construction Capital, a non-IFRS measure, is used by Management to evaluate the amount of capital resources invested in specific strategic development projects that have not yet entered commercial production. It is 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. Current strategic initiatives primarily include the investments in the London, Ontario poultry production facility, and the plant protein production facility in Shelbyville, Indiana. The following table is a summary of Construction Capital activity and debt financing for the periods indicated below.

($ thousands) *(Unaudited)*		**2019**		2018
Opening balance at January 1	**$**	**22,422**	$	12,950
Additions		**18,100**		1,925
Balance at March 31	**$**	**40,522**	$	14,875
Additions		**23,127**		3,693
Balance at June 30	**$**	**63,649**	$	18,568
Additions		**15,832**		2,014
Balance at September 30	**$**	**79,481**	$	20,582
Construction Capital debt financing[(i)]	**$**	**79,481**	$	20,582

(i) *Assumed to be fully funded by debt to the extent that the Company has Net Debt outstanding.*

Net Debt

The following table reconciles Net Debt to amounts reported under IFRS in the Company's consolidated financial statements as at September 30, as indicated below. The Company calculates Net Debt as cash and cash equivalents, less long-term debt and bank indebtedness. Management believes this measure is useful in assessing the amount of financial leverage employed.

($ thousands) *(Unaudited)*	**As at September 30,** **2019**	 2018
Cash and cash equivalents	**$ 70,760**	$ 109,643
Current portion of long-term debt	**(887)**	(839)
Long-term debt	**(472,990)**	(174,276)
Total debt	**$ (473,877)**	$ (175,115)
Net Debt	**$ (403,117)**	$ (65,472)

Forward-Looking Statements

This document contains, and the Company’s oral and written public communications often contain, “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 Management of the Company. Such statements include, but are not limited to, statements with respect to objectives and goals, in addition to statements with respect to beliefs, plans, objectives, expectations, anticipations, estimates, and intentions. Specific forward-looking information in this document includes, but is not limited to, statements with respect to: future performance; expectations regarding the use of derivatives, futures and options; the expected use of cash balances; source of funds for ongoing business requirements; expectations regarding capital projects, investments and expenditures; expectations regarding the implementation of environmental sustainability initiatives; expectations regarding the adoption of new accounting standards and the impact of such adoption on financial position; expectations regarding pension plan performance and future pension plan liabilities and contributions; expectations regarding levels of credit risk; and expectations regarding outcomes of legal actions. Words such as “expect”, “anticipate”, “intend”, “may”, “will”, “plan”, “believe”, “seek”, “estimate”, and variations of such words and similar expressions are intended to identify such forward-looking information. All statements in this document, other than statements of historical fact, are forward looking statements. These statements are not guarantees of future performance and involve assumptions, risks, and uncertainties that are difficult to predict.

In addition, these statements and expectations concerning the performance of the Company’s business in general are based on a number of factors and assumptions including, but not limited to: the condition of the Canadian, U.S., Japanese, and Chinese economies; the rate of exchange of the Canadian dollar to the U.S. dollar, the Japanese yen, and the Euro; the availability and prices of raw materials, energy and supplies; product pricing; the availability of insurance; the competitive environment and related market conditions; improvement of operating efficiencies; continued access to capital; the cost of compliance with environmental and health standards; no adverse results from ongoing litigation; no unexpected actions of domestic and foreign governments; and the general assumption that none of the risks identified below or elsewhere in this document will materialize.

All of 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.

Factors that could cause actual results or outcomes to differ materially from the results expressed, implied, or forecasted by forward looking information include, among other things:

- risks associated with the Company focusing solely on the protein business;
- risks related to the Company's decisions regarding any potential return of capital to shareholders;
- risks associated with the execution of capital projects, including cost, schedule and regulatory variables;
- risks associated with international trade and access to markets;
- risks associated with concentration of production in fewer facilities;
- risks associated with the availability of capital;
- risks associated with changes in the Company's information systems and processes;
- risks associated with cyber threats;
- risks posed by food contamination, consumer liability, and product recalls;
- risks associated with acquisitions, divestitures, and capital expansion projects;
- impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- risks related to the health status of livestock;
- impact of a pandemic on the Company's operations;
- the Company's exposure to currency exchange risks;
- ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
- impact of changes in the market value of the biological assets and hedging instruments;
- risks associated with the supply management system for poultry in Canada;
- risks associated with product innovation and product development;
- risks associated with rapidly changing market dynamics in the plant protein sector;
- risks associated with the use of contract manufacturers;
- impact of international events on commodity prices and the free flow of goods;
- risks posed by compliance with extensive government regulation;
- risks posed by litigation;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with a consolidating retail environment;
- risks posed by competition;
- risks associated with complying with differing employment laws and practices, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
- risks associated with pricing the Company's products;
- risks associated with managing the Company's supply chain;
- risks associated with failing to identify and manage the strategic risks facing the Company; and
- impact of changes in International Financial Reporting Standards and other accounting standards that the Company is required to adhere to for regulatory purposes.

In addition to the factors referenced above, the Company's expectations with respect to future sales associated with the anticipated growth of its plant 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.

The Company cautions the reader that the foregoing list of factors is not exhaustive. More information about risk factors can be found under the heading "Risk Factors" in the Company's Annual Management's Discussion and Analysis for the year ended December 31, 2018, that is available on SEDAR at www.sedar.com. The reader should review such section in detail. Some of the forward-looking information may be considered to be financial outlooks for purposes of applicable securities legislation including, but not limited to, statements concerning future capital expenditures. These financial outlooks are presented to evaluate anticipated future uses of cash flows, and may not be appropriate for other purposes and readers should not assume they will be achieved. The Company does not intend to, and the Company disclaims any obligation to, update any forward-looking information, whether written or oral, or whether as a result of new information, future events or otherwise, except as required by law. Additional information concerning the Company, including the Company's Annual Information Form is available on SEDAR at www.sedar.com.

About Maple Leaf Foods Inc.

Maple Leaf Foods is a producer of food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Schneiders®, Mina®, Greenfield Natural Meat Co.®, Lightlife®, Field Roast Grain Meat Co.™ and Swift®. Maple Leaf employs approximately 12,500 people and does business in Canada, the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).

Footnote Legend

1. *Adjusted EBITDA, a non-IFRS measure, is defined as Adjusted Operating Earnings plus depreciation and intangible asset amortization, adjusted for items included in other expense that are not considered representative of ongoing operational activities of the business. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by sales. Please refer to the section titled Reconciliation of Non-IFRS Financial Measures in this news release.*
2. *Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. Please refer to the section titled Reconciliation of Non-IFRS Financial Measures in this news release.*
3. *Adjusted Operating Earnings, a non-IFRS measure, is 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. Please refer to the section titled Reconciliation of Non-IFRS Financial Measures in this news release.*
4. *Includes per share impact of restructuring and other related costs, net of tax.*
5. *Unrealized gains/losses on derivative contracts is reported within cost of sales in the Company's 2019 third quarter unaudited condensed consolidated interim financial statements. For biological assets information, please refer to Note 5 of the Company's 2019 third quarter unaudited condensed consolidated interim financial statements.*
6. *Primarily includes acquisition related costs, interest income, and litigation costs, net of tax.*
7. *Includes per share impact of the change in unrealized losses on derivative contracts and the change in fair value of biological assets, net of tax.*
8. *May not add due to rounding.*
9. *Construction Capital, a non-IFRS measure, is used by Management to evaluate the amount of capital resources invested in specific strategic development projects that have not yet entered commercial production. It is 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. Please refer to the section titled Reconciliation of Non-IFRS Financial Measures in this news release.*

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars) *(Unaudited)*	**As at September 30, 2019**	As at September 30, 2018[i]	As at December 31, 2018[i]
ASSETS			
Current assets			
Cash and cash equivalents	**$ 70,760**	$ 109,643	$ 72,578
Accounts receivable	**151,479**	150,232	146,283
Notes receivable	**32,418**	26,823	30,504
Inventories	**384,115**	307,495	348,901
Biological assets	**108,558**	87,935	111,493
Income and other taxes recoverable	**2,107**	—	—
Prepaid expenses and other assets	**37,815**	17,082	38,222
Assets held for sale	**37,044**	—	—
	$ 824,296	$ 699,210	$ 747,981
Property and equipment	**1,346,625**	1,152,900	1,283,950
Right of use assets	**229,864**	—	—
Investment property	**1,864**	5,109	5,109
Employee benefits	**—**	39,658	5,389
Other long-term assets	**12,769**	8,212	8,074
Goodwill	**659,612**	613,178	664,879
Intangible assets	**350,898**	282,100	424,616
Total assets	**$ 3,425,928**	$ 2,800,367	$ 3,139,998
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accruals	**$ 406,697**	$ 308,288	$ 344,460
Current portion of provisions	**2,701**	3,917	3,457
Current portion of long-term debt	**887**	839	80,897
Current portion of lease obligations	**39,650**	—	—
Income taxes payable	**—**	11,382	42,884
Other current liabilities	**31,166**	45,042	24,031
	$ 481,101	$ 369,468	$ 495,729
Long-term debt	**472,990**	174,276	302,524
Lease obligations	**205,750**	—	—
Employee benefits	**154,276**	101,427	103,982
Provisions	**46,020**	8,937	49,895
Other long-term liabilities	**2,583**	14,771	53,564
Deferred tax liability	**116,091**	133,329	127,465
Total liabilities	**$ 1,478,811**	$ 802,208	$ 1,133,159
Shareholders' equity			
Share capital	**$ 851,068**	$ 820,588	$ 849,655
Retained earnings	**1,120,286**	1,208,848	1,178,389
Contributed surplus	**4,577**	—	4,649
Accumulated other comprehensive income (loss)	**1,564**	(4,891)	3,532
Treasury stock	**(30,378)**	(26,386)	(29,386)
Total shareholders' equity	**$ 1,947,117**	$ 1,998,159	$ 2,006,839
Total liabilities and equity	**$ 3,425,928**	$ 2,800,367	$ 3,139,998

[i] *Restated, see Note 18(a) of the Company's 2019 third quarter consolidated financial statements.*

Consolidated Interim Statements of Net Earnings

(In thousands of Canadian dollars, except share amounts) *(Unaudited)*	Three months ended September 30,				Nine months ended September 30,			
		2019		2018		**2019**		2018
Sales	**$**	**995,787**	$	874,827	**$**	**2,925,576**	$	2,601,580
Cost of goods sold		**856,070**		756,245		**2,495,362**		2,211,571
Gross profit	**$**	**139,717**	$	118,582	**$**	**430,214**	$	390,009
Selling, general and administrative expenses		**123,650**		77,377		**328,325**		252,794
Earnings before the following:	**$**	**16,067**	$	41,205	**$**	**101,889**	$	137,215
Restructuring and other related costs		**4,588**		—		**5,979**		3,971
Other expense		**1,534**		3,346		**7,892**		4,431
Earnings before interest and income taxes	**$**	**9,945**	$	37,859	**$**	**88,018**	$	128,813
Interest expense and other financing costs		**8,137**		2,274		**24,648**		5,793
Earnings before income taxes	**$**	**1,808**	$	35,585	**$**	**63,370**	$	123,020
Income tax (recovery) expense		**(11,601)**		9,029		**6,199**		33,621
Net earnings	**$**	**13,409**	$	26,556	**$**	**57,171**	$	89,399
Earnings per share:								
Basic earnings per share	**$**	**0.11**	$	0.21	**$**	**0.46**	$	0.71
Diluted earnings per share	**$**	**0.11**	$	0.21	**$**	**0.46**	$	0.70
Weighted average number of shares (millions)								
Basic		**123.8**		124.6		**123.7**		125.6
Diluted		**125.2**		126.6		**125.4**		128.0

Consolidated Interim Statements of Other Comprehensive Income (Loss)

(In thousands of Canadian dollars) *(Unaudited)*	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net earnings	**$ 13,409**	$ 26,556	**$ 57,171**	$ 89,399
Other comprehensive income (loss)				
Actuarial gains (losses) that will not be reclassified to profit or loss				
(Net of tax of $1.8 million and $14.1 million; 2018: $4.1 million and $13.4 million)	**$ 5,192**	$ 11,542	**$ (39,808)**	$ 38,191
Items that are or may be reclassified subsequently to profit or loss:				
Change in accumulated foreign currency translation adjustment				
(Net of tax of $0.0 million and $0.0 million; 2018: $0.0 million and $0.0 million)	**$ 4,154**	$ (6,330)	**$ (11,563)**	$ 12,868
Change in foreign exchange (losses) gains on long-term debt designated as a net investment hedge				
(Net of tax of $0.6 million and $1.5 million; 2018: $0.1 million and $0.3 million)	**(3,505)**	$ 604	**7,956**	$ (2,251)
Change in unrealized (losses) gains on cash flow hedges				
(Net of tax of $0.2 million and $0.6 million; 2018: $0.2 million and $0.7 million)	**(461)**	479	**1,639**	(5,888)
Total items that are or may be reclassified subsequently to profit or loss	**$ 188**	$ (5,247)	**$ (1,968)**	$ 4,729
Total other comprehensive income (loss)	**$ 5,380**	$ 6,295	**$ (41,776)**	$ 42,920
Comprehensive income	**$ 18,789**	$ 32,851	**$ 15,395**	$ 132,319

Consolidated Interim Statements of Changes in Total Equity

(In thousands of Canadian dollars) (Unaudited)	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)(i) Foreign currency translation adjustment	Accumulated other comprehensive income (loss)(i) Unrealized gains and losses on cash flow hedges	Treasury stock	Total equity
Balance as at December 31, 2018	**$ 849,655**	**1,178,389**	**4,649**	**8,518**	**(4,986)**	**(29,386)**	**$ 2,006,839**
Impact of new IFRS standards(iii)	**—**	**(1,100)**	**—**	**—**	**—**	**—**	**(1,100)**
Net earnings	**—**	**57,171**	**—**	**—**	**—**	**—**	**57,171**
Other comprehensive income (loss)(ii)	**—**	**(39,808)**	**—**	**(3,607)**	**1,639**	**—**	**(41,776)**
Dividends declared ($0.44 per share)	**—**	**(53,903)**	**—**	**—**	**—**	**—**	**(53,903)**
Share-based compensation expense	**—**	**—**	**13,352**	**—**	**—**	**—**	**13,352**
Deferred taxes on share-based compensation	**—**	**—**	**1,160**	**—**	**—**	**—**	**1,160**
Obligation for repurchase of shares	**(6,347)**	**—**	**(7,556)**	**—**	**—**	**—**	**(13,903)**
Exercise of stock options	**7,760**	**—**	**—**	**—**	**—**	**—**	**7,760**
Settlement of share-based compensation	**—**	**(20,463)**	**(7,028)**	**—**	**—**	**13,986**	**(13,505)**
Shares purchased by RSU trust	**—**	**—**	**—**	**—**	**—**	**(14,978)**	**(14,978)**
Balance as at September 30, 2019	**$ 851,068**	**1,120,286**	**4,577**	**4,911**	**(3,347)**	**(30,378)**	**$ 1,947,117**

(In thousands of Canadian dollars) (Unaudited)	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)(i) Foreign currency translation adjustment	Accumulated other comprehensive income (loss)(i) Unrealized gains and losses on cash flow hedges	Treasury stock	Total equity
Balance as at December 31, 2017	$ 835,154	1,253,035	—	(11,420)	1,800	(26,961)	$ 2,051,608
Impact of new IFRS standards	—	(3,695)	—	—	—	—	(3,695)
Net earnings	—	89,399	—	—	—	—	89,399
Other comprehensive income (loss)(ii)	—	38,191	—	10,617	(5,888)	—	42,920
Dividends declared ($0.39 per share)	—	(49,023)	—	—	—	—	(49,023)
Share-based compensation expense	—	—	13,785	—	—	—	13,785
Deferred taxes on share-based compensation	—	—	(1,100)	—	—	—	(1,100)
Repurchase of shares	(30,406)	(101,495)	(12,685)	—	—	—	(144,586)
Exercise of stock options	15,840	—	—	—	—	—	15,840
Settlement of share-based compensation	—	(17,564)	—	—	—	10,575	(6,989)
Shares purchased by RSU trust	—	—	—	—	—	(10,000)	(10,000)
Balance at September 30, 2018	$ 820,588	1,208,848	—	(803)	(4,088)	(26,386)	$ 1,998,159

(i) *Items that are or may be subsequently reclassified to profit or loss.*

(ii) *Included in other comprehensive income (loss) is the change in actuarial gains and losses that will not be reclassified to profit or loss and has been reclassified to retained earnings.*

(iii) *See Note 2(b) of the Company's 2019 third quarter consolidated financial statements.*

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars) *(Unaudited)*	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
CASH PROVIDED BY (USED IN):				
Operating activities				
Net earnings	**$ 13,409**	$ 26,556	**$ 57,171**	$ 89,399
Add (deduct) items not affecting cash:				
Change in fair value of biological assets	**1,289**	5,781	**13,316**	33,134
Depreciation and amortization	**44,534**	30,467	**130,359**	90,764
Share-based compensation	**3,948**	4,547	**13,352**	13,785
Deferred income taxes	**(2,897)**	7,590	**2,803**	23,250
Income tax current	**(8,704)**	1,439	**3,396**	10,371
Interest expense and other financing costs	**8,137**	2,274	**24,648**	5,793
Loss on sale of long-term assets	**375**	806	**1,092**	4,638
Change in fair value of non-designated derivative financial instruments	**(6,450)**	3,818	**624**	(8,482)
Change in net pension liability	**854**	1,915	**1,804**	5,520
Net income taxes paid	**(7,172)**	(2,154)	**(37,956)**	(6,424)
Interest paid	**(7,264)**	(1,695)	**(21,006)**	(4,334)
Change in provision for restructuring and other related costs	**3,819**	(2,356)	**3,965**	(6,643)
Change in derivatives margin	**(721)**	(1,702)	**1,804**	14,583
Other	**2,255**	(2,014)	**2,191**	(6,878)
Change in non-cash working capital	**52,360**	14,926	**(8,528)**	(65,752)
Cash provided by operating activities	**$ 97,772**	$ 90,198	**$ 189,035**	$ 192,724
Financing activities				
Dividends paid	**$ (17,993)**	$ (16,179)	**$ (53,903)**	$ (49,023)
Net (decrease) increase in long-term debt	**(667)**	118,110	**99,630**	162,964
Payment of lease obligation	**(8,848)**	—	**(25,719)**	—
Exercise of stock options	**4,789**	—	**7,760**	15,840
Repurchase of shares	**—**	(68,472)	**—**	(139,416)
Payment of deferred financing fees	**(769)**	(475)	**(5,597)**	(554)
Purchase of treasury stock	**(9,978)**	(5,000)	**(14,978)**	(10,000)
Cash (used in) provided by financing activities	**$ (33,466)**	$ 27,984	**$ 7,193**	$ (20,189)
Investing activities				
Additions to long-term assets	**$ (60,544)**	$ (45,070)	**$ (185,960)**	$ (127,971)
Acquisition of business, net of cash acquired	**—**	—	**(847)**	(138,380)
Proceeds from sale of long-term assets	**71**	34	**146**	34
Payment of income tax liabilities assumed on acquisition	**—**	—	**(11,385)**	—
Cash used in investing activities	**$ (60,473)**	$ (45,036)	**$ (198,046)**	$ (266,317)
Increase (decrease) in cash and cash equivalents	**$ 3,833**	$ 73,146	**$ (1,818)**	$ (93,782)
Cash and cash equivalents, beginning of period	**66,927**	36,497	**72,578**	203,425
Cash and cash equivalents, end of period	**$ 70,760**	$ 109,643	**$ 70,760**	$ 109,643