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EXECUTIVES

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President, CEO & Director

David Smales
Chief Financial Officer

Omar Javed
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ANALYSTS

Etienne Ricard
BMO Capital Markets Equity Research

George Doumet
Ventum Financial Corp., Research Division

Irene Ora Nattel
RBC Capital Markets, Research Division

John Zamparo
Scotiabank Global Banking and Markets, Research Division

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Presentation

Operator

Good morning, everyone. Welcome to Maple Leaf Foods First Quarter 2026 Financial Results Conference Call. As a reminder, this conference call is being webcast and recorded. [Operator Instructions]

I would now like to turn the conference over to Omar Javed, Vice President of Investor Relations at Maple Leaf Foods. Please go ahead, Mr. Javed.

Omar Javed
Vice President of Investor Relations

Thank you, and good morning, everyone. Before we begin, I would like to remind you that some statements made on today's call may constitute forward-looking information, and our future results may differ materially from what we discuss.

Please refer to our first quarter 2026 MD&A and financial statements and other information on our website for a broader description of operations and risk factors that could affect the company's performance. We've also uploaded our first quarter 2026 investor presentation to our website. As always, the Investor Relations team will be available after the call for any follow-up questions you may have.

With that, I'll turn the call over to our President and CEO, Curtis Frank.

Curtis Eugene Frank
President, CEO & Director

Okay. Thank you, Omar, and good morning, everyone. Joining me on our call today is our Chief Financial Officer, David Smales. I will begin with a strategic and operational update. Dave will walk you through the financial results in more detail and then I will return with a few closing thoughts before we open the line to questions.

The headline for today is that we delivered a solid first quarter and we are firmly on track to deliver our 2026 outlook. Sales in Q1 were $963 million, up just over 6% year-over-year, driven by our proven and resilient growth platforms.

Poultry delivered double digit growth, supported by improved channel mix and strong consumer demand across both the retail and foodservice channels and Prepared Foods also delivered sales growth, supported by pricing and mix.

Adjusted EBITDA was approximately $122 million, up nearly 6% year-over-year and our adjusted EBITDA margin was 12.7%. Margin improved sequentially by 90 basis points as we expected, supported by the inflation-based pass-through pricing we implemented in the quarter.

Productivity initiatives and efficiency improvements, including our Fuel for Growth program and better sales mix are contributing to EBITDA growth and supporting continued margin resilience. This disciplined execution reflects the benefits of the separation of our pork operations, which has sharpened our focus as a purpose-driven, protein-focused and brand-led CPG company and has strengthened our ability to accelerate profitable growth and generate free cash flow.

Earlier this year at our Investor Day, we introduced our 2030 financial ambitions and the strategic blueprint that will guide us to achieving them. That ambition is supported by a clear value creation framework.

First, scaling the core business through our proven growth platforms, meeting and sustainable needs, building a portfolio of loved brands, accelerating impactful innovation, expanding our reach into the U.S., new channels and new categories and aligning more deeply with our customer strategies.

Second, expanding structural margins through improved commercial mix, disciplined revenue management and a productivity-driven operating model supported by the continued benefits of our Fuel for Growth program. And third, allocating capital with discipline, maintaining a strong balance sheet, investing to support growth and efficiency and returning capital to shareholders in a balanced and consistent way.

By executing against this framework, we are targeting approximately $5 billion in revenue, approximately $750 million in adjusted EBITDA and cumulative free cash flow of approximately $1.7 billion to $1.8 billion by 2030, while maintaining an investment-grade leverage below 3x net debt to adjusted EBITDA.

Our 2026 outlook demonstrates progress towards these ambitions. In January, we introduced 2026 guidance, calling for mid-single digit revenue growth, adjusted EBITDA in the range of approximately $520 million to $540 million and continued discipline in capital allocation, including dividend growth, capital investments of approximately $160 million to $180 million and maintaining leverage below 3x.

Today, we are reaffirming that outlook. I do, however, want to offer some context with respect to how we see the balance of the year playing out.

First, despite the noise of the external market, our focus remains on executing our strategic blueprint. We have an experienced and highly capable team, proven growth strategies and a productivity playbook that is active across the business.

We are also maintaining a disciplined shareholder-friendly approach to capital allocation. Second, food inflation remains an active area of management focus. Geopolitical developments, including the conflict involving Iran are affecting energy markets and increasing transportation costs in the near term. We are monitoring these pressures closely and we are responding with speed and with discipline.

In addition to the inflation-based pricing actions implemented in February, we have introduced a temporary fuel surcharge as a direct pass-through tied to higher transportation costs. This provides transparency around the underlying drivers of those increases and will be removed if or as fuel markets normalize.

With the pricing actions we have taken to date, along with the optimization of our ongoing promotional programs and the discipline we are showing in managing our costs, we are confident we are well positioned today to mitigate these inflationary impacts.

Of course, should additional inflation justify pricing become necessary, we will act as quickly as possible, respecting the normal lag time required for our CPG industry.

And finally, we've been examining the seasonality patterns of the new Maple Leaf Foods and our business profile following the spin-off of Canada Packers. As we noted in our MD&A, revenue is typically the lowest in the first quarter and then remains relatively consistent throughout the balance of the year, while raw material input costs are often higher in the second half.

This can create some variability in margins from quarter-to-quarter as we've seen in recent years, particularly in the third quarter, reflecting our typical business mix and input cost profile at that time of year.

You can see this clearly in our supporting slides, which illustrates this pattern in 2024 and 2025. Importantly, this is a matter of phasing and does not impact our full year expectations.

As we look ahead, we remain confident in the trajectory of the business and confident in delivering our full year outlook. Protein continues to be one of the most attractive and resilient segments in food with demand supported by strong consumer fundamentals and long-term structural growth.

We have a clear strategic blueprint, a portfolio of leading brands, a focused operating model and a team that is executing with precision and with discipline. Our focus is set squarely on staying close to the consumer, responding to changing needs, demonstrating excellence in revenue management, protecting service and quality and continuing to drive cost efficiency across our business.

The fundamentals of the business are strong, and our priorities are clear.

With that, I will now turn it over to Dave to walk through the financial results in more detail. Dave?

David Smales
Chief Financial Officer

Thank you, Curtis, and good morning, everyone. Today, I'll comment on results for the first quarter before turning to the balance sheet and outlook for 2026.

Sales in the quarter were $963 million, an increase of 6.2% compared to last year. This robust growth was driven by both poultry and Prepared Foods, which grew by 11.7% and 2.3%, respectively. In poultry, sales increased compared to the same quarter a year ago due to improved channel mix with growth in both retail and foodservice volume as well as pricing impacts.

Prepared Foods sales growth was driven by improved mix, related party revenue and pricing impacts, which were partially offset by lower volume tied to timing of promotional activity and lower industrial sales as well as unfavorable foreign exchange translation on U.S. sales.

Adjusted EBITDA of $122.4 million increased by 5.7% versus the first quarter of last year with an adjusted EBITDA margin of 12.7% compared to 12.8% last year. Improved profitability was mainly driven by advances in operating efficiency, inclusive of the benefits from our productivity playbook and Fuel for Growth program and favorable poultry channel mix tied to retail and foodservice volume growth.

These factors were partially offset by the impact of nonrecurring items, which were a benefit in the first quarter of last year as well as increased trade promotion spending this year.

Adjusted EBITDA margin of 12.7% was comparable to last year despite the impact of nonrecurring items that were a benefit in the first quarter a year ago. Importantly, the implementation of pass-through price increases in mid-February following the inflation we saw in the second half of 2025 contributed to a sequential margin improvement of 90 basis points from the fourth quarter.

SG&A expenses were $101.9 million in the quarter, broadly consistent with $103.1 million last year, while SG&A as a percentage of sales improved by 80 basis points.

Earnings from continuing operations were $46.1 million for the quarter or $0.37 per basic share compared to $16 million or $0.13 per share last year. The increase in earnings was driven by strong operating performance, reduced interest expense due to lower debt levels and changes in unrealized net gains on commodity futures contracts, which were partially offset by the impact of nonrecurring items that benefited the first quarter of last year.

Capital expenditures were $21.3 million in the quarter compared to $25.1 million in the same period last year. The decrease was driven by approximately $8 million of prior year capital expenditures related to discontinued operations, partially offset by increased spending in the first quarter of this year on maintenance projects.

Looking ahead and consistent with our 2026 guidance, we still expect capital investments for the full year to be in the range of $160 million to $180 million, with spend focused on maintenance and productivity enhancement initiatives.

We generated $36.6 million in free cash flow in the quarter, an increase of $50.2 million compared to the same period last year. The improvement was driven by a lower level of investment in working capital, improved cash earnings from continuing operations and lower interest payments, which were partially offset by prior year cash earnings generated by discontinued operations.

Consistent with our stated capital allocation priorities, our leverage ratio remains well within an investment-grade range with a net debt to trailing 12 months adjusted EBITDA ratio of 2.1x at the end of the quarter, in line with leverage at the end of the fourth quarter and down from 2.6x a year ago.

Strong free cash flow generation and an investment-grade balance sheet provides flexibility to execute a more balanced approach to capital allocation. In the first quarter, we returned $36 million in capital to shareholders through a combination of our first quarter dividend, which increased by 10.5% from the prior year and the repurchase of approximately 0.3 million shares under the NCIB.

We intend to remain active with the NCIB to, at a minimum, offset the impact of dilution. As Curtis mentioned in his remarks, we are reaffirming our 2026 guidance and as such, expect to deliver mid-single digit revenue growth and adjusted EBITDA in the range of approximately $520 million to $540 million, while executing a balanced approach to capital allocation.

I will now turn the call back to Curtis.

Curtis Eugene Frank
President, CEO & Director

Okay. Thank you, Dave. Let me close with a few key messages, which closely mirror those of our recent Investor Day. First, the transformation of Maple Leaf Foods is complete. Over the past decade, we have reshaped the business through major capital investment, portfolio simplification and strategic focus. That work and the capital associated with it is now firmly behind us.

Second, we now operate with stronger structural advantage as a purpose-driven, protein-focused and brand-led CPG company. These advantages are showing through in our performance relative to our peers and the broader CPG market.

Third, we are firmly in our delivery and return phase. Our focus is on growth, margin expansion, cash generation and improving returns on invested capital. Our 2025 results and our first quarter of 2026 performance reflect the benefits of that focus.

Fourth, our strategic blueprint is future-ready. Our strategy, our assets and our team are aligned to deliver long-term value with a clear line of sight to our 2030 financial ambitions. And finally, we are reaffirming our 2026 outlook today.

As I close here this morning, I want to recognize the Maple Leaf team. We continue to live our values and deliver outstanding results in a demanding operating environment, while at the same time, advancing our bold vision to be the most sustainable protein company on earth. Thank you.

Operator, we can now open the line to questions, please.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Michael Van Aelst from TD Cowan.

Michael Van Aelst
TD Cowen, Research Division

I want to start off with some questions around the consumer because there was some commentary on a conference call yesterday that talked about trade down, particularly and actually mentioned poultry trading down from, I guess, a private label RWA product down to entry-level price points at a double digit pace.

I'm wondering if you're seeing the same things given that you've had some pretty strong momentum in your branded items at retail in recent quarters and whether that's changed.

Curtis Eugene Frank
President, CEO & Director

Before I answer your question, which I will, I understand that today is most likely your last call with us given your retirement. So I wanted to first congratulate you and second, thank you for your coverage and support of Maple Leaf Foods over the past many number of years, and you've been with us on a lengthy journey and I and we all at Maple Leaf certainly appreciate that. So thank you, and congratulations.

On the topic of poultry and trade down, which I think was predominantly your question and a little bit around the consumer environment. The consumer environment, we've been saying consistently and for a relatively lengthy period of time here that things are stable, but that still means the consumer is under stress.

We continue, as David mentioned in his comments, to be investing in promotional allowances that are rightsized to the consumer environment today. So that intensity hasn't changed, I don't think, in any material way quarter-to-quarter.

But on the poultry side, I think there's some important clarification for our own portfolio. We had a very successful first quarter in the poultry business, which you saw in our top line results.

Sales grew at a little over 11% in the poultry business for us in Q1, which was, again, a very strong quarter. But underneath that, the Prime brand, in particular, which is our premium brand positioned in the RWA segment grew at around the same pace in a double digit range.

Our sustainable meats fresh poultry business grew at double digits. And we actually picked up a little more than 1.7 points of market share gains in the first quarter. So overall, it was a pretty successful first quarter in the poultry business for us. So we're optimistic that will continue over the balance of the year, but I think all things positive on the poultry front.

Michael Van Aelst
TD Cowen, Research Division

Did you see any change recently, at least in the last month or so as fuel prices have spiked?

Curtis Eugene Frank
President, CEO & Director

Not materially. I think more -- not materially in terms of change. I would point to the fact, Mike, that our Prepared Foods business revenue growth in the quarter was around 2.3%, predominantly driven by mix and pricing.

And we had a small volume decline in the Prepared Foods business, small, between 1% and 2%. That's not atypical in the period following price adjustments. As you know, we took our prices up in February.

And that would be in line with kind of the normal consumer behavior following a price change like that. So I would say nothing abnormal or atypical from the environment that's existed pretty consistently here.

Operator

Your next question comes from the line of Irene Nattel from RBC Capital Markets.

Irene Ora Nattel
RBC Capital Markets, Research Division

Wanted to just unpack a little bit the cost side of the equation. Very much appreciated your commentary around the introduction of fuel charges. But I'm wondering about what you're hearing from your suppliers, say, packaging as an example, with respect to price increases, what your outlook is for your operating costs as we move through 2026?

Curtis Eugene Frank
President, CEO & Director

We, as you know, implemented in February kind of our broader-based inflationary view of the year and the costs associated with the increases we took early in the year. Those are in the market and have been implemented.

And you see the sequential benefits of that pricing taking place from Q4 to Q1 and the cost recovery we've had. On fuel specifically, we are working today alongside our customers to implement a very targeted and hopefully, what's temporary, although certainly lots to play out, but hopefully, what's temporary, a fuel surcharge in the market to reflect what was essentially in the range of a 50% cost increase in fuel throughout the month of April as an example.

So we see that as a justified increase and we took the learning of moving a little slower than we would have liked to have in the last part of last year and moved with certainly more pace this year. So we feel like we're well positioned from a fuel recovery perspective.

The longer-term implications of the conflict in Iran are kind of yet to play out. They come in areas that you're referencing in packaging and plastics, in particular, as a secondary impact. To date, those impacts are certainly manageable and we're monitoring them closely, just like we did fuel.

But we feel like we're really well positioned today. And should anything change, I think we're monitoring things closely and are prepared to act quickly should we need to. We're hopeful that won't be the case, but we're well prepared in the event we need to.

Irene Ora Nattel
RBC Capital Markets, Research Division

That's very helpful. And then just a follow-up question, if I may. In the release, you talked about the timing of promotional activity in the Prepared Meats segment and sort of that having a negative impact on volumes as well.

Can you talk us through how we should think about that? Does that -- does the promotion happen more in Q2? Can you just walk us through that and your thinking around volumes as we move through the year?

Curtis Eugene Frank
President, CEO & Director

Yes. It's just a commentary that was more reflective of the change in a couple of key promotional activities with customers that we had in Q1 last year and we expect they are going to take place into Q2 and Q3 next year.

So just the phasing of our annual plans and some seasonality attached to that, the timing of seasonal events and things like that.
So I don't think there's anything material to our year. And we continue to reaffirm our outlook for the year, which I think is a good indication of the fact that we don't expect the timing of those events to significantly impact the results we deliver in the year, just the timing quarter-to-quarter.

Operator

Your next question comes from the line of George Doumet from Ventum Financial.

George Doumet
Ventum Financial Corp., Research Division

I just wanted to follow up on the seasonal information you guys provided for the quarter. I think you mentioned Q3 is the more seasonal quarter weakness, I guess, based on the commodity pricing and all that kind of stuff.

But can you talk a little bit about any of the factors that we should be cognizant that we might -- might get in the way of us attaining kind of those low 30% EBITDA margins next quarter -- as early as next quarter, I guess, those levels attained earlier last year?

Curtis Eugene Frank
President, CEO & Director

Well, I'm not going to give precise quarterly guidance. I think what we offered in our commentary is entirely appropriate, but I'll recap that a little bit with some color around it. The first and I think most important news is we had a very strong Q1.

And the key message today is that positions us to deliver our outlook for the year and we're entirely confident in that. So that's the headline overall. We did put a little bit of color around that. I mean, Q2 logically is all about the pricing impact on volume, keeping in mind that we took pricing in February.

The response has been relatively normal so far, but we're paying careful attention to that. And the inflation from an energy perspective, which, as I just said, I feel like we're positioned really well for.

Q3, we wanted to give a little bit more commentary more because of the composition of the new Maple Leaf Foods. We've been studying the seasonality of the new business after the separation of pork, obviously, quite closely. We did put in our supplementary materials, if you look at the continuing operations section, you see kind of the quarterly progression of margins over the last couple of years.

And Q3 tends to be because of higher meat costs in the second half and an escalation in things like bellies as an example, in Q3, Q3 tends to be a little lower margin than the balance of the year. And we thought it was important to be transparent about that and call that to your attention.

And then I would say no new news for Q4. So it all leads to very confident in delivering our year with some extra context and color around how we see it playing out. And of course, if things change, we'll continue to update you along the way.

George Doumet
Ventum Financial Corp., Research Division

And last one for me, Curtis. Given where the balance sheet is today, can you talk a little bit about M&A? How should we think about kind of the nice to have versus the really sought out targets out there?

Curtis Eugene Frank
President, CEO & Director

Yes. Dave could maybe add some color from an M&A perspective. What I would say is it's not our immediate priority, although our focus from a management perspective is certainly shifting there strategically.

There's nothing imminent happening in the moment. Our focus has been on returning capital to shareholders, which, as David mentioned in his comments, Q1 was around $36 million of capital returned to shareholders and over a 10% increase in our annual dividend.

Given the health of the balance sheet, obviously, we'll turn our attention to strategic alternatives in M&A, but it's not urgent for us. We're focused on proving out the earnings. I think Q1 was a good reflection of that and we'll continue down that path. There's nothing urgent in the moment. But Dave, maybe any other color you'd like to add?

David Smales
Chief Financial Officer

Yes. I mean just in terms of M&A, I'd point you to the materials from Investor Day where we kind of laid out the strategic priorities as well as the financial framework we would look at in terms of assessing opportunities, which from a high level, branded protein in core categories with a focus on North America and in particular, the opportunity to build out our platform in the U.S. So nothing's changed in terms of how we're thinking about that. And as Curtis mentioned, timing is not urgent.

Operator

Your next question comes from the line of Vishal Shreedhar from National Bank.

Vishal Shreedhar
National Bank Financial, Inc., Research Division

With respect to Prepared Foods and the slowdown in growth that you noted sequentially, which you said was in part a response to pricing, how long does it take for that pricing response to normalize such that the consumer would go back to the volume growth that you expect in that segment?

Curtis Eugene Frank
President, CEO & Director

In consumer packaged goods, our typical experience, and I think for us, not just for us, but for all CPGs is as kind of the category leader, we tend to move first and quickly, I think, as we should from a leadership position in times of inflation.

The consequence of that is typically a little bit of volume trade-off in the near term. That typically plays out for a quarter or 2, maybe at the most before normalizing. I was really encouraged last quarter actually by the market share performance.

I mean, the volume was down very slightly, which again is typical, but the market share performance in both Prepared Meats and in the poultry business was relatively strong. We picked up a small amount of share in Prepared Meats, which is good on the back of a price increase. And the poultry, as I noted earlier, was really strong. So typically a quarter or 2 of consumer adjustment from a volumetric point of view and then kind of right back to normal.

Vishal Shreedhar
National Bank Financial, Inc., Research Division

Okay. And with respect to how trends are playing out intra-quarter, are you seeing any acceleration in Prepared Foods? And are you seeing any change to the poultry trends?

Curtis Eugene Frank
President, CEO & Director

Is your question between Q1 and Q2, Vishal?

Vishal Shreedhar
National Bank Financial, Inc., Research Division

Yes. Like if there's any material changes intra-quarter associated with either the pricing actions and consumers' ability to respond and/or the -- I know you said the impact of fuel wasn't that large, but are you seeing any incremental changes on the margin with respect to trend quarter-over-quarter intra-quarter?

Curtis Eugene Frank
President, CEO & Director

No, not materially. I mean 12% was a pretty strong quarter in poultry this past quarter. I mean, I think I just -- I would point you to our annual guidance of mid-single digits. And I think that through the combination of Prepared Foods and poultry, again, we expect to deliver that this year, remain entirely confident in it.

However, I don't know that we'll have double digit growth every quarter in poultry. I think that was a relatively strong quarter. But no, I don't think anything has changed materially.

Operator

Next question comes from the line of Mark Petrie from CIBC Capital Markets.

Mark Robert Petrie
CIBC Capital Markets, Research Division

I actually wanted to follow up on a couple of the topics you just touched on. So first, with regards to the poultry growth, putting aside any shifts in consumer taste or preferences, it seems fair to assume that once you start lapping the double digit growth in second half of -- or from second half of last year, you're going to see some deceleration.

I think that's what you just sort of called out. But I'm wondering if you could just specifically talk about the potential tailwinds still to come from London. I understand that a big part of the growth has been driven by the tray pack capacity and leveraging that. Where are you with regards to actually utilizing that capacity? And is it still a growth driver?

Curtis Eugene Frank
President, CEO & Director

Yes. Great question. We continue to be encouraged by the poultry business, starting with consumer demand. I mean, we're seeing very, very strong consumer demand. That's translating into strength in both the retail and the foodservice channel and -- which is great news for us.

But most importantly, it's leading to allocation growth from a supply management point of view. So we're getting volumetric support on the backs of strong and growing consumer demand in the Canadian market for poultry.

We continue to see relative affordability as compared to competing proteins like beef and consumer preferences for chicken and poultry continue to increase. So that's positive structurally for the category and we're seeing the benefits of that.

The best thing we could have done in this situation is have a plant -- have built a plant like London Poultry with the capacity and capability to support that level of growth. We feel like we're uniquely positioned in the Canadian market to capitalize on that growing consumer demand that you're seeing the benefits of that, obviously, in the quarter from London, but there's still runway.

To be clear, there's still runway for growth in the poultry business supported by the benefits of London. The team is just doing a fantastic job there. They continue to operate the plant in a world-class way, both from a cost efficiency point of view, but also a throughput point of view to continue to support growth. So I think we're -- we've got lots more to squeeze out of that asset and it's going exceptionally well at the same time.

Mark Robert Petrie
CIBC Capital Markets, Research Division

Yes. Okay. And then just on the pricing dynamic, what's your sense of sort of how the competitive set followed your price increase? Is it fair to say that, that was sort of universally adopted or some of the gaps still adjusting after you took your price increase? How did that play out versus your competitors?

Curtis Eugene Frank
President, CEO & Director

I don't know yet. I mean, we watch shelf prices. Our measure for that is kind of auditing shelf prices and watching that carefully. I think it's too soon to know what the follow-on effect is.

I mean, the order of magnitude is really important here, too, Mark, right? Like on -- the February increase was important and the fact that we were able to recover sequentially in the way that we did was critical.

I mean, the order of magnitude in the fuel increase, I think, has to be kept in perspective as well. It's around $0.11 a kilo. I think this became public information, which is about $0.04 a package for an average 375-gram pack of hot dogs or bacon.

And that between the fuel surcharge actions we've taken, the cost reduction playbook we have in place and the work we're doing from a revenue management perspective to optimize our promotions to the consumer, again, I feel like we're really well positioned.

Mark Robert Petrie
CIBC Capital Markets, Research Division

Yes. Okay. And then just last one. I'm curious in terms of the cadence with regards to the volume pullback in prepared meats, I understand it was a modest volume deceleration. But do you think any of that was sort of lapping maybe the buy Canadian surge that happened in the latter part of Q1 last year? And is that what you're referring to with regards to the promotional activity? Or is that something else?

Curtis Eugene Frank
President, CEO & Director

No, that's -- what I was referring to on the promotional side is more customer-specific activations. That's possible, Mark, although I would say that, that buy Canadian movement had a bit of an impact on the momentum.

Although I would point out that we also had the positive benefits in this year of the Olympic partnership that we had with Team Canada. And I think the amazing promotional support that our marketing team put behind that.

And I'd like to think the 2 -- there's no perfect data science behind that, but I'd like to think the 2 balanced each other out on a reasonable basis. But yes, it's possible we saw a small impact of the deceleration of the buy Canadian momentum in the market.

I've always said it's hard to tease the data out precisely around that. And I think it would be fair to point out, but we also had the positive benefits of the Olympic partnership as well.

Operator

Your next question comes from the line of Martin Landry from Stifel Financial.

Martin Landry
Stifel Nicolaus Canada Inc., Research Division

In your prepared remarks, you called out productivity initiatives as a margin growth driver. And I was wondering if you could give a little bit more color around that, maybe share a few examples that have led to margin expansion?

Curtis Eugene Frank
President, CEO & Director

Yes. The combination of the work we're doing in our Fuel for Growth initiative, which is driving structural cost advantage and in our continuous productivity playbook have both been supportive of the profitability of the business.

That ranges from everything we do in our SG&A management, which I think if you look at Q1 specifically, was managed quite well from a cost control perspective in Q1 to the work we continuously do in our procurement function and so on from a continuous productivity point of view.

From a fuel for growth perspective, we saw the benefits in the quarter of standardized organizational structures in the plants, which we implemented late last year and that benefited us in the quarter. And we're also lapping the benefits of the -- or continuing to see the benefits of the Branford plant retirement, which happened in Q2 last year.

So the combination of the structural ongoing components that I think are just good hygiene in the business, good cost management by good cost managers, combined with the strategic work in the Fuel for Growth platform is really what's supportive overall from a productivity perspective.

Martin Landry
Stifel Nicolaus Canada Inc., Research Division

Okay. And then on your Fuel for Growth initiatives, is there like a timing or like a completion of that project? Or is that ongoing?

Curtis Eugene Frank
President, CEO & Director

It's ongoing. It will span multiple years. It started with the SG&A work that I mentioned earlier, the retirement of the Branford facility. We've pivoted to making targeted investments with high returns in technology and automation in the manufacturing facilities, which are yielding great results and will continue to over the next number of years as technology obviously continues to evolve.

Our operations team is in the process right now of implementing a standardized operational excellence system across the business that we know is going to generate benefits on the shop floor. And then outside of this year, I think, would be the way I would describe it in 2027-plus, we still believe we have some network optimization work to do that will continue to benefit us as we kind of march towards our 2030 financial objectives that we laid out at Investor Day.

Operator

Your next question comes from the line of John Zamparo from Scotiabank.

John Zamparo
Scotiabank Global Banking and Markets, Research Division

I wanted to follow up on the topic of higher inflation or the prospects for higher inflation later this year throughout the supply chain. And specific to feed costs, I wonder at this point -- I know there's a lot of moving parts, but I wonder at this point when that might be felt by MFI and what magnitude do you think that could be at the moment?

Curtis Eugene Frank
President, CEO & Director

I don't know. It would be delayed for certain on the feed component side. I mean the new crop is just really being planted in North America now. And a lot of that, John, is dependent on multiple factors beyond just the inflationary impacts of, say, fuel and fertilizer and some of the things we're familiar with, even weather to a certain extent and crop yields and how the fall crop conditions materialize, I think will probably play the most material role.

And obviously, the duration of the conflict in Iran I think matters a lot here, too. And I wish I had a crystal ball on that one. And by the news this morning, I'm hopeful there'll be perhaps an abrupt end, but I'm not so certain in that area.

So I think there's lots to play out. We watch this weekly, if not daily, the impacts. And as I said earlier, we're prepared to respond quickly should we need to. But at this stage, we feel like we're really well positioned.

John Zamparo
Scotiabank Global Banking and Markets, Research Division

Okay. Understood. And then my second question is on beef prices. And given where they are and the fact that they're continuing to show inflation, it would be helpful to get your expectation on how that impacts MFI.

And I know you're not going to guide on volume growth for poultry or Prepared Meats. But I wonder just generally would you agree that this is positive for volume growth for MFI?

Curtis Eugene Frank
President, CEO & Director

s

Yes. I would. Beef is a small part of our portfolio, like if you kind of start there. So I think that's to our benefit, just kind of the pricing and inflation seem to be because it's part of our portfolio, but a smaller part of our portfolio.

The benefits to the poultry business, I think, are more structural than they are beef-induced, to be honest, the changing face of demographics in Canada, the strength of demand for poultry, the composition of the bird that's consumed by Canadian consumers today, very, very favorable.

So I wouldn't -- said differently, if beef prices came down a little bit, I wouldn't necessarily say that's negative for chicken. So I'm reluctant to take credit for the positive impact higher beef prices are having today. But undoubtedly, the affordability of poultry relative to beef as a competing protein is positive for us, yes.

Operator

Your next question comes from the line of Etienne Ricard from BMO Capital Markets.

Etienne Ricard
BMO Capital Markets Equity Research

Given the continued outperformance of poultry, where do you think the mix between poultry and Prepared Foods ultimately settles a few years from now? And if you could help quantify the margin impact, that would be helpful.

Curtis Eugene Frank
President, CEO & Director

Well, I'm assuming you mean as a percentage of our total portfolio. I think the best answer I could give you is to point you to our Investor Day materials and the targets we've established for 2030.

I mean, both poultry and Prepared Foods play a meaningful role in our growth story for the future. The 5 core growth platforms we have are certainly focused on both businesses, poultry and Prepared Foods. And truthfully, we've seen over the last number of quarters, strength in both areas.

We're getting outperformance in poultry today, again, based on the consumer fundamentals that I talked about, but also the quality of the London Poultry asset.

But our -- I should also note that our leadership in sustainable meats, the work we've done from a brand development perspective, the innovation platform that we put out into the market last year and our growth in the U.S. have all been -- if you look at a little bit longer term, last number of quarters, have all been positive and constructive and we think that will be the same in the future.

So I expect over the next 5 years, balanced growth between Prepared Foods and poultry. There was an M&A question earlier. I think some of that will be dependent on how the portfolio is shaped over the long term.

But again, we really love both businesses today and the growth strategies that are attached to both the poultry business and the Prepared Foods business and remain entirely confident not just in our outlook for the year, but for our 2030 aspirations as well.

Etienne Ricard
BMO Capital Markets Equity Research

And on the U.S. market, what initiatives from a distribution standpoint are you focused on for this year?

Curtis Eugene Frank
President, CEO & Director

Well, we're -- distribution is exactly the right word. We continue to be focused on scaling up the number of items that we have distributed or listed at every U.S. retailer.

I mean, I've commented in the past that in the Canadian market, we're fortunate to have distribution in an average Canadian grocery store of well over 100 items on the shelf. And in the U.S. market, we have in the vicinity of about 14 in the meat protein and plant protein business combined.

And the lucrative financial opportunity for us, if you will, is really to take that 14 items to a broader distribution of items at every retailer now that we've established a supply chain, we have a sales and marketing team on the ground in Chicago and are deepening our customer relationships in the U.S.

So it's really about growing distribution. The Greenfield Natural Meat Company brand has been a beachhead for that. We continue to grow our distribution. That brand had double digit growth or our brands in the U.S. had double digit growth last quarter in the meat business and we continue to see a lot of runway for growth, obviously, in the U.S.

So you're right to point to distribution. There's an innovation component of that. There's a customer alignment component of that and the consumer demand continues to be strong as well. So I think that's the U.S. priority for the moment.

Operator

[Operator Instructions] Your next question comes from the line of Irene Nattel from RBC Capital Markets.

Irene Ora Nattel
RBC Capital Markets, Research Division

Yes. Just a quick follow-up question. A point of clarification. Earlier on, when you were talking about poultry, did you say that you've actually had an increase in your quota allocation?

Curtis Eugene Frank
President, CEO & Director

Our quota, our amount of quota hasn't changed in any material way, Irene, but the annual -- sorry, the allocation process under supply management, which allocates the amount of poultry to be grown every 8 weeks is increasing along with consumer demand. So we and all other processors who own quota are getting more volume to sell in market.

Irene Ora Nattel
RBC Capital Markets, Research Division

Understood. Can you quantify for us the magnitude of that increase?

Curtis Eugene Frank
President, CEO & Director

Yes. That typically grows -- I'll give you an average kind of on an annual basis. That typically grows in and around 2% to 3% a year, I think, on a historical basis.

And we're seeing in the moment, increases in the 4% to 5% range, which would be a little more outsized than we would have seen historically, which just speaks to the continued strength in consumer demand and the allocation process matching that consumer demand.

And what we always want to see is balance in supply and demand, obviously. And I think we're seeing that in a pretty fruitful way right now or a productive way right now for the industry.

Irene Ora Nattel
RBC Capital Markets, Research Division

Absolutely. And sorry, final question on this topic. Can you please remind us how much more volume you can put through the London Poultry facility?

Curtis Eugene Frank
President, CEO & Director

We had -- when we completed the start-up and the business case for poultry, we had protected for about a 10-year growth spend, Irene, for those average kind of growth in the 2% to 3% range. We're running a little bit ahead of that right now.

That's positive and good news. But we also see the potential for operational improvements to unlock more capacity beyond what we had originally contemplated. So I think to summarize, 2 important takeaways, maybe 3.

We have space protected for growth for a decade. We are running ahead of that today, which on the surface is positive, but might be a concern. And we've already identified operational opportunities to improve beyond the current performance we have in the plant that we're confident will give us many years of growth out of London. So all to say, I think we're really well positioned.

Operator

Last question comes from the line of Mark Petrie from CIBC Capital Markets.

Mark Robert Petrie
CIBC Capital Markets, Research Division

Sorry about that. I was just on mute. So I just wanted to follow up on the whole opportunity for broadening the SKU base in the U.S. because obviously, there is a massive gap, but there's also a gap in the portfolio of brands that you have a presence in each market.

So what would be the equivalent distribution of the 14 SKUs that you have in the U.S. for the same brands in Canada?

Curtis Eugene Frank
President, CEO & Director

It's a -- that's our primary focus in the U.S. is the Greenfield Natural Meat Company brand. And that is an important question and distinction, Mark, because really, that's what gives us a strategic point of difference and a beachhead into the U.S.

We're not focused on kind of participating in the mainstream components of the category in the United States. Crossing the border as a Canadian supplier without a meaningful point of difference is a very difficult venture and that's not our area of focus. We're focused on the sustainable meats business, I think, in 2 areas actually.

On the sustainable meats business, the premium end of the category, where there's a large market to access and we only need to access a small component of the category. So think about sustainable meats, raised without antibiotics, gestation crate-free made by a carbon-neutral company. So the suite of those claims has been fundamental to our entry into the United States, giving us a competitive point of difference.

And then -- so at the top end of the category. And then we also have a strategy to participate in the U.S. market for capacity utilization purposes, wherever we have excess capacity in our manufacturing facilities in Canada and in the United States as a way to drive efficiency in the manufacturing plant. So those would be the 2 predominant areas and that's purposeful and strategic in nature.

Mark Robert Petrie
CIBC Capital Markets, Research Division

Yes. Understood. Okay. So -- but just to clarify, so the 14 SKUs today versus the 100 that are distributed in Canada, those would be in the same brands that are -- existed in the U.S. today?

Curtis Eugene Frank
President, CEO & Director

No. That would just be the number of branded items we have in an average grocery store in Canada across all our brands and the number of average items we have in the United States across all of our brands.

Operator

There are no further questions. I'll turn the call back over to Mr. Frank.

Curtis Eugene Frank
President, CEO & Director

Okay. Great. Thank you. I appreciate your engagement and your questions today. I think I would close with just a couple of brief comments, which is we're obviously coming off a strong first quarter, over 6% growth, a sequential improvement in our margins as we had expected and the return of $36 million of capital in the quarter.

We are reaffirming our outlook for the year, I think, is the key message for today despite all the noise in the market and that's something we're entirely confident in. And we look forward to speaking with you at the end of Q2 to give you an update on our progress on the journey. So thank you again for your time today and look forward to talking to you again.

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