

**Maple Leaf Foods Inc.**

**Investor Update Conference Call**

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## PRESENTATION

### Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to Maple Leaf's Investor Update Conference Call. As a reminder, this conference call is being broadcast live on the Internet and recorded. All lines have been placed on mute to prevent any background noise. Please note that there will be a question-and-answer session following the formal remarks. We will go over the instructions for the question-and-answer session following the conclusion of the formal presentation.

I would now like to turn the conference call over to Janet Craig, Investor Relations at Maple Leaf Foods. Please go ahead, Ms. Craig.

**Janet Craig** — Investor Relations, Maple Leaf Foods Inc.

Thank you, Julie, and good morning, everyone. Speaking on the call this morning will be Michael McCain, Executive Chair; Curtis Frank, President and Chief Executive Officer; Dennis Organ, President, Pork Complex and incoming CEO of the new pork company; and David Smales, CFO of Maple Leaf.

Before we begin, I would like to remind you that some statements made on today's call may constitute forward-looking information. These statements are based on current assumptions, expectations, and estimates of management relating to matters such as market conditions, our business, the proposed transaction, and future outcomes as well as non-IFRS financial metrics that are intended to be preliminary illustrative financial data.

Forward-looking information necessarily involves known and unknown risks, uncertainties, and other factors that may cause actual results or events that may be materially different from what we discuss. Please refer to the forward-looking information slide and the non-IFRS measures and management preliminary estimate slide that are included as part of the investor presentation for this call available on our website and for a more detailed summary of forward-looking information and the basis of preliminary financial information, including associated risks and assumptions.

We also invite you to refer to the Risk Factors section of our annual management discussion and analysis for the year ended December 31, 2023 for a broader description of operations and risk factors that could affect the Company's performance. We also uploaded the deck related to this announcement to the Investor Relations section of our website, which includes support material.

As you can appreciate, we've entered our quiet period and are set to announce our second quarter results on August 8<sup>th</sup>. Our remarks today will understandably be focused on this announcement and we will not be speaking to any near-term financial operational results. As always, the Investor Relations team will be available after the call for any follow-up questions.

And with that, I will turn the call over to Curtis Frank. Curtis?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Okay. Thank you, Janet, and good morning, everyone, and thank you for joining our conference call here this morning.

As you have seen, earlier today we announced that Maple Leaf will be splitting into two independent, public companies with the aim of unlocking value and unleashing potential. Maple Leaf Foods is set to continue to pursue its inspiring vision to be the most sustainable protein company on earth, now as a more focused consumer packaged goods company, and we intend to spin off our pork business to become its own separate world-leading pork company that will be unleashed to pursue its own distinct value-creation plan.

This is an exciting next step in our Company's history that dates back more than 100 years and a moment that we have been building toward from the day the McCain family began to play a pivotal role in shaping Maple Leaf Foods starting in 1995. Since that time we have built an iconic, purpose-driven Canadian food company that houses leading brands with leading market shares, offers a diverse portfolio of protein offerings to consumers around the world, has established authentic leadership in sustainability, has invested to create a modern North American scaled supply chain, is led by an incredibly talented team, and has exciting growth opportunities that will propel us well into the future. Today we look to start a new chapter for Maple Leaf, seeking to unlock the full potential of two distinct businesses.

In February, we launched an evolved strategic Blueprint, one that refined and updated the strategies that underpin our purpose to raise the good in food and our vision to be the most sustainable protein company on earth. This evolution reflected the transition from an intensive phase of investing in building new plants to realizing the benefits of our world-class network and compelling growth platforms. Now, with the creation of two independent public companies, each with their distinctive value creation opportunities, we continue to evolve, enabling each business to continue down the path

of generating shared value for all of our stakeholders. Both companies will have a sharper focus on the execution of their respective growth strategies and will enjoy the opportunity to be recognized as leaders in their respective industries.

At Maple Leaf Foods, we will realize our vision to be the most sustainable protein company on earth, now as a more focused, purpose-driven consumer packaged goods company. The new pork company will be unleashed as a world-leading pork business, taking advantage of its unique business model and unlocking its own significant growth potential. The two companies will continue to have an enduring strategic relationship. Maple Leaf Foods will continue as a key shareholder in the new pork company and will also serve as an anchor customer. An evergreen supply agreement between the two organizations will play an essential role in delivering value for both companies, while at the same time allowing each to pursue their individual value creation opportunities. It's also important to emphasize that our commitments to sustainability and shared value creation will not change. This transaction will support the continuation of our leading sustainability practices across both companies, which remain foundational to who we are and what we do.

We are confident that the separation of Maple Leaf Foods into two standalone businesses will offer a clear path to unlocking value at both companies. Maple Leaf will continue to be led by me as Chief Executive Officer, David Smales as Chief Financial Officer, and Adam Grogan as Chief Operating Officer. The new pork company will enter the market as an independent producer of high-quality Canadian pork products with a diversified customer base led by Dennis Organ, who is currently the president of our pork business. Dennis is a distinguished industry executive who joined us in 2023 after more than 27 years of experience in the North American food industry, including 11 years with

Smithfield Foods, where he held a variety of roles, including CEO. Investors will have increased visibility into two separate investment opportunities, each benefiting from a sharpened focus on execution from a dedicated management team with deep industry experience and an unwavering commitment to long-term success of their organizations. We believe this will ultimately lead to proper recognition of their values by the market.

Maple Leaf Foods will be composed of our prepared meats, our poultry, and our plant protein businesses, where our engagement with customers and consumers is strong and enduring. We have the number-one and number-two packaged meats brands in Canada, Schneiders and Maple Leaf, and the number-one sustainable meats brand in Canada and number-three in the US in Greenfield Natural Meats. We also have the number-one brand in fresh poultry in Maple Leaf Prime, the number-one Halal fresh poultry brand in Mina Halal, and a portfolio of leading brands in the US plant protein category through the combination of Lightlife, Field Roast, and Chao cheese. These leading brands, supported by a broad portfolio of regional and specialty brands, are engaged in more than 20 product categories distributed throughout thousands of North American grocery stores and available to consumers across the vast offering of North American food service operations.

For Maple Leaf Foods, this transaction is the next pivotal step in our journey to bringing our Blueprint to life. With global protein consumption projected to nearly double by 2050 due to a growing population, rising affluence, urbanization, aging demographics, and dietary shifts towards protein-rich foods, our diverse protein portfolio positions us incredibly well to capitalize on the growing demand for protein. Maple Leaf will be able to put an even sharper focus on executing our compelling revenue growth platforms and the margin expansion program that we already have underway. Our focus will be

set squarely on driving the growth of our leading brands, accelerating the pace of impactful innovation, expanding in new geographies, particularly the US, and leveraging our leadership in sustainable meats. And we won't be stopping there. We are relentlessly focused on harvesting the benefits of our recent capital investments while driving out waste through a pipeline of cost reduction initiatives. Of course, growth would not be possible without the footprint and scale of our manufacturing facilities and our network is primed with sufficient capacity to support growth for the foreseeable future. This in turn will drive both top-line growth and margin expansion that, when coupled with disciplined capital expenditures, will enable our free cash flow to increase materially, enable deleveraging, and provide us with the capacity to make strategic investments that will continue to shape our portfolio of protein offerings.

I say with confidence that I have never been more excited about the future that lies ahead for Maple Leaf Foods. Together we have done the hard work, over many years, to ensure that we have the right platform to meet the growing demand for sustainably-produced protein. Armed with leading brands and market shares, compelling growth platforms, a modern supply chain, and an exceptional management team with deep CPG industry experience, now is absolutely the right time to capitalize on what we have built and to bring our bold vision to life. Maple Leaf will remain deeply grounded in our blueprint and it will continue to serve as the strategic compass for our business. So, despite what's changing with this announcement, it's important to be clear on what will not change: our purpose to raise the good in food and our vision to be the most sustainable protein company on earth.

And that brings us to our pork business, the new pork company, which is beginning a transformational journey of its own as an independent company. I'd like to now turn it over to Dennis



Organ, the current President of our Pork Complex and incoming CEO of the new pork company, to tell you about its own set of value-creation opportunities that lie ahead. Dennis?

**Dennis Organ** — President, Pork Complex, Maple Leaf Foods Inc.

Thank you, Curtis, and hello to everybody on the call. I'm thrilled to be speaking with you today and eager to engage with you in the weeks to come. I am enthusiastic about the opportunity to unlock our potential as a newly independent organization, but first let me delve into the current state of the pork business.

We have a strong history of profitability in our pork business and we are excited by the fact that market conditions have shown improvement in recent quarters. Operating from our world-class processing facilities in Alberta and Manitoba, we process around 4 million hogs annually. About 1.7 million of those are raised in-house and the other 2.3 million are sourced from our contract growers. We sell our pork products to a unique and attractive mix of customers in high-growth markets in North America and internationally. This diversified sales mix is a strategic advantage to the new pork company and gives us options for maximizing the revenue we receive for our products.

Our longstanding customers trust us for the quality of our products and the value-added production capabilities that they have come to rely on. At the core of our operations are industry-leading best practices in sustainability, worker safety, and animal care. As one of North America's largest producers of pork that is raised without antibiotics, we are committing to setting the standard for responsible production practices. This commitment, combined with our resilient business model, ensures our strength in all market conditions.

Now for a look at what lies ahead for the new pork company, as we forge our own path forward, there are a wealth of known opportunities for us to build value in our business, ensuring both near-term and long-term success. For instance, our Manitoba processing facility currently operates below capacity. Optimizing its utilization is a key strategic initiative that promises substantial returns without significant capital investments. Other opportunities, such as equipment modernization and capability expansion, also offer meaningful financial returns. We also have a significant amount of continuous improvement initiatives that will deliver material value to the shareholders. There is consequential value for our entire entity to focus the might of the organization on the metrics that matter to the pork business. We will be operationally excellent. Increases in feed costs have also begun to normalize. Feed cost increases were the primary reason that the cost to raise a pig exceeded the value of the meat over the last few years. As earnings migrate towards full recovery, our controllable improvement initiatives, coupled with a favourable commodity outlook, will allow us to invest back in the Company to fuel future growth.

So, in conclusion, this transaction marks an exciting milestone for us. We are unleashing the potential of a world-class organization, we are building on our strengths, and we are providing investors with a unique chance to participate in what I believe is a rare opportunity.

So now I will turn the call over to our Chief Financial Officer, David Smales, to present some financial highlights.

**David Smales** — Chief Financial Officer, Maple Leaf Foods Inc.

Thank you, Dennis. I'm going to speak briefly to the pro forma financials and next steps in the transaction.

As you know, Maple Leaf Foods has not previously reported our financial results along these two business lines. In our press release, we provided some baseline data to give you a sense of the relative scale of revenue and profitability of the separate businesses. On a trailing 12-month basis ending March 31, 2024, a Maple Leaf Foods recorded revenue of close to \$4.9 billion. If we'd been reporting the business performance of the two businesses and adjusted pro forma for the impacts of the separation, Maple Leaf Foods revenue excluding the pork business would have been about \$3.6 billion and adjusted EBITDA would have been approximately \$395 million at an 11% margin. In the same way, trailing 12-month revenues at the new pork company would have been around \$1.7 billion, including sales to Maple Leaf Foods treated as external sales, as they will be post separation, rather than being eliminated at intercompany sales as they have been historically. We estimate the trailing 12-month adjusted EBITDA of the new pork company on the same basis would have been approximately \$70 million producing a margin in the 4% range. These results reflect market conditions that were affected by impacts caused by the post-COVID economy and, as such, we have also provided our estimate of what these results would have been for the last 12 months under normal market conditions.

Turning to the major terms of the transaction, Maple Leaf Foods will distribute 80.1% of the shares of the new pork company and will retain ownership of the remaining 19.9%. Existing shareholders of Maple Leaf Foods will receive a pro rata allocation of shares in the new pork company. These new pork company shares will be listed on the TSX and investors will receive a prospectus with detailed information on the business of the new pork company. The spinoff will be completed as a return of capital transaction with an expected closing date early in 2025. This transaction is subject to shareholder approval along with certain lender consents and other customary approvals to be secured prior to closing. Shareholders will be asked to approve transactions at an upcoming special meeting of

shareholders. Details of the meeting, along with a comprehensive discussion of the transaction background and rationale, will be published in an information circular prior to the meeting.

I'll now pass it back to Curtis briefly prior to Michael closing the prepared remarks.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Okay. Thank you, David.

I hope and trust that you can hear from our enthusiasm for what we have presented here today that Dennis and I couldn't be more excited about the prospects of unlocking the full potential of these two great businesses as we look to lead them into the next chapter of pursuing their own growth strategies. Before we turn it over to Q&A, I'll now ask that Michael McCain, Executive Chair of Maple Leaf Foods, to provide some concluding remarks. Michael?

**Michael McCain** — Executive Chair, Maple Leaf Foods Inc.

Thank you, Curtis and team. It's wonderful to be here with you again today. It's been some time and it's a real pleasure to be here again with you today.

As you know, over nearly 30 years of history of Maple Leaf Foods, we've never shied away from bold moves to create a better future. Never. Our company has never been stronger than it is today, more inspiring, more vibrant, and more differentiated in its position in the marketplace than it is right now. Now here we are at another pivotal moment in that journey. I have to say I love the word unlocking and unleashing, because that's exactly what this team is doing. We're unlocking value in a

world-class CPG company with an inspiring vision under Curtis' leadership and we're unleashing the uniqueness of our best-in-class pork company to grow and prosper without limitation led by Dennis.

Curtis and Dennis have given you an excellent picture of the strengths and potential of their respective organizations and they've given you a clear explanation as to why this is the right transaction at the right time as we move forward, aspiring to create value for all stakeholders. Each of these companies will have a distinct value proposition. They will have unique growth trajectories and investment opportunities to build on their industry-leading performance. It will benefit from the focus of a dedicated management team, each aligned to our sustainability vision.

As two distinct public companies, investors will have the opportunity and visibility of individual business models and investment opportunities, allowing them to properly understand and properly value each in the capital markets. My family and I are proud to be long-term owner-operators with significant shareholdings in each one of these businesses and we intend to play the same role in both. Each business will share a commitment to leadership and sustainability as a central strategy and we'll find pathways for all stakeholders to create value.

I can't tell you how excited we are about the future this transaction creates. I hope you all share in that enthusiasm as we embark on this transformational opportunity ahead and enter a new era of value creation at Maple Leaf Foods.

And now I'll turn it back over to Curtis and ask the operator to poll for questions. Curtis?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Okay. Thank you very much, Michael. And operator, if we could turn now to open the lines to Q&A, that would be wonderful. Thank you.

## Q & A

### Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please press star one. If you'd like to withdraw your question, please press star two. One moment please for your first question.

Your first question comes from Luke Hannan. Please go ahead.

**Luke Hannan** — Analyst, Canaccord Genuity

Thanks. Good morning, everyone, and congratulations on the announcement. Michael, if I can, I'd like to get your perspective on what ultimately led to this transaction, in your view, being the best way to create value for shareholders as opposed to perhaps any other alternative structures or corporate actions. And then also, I know we'll be getting a little bit more detail in the circular, but can you just give us the broad strokes of maybe how long this process has been running in the background as well?

**Michael McCain** — Executive Chair, Maple Leaf Foods Inc.

Luke, is that directed at me? It's Michael.

**Luke Hannan** — Analyst, Canaccord Genuity

Yes. Correct.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Michael, perhaps you could cover your perspective on the transaction and I can cover the timing elements.

**Michael McCain** — Executive Chair, Maple Leaf Foods Inc.

Okay. Since the beginning of time, Luke, the capital markets, for reasons we all understand, has differentiated between the upstream businesses and the downstream businesses. We have both in our portfolio. The challenge in keeping them together in this way, the way that they've been to date, is it becomes restrictive for each one of them. The CPG company inside that mixture doesn't have its virtues properly unlocked in the capital markets and recognized. The upstream business becomes restricted in its opportunities and capital availability to grow because the amalgamation doesn't want to increase the exposure, the capital exposure to that upstream business when it's combined. So you will note that in most other examples, a separation like this makes really good sense to both unlock the value of the CPG company and unleash the potential for growth, its own independent growth, in the upstream business. Just because they're different doesn't mean one is better than the other, they're just different, and there's many examples in the food industry when the upstream and the downstream businesses should be separated like this. So that's the overarching why here. It creates opportunities and potential, I think,

Luke, for both businesses. I can tell you, as a share owner, we are really, really proud to have a long-term ownership position in each one of them and I think it just makes a ton of sense.

In terms of the timing now, it would have been incredibly challenging to complete this transaction during the pandemic or in the post-pandemic economy when the pork industry was facing not cycle but dysfunction. And I draw a distinction there between cycle and dysfunction. We're coming out of that now, we're actually recovering from that dysfunction, and you're seeing that in the quarterly results. So the timing is basically perfect right now.

Curtis?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Luke, did you get your question answered there or is there any additional colour that we can provide?

**Luke Hannan** — Analyst, Canaccord Genuity

No, that's excellent, unless you had something else specifically that you wanted to get across, Curtis.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

No, I think Michael characterized it appropriately. I mean this is something that's been contemplated over a period of time and carefully contemplated a period of time. The post-pandemic economy certainly played a role in the timing. And I think the only thing that I would add with respect to



it being the right time to complete the transaction beyond the normalization that's naturally happening in the pork business today is the fact that we've just completed a very significant capital investment program in the prepared meats and prepared foods business at Maple Leaf Foods and the timing of putting that behind us, combined with the normalization of the pork markets, makes a completely appropriate time to engage in this transaction. So it's been contemplated for some period of time and we obviously have some period of time ahead of us until we get to an ultimate close.

**Luke Hannan** — Analyst, Canaccord Genuity

Okay. That makes a lot of sense. Thanks. And then my follow up here and then I'll pass the line, but the commentary on there being a taxable capital gain to Maple Leaf as a result of this transaction, can you give us a little bit more detail on that, maybe why that is? And to the extent that you can share this, maybe any visibility, roughly speaking, into what that amount could be?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Sure, we'll give you some important context. David, perhaps you could maybe comment on that question please.

**David Smales** — Chief Financial Officer, Maple Leaf Foods Inc.

So, obviously, as we went through the process in conjunction with our advisers, we looked at a range of options for the spinoff structure. We ultimately concluded there wasn't a clear path to securing the approvals we'd need to execute a more tax-effective option. But at the same time, when you look at the overall value creation and our view of the significance of that by separating the two companies, the

board determined that the transaction was still beneficial overall to shareholders regardless of the tax implications. In terms of additional details, obviously that will all be laid out in the prospectus and management information circular at that time.

**Luke Hannan** — Analyst, Canaccord Genuity

Great. Maybe one final, final question before I pass it along. When, roughly speaking, should we expect the prospectus and the circular, pardon me, to be filed?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Impossible today, Luke, or we'd prefer not to give a precise date, only because we don't have a precise date at this stage. However, we are expecting the transaction to close within the early parts of 2025 and obviously a prospectus and management circular in advance of that will be appropriate. So we'll give you some more context for that. We have an important milestone coming up at our Q2 earnings and another opportunity to check in and if there are any new developments in terms of specific timelines we'll share them at that time.

**Luke Hannan** — Analyst, Canaccord Genuity

Great. Thank you very much.

**Operator**

Your next question comes from Michael Van Aelst. Please go ahead.

**Michael Van Aelst** — Analyst, TD Cowen

Thank you and congratulations on the news. Just clarifying, so you don't have a date yet for the extraordinary general meeting or any, like roughly a month, like a rough time frame?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

We don't, Mike. The priority today is to share the news of the announcement and our intention to complete the transaction and we'll have to follow up with you in due course with the precision around those dates.

**Michael Van Aelst** — Analyst, TD Cowen

Okay. You provided margin potential for the pork business. What do you see as the margin potential of the CPG company that, in light of the past comments, that the combined company would be in that 14% to 16% range?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Mike, I think a couple of important comments I'd offer in that regard. Number one, I just commented that we expect the transaction to close into 2025, which means we'll be continuing to operate the business on a consolidated basis between now and that ultimate closing date, and in that period of time the forward-looking guidance that we've provided for the combined organization, low to mid single digit revenue growth progression in our margins toward our 14% to 16% target and discipline in capital allocation, that forward-looking view will remain unchanged.

We did, in an attempt to try to provide some early colour, unfortunately you're going to have to wait for the detail of the prospectus and management circular to be ultimately distributed, but we did try to, at least at a high level, provide some pro forma estimates with the appropriate disclaimers on them, but things will naturally change as we finalize the separation of the two companies in our materials. It's premature at this stage to set margin targets for the individual companies. Premature. Ultimately, we will provide some direction on that in the months ahead, but I think I'm going to have to leave you with the response that it's premature at this stage. What I know for certain is that the margin we show from an LTM perspective in the pork business is not reflective of its earnings potential. I mean what we've endured over the last, call it, 12 to 24 months or longer in a pandemic and post-pandemic economy is not normal market conditions, and we've tried to demonstrate what more normal market conditions would look like in terms of the impact of the pork business. And important to keep in mind in what's demonstrated in Maple Leaf Foods, that's that trailing 12 months, and doesn't include the full benefits of our capital programs and other items that we expect to contribute to margin expansion over the course of time at Maple Leaf Foods as well. So, premature to give individual targets today, but ultimately we will head in that direction as [inaudible].

**Michael Van Aelst** — Analyst, TD Cowen

Okay. So, let me ask it in a little different way then. Is there any reason to believe that, once you do provide those forecasts, that when we adjust for the intercompany revenues, that those margins would lead us to a combined 14% to 16% for the two operations at some point in the foreseeable near future?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

There is, I would say, two things. Number one, I want to be clear, we have not changed our targets for Maple Leaf as a combined entity, which should answer the question of is there any reason that we would expect that 14% to 16% is no longer achievable. That is not what we're communicating today. That continues to be well within our expected range of the combined entity. And again, when it comes to setting individual targets for the two individual companies, that will have to unfold over time.

**Michael Van Aelst** — Analyst, TD Cowen

Okay. And then are you not able to give any kind of range of capital gain exposure like from a tax perspective?

**David Smales** — Chief Financial Officer, Maple Leaf Foods Inc.

Not at this stage, Mike. There's a lot that goes into that in terms of valuation, et cetera, et cetera, that will play out as we get closer to the closing of the transaction.

**Michael Van Aelst** — Analyst, TD Cowen

All right. Thank you. I'll hop back in the queue.

**Operator**

Your next question comes from Mark Petrie. Please go ahead.

**Mark Petrie** — Analyst, CIBC World Markets

Good morning. Thanks. I wanted to ask, the 4% margin on the new pork company and then the 11% that you'd sort of provided as a marker, is the delta there simply what you've previously articulated as the as the impact of the Pork Complex versus the five-year average, the negative impact on MFI? Is that the delta?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Good morning, Mark. The short answer is yes. We've been demonstrating, on a quarterly basis, the delta in our earnings to the five-year average or what we would call normal market conditions pre pandemic, and including the implications of our Japan business, so commodity markets and Japan, and this is simply reflective of that same methodology.

**Mark Petrie** — Analyst, CIBC World Markets

Okay. And then maybe, I don't know if you can follow up off line or whatever, but I know you've changed the methodology a little bit in terms of how you've quantified that number over the last little bit. Can you quantify what that number is for the LTM period? Like versus the 9.7% that you've delivered over LTM, what would be the impact of the Pork Complex versus the five-year average on that number?

**David Smales** — Chief Financial Officer, Maple Leaf Foods Inc.

We can follow up with you off line, Mark, but it would be roughly 200 to 220 basis points, in that kind of range. But we can follow up with you off line with more detail.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Yeah. I think to put more precision on this we would have to follow up, Mark.

The other thing I would point out is in the question here, and maybe, Michael, this might be an opportunity for you to add some colour as well, if you have any comments. I'll just say this first and then I'll pass it your way. When you look at that 4%, I mean it's, on the surface, materially lower than we would have expected to deliver in the last couple of years, but I would point you to other public company benchmarks in the pork industry. In the last couple of quarters we've frequently talked about the fact that we're very pleased with our performance on a relative basis as compared to our peers and I know sometimes, frustratingly so, we haven't been able to break out what that performance is as compared to others. This would give you an indication of how that performance looks relative to others.

So, Michael, I'll pass it your way and you can add a little colour for Mark if you'd like.

**Michael McCain** — Executive Chair, Maple Leaf Foods Inc.

Sure. I hope this is helpful, Mark, but over close to 30 years in the industry here, you know, the one thing about the pork industry is there are statistical cycles that are attached to the industry itself. That presents some volatility, which is why these businesses trade maybe at a slightly lower level than others, but there is some kind of normal business cycle that's attached to it. What this business has experienced in the last two years, not 30 but the last two years, or two to three years, has nothing to do with cycle. I think the only way you could accurately describe it is gross dysfunction as a result of some macro geopolitical global issues that created that dysfunction that is never, it's unprecedented in my 30

years with this industry, and I think anybody else in the industry. The best way to look at the comparisons is, okay, Maple Leaf's got a business that, during that dysfunction, a big chunk of that LTM is inclusive of the dysfunction. Maple Leaf delivered 4% EBITDA margins. I can tell you, you just have to pull out, as Curtis just identified, pull out some of the industry pure-play industry pork numbers and you'll see numbers that are deeply red, like not a little red, deeply red, during this dysfunctional period. Deeply. And in a business like this, while that 4% looks like a low number, I look at it and say that is a colossal victory actually, a victory. And demonstrating the resilience and the strength of the business that we have, that the dysfunction of the last few years that contributed to that deep red in the industry, it just, by definition, is not going to continue. And so what David and his team and Curtis and others tried to give you is what does that LTM look like and what's the potential of this business if we do our level best to estimate the value of that dysfunction. And that's what I think they've tried to do. But I encourage you to pay attention to that 4% relative to some of those other benchmarks, because it's a very material fact.

**Mark Petrie** — Analyst, CIBC World Markets

Yeah, no, I understand that and I appreciate the fact that, obviously, the last few years have been unprecedented in terms of the impact. For me, it's really more about trying to get at what the right level is for the CPG business, but obviously we'll have to continue to work through that.

One question I have is just about the relationship between the two segments and how the contracts, you know, not obviously the details, but how the contracts would roughly be structured, and I guess maybe simply put, how will the ups and downs of the pork commodity complex affect the



profitability of the CPG business? Because that's obviously something that the market has grappled with over time. And I presume that the intention here is to be able to deliver much more stable margins in the CPG business and then have a lot of the volatility contained in the new pork co. But I just want to understand that a little bit better, so any insights you could provide would be great.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Yes, sure. No problem, Mark. Be happy to. I think the key points are, firstly, Maple Leaf Foods will have a significantly reduced commodity exposure as a result of the transaction that we're putting forward, significantly reduced commodity exposure. We'll obviously be a 19.9% shareholder in the pork company. View that as a very positive and constructive thing and transparently reflective of our confidence in the future of the pork business and one we're excited to be, obviously, investors in.

There will be an evergreen supply agreement in place that we've commented on in materials and that's, frankly, to the benefit of both companies. For Maple Leaf Foods, that provides us with security of incoming high-quality Canadian sustainable meat raw material supply, and for the pork company, it provides them with an anchor customer, no different than they have today. So the intention of the evergreen supply agreement is just simply to solidify the behaviour between the two companies that essentially exist on an intercompany basis today. So that's important.

The other thing that's important is the basis for the supply agreement in terms of pricing is tied to USDA markets that are fully transparent and are traded daily. So you get daily price disclosure on USDA markets for transfer pricing between the two companies, so there's a complete and full transparency, and that's essentially the same methodology that takes place today. So, on the

commodity buying side, it does not change the exposure to commodities, which we price for very effectively through our revenue management process in the Maple Leaf business, and the Maple Leaf company will own 20%, or 19.9%, in the pork company. And of course there are benefits to both organizations, the pork company and Maple Leaf Foods, to an evergreen supply agreement. So hopefully that provides you with some colour, Mark, and answers your question.

**Mark Petrie** — Analyst, CIBC World Markets

Yes. Yeah, that's helpful. And I guess maybe just the last sort of topic, there might be a couple of questions here, but the last topic is just with regards to the actual sort of production plans. And so maybe first, for the CPG business, for MFI, would 100% of MFI's needs be supplied by the new pork company or would MFI be procuring from other entities as well?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

The vast majority of our pork needs would be procured from the pork business. A big portion of our portfolio, Mark, as an example, comes in the poultry business, where we'll continue to supply ourselves internally through our poultry business and in the plant protein space, but when it comes to the pork business, we would have some outside purchases, but the vast majority would take place through the pork company today.

**Mark Petrie** — Analyst, CIBC World Markets

Yeah. Okay. And then just last, I guess, for the new pork co, would you intend to shift the ratio of hogs produced versus procured? I think that's low 40% range today. I mean you talked about being

under capacity in Brandon. Would that be, like would the ratio of hogs produced versus procured be part of fixing that or part of addressing that? Or how do you go about it?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Dennis, this is probably a good question for you to maybe take for Mark. Go ahead, if you wouldn't mind.

**Dennis Organ** — President, Pork Complex, Maple Leaf Foods Inc.

So the answer is we're working through it right now, but highly likely that we will increase the amount of hogs that we produce ourselves. I think the important point there is that we have latent capacity and immediately utilizing that has overhead dilution benefits plus incremental margin opportunities. And the location of Brandon has strategic advantage there, because it's located in a high-hog-producing area, which actually exports a significant amount of hogs in the US, and so a lot of interest in the local folks keeping those in Canada.

**Mark Petrie** — Analyst, CIBC World Markets

Yes. Okay. Okay. I'll get back in the queue. Thank you.

**Operator**

Your next question comes from Michael Van Aelst. Please go ahead.

**Michael Van Aelst** — Analyst, TD Cowen

Yeah, so you just answered one of them, but on the debt situation, how much debt can we expect to be transferred to pork co or when it would be the leverage you'd be expecting to have at the new pork co?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

We're probably not going to give you the details you want in the moment, Mike, but David, maybe you can provide some colour that.

**David Smales** — Chief Financial Officer, Maple Leaf Foods Inc.

Yeah. I mean the overriding priority, as it has been for the last number of quarters, is deleveraging the balance sheet at Maple Leaf. Obviously, the capital structure for both businesses going forward is something we'll be focused on between now and when this business closes, and we'll have more details in the circular, but obviously the focus is setting both businesses up for success in terms of the capital structure and their ability to take advantage of the opportunities we see going forward. But the first priority is an overall deleveraging, which will contribute to optimal capital structures at both businesses going forward. But more details to be shared on that.

**Michael Van Aelst** — Analyst, TD Cowen

Okay. All right, so I'll wait for the circular on that. The other, my earlier question about the taxable gains potential, just trying to figure out the leakage and how much separate, how much you lose

or you give back as part of a separation, but how about transaction fees and expenses to do this? Is there any way you could quantify those?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

David?

**David Smales** — Chief Financial Officer, Maple Leaf Foods Inc.

Again, all that information will be laid out in the prospectus and the circular and information we'd want to share with all shareholders at the same time through appropriate disclosure, so not something I can quote this call.

**Michael Van Aelst** — Analyst, TD Cowen

Okay. My last question is on the pork business. It sounds like you'll be looking to source more hogs to increase the capacity in that facility. I guess I'm thinking back to, I don't know, 20 years ago, 25 years ago, when Maple Leaf was somewhat doing to feed-the-world type strategy and processing, I think it was seven million hogs if I remember correctly, back then, or slaughtering, and the currency went to par and took away your advantage. How much does the strategy in the pork business, in terms of growth long term, how much does that rely on the currency staying roughly where it is?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Maybe, Dennis, you can comment on—go ahead.

**Michael McCain** — Executive Chair, Maple Leaf Foods Inc.

Curtis, I can give you some, I can go back to 2000, and I think it was 2005, Michael, when we were in that position, 2005, 2006, and we modified that strategy around that time. The difference back then, Michael, is that we were processing about seven million hogs in six plants across the country, none of them world-class scale. So we were operating Brandon on a single shift at the time and we had facilities basically coast to coast slaughtering hogs. We've subsequently consolidated the supply chain. We now operate Brandon and a small operation in Lethbridge that is basically a value-added niche for the Japanese market. But Brandon is a single facility that Dennis is seeking to expand the asset utilization. So it's a very different circumstance than 2005.

**Michael Van Aelst** — Analyst, TD Cowen

Okay. So, as far as your export growth opportunities, the cost advantage of operating in Canadian dollars isn't necessary a barrier to, should that change.

**Michael McCain** — Executive Chair, Maple Leaf Foods Inc.

No. None. Zero.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

I think the important, just the context I would add, Mike, the important context is we have processing capacity today predominantly at our Brandon facility in Manitoba and, over the course of time, one of the priorities for Dennis and his team will be to utilize that capacity in a way that's

incrementally profitable for the pork business and it's one, I think, Dennis, that you would certainly see as an exciting opportunity for the future.

**Michael Van Aelst** — Analyst, TD Cowen

Okay. And actually one other question. On the CPG side, you talk about the potential to expand your business in the US further and being a protein company. What do you see as the goalpost in terms of the type of products or the type of proteins that you want to be able to sell over the next, over the long term? Like what would you like to add to your portfolio?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Well, protein, Mike, can be, as you know, defined very broadly. There are analogs in terms of competitors in the US who have produced a similar playbook with respect to broadening their approach to having more diverse proteins in their portfolio. But we for certain, for the long term, we'll be focused on growing our brands in both Canada and the United States in our prepared meats business where we have a leadership position today. We will for certain be focused on accelerating the growth of sustainable meats, particularly into the US where we have a very significant strategic point of difference. And when it comes to capital allocation after deleveraging, which to David's point, remains a key priority to us, we will for certain have optionality in terms of how we reshape our protein portfolio. We're thinking about protein in a very broad definition, everything from plant and meat to other sources of protein, but I think there's a pretty critical filter attached to how we would look forward when it comes to inorganic opportunities right-sized appropriately after deleveraging, advance our vision to become the most sustainable protein company on earth, areas where we have unwavering confidence that we

can for certain add value and, as I said, protein broadly defined. So there'll be many opportunities which I'm personally excited about in the future and we look forward to taking them on as they come.

**Michael Van Aelst** — Analyst, TD Cowen

Okay. And on the RWA side where you, you know, I know you sell fresh poultry RWA into retail and other areas, and then on the pork side you have RWA value-added products but you also have some fresh pork that's RWA. To the extent that that is sold as a private label, is that going through the CPG business or it's directly from, you know, from the pork business, and is there any kind of competition restrictions that would be expected to be put in place to prevent some kind of overlap in the future?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Dennis, I'll allow you to give some colour on the pork assets. There are no competition restrictions that I'm aware of, Mike, so the answer to that is no or none that I'm aware of. And the RWA pork, I think the example you cited was maybe fresh pork and private label, will be sold through the pork business. Dennis, maybe give a little bit of colour.

**Dennis Organ** — President, Pork Complex, Maple Leaf Foods Inc.

Yeah, those are existing relationships that we'll continue to maintain. So the private label business is obviously done through the retailers and their specs are all in their control and so that will sort of continue as is.



**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

And that's unchanged from what we do today, Mike, and no customer disruption, which is really important to us, obviously.

**Michael Van Aelst** — Analyst, TD Cowen

Okay. So, fresh pork that's sold as private label will go directly from the pork segment.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Correct.

**Michael Van Aelst** — Analyst, TD Cowen

All right. Thank you.

**Operator**

Your next question comes from Vishal Shreedhar. Please go ahead.

**Vishal Shreedhar** — Analyst, National Bank Financial

Hi. Thanks for taking my questions. With respect to the information that you intend to disclose in the prospectus, it's difficult for us to evaluate the direct market impact without some of this data, but is there an intention to disclose sufficient historical revenue performance of each segment and

profitability performance so we can understand the volatility in addition to the CapEx intensities of the various businesses? Is that the intention?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

David, perhaps you'd take this one, please?

**David Smales** — Chief Financial Officer, Maple Leaf Foods Inc.

Yes, absolutely, Vishal. There will be historical carve-out statements contained in the prospectus, so all that information for both businesses will be apparent.

**Vishal Shreedhar** — Analyst, National Bank Financial

Okay. And the volatility comment that you've made relating to the different businesses and the new MFI business being less volatile, that will come through, notwithstanding the pandemic volatility that we've seen, with the historical data that you provide us.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Presumably, yes.

**David Smales** — Chief Financial Officer, Maple Leaf Foods Inc.

Yes, you will see that.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

And Vishal, I would point you to normal levels of volatility in consumer packaged goods. There is still quarter to quarter, like in any business, volatility that exists in consumer packaged goods businesses broadly and we expect to kind of fall into normal standard deviations of that range of volatility in the consumer packaged goods business.

**Vishal Shreedhar** — Analyst, National Bank Financial

Okay. And you've referenced the pork industry going through a difficult time period and the conditions improving, making this a good time to announce this transaction. So, in the upcoming quarter, the cadence improvement that you're referencing related to pork, will we see that? Is that what that comment suggested?

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

I think it would be completely inappropriate for me to give you a forward view of our earnings for Q2. I would point you to two external metrics that we track very carefully, which is the vertically-integrated margins that are publicly available in the pork business, so the vertically-integrated spread, as well as the packer margin. I think if you look to those two things, Vishal, it will give you the external data that you need to come up with a conclusion with respect to the progress that the pork industry is making more broadly in terms of the pace of recovery. And then when we come back on August 8<sup>th</sup> for Q2, we will confirm the progress that we are making in our earnings as appropriate when we release earnings on August 8<sup>th</sup>.

**Vishal Shreedhar** — Analyst, National Bank Financial

Okay. Why not sell the pork business? Why list it as a publicly traded company? You could sell it. You could establish certain relationships and contracts to establish the supply that needed.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Well, and Michael, perhaps this might be one that you would comment on, I mean ultimately we feel this is the greater path, Vishal, to value creation for the two companies. And the importance of the supply agreement and the relationship strategically that exists between the two companies, one as an anchor customer, the other in terms of security of supply, we felt this was the appropriate structure to create economic value.

But Michael, if there's anything you would like to add, I'd be happy to pass it over your way.

**Michael McCain** — Executive Chair, Maple Leaf Foods Inc.

Thank you, Curtis. Just to add on exactly what Curtis just said, which I totally agree with, obviously, what's important in the architecture here is the criticality of the relationship strategically and tactically over time, both as an anchor customer and as a critical existential supplier and building an architecture that protected that in a durable way. And I would argue that contractual relationships are healthy, but not in and of themselves, by themselves, anywhere close to the same durability, thinking in the very, very long term, over time, cannot be accomplished just through a transactional or agreement structure. So I think, with that in mind, it's really, really important to understand that this unlocks and

unleashes without taking risk on the customer or the supplier side of the relationship in an enduring way.

**Vishal Shreedhar** — Analyst, National Bank Financial

Okay. So, with respect to unlock and unleash, correct me if I've got this wrong, but it's predominantly related to the valuation arbitrage of the differences between CPG companies and the more pure-based meat producers. Is that statement correct? That's predominantly the unlock/unleash portion of it? And if it isn't, and there's more organic and margin opportunities associated with the separation, will that result in an increase in that 14% to 16% that we'll see somehow either through individual—

**Michael McCain** — Executive Chair, Maple Leaf Foods Inc.

What you've just described is the unlock portion, but that's not the unleash portion. The unleash portion is Dennis has, today, stewardship over a highly differentiated, very unique, and I would argue unprecedented in its performance as a fresh pork business. His opportunities for growth are limited today being part of the Maple Leaf supply chain, for obvious reasons. Unleashed means that he has, over a long period of time, countless opportunities, inorganic and organic, to expand that and leverage that uniqueness in the marketplace that he just simply would not be able to do as part of the Maple Leaf supply chain when he's just a supplier of Maple Leaf Foods. And that's the unleash portion. It's a very exciting future, I'm proud to be a shareholder of that future over a very long period of time, and I think there are extraordinary opportunities to leverage that strength that aren't available to us today.

**Vishal Shreedhar** — Analyst, National Bank Financial

Thank you.

**Operator**

Your next question comes from Luke Hannan. Please go ahead.

**Luke Hannan** — Analyst, Canaccord Genuity

Thanks. I know we're just past the hour here, so I'll keep it to the one question. Michael, you had sort of answered it in your last response there, but Dennis, I'm curious if you can share, so some of these new margin enhancement initiatives that you're now going to be able to explore within the new pork company going forward, I mean is it possible at all to get some of those underway even before this split actually happens? Or is it just going to be after that vote and the close happens that maybe some of those newer initiatives that you might be able to pursue will take place?

**Dennis Organ** — President, Pork Complex, Maple Leaf Foods Inc.

So the answer is it's already underway, especially some of the longer-term conversations that have to happen. And maybe to touch back on the conversation or the question Michael just answered, in my mind, the reason I wouldn't sell it, or maybe the reason why I moved up here, is because I believe too much in the future. We talked about typical commodity cycles that impact this business, but the pure dysfunction, to use the word Michael used, over the last few years that we're recovering from, plus the latent capacity I already described and numerous investment opportunities from small to large that

span the range of things like automation in our plants and software automation through some of our process as well as capacity expansion for things that we are currently selling to middlemen that sell to our customers, so relatively low risk/return is why I think that the future is really bright here, that we finally get some tailwinds behind us, we get on our feet and get sort of our balance sheet under control, and then the next few years would be really remarkable.

**Luke Hannan** — Analyst, Canaccord Genuity

Thank you very much.

**Operator**

And there are no further questions at this time. I will turn the call back over to Curtis for closing remarks.

**Curtis Frank** — President & Chief Executive Officer, Maple Leaf Foods Inc.

Okay. Thank you again for joining us this morning on such short notice. We hope we've demonstrated, ah, Dennis and I are super excited about this next step in the transformation of Maple Leaf Foods, as are all of us here at Maple Leaf and in our pork organization. By unleashing our two businesses and unlocking value, we firmly believe this transaction will remain true to our values, be founded in our principles of leadership and sustainability and shared value creation, and be beneficial for all of our stakeholders, especially our shareholders, allowing you to participate in and value these two world-class companies who are accelerating into the next era of growth.

We look forward to catching with you on our Q2 earnings call, which will come on August 8<sup>th</sup>, and I'm sure we'll have more information to share, including our Q2 results at that time. So, look forward to catching up then and thanks again for joining us here today.

**Operator**

Ladies and gentlemen, this concludes today's conference call. You may now disconnect. Thank you.