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Presentation

Operator

Good morning, everyone. Welcome to the Maple Leaf Foods Second 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 call over to Omar Javed, Vice President of Investor Relations at Maple Leaf Foods.

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 second 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 second 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 today is our Chief Financial Officer, David Smales. I'll begin our call this morning with the key messages from the quarter, provide a strategic and operational update, and share some context for how we see the balance of the year playing out. Dave will then review the financial results and balance sheet in more detail, and I will return after his remarks to offer a few closing thoughts before we open the line for your questions. The headline today is straightforward. Disciplined execution continues to strengthen our business, and we delivered another solid quarter.

We grew revenue for the seventh consecutive quarter, expanded adjusted EBITDA margin by 40 basis points to 13.4%, and increased adjusted EBITDA by approximately 5%. Revenue growth moderated this past quarter to 1.6%, primarily reflecting a temporary volume response to pricing in Prepared Foods and the roll-off of certain lower-margin private label volumes. As we expected, pricing actions resulted in a near-term volume response, which is normal for CPG food categories, and we expect will normalize as the year progresses. Importantly, strong poultry growth, improved mix, and the full quarter benefit of pricing helped offset lower Prepared Foods volumes.

Within Prepared Foods, sales declined 2.0%, but profitability improved. The next phase of our Fuel for Growth program focused on operational excellence across our manufacturing network is continuing to deliver the benefits we expected, and our protein snacking innovation platform continues to gain traction, led by Mighty Protein and Greenfield Protein Kits with distribution gains in Canada, the U.S., and into new channels such as gas and convenience. As a result, pricing, operating efficiencies, and favorable mix more than offset lower volumes and input cost inflation, leading to improved profitability in Prepared Foods.

In Poultry, sales increased 7.1%, supported by volume growth, improved channel mix, and favorable pricing. Demand for value-added and sustainable poultry remained resilient. Maple Leaf Prime continued to gain market share, and London Poultry continues to be supportive of improved mix and future growth. We were pleased that both Prepared Foods and Poultry contributed to earnings growth in Q2, where adjusted EBITDA was approximately $137 million, up nearly 5% year-over-year, and our adjusted EBITDA margin expanded by 40 basis points to 13.4%, driven by stronger operating efficiency and better mix across our portfolio.

Now these results demonstrate the continued strengthening of our focused CPG business and the benefits of improved efficiency across our modern manufacturing and supply chain network. To summarize where we are at through the first half of 2026, revenue has now increased approximately 4% to nearly $2 billion. Adjusted EBITDA has increased more than 5% to approximately $260 million. Our adjusted EBITDA margin has expanded to more than 13%, and we have continued to execute against our disciplined capital allocation priorities, returning $78 million to shareholders through our quarterly dividend, which has increased by 10.5%, and share repurchases under our NCIB.

Our first half performance keeps us on track to deliver our full-year 2026 outlook, which we are reaffirming today as we continue to expect mid-single-digit revenue growth for the year, adjusted EBITDA in the range of $520 million to $540 million, maintaining an investment-grade balance sheet while sustaining a disciplined approach to capital allocation, and capital investment of approximately $160 million to $180 million for the full year with spending weighted towards the second half and focused on maintenance, productivity, technology, and automation.

Now turning to our second half. While we do not provide quarterly guidance, I would like to once again provide some context with respect to how we see the balance of the year playing out. First and foremost, our focus remains on executing our strategic blueprint. Our experienced team is focused on advancing our proven growth strategies and delivering on our productivity playbook, which is active across the business.

Food inflation naturally remains an area of active management focus. Geopolitical developments continue to affect energy markets and transportation costs, and we are also managing for elevated costs across pork bellies, beef inputs, chicken inputs, turkey inputs, along with packaging and ingredients.

We responded through pricing and/or trade program adjustments, promotional optimization, and continued discipline in managing our own costs. While these actions have created a temporary volume response, which is again quite normal in CPG, we do expect trends to normalize as the year progresses. I would also remind you of the seasonality patterns of the New Maple Leaf Foods business following the spin-off of Canada Packers. While revenue is typically lowest in the first quarter and then remains relatively consistent through the balance of the year, 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. We view this as normal phasing, and it does not change our full-year expectations. And finally, as we look ahead, our confidence in delivering our full-year outlook is supported by several clear and tangible drivers: continued strength in poultry, improving volume and revenue trends in Prepared Foods as pricing effects moderate, growing distribution and velocity across our innovation platform, accelerating sustainable meats growth in the U.S., relaunching the Yves brand in Canada, and delivering continued operating efficiency through our Fuel for Growth and operational excellence programs. The fundamentals of the business remain strong, and our priorities are clear.

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

David Smales
Chief Financial Officer

Thank you, Curtis, and good morning, everyone. I'll comment on results for the second quarter before turning to cash flow and balance sheet. Sales in the quarter were $1.02 billion, an increase of 1.6% compared to last year. Sales growth was driven by poultry, where sales increased by 7.1%, partially offset by a decrease of 2% in Prepared Foods. In Poultry, the sales increase was driven by higher foodservice and retail volumes, improved channel mix, and pricing, which were partially offset by increased trade promotion spending.

Prepared Foods sales declined due to lower volume and increased trade promotion spending, partially offset by pricing, related party revenue, and improved product mix. Adjusted EBITDA of $137.1 million increased by 4.8% versus the second quarter of last year, with an adjusted EBITDA margin of 13.4%, improving 40 basis points over the same quarter last year. Profitability improved as pricing, better operating efficiency, and favorable mix more than offset input cost inflation, increased trade promotion spending, and lower volume.

SG&A expenses were $104.5 million in the quarter compared to $99.6 million last year. The increase was driven by the timing of advertising and promotional expenses and higher consulting fees. Earnings from continuing operations were $40.8 million for the quarter or $0.33 per basic share compared to $39 million or $0.31 per basic share in Q2 last year. Adjusted earnings were $53.9 million or $0.44 per basic share compared to $41.4 million or $0.33 per basic share last year. The increase in adjusted earnings was driven by higher gross profit and reduced interest expense due to lower debt levels, partially offset by higher SG&A and income tax expense.

Capital expenditures were $23.3 million in the quarter compared to $24.7 million in the same period last year. Year-to-date capital expenditures were $44.6 million compared to $49.8 million last year. The decrease reflects 2025 spending related to Canada Packers prior to the spin-off, largely offset by an increase in maintenance capital projects this year in continuing operations.

Looking ahead and consistent with our 2026 guidance, we 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. Free cash flow in the quarter was an outflow of $18.9 million compared to an inflow of $216.0 million last year.

Removing the impact of discontinued operations, which contributed $57.7 million of cash inflow in the second quarter of last year, the decrease was largely a result of timing of investment in working capital, which in the reverse of last year's profile was weighted to the first half of the year in 2026, as well as higher income tax payments, partially offset by lower interest payments. Consistent with our stated capital allocation priorities, our leverage ratio remains well within an investment-grade range.

Net debt to trailing 12-month adjusted EBITDA ratio was 2.2x at the end of the quarter compared with 2.1x a year ago. While free cash flow in the quarter reflected timing-related investment in working capital and tax payments, our underlying annual cash generation and investment-grade balance sheet provide flexibility to execute a balanced approach to capital allocation. Year-to-date, we returned $78 million in capital to shareholders through a combination of our quarterly dividend, which increased by 10.5% from the prior year, and the repurchase of approximately 0.8 million shares under the NCIB. We intend to remain active with the NCIB to minimum, offset the impact of dilution from our stock-based compensation plan.

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 maintaining balance sheet discipline and 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. First, the transformation of Maple Leaf Foods is clearly complete. The work and capital required to create the focused business that we had envisioned are now largely behind us, and the benefits of operating as a purpose-driven, protein-focused, brand-led consumer packaged goods company are increasingly evident in our performance.

Second, despite a challenging operating environment, we delivered a solid second quarter and a strong first half. Through the first half of 2026, sales have increased approximately 4%, adjusted EBITDA has grown more than 5%, and our adjusted EBITDA margin reached 13.4% this past quarter. This is clear evidence that the transformation we've undertaken is translating into stronger financial performance.

Third, the drivers of our second half performance are tangible and already underway. We expect volume performance to improve as recent pricing effects moderate. We have momentum across the Poultry business. Our sustainable meats portfolio continues to differentiate us. The protein snacking innovation platform is unlocking new avenues for growth, and our Fuel for Growth and operational excellence programs are set to continue to deliver.

Finally, we are reaffirming our 2026 outlook as our strategy, our assets, and our team remain aligned to deliver long-term value for our shareholders as we continue building toward our 2030 financial ambitions. Before concluding, I'd like to recognize the release of our 2025 integrated report on June 18. The report reinforces the connection between financial performance, sustainability leadership, and shared value creation. It highlights progress against several areas, including our sixth consecutive year as a carbon-neutral company.

Sustainability remains integral to our identity and our purpose, and we continue to believe that long-term financial performance and long-term sustainability go hand in hand. I want to thank the entire Maple Leaf Foods team for your continued execution, commitment to our values, and dedication to serving our customers and consumers each and every day. Thank you.
Operator, we can now open the line for questions, please.

Question and Answer

Operator

[Operator Instructions] Our first question comes from John Zamparo with Scotiabank.

John Zamparo
Scotiabank Global Banking and Markets, Research Division

I wanted to ask about the Prepared Foods results. And I wonder if you got a sense of a change in the state of the consumer in the quarter. And the reason for the question is historically, I think MFI considers itself to be playing in the value channel. So if there's trade down, Maple Leaf would be a beneficiary of that. So was the volume response more sensitive to pricing this time around? And if so, I wonder what you think the reasons for that are?

Curtis Eugene Frank
President, CEO & Director

Thanks for the question. I'll start with the positive news, I think, in the quarter, which was we had 1.6% growth overall, and it was our seventh consecutive quarter of top-line sales growth. So we continue to see the resiliency of kind of the playbook that we're operating in the market as positive and constructive. The declines in revenue within the Prepared Meats component of the business at around 2% weren't a surprise to us within the quarter. There were 2 factors that contributed to that.

The first is essentially the roll-off of certain kind of lower-margin private label businesses, which kind of ebb and flow through the portfolio in small ways throughout the year. That wasn't necessarily a surprise to us. And probably more importantly, with the implications of the pricing actions that we've taken in Q1 in 2 forms, a regular price increase and then following up, obviously, later on with the fuel components of pricing. It's very normal in consumer packaged goods for that to have a volume impact, not just for Maple Leaf for our industry, but very normal in consumer packaged goods.

That was the case in our first full quarter after the pricing in Q2, and we fully expect that will normalize as the year kind of progresses. What's been, again, positive is the resiliency of the margin in particular and the fact that we delivered 13.4% inside the quarter, which is reflective of the fact that, that pricing has taken hold in the market in a constructive way.

So we think the rest of the year will normalize as it plays out. It's not a material change in the consumer environment. We're still seeing a consumer under stress, and they're certainly feeling the effects of inflation, but that's no different than what we've experienced over the past number of quarters.

John Zamparo
Scotiabank Global Banking and Markets, Research Division

Okay. That's helpful. And then I wanted to ask about pork costs, and these keep declining in Q2 and into Q3. And I wonder if we should be encouraged by the potential for margin expansion in the second half beyond even what you've seen in the first half? And to what extent should we see that in Q3 as opposed to Q4?

Curtis Eugene Frank
President, CEO & Director

Yes. Well, we've been -- it's an excellent question. I'm glad you asked it. We've been obviously reluctant to provide quarterly guidance, so we won't do that today. But in my comments, I did give some context with respect to how we see the year playing out. And inside of that, we continue to provide some context that Q3 from a seasonality perspective is likely to be the lower watermark from a margin perspective in our year. And I think it's important to be transparent with those things. I would really caution you and others not to use the pork cutout as a proxy for the margins in the Maple Leaf CPG business.

And there are a number of reasons for that, John. The first is we don't buy the pork cutout. We buy select cuts of the pork cutout. So that's important. A bacon, as an example, is on a formula. So as we've communicated in the past, so kind of ebbs and flows with markets. But more importantly, pork raw materials are a little bit less than 25% of our overall input costs; things like beef, turkey, chicken, packaging and ingredients, freight and storage, labor and plant overheads, all play a material role in our overall cost structure as well.

So yes, in the near term, we've seen some favorability in the pork cutout, and that's a positive thing, I think. But in almost all of those other areas, beef, turkey, chicken, packaging and ingredients, freight and storage, labor, we're expecting costs to be increased in the second part of the year relative to a year ago. The other important thing is pork markets have already started to shift. And despite the fact that there's some year-over-year favorability in the cutout as an example, Q3 is still forecasted to be higher sequentially from Q2. So hopefully, that's important and added context for you.

The most important part for us from an operating point of view is that despite the inflation that exists in the market with the pricing we've now put forward between what we've executed in the early part of the year and what we have planned for our promotional investments in the back part of the year, we feel really well positioned with the pricing we have in the market for the balance of the year. And that's the very reason that we were reiterating our guidance here today.

Operator

Our next question is from George Doumet with Ventum Financial.

George Doumet
Ventum Financial Corp., Research Division

Curtis, can you double-click a little bit on that 2% decline at Prepared Meats? Just wondering which categories perhaps you saw the most pressure in some of the brighter spots in the quarter? And maybe just how those trends are running kind of Q3 to date?

Curtis Eugene Frank
President, CEO & Director

Yes. It was fairly -- I think, George, it was fairly broad-based, which again is very common and normal following pricing changes like that. There were bright spots, things like the progress that we're making in our protein snacking portfolio, in particular, the innovation we brought forward, the distribution that's expanding. Those tend to be, if you're familiar with the packages, maybe a little bit lighter from a volume perspective, but contribute in an outsized way from a revenue and margin perspective. So that was certainly a bright spot within the quarter.

And we certainly don't view the changes necessarily negative, more normal, kind of what we experienced in Q2. And the focus is really on making sure that we have the right plans in place for the second half of the year to be well positioned. So from a category perspective, I don't think there's anything necessarily insightful category to category, maybe outside of the positive momentum behind the innovation platform in protein snacking. But that's kind of really the story from my perspective.

And the other thing that I would mention maybe since you brought it up, the positive aspects -- interestingly, our sustainable meat sales overall in a very difficult consumer environment in the second quarter, sales were up on our brands. So think about the branded sustainable meats portfolio up in and around mid-single digits and volumes were positive as well. So not everything has been negatively affected in the consumer environment. And I think the fact that we have a differentiated portfolio of products is also shining through in a lot of areas. So that gives us optimism, obviously, for the second part of the year.

George Doumet
Ventum Financial Corp., Research Division

Okay. And Q3 to date, it seems like it's trending pretty similar, right?

David Smales
Chief Financial Officer

Say it again, George, sorry, Q3?

George Doumet
Ventum Financial Corp., Research Division

Yes, the Prepared Meats -- like I know you guys don't give guidance, but quarter-to-date, like Q3 month end, are we kind of running similar levels?

Curtis Eugene Frank
President, CEO & Director

Very similar. I would -- the color I would give maybe is a very modest improvement from Q2, which is positive. But I think we have to be careful not to react to 3 or 4 weeks. We should be thinking about this as how the balance of the year is going to play out over a longer period of time as the consumer environment continues to hopefully improve, but more importantly, the effects of the pricing moderate.

George Doumet
Ventum Financial Corp., Research Division

Okay. And my next one is for Dave. A big working capital drag in the quarter. I believe you called out some seasonality and maybe not being the case last year versus kind of this year. So maybe a little bit more color there. And after factoring in working capital, should we expect around $200 million plus of free cash flow this year? And do we expect to fully return that to shareholders?

David Smales
Chief Financial Officer

Yes. Thanks, George. So you're right, some seasonality in the working capital, which is kind of the reverse of what we saw last year in terms of timing. So we should see the impact of that as we go through the year. We don't give annual free cash flow guidance, but I'd point you to our comments over the 5-year period from Investor Day where we talked about $1.7 billion to $1.8 billion of free cash flow over that 5 years. And obviously, within that, that would imply pretty healthy annual cash flows, and we -- no reason why 2026 wouldn't be in line with that from an overall generation perspective. It's just a question of seasonality in terms of first half versus second half.

Operator

We have our next question from Derek Lessard with TD Cowen.

Evan Frantzeskos
TD Securities Inc., Research Division

It's Evan in for Derek. Most of my questions have been answered, but I just wanted to touch on the Poultry revenues. They were strong once again, even though you're now lapping some tough comps. So I was just wondering if you could talk a bit about the sustainability of that growth in light of the fact that you're going to be lapping even tougher comps in Q3?

Curtis Eugene Frank
President, CEO & Director

Yes. Thanks, Evan, for the question. To your point, the results in Poultry were positive. That's a continuation of the momentum that we've experienced over the last number of quarters and we expect to continue into the future. I would describe it really as the benefit of consumer demand colliding with the positive impacts that we're getting from London Poultry. So we have really strong consumer demand for Poultry. It's on the right side of all consumer trends today, protein, GLP-1s, and a very positive, a healthy protein for consumers. So very strong consumer demand.

And the fact that we have London Poultry in place, and I would argue the best operating asset in the Canadian market, augmented by our operation in Edmonton, where the team is doing a fantastic job, we're able to support growth relative to the market in an outsized way, which has benefited us not just from volume as poultry allocations grow from consumer demand, but also in positive mix in the business. And I think we noted even in our materials, it was another positive quarter of market share gain with our Maple Leaf Prime brand. So it was a really positive quarter overall, but that's, I think, to your point, not the headline story. We've got really strong momentum in poultry, and we expect that to continue.

Operator

Derek, did you have anything further?

Evan Frantzeskos
TD Securities Inc., Research Division

No, that's it from me.

Operator

And our next question is from Vishal Shreedhar with National Bank.

Vishal Shreedhar
National Bank Financial, Inc., Research Division

I want to get your perspective on the guidance and the maintaining of the guidance of the mid-single-digit growth and the EBITDA guidance. There seems to be implied acceleration in EBITDA growth and revenue growth in H2. But at the same time, you're indicating the seasonality in Q3 and the inflationary pressures. So maybe you could give me broad building blocks for the H2 story and help me understand why management remains so confident in the outlook for 2026?

Curtis Eugene Frank
President, CEO & Director

Yes. Thanks, Vishal. There's a number of reasons we continue to be confident from an annual perspective. You start with the fact that on a year-to-date basis, we're growing at 4%. So very close to within the mid-single-digit kind of range. And secondly, at $260 million of EBITDA, that's tracking on a run rate basis within our guidance range. There are some things that give us further confidence though that I think are important for the second half of the year that I can maybe walk you through, as you said, in broad strokes.

The first is the continued strength in poultry, and I just commented on that. So I won't repeat my comments, but it continues to be a very positive environment in the Poultry business. The second is the easing of the volume impacts from pricing in Prepared Foods. And that's an important part of our back half story. And as I said earlier, we will play out as the year progresses, and we remain confident in that.

The third from a revenue growth perspective is the distribution and velocity gains that we're picking up on the protein snacking innovation platform in particular, where we're expanding distribution in both Canada and the U.S. Think of everything from multipacks in the traditional retail channel beyond the single-serve stick, which are growing in distribution today, penetrating over 1,500 gas and convenience locations that we haven't historically had a presence in, expanding our reach in the club channel in a pretty significant way and also in the dollar channel in a pretty significant way and also growing in the United States, where we've expanded in 3 customers to have national distribution in the United States, one club moving -- club operator moving from 3 regions to 8.

So those -- protein snacking alone is a very attractive part of the business. We do expect to continue to accelerate growth in the United States, and that's positive. And we're relaunching within our materials, but I think it's important to call out, we're relaunching the Yves brand, which had a very loyal Canadian consumer following and was by far the branded market share leader in the Canadian market. So from a revenue growth perspective, those are very important parts of our back half of the year.

From a margin point of view, there's a few things that I think are equally important. The first is we'll have the full impact of the pricing in the second half of the year. Keep in mind, that was really only implemented in the full quarter of Q2, so part of the way through Q1. So we really only had the full quarter benefit in Q2, and that will obviously play out as well as the platform that we have operating under our Fuel for Growth portfolio of cost reduction initiatives, which I think you saw really shine through this quarter despite the fact that even though we had positive growth almost 2%, revenue was a little lighter than we would have liked, but the Fuel for Growth platform really contributed in a way that allowed us to not only sustain but widen our margins by 40 basis points. So we take all those things together, we put them into the context of the back half of the year, and we continue to have confidence in our outlook for 2026.

Vishal Shreedhar
National Bank Financial, Inc., Research Division

Okay. And last quarter, Curtis, and I know you've implemented pricing in the past, and you've seen the consumer response in the past, so this isn't new to you. But last quarter, you suggested that pricing responses typically take 1 quarter or 2 to be digested by the consumer and the associated elasticity effect. Is that still what you anticipate in 2026? And we should anticipate return to growth in Prepared Foods around Q4, if not latter part of Q3?

Curtis Eugene Frank
President, CEO & Director

Yes. I think broadly, I would stand on those comments. That's historically been our experience, Vishal. And I don't see anything today that would lead me to a different perspective. So that's been our historical experience, and I think that would be a reasonable way to think about the back part of this year.

Operator

We have our next question from Irene Nattel with RBC Capital Markets.

Irene Ora Nattel
RBC Capital Markets, Research Division

Just a couple of follow-up questions, please. Sticking with the question of price. You had planned on implementing price prior to the surge in fuel and the other input costs that you called out. Is there a possibility that you're going to need to take more price later in the year? Or have you got it covered here?

Curtis Eugene Frank
President, CEO & Director

We believe we have it covered here through the combination of pricing we took earlier in the year, the changes we made to either increasing prices or adjusting our trade promotion programs with the fuel surcharge and some tactical pricing that we've already moved to implement and mobilized to implement in the back part of this year that have already been communicated and moved into market.

So I guess things can change. But based on everything we know today, Irene, we feel like we're very well positioned for the inflation we're going to face for the back part of this year. And if something changes, we'll obviously adapt accordingly, including into next year. But for the balance of this year, we feel like we're well positioned.

Irene Ora Nattel
RBC Capital Markets, Research Division

That's great. And clearly, snacking is a big sort of big push this year on the innovation side. But should we be anticipating any new product introductions as we head into the back-to-school season in some of your more traditional categories or channels?

Curtis Eugene Frank
President, CEO & Director

Yes. We kind of typically try to talk about those after they come just even from a competitor perspective, but I'm happy to give you a little bit of color. I mean, number one is really expanding the snacking platform. So that's, I talked about that this morning. But there are a couple of exciting things that we're augmenting that with in the back part of this year. That includes expanding our charcuterie lineup under our Fantino & Mondello brand, which is an important part of our portfolio.

We're extending the Maple Leaf Natural Selections brand into protein kits as well in a little bit different way against the Natural Selections brand, which we're excited about. We're launching additions to our Schneiders Breakfast portfolio. I think of things like breakfast egg white bites and breakfast egg white sandwiches. So we're excited about that from a consumer relevance and protein consumption perspective.

We're relaunching, as I said earlier, the Yves brand in the Canadian market. So that's something that's creating some excitement inside of the organization. I had an opportunity to eat them last week. They were fantastic. So we're pretty excited about the launch that we're bringing to Canada. And we have some new products coming out in the fall with our partners in the United States market.

So the combination of what we're doing with the innovation that's already been in market, which I remind everyone, it's important to continue to support. It takes time to scale up both distribution and velocity and exciting new product launches like that. It's not necessarily a 1 quarter thing. It's going to give us benefits for a longer period of time. But that focus on kits, combined with the exciting launches that we have coming up in the fall, I think, are going to be constructive to our back half as well.

Irene Ora Nattel
RBC Capital Markets, Research Division

That's great. And then just one final. One of the things that you didn't mention in sort of some of the puts and takes in the quarter is weather, but we have been hearing from other companies in the food space that the late start to summer had a negative impact on barbecue categories where, of course, you're strong. And so just wondering whether there was any of that in Q2? And if so, how has that evolved in Q3?

Curtis Eugene Frank
President, CEO & Director

I try not to take credit when it's sunny and I try not to complain when it rains. I'm sure, in some ways, had an impact on our quarter, Irene, but I wouldn't view it as a material driver.

Operator

We have our next question from Tamy Chen with BMO Capital Markets.

Tamy Chen
BMO Capital Markets Equity Research

I wanted to ask on the Poultry side. Curtis, would you say right now the quota allocations, I believe they've been not keeping up with the strong consumer demand for poultry. Can you confirm that, that's still the case? And has it been getting closer allocation-wise to catching up with demand? And can you confirm that the way the system works is that you have to accept whatever amount of allocation that you get? And what would happen then if we get to a point where the allocation starts to exceed demand?

Curtis Eugene Frank
President, CEO & Director

So I'll answer your second part of your question first, if that's okay, Tamy. Poultry allocations are a use it or lose it thing. So yes, we have to use the poultry that's allocated to us or run the risk of losing the availability of those volumes. So we -- obviously, our focus is on using it, and we do, to be clear, and we do. That was why the London Poultry asset was so important for us. The ability to take higher levels of poultry allocations and translate them into value-added sales was one of the very reasons that the asset was so important to be constructed. So clearly, we're seeing the benefits of that.

I think markets never really want a gas-pedal brake effect oversupplied or undersupplied. Our goal, and I think the industry's goal is to always be in balance. And I think we're in a reasonable place from that perspective today. There continues to be strong demand. So you're always catching up to consumer demand, but I would encourage all of us, including the industry not to over-rotate to that. But the goal is always to be in a reasonable place from a supply and demand perspective. And I think on balance, that's where we are today.

Tamy Chen
BMO Capital Markets Equity Research

Okay. I see. And then my follow-up is in terms of your promotional spend, trade investments, how should we think about that going forward? Do you anticipate it to be fairly similar to the first half? Or do you expect it to accelerate?

Curtis Eugene Frank
President, CEO & Director

I think for the most part, pretty stable from the first half, pretty stable. And to be clear, that's still challenging from a consumer perspective. We're still investing more than what we would consider optimized even in the first part of this year to get the volume and share response that we're satisfied with. If you look at it maybe on a historical view over the last number of years, promotional allowances are elevated and promotional intensity is elevated given the inflationary environment we're in.

I guess I would answer it by coming back to the annual guidance and saying, look, we don't expect that it will be a material change H1 to H2 as an example, but it remains elevated as compared to historical levels. And it's something, obviously, with the pricing we've taken, I guess, maybe the added color I should offer is with the pricing we've taken, we're monitoring it very closely, and we stay close to the consumer response, consumer insight, volume, revenue trends, and we're also trying to optimize our offer to the consumer. So we'll be paying particular careful attention to that through our revenue management practice in the back half of the year, but that's kind of normal business practice for us.

Operator

We have our next question from Chris Li with Desjardins.

Christopher Li
Desjardins Securities Inc., Research Division

I wanted to -- sorry, if you kind of mentioned this already, but wondering if you can share what was the impact on the revenue from the roll-off of the lower-margin private label during the quarter?

Curtis Eugene Frank
President, CEO & Director

We don't and probably wouldn't break it out separately. Like I said, the private label business, try to keep it as stable as we can. It's part of our portfolio. Through the year, customers ultimately make merchandising decisions that can impact the portfolio. These were in the big picture, a small amount of changes.

And one of the things I didn't comment on earlier, but I'll add now is a good portion of that we've already secured back in another area for the back part of this year that will kind of onboard later this year. So it's unfortunate that we have to talk about 2 things rather than inside of a quarter that happens from time to time. But for the most part, I don't view it as a structural issue and won't be material.

Christopher Li
Desjardins Securities Inc., Research Division

Okay. That's very helpful. And then just a quick one on the U.S. We noticed, I think your revenue in the U.S. was down around 4%. Can you give us some context sort of what the sort of the fundamentals in that business during the quarter?

Curtis Eugene Frank
President, CEO & Director

Yes. A good portion of that private label business was inside of the U.S. market. So that's contributing as well. And the plant protein category continues to face headwinds. The positive, I think, operating environment in the United States would be our Greenfield Natural Meat Company brand just to be balanced. And that brand is growing in the last 12 months in the United States at a greater rate than 10% and has been kind of operating in the mid-single-digit range more recently.

So we continue to see positive in the Greenfield Natural Meat Company brand, our flagship, Raised Without Antibiotics and sustainable meats brand in the U.S. Unfortunately, in the last quarter, that was more than offset by some changes in our private label portfolio and some sustained headwinds in the plant protein category.

Christopher Li
Desjardins Securities Inc., Research Division

Okay. That's helpful. And then my last question maybe on -- just on capital allocation. Obviously, your balance sheet remains very strong with leverage well below your 3x target. Can you just give us -- maybe provide your latest thinking about a special dividend? And also on the M&A side, how is the pipeline right now? And then how is valuation overall?

Curtis Eugene Frank
President, CEO & Director

Yes. Dave would maybe take that one.

David Smales
Chief Financial Officer

Yes. So obviously, from a capital allocation perspective, we remain very focused on the playbook we rolled out as part of the Investor Day where we have a balanced approach that includes increasing our annual dividend, which we did earlier this year. We've bought back around 800,000 shares under the NCIB program in the first half versus 700,000 in the whole of last year. So that continues to be part of the program. Obviously, we haven't announced anything in terms of other discretionary return of capital.

But you can be sure that, that's part of our playbook. And at the right time, we will execute on return of capital based on the strength of our balance sheet, as you noted, plus the cash flow generation that we anticipate. So nothing to announce today other than it continues to be a key focus area for us, and you should expect to see us be active. In terms of M&A, obviously, we're tracking the market closely. I think valuations today are reasonable.

I think certainly for the size of acquisitions that we're looking at. Remember, we're not looking at anything transformational. We're looking at tuck-in type acquisitions. And I would say valuations in that space are fairly reasonable today. The proof will be in the pudding as and when we have specific targets and look to execute. But as we track the market, it looks fairly reasonable today.

Operator

We have our next question from Martin Landry with Stifel.

Martin Landry
Stifel Nicolaus Canada Inc., Research Division

Most of my questions have been answered, but I was wondering if you could give us an update on your Fuel for Growth initiative, what you have in plan for the coming quarters and where your capacity utilization is at now?

Curtis Eugene Frank

President, CEO & Director

Yes. So we've done some very important work in our Fuel for Growth platform, much of which is paying dividends in our results today. So let's start with that. I mean the work that's been done to date is really focused on reorganizing our SG&A, which we did last year, has been focused on a procurement project that positioned us well from a strategic procurement point of view. And we've rightsized the organizational and leadership structures in our manufacturing plant. So that -- those have all been positive.

And we're now in the phase where we're engaging in an operational excellence initiative within the manufacturing facilities. That's going particularly well. And we continue to get really strong operating results and really strong operating efficiencies on a year-to-date basis, and we expect that to continue into the second half.

So that's positive from my perspective. We're also investing very strategically and thoughtfully in technology and automation, mostly in the manufacturing plant in this particular case that are driving reasonable capital investments that allow us to operate well within our annual guidance from a capital perspective, but contributing financial results as we expected.

So those are the focus areas for this year. And I think, as I said, contributing to our results now will contribute to the results in the second half. As we look to next year and beyond, we're continuing the work to evaluate the manufacturing network on a more broad-based basis and capacity utilization and optimizing the assets within the network, and that continues to be an important part of the work that's in progress, but there's nothing specific that I would offer or comment on today.

Operator

Our next question is from Luke Hannan with Canaccord Genuity.

Luke Hannan
Canaccord Genuity Corp., Research Division

Just one question for me. I wanted to ask about the snacking innovation platform. Curtis, you talked about some of the distribution gains that you received within the U.S. Can you just frame up for us specifically with snacking innovation, what white space opportunity there still exists for you there? And then maybe secondly, on the performance of the Mighty Protein sticks, has there been any tailwind that you guys can discern as a result of there being poultry or chicken being a relatively more affordable alternative compared to beef where it seems like inflation still remains pretty high?

Curtis Eugene Frank
President, CEO & Director

Yes, for sure. So from a white space perspective, I mean, there's still lots. The reality is our execution, I think, has been good in our stronghold, which is Canadian retail, but we're still building distribution off a base that's not yet optimized from a white space perspective. So we're closing week after week, month after month, distribution gaps in the Canadian retail market. That's just execution, and the team is doing a good job, and we're going to continue to accelerate that. So that's kind of the mainstay of our business.

Within club, within the club channel, tends to be a high volume, high velocity and a great place to build a brand awareness and brand recognition just given the traffic and the consumer experience in club. And as I said earlier, in the Canadian market, we're expanding our single-serve offering in the club channel. So that's positive. We've landed some pretty significant business. It's still white space because it's contributing a small amount, but it will continue to have an impact in the dollar channel. And that's really white space for us because it's not a channel that we participate in, in a material way.

So having a shelf-stable offering in protein snacking in the dollar channel is white space for us. I talked about gas and convenience and adding 1,500 locations. That's 1,500 incremental net new locations for us that didn't exist in the past. And we still have tons of white space in kind of the gas and convenience distribution channel. That hasn't typically been a stronghold for us and building capabilities, not just with expanding the distribution of this product is important, but it also gives us a platform to launch further products into that channel and expand our reach, which I see as very material white space for us, again, very positive.

And then the U.S. has what I would describe as a mountain of white space. I mean I talked about 3 examples where we've gained national distribution. That's very significant for us operating in the United States to gain national distribution with 3 retailers, plus the ramping up of the club channel from 3 regions to 8 in the U.S. But -- so lots of white space, not just from a distribution perspective, but continuing to turn the velocity dial.

Now you asked about species and whether poultry was more attractive because it was more affordable. And I think perhaps that plays a role. But I think what's most important is we have a really important consumer insight here, which is healthy protein snacking is here to stay. The fact that we have 10 or 12 grams of protein, 100 calories and a meat stick that's portable on the go. I think it's what's winning the day, less so than the protein species inside of it, although chicken is -- poultry is clearly attractive to consumers these days.

We are looking at expanding the portfolio beyond one species being chicken in this particular case, which I think is important to continue to create new and exciting news for the consumer. So lots of white space, lots of excitement from the team, extends beyond meat sticks into protein kits. We still view that as protein snacking and protein snacking on the go. And there too, there's significant white space.

Operator

We have our last question from Ty Collin with CIBC.

Ty Collin
CIBC Capital Markets, Research Division

Just one question from me. I'm wondering if you could speak to demand in the foodservice channel and whether you've seen any incremental pressure there?

Curtis Eugene Frank
President, CEO & Director

We haven't seen any incremental pressure. I think demand in the foodservice channel for us continues to be stable. We have very positive working relationships with our foodservice partners and continuing to stay -- relatively stable demand from our perspective. We're always looking to build our business within the foodservice channel. It's an important channel for us in terms of strategic customer relationships. And, but I think relatively stable for the most part would be the way to describe it.

Operator

This concludes the question-and-answer session. I will now turn the call over to Mr. Frank for closing remarks.

Curtis Eugene Frank
President, CEO & Director

Okay. Thank you, everyone, for joining. I just would close with gratitude for joining our call today. And this is a quarter where we managed to grow the top line again for the seventh consecutive quarter. We've expanded our adjusted EBITDA margin by 40 basis points to 13.4%, which in the difficulty of the operating environment, we're pleased with and proud of.

And our year-to-date performance continues to be quite strong relative to our expectations of the year. And as such, we're obviously reiterating our 2026 guidance, and we look forward to giving you an update following our third quarter results. So thank you again for joining us today.

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