



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 14 and 53 Weeks Ended December 31, 2022

The following Management's Discussion and Analysis (MD&A) is a review of the financial performance and position of Premium Brands Holdings Corporation (the Company or Premium Brands) and is current to March 15, 2023. It should be read in conjunction with the Company's fiscal 2022 audited consolidated financial statements and the notes thereto, which are prepared in accordance with International Financial Reporting Standards (IFRS). These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at www.sedar.com.

All amounts are expressed in Canadian dollars except as noted otherwise.

BUSINESS OVERVIEW

Premium Brands is an investment platform focused on acquiring and building food businesses in partnership with talented entrepreneurial management teams. Its current holdings consist primarily of:

Specialty food businesses. The Company considers the key characteristic of a specialty food business to be that a consumer's and/or customer's decision to purchase its products is based primarily on factors other than price, such as quality, convenience, health and/or lifestyle. As a result, specialty food businesses generally earn higher and more consistent selling margins relative to food companies that focus on less differentiated products. Furthermore, due to a variety of consumer trends impacting the food industry, these businesses tend to generate higher sales growth rates as compared to large national and international food companies.

Differentiated food distribution and wholesale businesses (“premium food distribution businesses”). The Company considers the key characteristic of a premium food distribution business to be that it offers its customers specialized and/or unique products and services in addition to logistical solutions. This enables it to generate higher and more consistent selling margins relative to the large national and international food distributors that are primarily focused on logistics.

The Company’s premium food distribution businesses also enable it to generate and sustain additional margin by using these businesses to provide its specialty food businesses with proprietary access to a broad and diversified customer base that includes regional and specialty grocery retailers, restaurants, hotels and institutions.

SELECT ANNUAL INFORMATION

The following is a summary of select annual consolidated financial information. Adjusted EBITDA, free cash flow per share and RONA are non-GAAP measures, and all other amounts are derived from the Company’s audited consolidated financial statements for each of the three most recently completed financial years prepared in accordance with IFRS.

The calculation of RONA is shown below. See *Results of Operations* for the calculation of adjusted EBITDA.

<i>(in millions of dollars except per share amounts)</i>	53 weeks ended Dec 31, 2022	52 weeks ended Dec 25, 2021	52 weeks ended Dec 26, 2020
Revenue	6,029.8	4,931.7	4,068.9
Adjusted EBITDA ⁽¹⁾	504.2	430.7	312.6
Earnings	160.1	132.7	83.7
Basic earnings per share	3.59	3.05	2.16
Diluted earnings per share	3.57	3.04	2.15
Total assets	5,078.6	4,408.9	3,540.3
Net senior debt ⁽²⁾	1,458.3	1,102.6	194.1
Long-term financial liabilities ⁽³⁾	1,906.5	1,409.6	960.8
RONA ⁽⁴⁾	10.3%	10.6%	10.2%
Dividends declared per share	2.80	2.54	2.31
Free cash flow per share ^{(5) (6)}	6.41	6.05	4.87

(1) Adjusted EBITDA is not defined under IFRS. See *Results of Operations – Adjusted EBITDA* for the description and calculation of Adjusted EBITDA.

(2) Excludes cash and includes the current and long-term portion of long-term debt, bank indebtedness and outstanding cheques.

(3) Excludes deferred financing costs and includes the current and long-term portions of long-term debt, pension obligations and convertible unsecured subordinated debentures.

(4) RONA is not defined under IFRS. See *Business Overview – RONA* for the description and calculation of RONA.

(5) Free cash flow is not defined under IFRS. See *Liquidity and Capital Resources – Dividends – Free Cash Flow* for the description and calculation of free cash flow.

(6) Free cash flow per share is calculated as free cash flow divided by the weighted average shares outstanding for the applicable period.

Revenue and Earnings

The Company has grown its revenue and adjusted EBITDA for each of the last three years through a combination of business acquisitions and organic growth initiatives. In recent years its growth rates and margins have been below expected levels due to transitory challenges associated with the COVID-19 pandemic, including labor shortages and global supply chain disruptions, and more recently extreme inflation across a wide variety of costs including commodities, labor and freight. The Company's earnings in 2022 were also impacted by: (i) a fair value gain on investments in associates; (ii) plant start-up and restructuring costs relating to several major capacity expansion and production automation projects; (iii) a gain on the remeasurement of provisions; (iv) a write-down of the investment in an associate; and (v) higher debt levels and rising interest rates. In 2021 the Company's earnings were impacted by a significant revaluation of the conversion options attached to its outstanding convertible debentures.

The Company's basic earnings per share in 2020 and 2021 were further impacted by two large share issuances completed in the latter half of 2020.

Total Assets

The increases in the Company's total assets over the last two years were primarily due to investments in business acquisitions, project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*) and working capital assets, primarily all of which were based on: (i) pursuing growth opportunities; and (ii) in the case of working capital, mitigating the Company's exposure to supply chain disruptions and the impacts of cost inflation.

Net Senior Debt and Long-term Financial Liabilities

The Company's net senior debt and long-term financial liabilities can fluctuate significantly based on where it is in its financing cycle. The Company uses its excess credit capacity (see *Liquidity and Capital Resources – Debt Financing Activities*) to fund business acquisitions, project capital expenditures and general corporate purposes, all of which generally result in increases in its net senior debt and long-term financial liabilities. The Company then uses its excess free cash flow as well as accesses the public capital markets at opportunistic times or when additional funding is needed for larger transactions to reduce its long-term financial liabilities and correspondingly replenish its credit capacity. Furthermore, a key component of the Company's equity financing strategy is the issuance of convertible debentures, which are initially classified as a long-term financial liability but are ultimately expected to be converted into shares (see *Forward Looking Statements*).

RONA

Return on adjusted net assets (RONA) is not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities, nor should it be construed as an alternative to other earnings measures determined in accordance with IFRS.

The Company believes RONA is a useful indicator of the performance of its operations relative to the assets employed.

The following table provides the calculation of RONA for each of the last three fiscal years:

<i>(in millions of dollars)</i>	53 weeks ended Dec 31, 2022	52 weeks ended Dec 25, 2021	52 weeks ended Dec 26, 2020
Return:			
Adjusted EBITDA ⁽¹⁾	504.2	430.7	312.6
Impact of the adoption of IFRS-16 on Adjusted EBITDA	(64.2)	(50.4)	(40.8)
Maintenance capital expenditures ⁽²⁾	(43.2)	(29.3)	(27.1)
	396.8	351.0	244.7
Average adjusted net assets ⁽³⁾ :			
Opening net assets	3,497.4	2,844.2	2,351.7
Closing net assets excluding net assets of businesses acquired during the year and unusual excess cash ⁽⁴⁾	3,806.7	2,735.0	2,345.3
Average net assets ⁽⁵⁾	3,652.1	2,789.6	2,348.5
Weighted net assets of businesses acquired during the year ⁽⁶⁾	200.7	534.4	55.3
	3,852.8	3,324.0	2,403.8
RONA ⁽⁷⁾	10.3%	10.6%	10.2%

(1) Adjusted EBITDA is not defined under IFRS. See *Results of Operations – Adjusted EBITDA* for the description and calculation of Adjusted EBITDA.

(2) See *Liquidity and Capital Resources – Capital Expenditures*.

(3) Net assets are calculated as total assets less right-of-use assets, deferred income tax assets, accounts payable and accrued liabilities.

(4) Excludes temporary excess cash balance held at the end of 2020.

(5) Calculated as the sum of the opening net assets and the closing net assets (excluding net assets of businesses acquired during the year and unusual excess cash) divided by two.

(6) Based on weighting the net assets of businesses acquired during the current fiscal year by a factor based on the number of days in the fiscal year that the Company owned the applicable business in relation to the total number of days in the fiscal year.

(7) Calculated as return divided by average adjusted net assets.

The Company's RONA for each of the last three years has been below its long-term target of 15% primarily due to: (i) business acquisitions and major capital project investments that are in the early stages of development and correspondingly are not yet generating the returns expected over the long term – the Company's investment horizons are generally ten years or longer; and (ii) the transitory COVID-19 pandemic related factors impacting the Company's adjusted EBITDA (see *Select Annual Information – Revenue and Earnings*).

FOURTH QUARTER OPERATING RESULTS

The Company's operating results for the fourth quarters of 2022 and 2021 and for the fiscal years of 2022 and 2021 were as follows:

<i>(in millions of dollars)</i>	14 weeks ended Dec 31, 2022	13 weeks ended Dec 25, 2021	53 weeks ended Dec 31, 2022	52 weeks ended Dec 25, 2021
Revenue	1,634.8	1,345.4	6,029.8	4,931.7
Gross profit before depreciation, amortization and plant start-up and restructuring costs	306.0	234.1	1,103.7	901.9
Interest income from investment in associates	16.5	14.7	61.8	53.7
Selling, general and administrative expenses	186.1	135.4	661.3	524.9
Operating profit before depreciation, amortization and plant start-up and restructuring costs	136.4	113.4	504.2	430.7
Plant start-up and restructuring costs	13.2	1.1	27.2	2.1
	123.2	112.3	477.0	428.6
Depreciation of capital assets	22.0	16.8	79.5	70.0
Amortization of intangible assets	5.8	7.1	28.8	27.3
Amortization of right of use assets	18.4	10.7	52.0	37.5
Accretion of lease obligations	8.2	5.3	24.5	19.2
Interest and other financing costs	31.7	8.3	81.4	41.3
Change in fair value of option liabilities	-	3.1	-	30.0
Acquisition transaction costs	1.2	1.9	6.2	7.7
Change in value of puttable interest in subsidiaries	5.5	-	5.5	0.5
Accretion of provisions	0.5	1.9	6.8	7.3
Remeasurement of provisions	(21.8)	-	(21.8)	-
Equity loss in investment in associates	1.5	2.1	15.8	7.8
Change in value of investments in associates	16.0	-	16.0	-
Fair value gains on investments in associates	(0.1)	-	(19.9)	-
Others	0.7	-	0.7	-
Clearwater closing risk fee	-	-	-	(2.4)
Acquisition bargain purchase gain	-	-	-	(1.8)
Earnings before income taxes	33.6	55.1	201.5	184.2
Income tax provision – current	(1.7)	11.2	36.4	66.3
Income tax provision – deferred	4.4	5.9	5.0	(14.8)
Income tax provision	2.7	17.1	41.4	51.5
Earnings	30.9	38.0	160.1	132.7

RESULTS OF OPERATIONS

The Company reports on two reportable segments, Specialty Foods and Premium Food Distribution, as well as non-segmented investment income and corporate costs (Corporate). The Specialty Foods segment consists of the Company's specialty food manufacturing businesses while the Premium Food Distribution segment consists of the Company's differentiated distribution and wholesale businesses as well as certain seafood processing businesses. Investment income includes interest and management fees generated from the Company's businesses that are accounted for using the equity method.

Revenue

<i>(in millions of dollars except percentages)</i>								
	14 weeks ended Dec 31, 2022	% (1)	13 weeks ended Dec 25, 2021	% (1)	53 weeks ended Dec 31, 2022	% (1)	52 weeks ended Dec 25, 2021	% (1)
Revenue by segment:								
Specialty Foods	1,018.7	62.3%	779.4	57.9%	3,731.3	61.9%	2,987.1	60.6%
Premium Food Distribution	616.1	37.7%	566.0	42.1%	2,298.5	38.1%	1,944.6	39.4%
Consolidated	1,634.8	100.0%	1,345.4	100.0%	6,029.8	100.0%	4,931.7	100.0%

(1) Expressed as a percentage of consolidated revenue.

Specialty Foods' (SF) revenue for the quarter increased by \$239.3 million or 30.7% primarily due to: (i) selling price inflation of \$81.3 million, which was driven by increases implemented in reaction to inflationary pressures across a broad range of costs; (ii) an extra week of operations resulting from the Company's 2022 fiscal year having 53 weeks versus 52 weeks in the 2021 fiscal year – this accounted for \$47.6 million of SF's growth; (iii) business acquisitions, which accounted for \$38.5 million of SF's growth; (iv) a \$36.1 million increase in the translated value of sales generated by SF's U.S. based businesses due to a weaker Canadian dollar – approximately 55% of SF's revenue for the quarter was generated by these businesses; and (v) organic volume growth of \$35.8 million representing an organic volume growth rate (OVGR) of 4.6%.

SF's OVGR, which was driven primarily by its artisan sandwich, cooked protein and specialty baked goods initiatives, was within its long-term targeted range of 4% to 6% but at the lower end due to: (i) generally reduced growth rates in the fourth quarter as a result of seasonal factors (see *Summary of Quarterly Results*); (ii) lower sales of branded protein products in the retail channel associated with a shift in consumer spending to out-of-home dining; (iii) a shortage of turkey raw materials caused by industry wide supply challenges; and (iv) the impacts of price inflation which slowed growth rates in certain limited product categories.

SF's revenue for 2022 increased by \$744.2 million or 24.9% primarily due to: (i) selling price inflation of \$327.5 million; (ii) business acquisitions, which accounted for \$231.0 million of the increase; (iii) organic volume growth of \$72.3 million representing an OVGR of 2.4%; (iv) a \$65.8 million increase in the translated value of sales generated by the Company's U.S. based businesses; and (v) the extra week of operations.

Premium Food Distribution's (PFD) revenue for the quarter increased by \$50.1 million or 8.9% due to: (i) the extra week of operations – this accounted for \$32.4 million of PFD's growth; (ii) organic volume growth of \$25.0 million representing an OVGR of 4.4%; (iii) a \$6.8 million increase in the translated value of sales generated by PFD's U.S. based businesses due to a weaker Canadian dollar; and (iv) business acquisitions, which accounted for \$5.3 million of PFD's growth. These factors were partially offset by selling price deflation of \$19.4 million, which was primarily due to lower lobster market prices as PFD continued to implement price increases on many of its other products in reaction to broad based cost inflation.

PFD's OVGR of 4.4%, which was driven by its value-added processed lobster initiatives and a reclass of warehousing rental income, was within its long-term targeted range of 4% to 6% but at the lower end due to: (i) generally reduced growth rates in the fourth quarter as a result of seasonal factors; and (ii) less business-to-business trading of live lobsters as PFD increased its inventory to support the future growth of its processed lobster initiatives. PFD also experienced strong growth in its sales to foodservice and cruise line customers post the lifting of pandemic related restrictions, however, this was largely offset by lower retail channel sales associated with a shift in consumer spending to out-of-home experiences.

PFD's revenue for 2022 increased by \$353.9 million or 18.2% primarily due to: (i) business acquisitions, which accounted for \$173.5 million of the increase; (ii) selling price inflation of \$81.0 million; (iii) organic volume growth of \$53.3 million representing an OVGR of 2.7%; (iv) the extra week of operations; and (v) a \$13.7 million increase in the translated value of sales generated by the Company's U.S. based businesses.

Gross Profit

(in millions of dollars except percentages)

	14 weeks ended Dec 31, 2022	% (1)	13 weeks ended Dec 25, 2021	% (1)	53 weeks ended Dec 31, 2022	% (1)	52 weeks ended Dec 25, 2021	% (1)
Gross profit by segment:								
Specialty Foods	209.4	20.6%	150.3	19.3%	757.3	20.3%	606.5	20.3%
Premium Food Distribution	96.6	15.7%	83.8	14.8%	346.4	15.1%	295.4	15.2%
Consolidated	306.0	18.7%	234.1	17.4%	1,103.7	18.3%	901.9	18.3%

(1) Expressed as a percentage of the corresponding segment's revenue.

SF's gross profit as a percentage of its revenue (gross margin) for the quarter increased by 130 basis points primarily due to: (i) steady progress in normalizing its margins as its selling price increases catch up to the impacts of cost inflation across a broad range of inputs including raw materials, labor and freight; (ii) production efficiencies resulting from investments in automation, continuous improvement projects and a more stable labor market; and (iii) sales leveraging associated with SF's organic volume growth. These factors were partially offset by: (i) retailer notice-period requirements which delayed the implementation of additional selling price increases being put through largely to address general cost inflation – adjusting for a full quarter's impact of price increases implemented during the quarter, SF's normalized gross margin is approximately 21.2%; (ii) the extra week of operations as this is a seasonally very low sales week resulting in reduced sales leveraging and lower production efficiencies; and (iii) recently acquired businesses that are undergoing significant restructurings and in the interim are generating lower margins relative to SF's average margin.

SF's gross margin for 2022, which is below its longer-term average, remained the same as 2021 primarily due to the factors outlined above, however, with cost inflation and the impact of recent acquisitions more than offsetting the pace of SF's selling price increase during the first three quarters of the year. Regarding retailer notice-period related delays, adjusting for a full year's impact, SF's normalized gross margin for 2022 is approximately 21.2%.

PFD's gross margin for the quarter increased by 90 basis points primarily due to sales leveraging associated with PFD's organic growth and the reclass of warehouse rental income.

PFD's gross margin for 2022 was relatively stable as compared to 2021 and in line with its longer-term average.

Selling, General and Administrative Expenses (SG&A)

(in millions of dollars except percentages)

	14 weeks ended Dec 31, 2022	% (1)	13 weeks ended Dec 25, 2021	% (1)	53 weeks ended Dec 31, 2022	% (1)	52 weeks ended Dec 25, 2021	% (1)
SG&A by segment:								
Specialty Foods	126.9	12.5%	87.1	11.2%	445.0	11.9%	342.0	11.4%
Premium Food Distribution	51.7	8.4%	43.3	7.7%	191.2	8.3%	161.8	8.3%
Corporate	7.5		5.0		25.1		21.1	
Consolidated	186.1	11.4%	135.4	10.1%	661.3	11.0%	524.9	10.6%

(1) Expressed as a percentage of the corresponding segment's revenue.

SF's SG&A as a percentage of sales (SG&A ratio) for the quarter increased by 130 basis points primarily due to: (i) cost inflation; (ii) higher incentive-based compensation accruals; (iii) the extra week of operations; and (iv) business acquisitions. These factors were partially offset by sales leveraging associated with SF's organic sales growth.

SF's SG&A ratio for 2022 increased by 50 basis points primarily due to cost inflation and business acquisitions, partially offset by sales leveraging associated with SF's organic growth.

PFD's SG&A ratio for the quarter increased by 70 basis points primarily due to cost inflation and the extra week of operations, partially offset by sales leveraging associated with PFD's organic growth.

PFD's SG&A ratio for 2022 was relatively stable as compared to 2021 but lower than its longer-term average primarily due to sales leveraging associated with PFD's organic growth and lower incentive-based compensation accruals.

Adjusted EBITDA

Adjusted EBITDA is not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities, nor should it be construed as an alternative to other earnings measures determined in accordance with IFRS.

The Company believes that adjusted EBITDA is a useful indicator of the amount of normalized income generated by operating businesses controlled by the Company before taking into account its financing strategies, consumption of capital and intangible assets, taxable position and the ownership structure of non-wholly owned businesses. This measure is widely used by investors in the valuation and comparison of companies. In addition, it is used in the calculation of certain financial debt covenants associated with the Company's senior credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities*).

The following table provides a reconciliation of adjusted EBITDA to earnings before income taxes:

<i>(in millions of dollars)</i>	14 weeks ended Dec 31, 2022	13 weeks ended Dec 25, 2021	53 weeks ended Dec 31, 2022	52 weeks ended Dec 25, 2021
Earnings before income taxes	33.6	55.1	201.5	184.2
Plant start-up and restructuring costs ⁽¹⁾	13.2	1.1	27.2	2.1
Depreciation of capital assets ⁽²⁾	22.0	16.8	79.5	70.0
Amortization of intangible assets ⁽²⁾	5.8	7.1	28.8	27.3
Amortization of right of use assets ⁽²⁾	18.4	10.7	52.0	37.5
Accretion of lease obligations ⁽³⁾	8.2	5.3	24.5	19.2
Interest and other financing costs ⁽³⁾	31.7	8.3	81.4	41.3
Change in fair value of option liabilities ⁽¹⁾⁽³⁾	-	3.1	-	30.0
Acquisition transaction costs ⁽¹⁾	1.2	1.9	6.2	7.7
Change in value of puttable interest in subsidiaries ⁽⁴⁾	5.5	-	5.5	0.5
Accretion of provisions ⁽³⁾	0.5	1.9	6.8	7.3
Remeasurement of provisions ⁽⁴⁾	(21.8)	-	(21.8)	-
Equity loss in investments in associates ⁽⁵⁾	1.5	2.1	15.8	7.8
Change in value of investments in associates ⁽⁵⁾	16.0	-	16.0	-
Fair value gains on investments in associates ⁽⁵⁾	(0.1)	-	(19.9)	-
Others ⁽¹⁾	0.7	-	0.7	-
Clearwater closing risk fee ⁽¹⁾	-	-	-	(2.4)
Acquisition bargain purchase gain ⁽¹⁾	-	-	-	(1.8)
Adjusted EBITDA	136.4	113.4	504.2	430.7

(1) Amount is not part of the Company's normal operating costs and/or gains.

(2) Amount relates to the consumption of the Company's capital assets, intangible assets or other assets.

(3) Amount relates to the Company's financing strategies.

(4) Amount relates to the valuation of provisions or minority shareholders' interest in certain subsidiaries of the Company.

(5) Amount relates to businesses that the Company does not consolidate as it does not own a controlling interest.

<i>(in millions of dollars except percentages)</i>	14 weeks ended Dec 31, 2022	%	13 weeks ended Dec 25, 2021	%	53 weeks ended Dec 31, 2022	%	52 weeks ended Dec 25, 2021	%
		(1)		(1)		(1)		(1)
Adjusted EBITDA by segment:								
Specialty Foods	82.5	8.1%	63.2	8.1%	312.3	8.4%	264.5	8.9%
Premium Food Distribution	44.9	7.3%	40.5	7.2%	155.2	6.8%	133.6	6.9%
Corporate	(7.5)		(5.0)		(25.1)		(21.1)	
Interest Income from Investments	16.5		14.7		61.8		53.7	
Consolidated	136.4	8.3%	113.4	8.4%	504.2	8.4%	430.7	8.7%

(1) Expressed as a percentage of the corresponding segment's revenue.

The Company's adjusted EBITDA margin for 2022 of 8.4% was below its long-term annual target of 10% primarily due to: (i) retailer notice-period requirements, which delayed the implementation of selling price increases being put through to address cost inflation – adjusting for the full impact of price increases implemented in 2022, the Company's normalized adjusted EBITDA margin is approximately 9.1%; (ii) sales challenges impacting its SF segment in the second and third quarters as the contribution margin associated with SF's incremental sales is significantly above 10%; and (iii) recently acquired businesses that are undergoing significant restructurings and in the interim are generating lower margins relative to the Company's 10% target.

Sales and Adjusted EBITDA Outlook

See *Forward Looking Statements* for a discussion of the risks and assumptions associated with forward looking statements.

2023 Outlook

<i>(in millions of dollars)</i>	Bottom of Range	Top of Range
Revenue guidance range	6,400	6,600
Adjusted EBITDA guidance range	590	610

For 2023, the Company expects its sales to be between \$6.4 billion and \$6.6 billion and its adjusted EBITDA to be between \$590 million and \$610 million. These estimates are based on a range of assumptions (see *Forward Looking Statements*) including: (i) reasonably stable economic environments in Canada and the U.S. with inflation rates in both countries continuing to moderate; (ii) stable raw material costs; and (iii) modest appreciation in the Canadian dollar relative to the U.S. dollar.

The Company's sales and adjusted EBITDA outlooks for 2023 do not incorporate any provisions for potential future acquisitions, however, it remains very active on this front and expects (see *Forward Looking Statements*) to complete several transactions during the year.

5 Year Plan

In 2018, the Company set the following five-year targets:

<i>(in millions of dollars)</i>	2018	5-Year Target (2023)
Revenue	3,026	6,000
Adjusted EBITDA	251	600

The Company achieved its five-year revenue target one year early with fiscal 2022 sales of just over \$6.0 billion and is well positioned to meet its five-year adjusted EBITDA target in 2023 (see *Forward Looking Statements*). Based on this, the Company has set the following new five-year targets:

<i>(in millions of dollars)</i>	2022	5-Year Target (2027)
Revenue	6,030	10,000
Adjusted EBITDA	504	1,000

While the Company expects (see *Forward Looking Statements*) to achieve these targets through a combination of organic growth and business acquisitions, its new five-year targets conservatively assume only approximately \$500 million in revenue growth coming from acquisitions with an average organic growth rate of 9% to 10% being the major driver of its projected growth. Correspondingly, it believes its new five-year projections to be conservative based on having a very full pipeline of acquisition opportunities.

To support the Company's expected organic growth over the next five years, it is projected to spend approximately \$800 million on capacity related capital projects over this period (see *Forward Looking Statements*).

Plant Start-up and Restructuring Costs

Plant start-up and restructuring costs consist of expenses associated with: (i) the start-up of new production capacity; (ii) the reconfiguration of existing capacity to gain efficiencies and/or additional capacity; and/or (iii) the restructuring of a business to improve its profitability. The Company expects (see *Forward Looking Statements*) these investments to result in improvements in its future earnings and cash flows.

During 2022, the Company incurred \$27.2 million in plant start-up and restructuring costs relating primarily to the following projects:

- A 42,000 square foot expansion of its artisan bakery in British Columbia;
- Construction of a new 91,000 square foot artisan bakery in California;
- A 26,000 square foot expansion of one of its meat snack production facilities in Ontario;
- Installation of new cooking line and freezing technology at one of its cooked protein facilities in Quebec;
- The reconfiguration and 107,000 square foot expansion of one of its meat snack and cooked protein facility in Washington;
- Installation of fully automated sandwich production lines in its plants in Arizona and Nevada;
- A 42,600 square foot expansion of its sandwich production facility in Minnesota;
- Installation of new packaging technology at its sandwich production facility in Mississippi;
- The start-up of new sandwich programs at its production facilities in Quebec, Mississippi and Minnesota; and
- Installation of new freezing technology at its lobster processing facility in Maine.

Depreciation and Amortization (D&A)

<i>(in millions of dollars)</i>	14 weeks ended Dec 31, 2022	13 weeks ended Dec 25, 2021	53 weeks ended Dec 31, 2022	52 weeks ended Dec 25, 2021
Depreciation and amortization of intangible assets (D&A) by segment:				
Specialty Foods	22.3	17.2	82.0	73.2
Premium Food Distribution	5.2	6.4	24.8	22.7
Corporate	0.3	0.3	1.5	1.4
Consolidated	27.8	23.9	108.3	97.3

The Company's D&A expense for the fourth quarter of 2022 as compared to the fourth quarter of 2021 and for 2022 as compared to 2021 increased by \$3.9 million and \$11.0 million, respectively, primarily due to: (i) business acquisitions; (ii) the recent completion of a variety of capital projects; and (iii) the

impact of a weaker Canadian dollar on the translated value of the Company's U.S. based businesses results.

Interest and Other Financing Costs

The Company's interest and other financing costs for the fourth quarter of 2022 as compared to the fourth quarter of 2021 and for 2022 as compared to 2021 increased by \$23.4 million and \$40.1 million, respectively, primarily due to: (i) higher levels of funded debt (see *Liquidity and Capital Resources – Debt Financing Activities*); and (ii) increased average interest rates resulting from general market rate increases and higher cash flow ratio-based credit spreads on the Company's revolving senior credit facility.

Change in Value of Puttable Interest in Subsidiaries

Change in value of puttable interest in subsidiaries (put expense) represents an estimate (see *Forward Looking Statements*) of the change in the value of options (the put options) held by non-controlling shareholders of certain subsidiaries of the Company that entitle such shareholders to require the Company to purchase their interest in the applicable subsidiary (see *Liquidity and Capital Resources – Corporate Investments – Puttable Interest in Subsidiaries*).

Equity Earnings (Loss) in Investment in Associates

Equity earnings (loss) in investment in associates includes the Company's proportionate share of the earnings and losses of its investments in associates (see *Liquidity and Capital Resources – Corporate Investments – Investments in Associates*).

<i>(in millions of dollars)</i>	14 weeks ended Dec 31, 2022	13 weeks ended Dec 31, 2021	52 weeks ended Dec 31, 2022	52 weeks ended Dec 31, 2021
Clearwater:				
Revenue	192.5	141.7	604.5	532.9
Earnings before payments to shareholders	15.5	1.9	47.0	42.1
Net loss	(6.9)	(15.0)	(37.5)	(33.1)
The Company:				
Equity loss in Clearwater	(3.5)	(3.0)	(18.8)	(9.9)
Other net equity earnings	2.0	0.9	3.0	2.1
Equity loss in investment in associates	(1.5)	(2.1)	(15.8)	(7.8)

Clearwater Seafoods Incorporated (Clearwater)

Clearwater's sales for the fourth quarter and 2022 increased by \$50.8 million and \$71.6 million, respectively, primarily due to: (i) continued strong pricing and global demand for Clearwater's core harvested species; (ii) the timing of the sale of certain harvested species associated with general fluctuations in fishing activity; and (iii) an extra week of operations in the fourth quarter resulting from Clearwater matching its reporting periods with the Company's – this accounted for \$6.9 million of Clearwater's growth.

Clearwater's earnings before payments to shareholders for the fourth quarter and 2022 increased by \$13.6 million and \$4.9 million, respectively, primarily due to: (i) a continued strong pricing environment for Clearwater's core harvested species; and (ii) higher sales volumes. These factors were partially

offset by: (i) general cost inflation and, in particular, higher fleet fuel costs and wages; and (ii) discretionary promotional activity and travel returning to pre-pandemic levels.

Income Taxes

The Company's provision for income taxes as a percentage of earnings (tax rate) can be impacted by a variety of factors including: (i) changes in enacted tax laws, in general, and tax rates, in particular, in the tax jurisdictions in which the Company operates; (ii) the proportionate mix of the Company's taxable income by tax jurisdiction; (iii) differences in the treatment of certain income and expense items for income tax and accounting purposes; and (iv) the Company's equity loss or earnings in investments in associates not held in an income flow-through structure as this amount is excluded in the calculation of the Company's tax provision.

Based on current enacted tax rates in the tax jurisdictions the Company operates, the expected mix of its taxable income by tax jurisdiction, the Company's general structuring of its tax affairs, there being no unusual revenue and/or expenses that are treated differently for income tax and accounting purposes, and excluding the Company's equity earnings or loss in investments in associates from the calculation, the expected range for the Company's tax rate is approximately 24% to 27% (see *Forward Looking Statements*).

The Company's tax rate for 2022 is 23.5% after adjusting its pre-tax earnings for: (i) \$16.0 million in equity losses relating to investments in associates not held in an income flow-through structure; (ii) a \$21.8 million gain on remeasurement of provisions (see *Liquidity and Capital Resources – Corporate Investments – Provisions*) as this is a permanent timing difference in the determination of the Company's tax provision; and (iii) \$19.9 million in fair value gains on investments in associates (see *Liquidity and Capital Resources – Corporate Investments – Investments in Associates*) as this is also a permanent timing difference in the determination of the Company's tax provision.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected quarterly consolidated financial information. All amounts, except adjusted EBITDA (see *Results of Operations – Adjusted EBITDA*), are derived from the Company's unaudited interim condensed consolidated financial statements for each of the eight most recently completed quarters.

<i>(in millions of dollars except per share amounts)</i>								
	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
Revenue	1,009.8	1,234.7	1,341.8	1,345.4	1,251.2	1,519.9	1,623.9	1,634.8
Adjusted EBITDA	82.5	112.2	122.6	113.4	95.8	130.8	141.2	136.4
Earnings	19.8	28.0	46.9	38.0	22.4	63.3	43.5	30.9
Earnings per share – basic	0.45	0.65	1.08	0.87	0.50	1.42	0.97	0.69
Earnings per share – diluted	0.45	0.64	1.07	0.87	0.50	1.41	0.97	0.69

The financial performance of many of the Company's businesses is subject to fluctuations associated with the impact on consumer demand from seasonal changes in weather. As a result, the Company's performance varies with the seasons (see *Forward Looking Statements*).

In general terms, its results are weakest in the first quarter of the year due to winter weather conditions which result in: (i) less consumer travelling and outdoor activities and, in turn, reduced consumer traffic through many of the Company's convenience oriented customers' stores such as restaurants, convenience stores, gas stations and concessionary venues; and (ii) reduced consumer demand for its outdoor oriented products such as barbeque and on-the-go convenience foods. The Company's results then generally peak in the spring and summer months due to favorable weather conditions and decline in the fourth quarter due to a return to poorer weather conditions (see *Forward Looking Statements*).

In addition to seasonal factors, over the last eight quarters, the trends in the Company's sales, adjusted EBITDA, earnings and earnings per share have been impacted by business acquisitions and a variety of organic growth initiatives that have generally resulted in year over year increases.

The trends in the Company's earnings and earnings per share were also impacted by: (i) a significant revaluation of the conversion options associated with the Company's outstanding convertible debentures in the second quarter of 2021; (ii) a fair value gain on investments in associates in the second quarter of 2022; (iii) plant start-up and restructuring costs relating to several major capacity expansion and production automation projects in the third and fourth quarters of 2022; (iv) a gain on the remeasurement of provisions in the fourth quarter of 2022; (v) a write-down of the investment in an associate in the fourth quarter of 2022; and (vi) higher debt levels and rising interest rates over the course of 2022.

LIQUIDITY AND CAPITAL RESOURCES

Net Working Capital Requirements

Net Working Capital

Net working capital is not defined under IFRS, and as a result, may not be comparable to similarly titled measures presented by other publicly traded entities. The Company believes that net working capital is a useful indicator of the cash needed to fund the Company's working capital requirements.

The following table provides the calculation of net working capital:

<i>(in millions of dollars)</i>	As at Dec 31, 2022	As at Dec 25, 2021
Accounts receivable	590.8	521.7
Inventories	786.1	645.2
Prepaid expenses	36.9	27.8
<u>Accounts payable and accrued liabilities</u>	<u>(419.4)</u>	<u>(445.5)</u>
Net working capital	994.4	749.2

The Company's net working capital needs are seasonal in nature and generally peak in the spring and summer months and around festive holiday seasons (e.g. Easter, Thanksgiving and Christmas) as inventories are built up in anticipation of, and accounts receivable grow as a result of, increased consumer demand (see *Summary of Quarterly Results*). The cash requirements resulting from seasonal fluctuations in the Company's net working capital are managed primarily through draws and repayments on its revolving senior credit facility. The cash requirements for increases in the Company's net working capital resulting from its growth initiatives are, over the longer term, financed through the associated growth in the Company's free cash flow.

Accounts receivable at the end of 2022 as compared to the end of 2021 increased by \$69.1 million primarily due to: (i) business acquisitions, which accounted for \$26.7 million of the increase; (ii) organic growth, including the impact of selling price inflation; (iii) a claim against a supplier for raw materials not meeting required specifications; (iv) higher translated values for U.S. dollar denominated receivables as a result of a weaker Canadian dollar; and (v) general fluctuations in the timing of sales and accounts receivable collections. These factors were partially offset by a \$49.8 million reduction associated with a new trade finance program implemented at one of the Company's businesses during the fourth quarter.

Inventory at the end of 2022 as compared to the end of 2021 increased by \$140.9 million primarily due to: (i) business acquisitions, which accounted for \$32.7 million of the increase; (ii) opportunistic raw materials purchases made in the later part of the quarter which are expected to generate improved margin performance in future quarters; (iii) the buildup of inventory for new sales initiatives that will contribute to the Company's growth in future quarters; (iv) higher translated values for U.S. dollar denominated inventory due to a weaker Canadian dollar; (v) organic growth, including the impact of cost inflation; and (vi) general fluctuations in the timing of sales, production and purchasing of inventory.

The following table shows certain non-GAAP ratios relating to the Company's accounts receivable and inventory balances:

<i>(in days)</i>	As at Dec 31, 2022	As at Dec 25, 2021
Days sales in accounts receivable ⁽¹⁾	35.4	35.3
Days cost of sales in inventory ⁽²⁾	58.0	52.8

(1) Calculated as accounts receivable divided by sales for the applicable quarter multiplied by the number of days in the quarter.

(2) Calculated as inventory divided by cost of sales for the applicable quarter multiplied by the number of days in the quarter.

The Company's days sales in accounts receivable at the end of 2022 as compared to the end of 2021 is relatively stable as the benefits associated with a new trade finance program were mostly offset by a claim against a supplier for raw materials not meeting required specifications.

The Company's days cost of sales in inventory at the end of 2022 as compared to the end of 2021 increased by 5.2 days primarily due to: (i) opportunistic raw materials purchases made in the later part of the quarter which are expected to generate improved margin performance in future quarters; (ii) the buildup of inventory for new sales initiatives that will contribute to the Company's growth in future quarters; and (iii) general fluctuations in the timing of sales, production and purchasing of inventory.

Debt Financing Activities

Credit Facilities

As at December 31, 2022, the Company's credit facilities and the unutilized portion of those facilities were as follows:

<i>(in millions of dollars)</i>	Credit Facilities	Amount Drawn on Facility	Unutilized Credit Capacity
Revolving senior credit facility ⁽¹⁾	1,830.3	1,414.4	415.9
4.65% debentures (2018) ⁽²⁾	172.0	172.0	-
4.20% debentures ⁽³⁾	162.6	162.6	-
5.40% debentures ⁽⁴⁾	144.0	144.0	-
Industrial Development Revenue Bond ⁽⁵⁾	8.3	8.3	-
Vendor take-back notes	9.1	9.1	-
Other term loans	0.6	0.6	-
Other revolving credit facilities	123.6	18.0	105.6
Cheques outstanding	-	19.3	(19.3)
Cash and cash equivalents	-	(11.4)	11.4
	2,450.5	1,936.9	513.6

- (1) Represents the Company's main revolving senior credit facility, consisting of an \$1.3 billion Canadian dollar denominated line of credit and a US\$400.0 million U.S. dollar denominated line of credit, less approximately \$11.4 million in outstanding letters of credit. The facility matures in November 2026, can be used to fund the Company's working capital and general operating needs, capital projects and acquisitions, and has no principal payments prior to its maturity date.
- (2) Represents the present value of the outstanding portion of the \$172.5 million in 4.65% convertible unsecured subordinated debentures issued by the Company in April 2018 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on April 30, 2025 and have no principal payments prior to that date, was \$172.5 million as at December 31, 2022. The 4.65% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.G.
- (3) Represents the present value of the outstanding portion of the \$150.0 million in 4.20% convertible unsecured subordinated debentures issued by the Company in July 2020 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on September 30, 2027 and have no principal payments prior to that date, was \$150.0 million as at December 31, 2022. The 4.20% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.H.
- (4) Represents the present value of the outstanding portion of the \$150.0 million in 5.40% convertible unsecured subordinated debentures issued by the Company in June 2022 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on September 30, 2029 and have no principal payments prior to that date, was \$150.0 million as at December 31, 2022. The 5.40% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.I.
- (5) The bond, which was issued by one of the Company's U.S. subsidiaries, is denominated in U.S. dollars (US\$6.1 million), matures in 2036 and has no principal payments due prior to its maturity date.

Funded Debt

Senior funded debt and total funded debt are not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities. The Company believes that senior funded debt and total funded debt, used in conjunction with its adjusted EBITDA, are useful indicators of its financial strength and ability to access additional debt financing. Senior funded debt is also used in the calculation of certain debt covenants associated with the Company's revolving senior credit facility (see *Liquidity and Capital Resources – Debt Financing Activities – Banking Covenants*).

The following table provides the calculation of senior funded debt and total funded debt:

<i>(in millions of dollars)</i>	As at Dec 31, 2022	As at Dec 25, 2021
Cheques outstanding	19.3	18.7
Bank indebtedness	18.0	16.3
Current portion of long-term debt	6.5	4.6
Long-term debt	1,421.4	1,074.0
Deferred financing costs ⁽¹⁾	4.5	5.5
	1,469.7	1,119.1
<u>Less: cash and cash equivalents</u>	<u>(11.4)</u>	<u>(16.5)</u>
Senior funded debt	1,458.3	1,102.6
4.65% debentures (2018)	172.0	169.9
4.20% debentures	162.6	161.1
5.40% debentures	144.0	-
<u>Total funded debt</u>	<u>1,936.9</u>	<u>1,433.6</u>

(1) Deferred financing costs are included as an offsetting amount in long-term debt in the Company's consolidated financial statements.

Debt Activities

During 2022, the Company's significant debt activities consisted of the following:

<i>(in millions of dollars)</i>	53 weeks ended Dec 31, 2022
Opening total funded debt at December 25, 2021	1,433.6
Funding for changes in net working capital	263.3
Funding for capital expenditures	228.4
Issuance of 5.40% debentures	143.0
Funding for business acquisitions	122.9
Payment of dividends	122.5
Foreign currency translation adjustment ⁽¹⁾	51.1
Payment of provisions	14.5
Common shares purchased for cancellation	13.7
Accretion of debentures	4.6
Payment for the settlement of puttable interests in non-wholly owned subsidiaries	1.7
Payments to shareholders of non-wholly owned subsidiaries	0.6
Funding for investments in and advances to associates – net of distributions	(29.9)
Scheduled principal payments	(4.8)
<u>Net cash flow applied to revolving senior credit facility and other term loans</u>	<u>(428.3)</u>
	1,936.9

(1) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. dollar denominated debt into Canadian dollars.

During 2022, the Company completed the following financing activities:

- In the second quarter, it increased its revolving credit facility by \$300.0 million to approximately \$1.8 billion.
- Also in the second quarter, it issued \$150.0 million of convertible unsecured subordinated debentures (5.40% Debentures) resulting in net proceeds of \$143.0 million after underwriting fees of \$6.0 million and transaction costs of approximately \$1.0 million. The 5.40% Debentures bear interest at an annual rate of 5.40% payable semi-annually, have a maturity date of September 30, 2029 and are convertible into common shares of the Company at a price of \$160.25 per share.

Banking Covenants

The financial covenants associated with the Company's revolving senior credit facility are as follows:

	Covenant Requirement	Dec 31, 2022 Ratio
Senior funded debt to adjusted EBITDA ratio ^{(1) (3)}	=< 4.0 : 1.0	3.2 : 1.0
Interest coverage ratio ^{(2) (3)}	>= 4.0 : 1.0	8.0 : 1.0

(1) Adjusted EBITDA includes a full year's adjusted EBITDA for new acquisitions and senior funded debt excludes cheques outstanding.

(2) Ratio is calculated based on the combined statements of operations of certain subsidiaries of the Company and therefore will not necessarily equal the ratio calculated based on the Company's consolidated statement of operations.

(3) Ratio excludes the impact of adopting IFRS-16 accounting standard, which is the basis on which its banking covenants are calculated.

Financial Leverage

Two of the key indicators that the Company uses to assess the appropriateness of its financial leverage are its senior funded debt to adjusted EBITDA and total funded debt to adjusted EBITDA ratios. The Company has set 2.5 : 1.0 to 3.0 : 1.0 as the long-term targeted range for its senior funded debt to adjusted EBITDA ratio and 3.5 : 1.0 to 4.0 : 1.0 as the long-term targeted range for its total funded debt to adjusted EBITDA ratio. These ranges are based on several considerations including:

- The risks associated with the consistency and sustainability of the Company's cash flows;
- The financial covenants associated with the Company's senior credit facilities;
- The Company's dividend policy;
- Obtaining an investment grade credit rating;
- The tax benefits associated with financing the Company's operations with debt; and
- The terms and risk characteristics of the convertible debentures issued by the Company.

At the end of 2022, the Company's senior funded debt to adjusted EBITDA ratio of 3.2 : 1 and its total funded debt to adjusted EBITDA ratio of 4.3 : 1 were both above the Company's respective long-term targeted ranges primarily due to higher than normal net working capital levels (see *Liquidity and Capital Resources – Net Working Capital Requirements – Net Working Capital*).

Dividends

Free Cash Flow

Free cash flow is not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities, nor should it be construed as an alternative to other cash flow measures determined in accordance with IFRS.

The Company believes that free cash flow is a useful indicator of the amount of cash it generates that is available for the payment of dividends to shareholders, debt repayment, project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*), plant start-up and business restructuring initiatives and business acquisitions.

The following table provides a reconciliation of free cash flow to cash flow from operating activities:

<i>(in millions of dollars)</i>	53 weeks ended Dec 31, 2022	52 weeks ended Dec 25, 2021
Cash flow from operating activities	96.5	66.3
Changes in non-cash working capital ⁽¹⁾	263.3	253.8
Lease obligation payments ⁽²⁾	(64.2)	(50.4)
Business acquisition transaction costs ⁽³⁾	6.2	7.7
Clearwater closing risk fee ⁽³⁾	-	(2.4)
Plant start-up and restructuring costs ⁽⁴⁾	27.2	2.1
Income taxes on sale and leaseback transaction ⁽⁵⁾	-	15.5
Maintenance capital expenditures ⁽⁶⁾	(43.2)	(29.3)
Free cash flow	285.8	263.3

(1) Cash used for increases in the Company's non-cash working capital is funded primarily through draws on its revolving credit facilities, while cash resulting from decreases in its non-cash working capital is used primarily to pay down these facilities.

(2) Amount normalizes for the Company's adoption of IFRS-16 accounting standard.

(3) Amount relates to the Company's business acquisition activities.

(4) Amount relates to the Company's plant start-up and restructuring initiatives.

(5) Amount relates to the Company's financing activities (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

(6) Amount represents the portion of the Company's capital expenditures necessary for maintaining its existing capital asset base (see *Liquidity and Capital Resources – Capital Expenditures*).

Dividend Policy

The Company considers a variety of factors in setting its dividend policy including the following:

- The ratio of its dividends to its free cash flow on a rolling four quarter basis;
- Its financial leverage ratios relative to targeted ranges (see *Liquidity and Capital Resources – Debt Financing Activities – Financial Leverage*);
- Debt principal repayment and senior lender loan covenant obligations;
- Financing requirements for project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*), plant start-up and business restructuring initiatives and business acquisitions;
- Ability to access reasonably priced debt and equity financing;
- The ratio of its annual dividend per share to the trading price of its shares on the Toronto Stock Exchange (i.e. dividend yield);

- Maintaining a stable quarterly dividend per share;
- Maintaining regular annual increases in its dividend per share; and
- Significant changes, if any, in the status of one or more of the risk factors facing the Company.

In the first quarter of 2022, the Company increased its quarterly dividend by 10.2% to \$0.70 per share, or \$2.80 per share on an annual basis.

Subsequent to 2022, in March 2023 the Company increased its quarterly dividend by 10.0% to \$0.77 per share, or \$3.08 per share on an annual basis.

The Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future. Looking forward (see *Forward Looking Statements*), it intends to continue increasing its dividend, however, due to the general risks and uncertainties inherent in its business (see *Risks and Uncertainties*), there can be no assurance that it will be able to do so or that its current quarterly dividend will be maintained.

Dividend History

The Company declared its first distribution to equity holders in August 2005. The following table outlines the Company's distribution / dividend payment history since 2006, which was its first full year of declared distributions.

(in millions of dollars except per share amounts and ratios)

	Declared Shareholder Dividends / Distributions	Nature of Distribution	Free Cash Flow	Ratio ⁽¹⁾	Average Dividend / Distribution Per Share / Unit
Trailing four quarters ended:					
December 31, 2022	125.3	Dividend	285.8	43.8%	\$2.8000
December 25, 2021	111.5	Dividend	263.3	42.3%	\$2.5400
December 26, 2020	92.0	Dividend	188.8	48.7%	\$2.3100
December 28, 2019	76.7	Dividend	177.8	43.1%	\$2.1000
December 29, 2018	62.7	Dividend	164.6	38.1%	\$1.9000
December 30, 2017	50.6	Dividend	131.3	38.5%	\$1.6800
December 31, 2016	44.5	Dividend	121.5	36.6%	\$1.5200
December 26, 2015	35.0	Dividend	81.1	43.2%	\$1.3800
December 27, 2014	27.8	Dividend	57.4	48.4%	\$1.2500
December 28, 2013	26.5	Dividend	49.2	53.9%	\$1.2315
December 29, 2012	24.4	Dividend	46.0	53.0%	\$1.1760
December 31, 2011	22.7	Dividend	38.2	59.4%	\$1.1760
December 25, 2010	21.0	Dividend	32.2	65.2%	\$1.1760
December 26, 2009	20.7	(2)	29.3	70.6%	\$1.1760
December 31, 2008	20.6	Trust distribution	29.6	69.6%	\$1.1760
December 31, 2007	20.5	Trust distribution	26.4	77.7%	\$1.1760
December 31, 2006	18.4	Trust distribution	17.3	106.4%	\$1.1760

(1) Ratio of dividends / distributions declared to free cash flow for the corresponding trailing four quarter period.

(2) Consisted of trust distributions for the first two quarters of the period and dividends for the last two quarters of the period.

Normal Course Issuer Bid

On July 26, 2022 the Company put into place a normal course issuer bid (NCIB) under which it is authorized to purchase for cancellation up to 2,239,887 common shares, representing 5% of its issued and outstanding common shares at that time, on or before July 25, 2023. Any purchases under the NCIB will be subject to the terms and limitations applicable to it and will be made through the facilities of the TSX.

As of December 31, 2022, the Company purchased and cancelled 167,086 common shares under the NCIB at an average price of \$81.68 per share, for a total repurchase cost of \$13.7 million.

Capital Expenditures

Expenditure Classification

The Company categorizes its capital expenditures into project capital expenditures and maintenance capital expenditures. Project capital expenditures are capital expenditures that are generally expected to earn an internal rate of return of 15% or more on an after tax, unlevered basis (see *Forward Looking Statements*). Maintenance capital expenditures include all capital expenditures that do not qualify as a project capital expenditure, and consist mainly of expenditures necessary for maintaining the Company's existing level of production capacity and operating efficiencies.

Maintenance capital expenditures are financed primarily through free cash flow (see *Liquidity and Capital Resources – Dividends*) while project capital expenditures are generally funded through the Company's credit facilities; however, larger expenditures, such as the building of a new plant or a major expansion of an existing plant, may also be funded through the issuance of new debt and/or equity.

Changes in Capital Assets

The following table shows the changes in the Company's capital assets during 2022:

<i>(in millions of dollars)</i>	53 weeks ended Dec 31, 2022
Opening capital assets at December 25, 2021	617.3
Depreciation	(79.5)
Disposals	(2.8)
Foreign currency translation adjustment ⁽¹⁾	19.5
Acquisitions	79.3
Capital expenditures:	
Project	185.2
Maintenance	43.2
Closing capital assets	862.2

(1) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.

Project Capital Expenditures

During 2022, the Company invested \$185.2 million in project capital expenditures consisting of: (i) \$141.2 million for larger projects as outlined below; and (ii) \$44.0 million for a variety of smaller projects.

<i>(in millions of dollars)</i>			
Project	2022 Expenditures	Future Expenditures ⁽¹⁾	Expected Completion Date ⁽¹⁾
A 41,000 square foot capacity expansion of a 66,000 square foot artisan bakery in Langley, BC	4.7	1.1	Completed
A 26,000 square foot expansion of an 80,000 square foot meat snack production facility in Brantford, ON	4.8	-	Completed
A 42,600 square foot expansion of a 91,600 square foot sandwich and ready-to-eat meals production facility in Lakeville, MN	US10.5	-	Completed
Installation of two third generation automated sandwich lines at the Company's Phoenix, AZ and Reno, NV sandwich production facilities	US6.4	-	Completed
A 56,500 square foot expansion of a 32,000 square foot value-added protein facility in Vaudreuil, QC including the addition of cooking capacity	9.7	-	Completed
A new 67,000 square foot sandwich production facility in Edmonton, AB, which will replace the Company's existing 23,000 square foot sandwich production facility in Edmonton, AB	9.5	9.0	Q2-2023
A 26,000 square foot expansion of a 65,000 square foot distribution and value-added protein processing facility in Quebec City	0.8	8.3	Q2-2023
A new 91,000 square foot USDA inspected artisan bakery in San Leandro, CA	US10.4	US27.4	Q3-2023
A 107,000 square foot expansion of a 52,000 square foot meat snack and processed meats production facility in Ferndale, WA	US28.4	US52.8	Q3-2023
An 8,000 square foot expansion combined with major production line reconfigurations and upgrades at a 100,500 square foot cooked protein production facility in Versailles, OH	US8.2	US16.2	Q3-2023
New processing equipment to expand the capacity of a 106,000 square foot meat snack production facility in Brantford, ON	3.9	6.3	Q3-2023
New processing equipment and building modifications to gain processing efficiencies and increase the capacity of a 170,000 square foot meat snack production facility in Kent, WA	US4.5	US2.9	Q4-2023
The set-up of a 165,000 square foot refrigerated distribution facility in Columbus, OH in conjunction with the conversion of existing warehouse and distribution space at the Company's Columbus, OH sandwich facility into production space	US10.2	US27.9	Q1-2024
Reconfiguration of kettle cooking facility in Richmond, BC to expand capacity and improve operating efficiencies	1.8	6.5	Q2-2024
A 159,000 square foot expansion of a 97,000 square foot distribution facility in Waterloo, ON, with the new space being used for deli meats production. This project will allow for the shutdown of an aging deli meats production facility in Waterloo, ON while adding incremental production capacity and creating significant operating efficiencies	3.2	123.3	Q2-2025
A new 330,000 square foot sandwich production facility in Cleveland, TN. This is Phase one of a three phase plan. Once complete the total size of the facility will be 525,000 square feet. The future expenditures amount is net of an expected sale & leaseback of the facility planned for 2025	US0.2	US27.6	Q2-2025

(1) See *Forward Looking Statements*.

Historical Maintenance Capital Expenditures

The following table outlines the Company's historical maintenance capital expenditures since 2006:

<i>(in millions of dollars)</i>	
Trailing four quarters ended:	
December 31, 2022	43.2
December 25, 2021	29.3
December 26, 2020	27.1
December 28, 2019	26.5
December 29, 2018	19.8
December 30, 2017	12.0
December 31, 2016	8.6
December 26, 2015	6.4
December 27, 2014	4.8
December 28, 2013	4.3
December 29, 2012	2.9
December 31, 2011	2.9
December 25, 2010	1.7
December 26, 2009	2.0
December 31, 2008	2.6
December 31, 2007	1.8
December 31, 2006	1.9

Looking forward, for 2023 the Company expects its maintenance capital expenditures to be between \$45.0 million and \$50.0 million (see *Forward Looking Statements*).

Right of Use Assets and Lease Obligations

The following table shows the changes in the Company's right of use assets during 2022:

<i>(in millions of dollars)</i>	53 weeks ended Dec 31, 2022
Opening right of use assets at December 25, 2021	464.5
Acquired through business and asset acquisitions	9.5
Additions	111.3
Disposals	(1.8)
Amortization	(52.0)
Reclassification for subleases	35.4
Foreign currency translation adjustment ⁽¹⁾	9.1
Closing right of use assets	576.0

(1) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.

The following table shows the changes in the Company's lease obligations during 2022:

<i>(in millions of dollars)</i>	53 weeks ended Dec 31, 2022
Opening lease obligation at December 25, 2021 ⁽¹⁾	510.3
Acquired through business and asset acquisitions	9.5
Additions	111.3
Payments	(64.2)
Disposals	(1.9)
Accretion	24.5
Reclassification for subleases	35.4
Foreign currency translation adjustment ⁽²⁾	9.8
Closing lease obligations ⁽¹⁾	634.7

(1) Includes both the current and long-term portions.

(2) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.

Minimum lease payments in respect of lease obligations and the effect of discounting cash flows are as follows:

<i>(in millions of dollars)</i>	As at Dec 31, 2022
Undiscounted minimum lease payments	847.1
Effect of discounting	(212.4)
Present value of minimum lease payments ⁽¹⁾	634.7

(1) Includes both the current and long-term portions.

Corporate Investments

Corporate investments consist primarily of three activities: (i) business acquisitions; (ii) equity investments in non-controlled businesses; and (iii) loans to non-controlled businesses. Corporate investments, in general, and business acquisitions, in particular, are a core part of the Company's growth strategy.

The financing for corporate investments depends primarily on the size of the transaction. Smaller transactions are generally financed through the Company's credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities*), while larger transactions can be financed through a variety of sources including existing credit facilities and the issuance of new debt and/or equity.

Business Acquisitions

During 2022, the Company invested \$125.0 million, consisting of \$122.9 million in cash and \$2.1 million in contingent consideration, in the following business and asset acquisitions:

(in millions of dollars except percentages)

Business	Primary Business Activity	Trailing Annual Sales	Investment Interest	Segment	Purchase Date
Shaw Bakers LLC	Artisan bread production	US25	From 50% to 73.72%	SF	Dec 31, 2021
Leonetti Food Distributors Inc.	Sandwich production	US5	100%	SF	Feb 28, 2022
Rocky Mountain Flatbread	Artisan pizza production	(1)	100%	SF	Feb 28, 2022
Beechgrove Country Foods Inc.	Cooked protein production	16	100%	SF	Mar 4, 2022
Golden Valley Farms Inc.	Deli meats production	20	From 50% to 100%	SF	May 10, 2022
King's Command Foods	Cooked meats production	US35	100%	SF	Jun 12, 2022

(1) The initial incremental sales impact is nominal as the transaction relates to the acquisition of intellectual property and intangible assets.

Investments in Associates

Investments in associates consists of the Company's investments in businesses which it does not control, including: (i) its 50% interest in Clearwater Seafoods; (ii) 35% to 40% interests in real estate investment limited partnerships (REILPs) which, on a combined basis, own and lease to the Company seven industrial real estate properties; and (iii) investments in a variety of specialty food companies that are generally in the early stages of their respective business plans.

The following table shows the changes in investments in associates during 2022:

(in millions of dollars)

	53 weeks ended Dec 31, 2022
Opening investments in associates at December 25, 2021	568.8
Investments in and interest-bearing advances to associates	25.6
Acquisition of control of an associate – Shaw Bakers LLC	(20.7)
Acquisition of control of an associate – Golden Valley Farms Inc.	(23.7)
Fair value gains upon acquiring control of Shaw Bakers LLC and Golden Valley Farms Inc.	19.9
Equity loss in associates	(15.8)
Cash distribution from associates	(1.2)
Changes in value of investments in associates	(16.0)
Foreign currency translation adjustment ⁽¹⁾	2.0
Closing investments in associates	538.9

(1) Adjustment is the result of changes in the currency exchange rate used to translate the Company's investments in U.S. based associates, which are denominated in U.S. dollars, into Canadian dollars.

Goodwill and Intangible Assets

Primarily all of the Company's goodwill and intangible assets (consisting of brand names and customer relationships) are the result of business and asset acquisitions.

The following table shows the changes in the combined total of the Company's goodwill and intangible assets during 2022:

<i>(in millions of dollars)</i>	53 weeks ended Dec 31, 2022
Opening goodwill and intangible assets at December 25, 2021	1,527.5
Business and asset acquisitions	115.5
Change in preliminary purchase price allocation of prior year acquisitions	(4.5)
Amortization of intangible assets	(28.8)
Foreign currency translation adjustment ⁽¹⁾	41.8
Closing goodwill and intangible assets	1,651.5

(1) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.

Puttable Interest in Subsidiaries

Puttable interest in subsidiaries (puttable interest) represents the fair value estimate of put options held by non-controlling shareholders of certain subsidiaries of the Company that entitle such shareholders to require the Company to purchase their remaining interest in the applicable subsidiary at a formula-based price, which is generally a multiple of the applicable subsidiary's average adjusted EBITDA for a defined period.

The following table shows the changes in puttable interest in subsidiaries during 2022:

<i>(in millions of dollars)</i>	53 weeks ended Dec 31, 2022
Opening puttable interest in subsidiaries at December 25, 2021 ⁽¹⁾	27.1
Business and asset acquisitions	35.2
Change in value of puttable interest in subsidiaries	5.5
Purchase of remaining interest in non-wholly owned subsidiaries pursuant to put options	(3.3)
Cash distributions to non-controlling shareholders with puttable interests	(0.6)
Foreign currency translation adjustment ⁽²⁾	3.1
Closing puttable interest in subsidiaries ⁽¹⁾	67.0

(1) Includes both the current and long-term portions.

(2) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.

Provisions

Provisions consist of: (i) contingent consideration relating to business acquisitions and calculated as the discounted present value of amounts expected (see *Forward Looking Statements*) to be paid to the vendors based on the associated businesses achieving defined performance targets; and (ii) lease restoration obligations, which are calculated as the present value of estimated (see *Forward Looking Statements*) future site restoration costs associated with certain leased facilities.

The following table shows the changes in the provisions during 2022:

<i>(in millions of dollars)</i>	53 weeks ended Dec 31, 2022
Opening provisions at December 25, 2021 ⁽¹⁾	71.1
Business and asset acquisitions	2.1
Accretion of provisions	6.8
Cash payments	(14.5)
Remeasurement of provisions	(21.8)
Foreign currency translation adjustment ⁽²⁾	2.3
Closing provisions ⁽¹⁾	46.0

(1) Includes both the current and long-term portions.

(2) Amount relates to changes in the currency exchange rate used to translate the Company's U.S dollars denominated provisions into Canadian dollars.

OUTLOOK

See *Forward Looking Statements* for a discussion of the risks and assumptions associated with forward looking statements.

See *Results of Operations* for details on the Company's outlooks on its revenue, adjusted EBITDA, income tax rate and capacity related capital project expenditures.

See *Liquidity and Capital Resources – Debt Financing Activities* for details on the Company's liquidity outlook.

See *Liquidity and Capital Resources – Dividends – Dividend Policy* for details on the Company's dividend payment policy.

See *Liquidity and Capital Resources – Capital Expenditures* for details on the Company's project and maintenance capital expenditure expectations.

In terms of business acquisitions, the Company intends (see *Forward Looking Statements*) to continue to pursue opportunities and, correspondingly, is in the process of evaluating several potential transactions.

SUBSEQUENT EVENTS

Subsequent to December 31, 2022 the following events occurred:

Dividend Rate

The Company increased its quarterly dividend by 10.0% to \$0.77 per share, or \$3.08 per share on an annual basis (see *Liquidity and Capital Resources – Dividends – Dividend Policy*).

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The payments due on the Company's significant contractual obligations as at December 31, 2022 are as follows:

<i>(in millions of dollars)</i>	Total	1 year out	2 years out	3 years out	4 years out	5 years out	There-after
Long-term debt	1,432.4	6.5	0.9	1.6	1,414.6	0.2	8.6
4.65% debentures (2018)	172.5	-	-	172.5	-	-	-
4.20% debentures	150.0	-	-	-	-	150.0	-
5.40% debentures	150.0	-	-	-	-	-	150.0
Lease obligations ⁽¹⁾	847.1	70.0	69.2	64.5	62.2	59.0	522.2
Total	2,752.0	76.5	70.1	238.6	1,476.8	209.2	680.8

(1) Includes the impact of lease renewal options based on the likelihood of renewal (see *Forward Looking Statements*).

FORWARD LOOKING STATEMENTS

This discussion and analysis contains forward looking statements with respect to the Company, including, without limitation, statements regarding its business operations, strategy and financial performance and condition, cash distributions, proposed acquisitions, budgets, projected costs and plans and objectives of or involving the Company. While management believes that the expectations reflected in such forward looking statements are reasonable and represent the Company's internal expectations and belief as of March 15, 2023, there can be no assurance that such expectations will prove to be correct as such forward looking statements involve unknown risks and uncertainties beyond the Company's control which may cause its actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward looking statements.

Forward looking statements generally can be identified by the use of the words "may", "could", "should", "would", "will", "expect", "intend", "plan", "estimate", "project", "anticipate", "believe" or "continue", or the negative thereof or similar variations. Forward looking statements in this discussion and analysis include statements with respect to the Company's expectations and/or projections on its: (i) revenue; (ii) adjusted EBITDA; (iii) plant start-up and restructuring costs; (iv) income tax rates; (v) dividends and dividend policy; (vi) capital expenditures and business acquisitions; (vii) convertible debentures; (viii) net working capital; (ix) liquidity outlook; (x) provisions; (xi) 5 year plan; (xii) financial leverage ratios; and (xiii) value of puttable interests.

Some of the factors that could cause actual results to differ materially from the Company's expectations are outlined below under *Risks and Uncertainties*.

Assumptions used by the Company to develop forward looking statements contained or incorporated by reference in this discussion and analysis are based on information currently available to it and include those outlined below as well as those outlined elsewhere in this document. Readers are cautioned that this information is not exhaustive.

- Economic conditions in Canada and the United States will remain relatively stable.

- The average cost of the basket of procured products and raw materials purchased by the Company will remain relatively stable.
- Global supply chains will continue to normalize enabling the Company to access sufficient goods and services for its manufacturing and distribution operations.
- Labor availability will continue to improve in Canada and the U.S, enabling the Company to access sufficient skilled and unskilled labor at reasonable wage levels.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with the levels seen over the last several months.
- The Company's major capital projects, plant start-up and restructuring, and business acquisition initiatives will progress in line with its expectations.
- The Company will be able to achieve its projected operating efficiency improvements.
- There will not be any material changes in the competitive environment of the markets in which the Company's various businesses compete.
- There will not be any material changes in the long-term food trends that have been driving growth in many of the Company's businesses. These include: (i) growing demand for higher quality foods made with simpler more wholesome ingredients and/or with differentiating attributes such as antibiotic free, no added hormones or use of organic ingredients; (ii) increased reliance on convenience oriented foods both for on-the-go snacking as well as easy home meal preparation; (iii) healthier eating including reduced sugar consumption and increased emphasis on protein and seafood; (iv) increased snacking in between and in place of meals; (v) increased interest in understanding the background and stories behind food products being consumed; and (vi) increased social awareness on issues such as sustainability, sourcing products locally, animal welfare and food waste.
- Weather conditions in the Company's core markets will not have a significant impact on any of its businesses.
- There will not be any material changes in the Company's relationships with its larger customers including the loss of a major product listing and/or being forced to give significant product pricing concessions.
- There will not be any material changes in the trade relationship between Canada and the U.S., particularly with respect to certain protein commodities such as beef, pork and chicken.
- The Company will be able to negotiate new collective agreements with no labor disruptions.
- The Company will be able to access reasonably priced debt and equity capital.
- Contractual counterparties will continue to fulfill their obligations to the Company.
- There will be no material changes to the tax and other regulatory requirements governing the Company.

Management has set out the above summary of assumptions related to forward looking statements included in this discussion and analysis to provide a more complete perspective on the Company's future operations. Readers are cautioned that these statements may not be appropriate for other purposes.

Unless otherwise indicated, the forward-looking statements in this discussion and analysis are made as of March 15, 2023 and, except as required by applicable law, will not be publicly updated or revised. This cautionary statement expressly qualifies the forward-looking statements in this discussion and analysis.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties related to its businesses that may have adverse effects on its results of operations and financial position. Some of these risks and uncertainties are outlined below. Prospective investors should carefully review and evaluate these risk factors together with all other information contained in this discussion and analysis. Furthermore, it should be noted that the risk factors described below are not the only risk factors facing the Company and it may be subject to risks and uncertainties not described therein or that it is not presently aware of or that it may currently deem insignificant (see *Forward Looking Statements*).

Public Health Threat

An outbreak of disease, epidemic or pandemic such as the recent global pandemic related to a novel strain of coronavirus (COVID-19), or similar public threat, or fear of such an event, could have a material adverse effect on the Company in a variety of ways including: (i) reduced consumer demand for certain products, particularly those associated with out-of-home dining, air travel, cruise ship travel or those that require extra in-store handling by staff; (ii) general decreased consumer spending resulting from lower confidence levels; (iii) supply chain disruptions, resulting in sudden and severe increases in costs and/or shortages in raw materials, equipment, parts, supplies and/or logistics services; (iv) internal production disruptions and/or inefficiencies resulting from a range of factors including employee absenteeism and new operating processes; (v) extra costs associated with mitigating the risk of employees contracting the disease and maintaining their safety and well-being; (vi) increased financial pressure on the Company's customers; (vii) delays in the completion of capital projects; (viii) disruptions in international trade and access to markets; and (ix) unfavorably impacting the debt and equity markets. In addition, further outbreaks of disease could impact the Company's ability to raise capital as a result of disruptions in capital and financial markets as well as potentially increase the effects of other risks and uncertainties described below (see *Forward Looking Statements*).

The Company has taken significant actions to mitigate the effects of a pandemic and, as needed, will take further actions that are in its best interest as well as those of its employees, customers, suppliers and other stakeholders. Furthermore, the Company's business, production and geographical diversification strategies help to reduce its exposure to the effects of a pandemic in a specific region.

Commodity Risk

The Company purchases a variety of commodity raw materials, including beef, pork, seafood, poultry, lamb, flour, corrugated packing materials, dairy products and energy, all of which are determined by relatively volatile market forces of supply and demand over which the Company has limited or no control. In addition, the cost of many of these commodity raw materials is highly cyclical, being characterized by periods of supply and demand imbalance, and sensitive to changes in industry capacity. If there is a sudden or severe increase in the cost of such commodity raw materials and the Company is unable to pass the additional costs onto its customers through increased selling prices, this could have a material adverse effect on its selling margins.

Furthermore, even if the Company is able to pass the additional costs onto its customers, there is a risk that this could result in higher selling prices for end consumers which, in turn, could negatively impact consumer demand for the Company's products.

The Company mitigates this risk through its product diversification strategies, which reduce its exposure to any single commodity, combined with its focus on differentiated products and niche markets that are less price sensitive.

Consumer Discretionary Spending Risk

The Company's sales could be adversely affected by reduced consumer discretionary spending resulting from actual or perceived changes in the condition of the economy. The Company's foodservice and convenience related businesses are particularly sensitive to this risk since reduced consumer discretionary spending generally results in a decrease in the frequency and amount spent for food prepared away from home and on convenience-related items.

The Company mitigates this risk through its sales diversification strategies, which include the development of sales in both the retail and foodservice segments of the food industry as a decline in sales in the foodservice segment resulting from poor economic conditions is often partially offset by an increase in sales in the retail segment.

Reputation and Public Opinion

The risk of the Company's reputation being negatively impacted can arise in various situations. The Company's reputation is tied heavily to its products, specifically the quality and safety of such products. The Company's commitment to good corporate citizenship, including its various social and environmental initiatives, also plays an increasing role in its reputation. Additionally, how the Company interacts with business partners, consumers, employees, or other persons, may affect the public's perception of the Company, in part due to the speed and extent at which social media can spread (mis)information and opinions. Failure to maintain a positive reputation in any given context, or the emergence of negative publicity about the Company, even if unfounded, may create a risk to the Company's reputation and adversely affect the Company's operations and financial results.

Sales and Margin Risk

The Company's profitability depends on its ability to maintain its sales and profit margins. If the cost of the products sold by the Company increases, including through: (i) increased prices from suppliers for products distributed by the Company; (ii) increased costs for raw materials used by the Company in the manufacturing of its products; and/or (iii) increased operating costs, its sales and/or selling margins could be adversely affected.

In addition, competition in the markets in which the Company competes may require it to reduce the prices it charges adversely affecting the Company's sales and/or selling margins. If competitors offer discounts on certain products or services in an effort to capture or gain market share or to sell other products, the Company may be required to lower its prices or offer other favorable terms to compete successfully.

The Company mitigates these risks by focusing on differentiated and innovative products in niche markets that are less sensitive to price.

Cybersecurity Risk

The Company relies heavily on information technology systems for the efficient and effective operation of many aspects of its business, including: (i) managing business data; (ii) processing financial information; and (iii) complying with various regulatory, legal and tax requirements. The Company also stores confidential, sensitive, and personal information (Confidential Information) on its information technology network infrastructure systems or those maintained by third-party service providers. The Company may use such systems for electronic communications with its personnel, customers, business partners and suppliers. The security and integrity of Confidential Information is key for the Company's business operations and reputation amongst customers, suppliers, employees and other stakeholders.

The Company's information technology systems and networks are subject to potential threats such as: system failure; the requirement to upgrade or replace its software, databases, systems or key components thereof; natural disasters; unauthorized access; theft of information; malware; and viruses which could result in the theft, manipulation and/or the destruction of key information that the Company

relies on for its operations. The addition of and increased reliance on such systems and networks may further increase the Company's risk to such potential threats.

The Company mitigates these risks by: (i) maintaining and testing systems of internal controls over its information technology systems and networks; (ii) education of its employees on potential sources of cyber risks; (iii) maintaining disaster recovery and response plans, and (iv) maintaining relevant insurance coverage. However, given the rapidly evolving nature of information technology, the increasing sophistication of groups and individuals with a wide range of motives and expertise, and the high rate of change in the threat landscape, the Company may not be able to mitigate all risks associated with its information technology systems and networks. Additionally, employee mistakes, faulty password management or other instances of human error may result in a breach of the Company's or its third-party service providers' security measures, which could result in unintended disclosure of Confidential Information. Furthermore, increasingly demanding laws and regulations surrounding personal and/or sensitive information, and/or ever-evolving cybersecurity threats may result in the Company needing to incur additional costs to maintain compliance or increase protection, as applicable.

Any significant failure of the Company's systems, including failures that prevent its systems from functioning as intended, or the Company's failure to timely identify or appropriately respond to cyber-attacks or other cyber incidents, could result in a material adverse effect on the Company through processing inefficiencies, the loss of customers and sales, negative consequences on employees and business partners, negative impacts on operations or business reputation, litigation and/or regulatory enforcement actions. In addition, if the Company is unable to prevent security breaches, it may suffer financial and reputational damage or penalties because of the unauthorized disclosure of Confidential Information belonging to the Company or to its business partners, customers, consumers or suppliers.

Customer Risk

The Company's sales to a relatively small group of large format retail customers accounted for approximately 41.7% of its total revenue for 2022 with one such retailer (Customer A) accounting for approximately 13.0% of its total revenue for 2022. As is customary in the food industry, the Company does not have long-term contracts with any of these customers. The Company also sells, directly or indirectly, to a foodservice operator (Customer B) who represents approximately 13.6% of its total revenue in 2022. The balance of the Company's sales is to a broad and diversified base of customers. The loss of sales to a large format retail customer, Customer A or Customer B could have a material adverse effect on the Company.

The Company mitigates its exposure to any single large format retail customer, including Customer A, by ensuring each of its individual businesses: (i) maintains a distinct and separate relationship with the customer; and (ii) provides the customer with a differentiated and unique product offering. The Company's exposure to Customer B is mitigated by a variety of factors including a long-term supply agreement, the Company's strong past performance as a strategic supplier, and a solid long-term relationship.

Product Defect Risk

Many of the Company's products require a high degree of quality control to ensure their safety for consumption by consumers. Furthermore, a significant portion of the Company's products must be kept refrigerated prior to consumption. Improper production, handling or storage of the Company's products could result in the development of bacteria in the product that may cause food-borne illness. Product defects may also be caused by other factors such as accidental contamination, product tampering, mislabeling and/or the unintentional use of defective raw materials received from third party suppliers. The occurrence of a product defect could have a material adverse effect on the Company's: (i) sales due to reduced consumer demand and/or product availability; and/or (ii) expenses due to a variety of potential items including product recall costs, disposal costs and lawsuits.

The Company mitigates this risk by maintaining strict and rigorous quality controls and processes in its manufacturing and distribution facilities and by maintaining product liability and other insurance coverage that it believes to be in accordance with industry practices. Its insurance coverage may not,

however, be adequate to fully protect the Company against damage claims and other costs resulting from product defects. In addition, even if a claim is unsuccessful, the negative publicity associated with a claim and/or a product recall could harm the Company's reputation and result in a material adverse effect on it.

Climate Risk

The potential effects of climate change, including the frequency and severity of weather-related events, changes in rainfall patterns, water shortages, wildfires, rising sea levels, changing storm patterns and intensities and more extreme temperature levels, may materially impact the Company in a wide variety of ways including: (i) increased commodity costs; (ii) changing consumer buying habits; (iii) higher compliance costs; (iv) increased operating costs; (v) damage to its manufacturing and / or distribution infrastructure; and (vi) disruptions to operations and supply chains. Risks also arise from a wide variety of policy, regulatory, legal, technological and market responses to the challenges posed by climate change. The potential impact or financial costs associated with these risks is highly uncertain and may adversely impact the Company's strategy, business, reputation, and financial and share performance.

The Company mitigates these risks through a variety of strategies including diversification of its supply chains, implementing clear policies and objectives to minimize its impact on the environment and adopting business continuity and disaster recovery programs. Furthermore, the risks are assessed on an ongoing basis by management and reviewed by the Company's Board of Directors from a strategic and risk management perspective, as well as considered by the Company's Corporate Governance and Nominating Committee in its ongoing oversight of Environmental, Social and Governance matters. Due to the significant amount of uncertainty associated with these risks, there can be no assurance that any of the Company's mitigation efforts will be successful.

Weather Risk

Many of the Company's businesses are seasonal as their revenues depend partly on favorable weather conditions. Correspondingly the Company's strongest financial performance is during the spring and summer seasons (see *Summary of Quarterly Results*). Poor weather conditions during these periods could have a material adverse effect on the Company's sales. Extreme weather conditions may also adversely affect the Company's operations through unanticipated disruptions to its employees and suppliers.

Access to Raw Material Supply Risk

Most of the raw materials purchased by the Company are generally readily available from a variety of suppliers and brokers, however, there are risks associated with the Company being able to adequately source adequate quantities of raw materials at reasonable prices. These include the potential impact of: (i) climate change in general, and droughts in particular, on livestock production; (ii) unusual weather conditions on the availability of certain species of wild seafood, both in terms of preventing fishing fleets from accessing wild seafood stocks during extreme storms and a general lack of availability of certain species of seafood during times of abnormal water temperatures; (iii) Canada's supply management system for certain agricultural commodities which, in the past, has created supply / demand imbalances that have resulted in the Company not being able to source adequate amounts of reasonably priced turkey and chicken raw materials; (iv) an outbreak of a health epidemic or pandemic, including COVID-19, which could result in material disruptions in the Company's supply chain logistics and/or its suppliers' production capacities; (v) livestock related risks (see *Risk and Uncertainties – Livestock Risk*); (vi) international trade related risks (see *Risk and Uncertainties – International Trade Risk*); and (vii) international conflicts (see *Risk and Uncertainties – International Conflict Risk*). Any failure of the Company to source adequate quantities of raw materials at reasonable prices could have a material adverse effect on the Company.

The Company mitigates this risk by maintaining a broad network of suppliers, contractual relationships with certain suppliers, developing global procurement relationships and through its general business and product diversification strategies.

Consumer Preference Risk

The Company's business is dependent on continued consumer interest in its products. While the Company believes it is well positioned to benefit from several consumer trends (see *Forward Looking Statements*), there is no assurance that these trends will continue or that contrary trends will not emerge. If consumer preferences, purchasing behaviors (including changes in method or avenue of purchase) and/or dietary habits change, the Company's success will depend on its ability to respond to these changes and its failure to anticipate, identify or react to them could result in declining demand and prices for the Company's products, which in turn could have a material adverse effect on the Company.

Part of the Company's growth strategy, as well as its strategy for dealing with changes in consumer preferences, is based on the development of new and innovative products and product extensions, as well as improved access to its products. However, there can be no assurance that consumers will accept any such new products or that the Company will be able to attain sufficient market share for such products.

The Company mitigates these risks by: (i) investing in a diverse base of food companies, most of which have their own proprietary and distinct marketing and product development teams; (ii) promoting cultures that prioritize awareness of trends and innovation; and (iii) dedicating corporate resources to the study of both current and potential consumer food trends.

Competition Risk

The Company competes with many local, regional and national food manufacturers and distributors and its competition varies by distribution channel, product category and geographic market. Some of the Company's competitors have greater financial and other resources than those of the Company or may have access to labor or products that are not available to the Company. In addition, the Company's competitors may be able to withstand market volatility better than the Company. There can be no assurance that the Company's principal competitors will not be successful in capturing, or that new competitors will not emerge and capture, a share of the Company's present or potential customer base.

In addition, it is possible that some of the Company's suppliers or customers could become competitors of the Company if they decide to distribute their own food products. Furthermore, if one or more of the Company's competitors were to merge or partner with another of its competitors, the change in the competitive landscape could adversely affect the Company's ability to compete effectively. Competitors may also establish or strengthen relationships with parties with whom the Company has relationships, thereby limiting its ability to distribute certain products.

The Company mitigates these risks through: (i) its business diversification strategies; and (ii) its "big fish in a small pond" strategy whereby its businesses can leverage the Company's overall size to gain competitive advantages.

Growth Risk

A key component of the Company's strategy is to continue to grow by increasing sales and earnings in existing markets with existing products; by expanding into new markets and products; and through business acquisitions. There can be no assurance that the Company will be successful in growing its business or in managing its growth. Furthermore, high growth rates may place a significant amount of strain on the Company's senior management team and other key personnel as well as its business processes, operations, information systems, availability of capital and other resources. Any inability to properly manage growth could result in cancellation of customer orders, increased operating costs and lower employee retention rates, and correspondingly, could have a material adverse effect on the Company.

Labor Risk

Approximately 12.8% of the Company's non-management employees are represented by labor unions or employee associations and the Company cannot predict with certainty which, if any, groups of

employees that are not currently represented by a trade union or employee association may seek such representation in the future. A labor disruption, whether at one of the Company's businesses or involving one of the Company's significant suppliers, could impair the Company's ability to produce and/or source an adequate supply of finished products. Furthermore, labor disruptions involving one or more of the Company's significant customers could impair the Company's sales.

The Company is also dependent on having sufficient skilled and unskilled production and distribution labor for the continued efficient operation and growth of its business. In the event the Company is unable to hire and retain adequate labor resources, this could: (i) impair the Company's ability to produce an adequate supply of finished products; and/or (ii) have an adverse effect on its operating costs.

The Company mitigates this risk by devoting significant resources to employee training and retention programs in order to keep top performing employees.

Acquisition Risk

Business acquisitions and combinations are a key component of the Company's growth strategies, however, there can be no assurances that the Company will be able to identify and acquire appropriate businesses. Furthermore, there are inherent risks associated with acquiring a business including unanticipated transaction costs, costs associated with failed transactions, compliance issues in new jurisdictions, undisclosed liabilities, diversion of management's attention from existing core businesses, adverse effects on existing business relationships with suppliers and customers, integration issues, and potential disputes with the sellers.

There is also a risk that some or all of the expected benefits of acquisitions, many of which can be affected by factors outside of the control of the Company, may fail to materialize or may not occur within the time periods anticipated by management. Furthermore, inherent in any acquisition, there is a risk of liabilities and contingencies that the Company may not discover in its due diligence for which it may not be indemnified by the vendor.

The occurrence of one or more of the above risks could have a material adverse effect on the Company.

The Company mitigates these risks through extensive due diligence, transaction structuring, the use of third-party experts and working closely with its businesses after acquisition.

Customer Consolidation Risk

As the retail grocery and foodservice trades continue to consolidate and customers grow larger and more sophisticated, the Company often must adjust to changes in its customers' purchasing practices including expected product price discounts and rebates. Failure to do so could result in a material adverse effect on the Company's sales.

The Company mitigates this risk through the implementation of a variety of selling strategies including its focus on providing its customers with unique and differentiated products and product solutions.

Business Restructuring Risk

In order to maximize the profitability of one or more of the Company's businesses and/or address changes in the business environment in which one or more of its businesses operates, the Company will, from time to time, initiate major business restructuring projects. There can be no assurance that these projects will be successful in addressing the issues impacting the relevant business. Furthermore, a major restructuring project may involve significant costs and absorb significant management attention that would otherwise be available for the ongoing development of the Company's business.

Capital Project Risk

As part of the Company's growth and continuing improvement initiatives, it often invests in a variety of capital projects including the construction of new facilities and enhancements to existing facilities. In

estimating the cost of these projects, the Company must make a variety of assumptions which are based on its experience and understanding of current facts and circumstances. If the capital expenditures associated with a capital project are greater than projected, or if the expected benefits associated with larger capital projects are not achieved then the Company could be adversely affected.

Currency Exchange Risk

The Company is exposed to changes in the value of the Canadian dollar relative to the U.S. dollar in the following ways: (i) a significant portion of the Company's Canadian operations' raw material and finished product purchases are either denominated in U.S. dollars or are priced off of U.S. commodity markets. Correspondingly, an increase in the U.S. dollar relative to the Canadian dollar can result in an increase, in Canadian dollar terms, in the cost of these products. Where appropriate the Company partially mitigates this risk through the use of foreign currency forward contracts; (ii) a portion of the Company's U.S. based operations' sales consist of product exports to Canada. Correspondingly, an increase in the U.S. dollar relative to the Canadian dollar could reduce the selling margins on these products if the Company's U.S. based operations were unable to increase their selling prices, in Canadian dollar terms, to compensate for the stronger U.S. dollar; (iii) the valuation of cash flows transferred from the Company's U.S. based operations. A decrease in the U.S. dollar relative to the Canadian dollar would reduce the value of this cash flow; and (iv) the translation of the Company's U.S. based operations' earnings and financial position. A decrease in the U.S. dollar relative to the Canadian dollar would reduce the translated earnings and net asset values of the Company's U.S. based operations, for purposes of its consolidated financial statements.

The Company is also exposed to changes in the value of the Canadian dollar relative to the EUR as a portion of the Company's Canadian operations' raw material and finished product purchases are denominated in EUR. Correspondingly, an increase in the EUR relative to the Canadian dollar can result in an increase, in Canadian dollar terms, in the cost of these products. Where appropriate the Company partially mitigates this risk through the use of foreign currency forward contracts.

Indebtedness Risk

The Company's indebtedness, including borrowings under its revolving senior credit facilities, may increase from time to time for various reasons, including fluctuations in operating results, working capital needs, capital expenditures acquisitions and/or other significant initiatives. At certain levels, the Company's consolidated indebtedness level could adversely affect its business due to: (i) limiting or impairing its ability to obtain financing in the future; (ii) reducing its flexibility to respond to changing business and economic conditions or to take advantage of new business opportunities; (iii) losing access to a portion or all of its free cash flow due to having to dedicate it to interest and/or principal payments; and (iv) restricting its ability to pay dividends. The Company's revolving senior credit facilities contain affirmative and negative covenants that, among other things, may limit or restrict its ability to create liens and encumbrances, incur debt, merge, dissolve, liquidate or consolidate, make acquisitions and investments, engage in certain transactions with affiliates and enter into hedging transactions, which could have a material adverse effect on the Company.

International Trade Risk

The Company imports products from and, to a lesser extent, exports products to other countries and as such may be adversely affected by international events, disputes and/or conflicts, including, but not limited to, changes in trade agreements or policies, the implementation of export controls, tariffs and other trade barriers, or shifts in political attitude, that affect the price of commodities or the free flow of product between countries. The Company mitigates these risks by: (i) maintaining a broad network of suppliers and customers; (ii) developing global procurement relationships; and (iii) implementing general business and product diversification strategies.

International Conflict

In February 2022, Russia, a major exporter of oil, national gas and wheat, undertook a military invasion of Ukraine (the Russia Conflict), and in response to these actions, many countries throughout the world

began and continue to provide aid directly to Ukraine, while imposing severe sanctions on Russia and certain Russian citizens. These sanctions include, but are not limited to, restrictions on trade, international financing, air traffic access and asset seizures. The Russia Conflict's future impacts on the Company remain highly uncertain and will depend on the outcome of current sanctions as well as future developments, including, but not limited to: (i) the duration of the conflict; (ii) further sanctions against Russia that may include directly targeting their oil and natural gas industries; and (iii) Russia's response to sanctions, which may include military aggression against countries in the North Atlantic Treaty Organization.

The onset of an international conflict such as the Russia Conflict, or the threat of such an event, could have a materially adverse effect on the Company in a variety of ways including: (i) disruptions in international trade which, in the case of the Russia Conflict, could have severe impacts on global energy, food (particularly wheat and corn), and metal markets that may result in further inflationary pressures on a variety of goods and services sourced by the Company; (ii) supply chain disruptions due to restrictions on trade lanes, resulting in sudden and severe increases in the cost and/or shortages of raw materials, equipment, parts, supplies and/or logistics services; (iii) general decreases in consumer spending resulting from lower confidence levels and severe price inflation; (iv) increased financial pressure on the Company's customers; and (v) disruptions in capital and financial markets.

The Company continues to monitor the evolving situation very closely, and as is needed, will take further actions that are in its best interest as well as those of its employees, customers, suppliers and other stakeholders.

Information Technology

The Company relies on the continuous and uninterrupted uptime of its core technology systems. Any downtime or failure of such systems could result in disruptions or delays in the Company's operations, which could have an adverse impact on the Company or its customers, and may also impact the Company's reputation with customers and suppliers.

The Company has numerous key relationships with third-party service providers who provide certain core information technology solutions and services. The Company does not have direct control over how such service providers are managed. Such service providers may be involved with negative events which could directly or indirectly, and adversely, impact the Company, and/or its reputation, operations and financial performance.

The Company continues to seek opportunities for new information technology systems to improve the Company's overall effectiveness. Failure to implement such new systems without disruptions, could prevent the Company from realizing the full benefits of such new information technology systems, which in turn could adversely affect the Company's operations or performance.

Governmental Regulation Risk

The Company is subject to extensive laws, rules, regulations and policies with respect to the production, processing, preparation, testing, packaging and labeling of its internally produced food products. Such laws, rules, regulations and policies are administered by various federal, state, provincial, regional and local health agencies and other governmental authorities, including, without limitation, Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, the United States Department of Agriculture and the United States Food and Drug Administration.

Although the Company maintains strict and rigorous controls and processes in its manufacturing facilities and strives to maintain material compliance with all applicable laws and regulations and maintain all material permits and licenses relating to its operations, there can be no assurance that it is in compliance with all such laws and regulations or that it will be able to comply with all applicable laws and regulations which may be enacted in the future. Failure by the Company to comply with applicable laws and regulations could subject it to significant civil remedies, including fines, injunctions, recalls, seizures, criminal sanctions, negative publicity, and/or increased costs associated with complying with such standards and controls. As well, changes in packaging and labelling requirements regarding product content could materially impact consumer demand for the Company's products.

Intellectual Property

The Company's brands and other intellectual property contribute to the Company's competitive edge and success. The Company takes steps to protect certain intellectual property rights in Canada, the United States and in other jurisdictions. However, there can be no assurance that such steps fully protect those intellectual property rights from circumvention, misappropriation infringement, or invalidation by third parties.

To protect its brands and other intellectual property, the Company may be required to enforce its intellectual property rights through litigation. Similarly, a third party may initiate litigation against the Company on the grounds that the Company has allegedly infringed certain intellectual property rights. Such litigation could result in a significant diversion of capital and human resources, which could adversely affect the Company's operations and financial results, regardless of whether the Company prevails in such litigation. If the Company is not successful in such litigation, it may be prohibited from using certain intellectual property, and may be liable to the prevailing party. Such events could adversely affect the Company's operations and financial results either directly, or indirectly through a decrease in the reputation of the Company or the value of its brands.

Tax Risk

Significant judgment is required in determining the Company's provision for income taxes. The Company's total income tax expense can be affected by changes in tax rates in various jurisdictions, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. The Company is also subject to the examination of its tax returns and other tax matters by the Canada Revenue Agency, the U.S. Internal Revenue Service and other tax authorities. There can be no assurance as to the outcome of these examinations. If a taxing authority disagrees with the positions the Company has taken, the Company could face additional material tax liabilities, including interest and penalties.

The Company mitigates this risk through maintaining an internal tax department composed of professionals who stay current on domestic and foreign tax obligations, supplemented where appropriate with external tax advisors. In addition, as a matter of regular practice, large transactions are reviewed by the Company's external tax advisors to assess potential tax implications.

Availability of Capital Risk

The Company's growth strategies, including its acquisition initiatives, as well as its ongoing operations are dependent on being able to access debt and equity financing at a reasonable cost. Many factors can impact the Company's ability and the associated cost to finance its activities, including general market conditions, investor sentiment, credit availability and the Company's operating performance. If the Company is unable to source financing as needed or to the extent that the Company is able to access sufficient capital but the cost of such capital is significantly higher than its current cost, its ability to execute its business strategies could be impaired.

Dependence on Key Personnel Risk

The Company is dependent on the continued services of its senior management team and its ability to retain and/or hire other highly qualified personnel. The loss of key personnel and/or the inability to attract and assimilate qualified personnel in the future (including in connection with business acquisitions) could impact the Company's ability to execute its business plans. The Company aims to attract and retain key personnel through both monetary and non-monetary approaches. The Company's compensation and benefits program is both market-driven and performance-based. Where required, the Company implements targeted retention solutions for employees with critical skills or talents that are scarce in the marketplace, and the Company has a succession planning process to identify top talent for senior-level positions. In addition, the Company focuses on non-monetary factors, including training and professional development, career guidance, recognition, health and wellness, and programs related to diversity, inclusiveness and community engagement.

Interest Rate Risk

The Company is exposed to interest rate fluctuations on most of its senior credit facilities and correspondingly a major increase in interest rates could have a material adverse effect on it. The Company mitigates this risk using interest rate swaps.

On a portion of the Company's U.S. denominated debt the interest rate benchmark LIBOR is used as the reference rate. LIBOR is expected to be phased out after June 30, 2023 and at this time, its preferred replacement as considered by the Alternative Reference Rates Committee, a steering committee convened by the U.S. Federal Reserve and comprised of several large U.S. financial institutions, is the Secured Overnight Financing Rate (SOFR). Given the inherent differences between LIBOR and SOFR or with any other alternative benchmark rate that may be established, there are many uncertainties regarding what impact a transition from LIBOR to another benchmark rate will have on the cost of the Company's U.S. dollar denominated variable rate debt and certain derivative financial instruments. While it does not believe that a change from LIBOR to an alternative rate will have a material adverse effect on it or its ability to access capital, no assurances relating to the potential impact can be provided at this time.

Credit Risk

The Company extends credit to its customers which, like for most businesses in the food industry, is generally unsecured. There is a risk that some of the Company's customers may not be able to meet their obligations when they become due, which could have a materially adverse effect on the Company's financial position or operating results. The Company mitigates this risk through its credit management system which includes credit approval processes, credit limits and the close monitoring of payments and outstanding balances.

The Company also provides capital to related parties to fund capital expenditures and working capital requirements, primarily in the form of unsecured loans. There is a risk that some of the Company's related parties may not be able to meet their obligations when they become due, which could have a material adverse effect on the Company's financial position or operating results. The Company mitigates this risk through close monitoring and continuous review of its related parties' financial results and ongoing communications with management.

Manufacturing Risk

The operation of the Company's facilities is dependent on the continued operation of certain critical equipment, such as refrigerators, freezers and processing equipment, which could incur downtime as a result of unanticipated failures, maintenance and repair time. The Company may experience plant shutdowns, periods of reduced production or unexpected interruptions in production capabilities as a result of such equipment failures and maintenance.

The Company mitigates its exposure to this risk through a combination of maintaining strict and rigorous controls and processes in its manufacturing facilities, regular equipment maintenance and prudent levels of insurance.

Livestock Risk

The Company is susceptible to risks related to the health status of livestock. The outbreak of disease in Canada or elsewhere in the world could materially impact the Company in a variety of ways including: (i) raw material shortages; (ii) increased procurement costs; (iii) reduced consumer confidence about meat products associated with the particular disease; and (iv) adverse publicity on meat products in general. The Company mitigates these risks by: (i) maintaining a broad network of suppliers and customers; (ii) developing global procurement relationships; and (iii) developing business continuity plans for various disease scenarios that are continuously updated. Its general business and product diversification strategies also help to mitigate these risks.

Seafood Supply Risk

The Company is susceptible to risks related to changes in the population and biomass of seafood stocks which are subject to natural fluctuations beyond the Company's control and may be exacerbated by factors such as water temperatures, food availability, the presence of predators, disease, disruption in the food chain, reproductive problems or other biological issues. Supply and quality of supply can also be influenced by man-made factors such as oil spills and pollution. The Company is unable to fully predict the timing and extent of fluctuations in the population and biomass of the seafood stocks and any material reduction in the population and biomass of the stocks from which the Company and/or its suppliers source seafood could have a material adverse effect on the Company's business. In addition, any material increase in the population and biomass of seafood stocks may dramatically reduce the market price of the Company's products. The Company mitigates the risk associated with resource supply through the diversification of its sales across a variety of species.

Environmental, Health and Safety Regulation Risk

The Company's operations have been and are subject to extensive and increasingly stringent federal, state, provincial, regional and local laws and regulations pertaining to environmental, health and safety matters, including the discharge of materials into the environment (including greenhouse gases) and the handling and disposition of waste material resulting from the production, processing and preparation of foods (including solid and hazardous wastes) or otherwise relating to the protection of the environment. Compliance with these laws and regulations, including any future amendments thereto, or more stringent enforcement of such laws and regulations could have a material adverse effect on the Company.

Furthermore, no assurances can be given that additional environmental, health and safety issues relating to presently known matters or identified sites, or to other matters or sites, whether presently or formerly owned by the Company or within the vicinity of one of the Company's present or formerly owned sites will not require currently unanticipated investigation, assessment or material expenditures. To mitigate this risk, the Company's policy, subject to limited exceptions, is to obtain a Phase I environmental site assessment and baseline property condition assessment, conducted by an independent and experienced environmental consultant, prior to acquiring any interest in a property, including a leasehold interest, and to have a Phase II environmental site assessment completed where recommended in a Phase I environmental site assessment. Although such assessments provide the Company with some level of assurance about the condition of the property, the Company may become subject to liabilities for undetected contamination or other environmental conditions at its properties against which the Company cannot insure, or against which the Company may elect not to insure, which could have a material adverse effect on it.

Enterprise Resource Planning System Risk

The Company is engaged in or is planning the implementation of enterprise resource planning (ERP) systems at several of its businesses. Such implementations are a major undertaking from a financial, management, and personnel perspective and, in some cases, can take several years to complete. The implementation of an ERP system may prove to be more difficult, costly, or time consuming than expected, and there can be no assurance that the system will be beneficial to the extent anticipated. Any disruptions, delays or deficiencies in the design and implementation of a new ERP system could adversely affect the Company's ability to process orders, ship products, send invoices, track payments, fulfill contractual obligations, produce financial reports, and/or otherwise operate its business.

Uninsured and Underinsured Losses Risk

The Company maintains property, equipment, business interruption and liabilities insurance coverage and uses the services of a national insurance broker to continuously review the adequacy of its coverage and the pricing of its insurance policies. The Company uses its discretion in determining the amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be

sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim, which could have a material adverse effect on the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make certain estimates and assumptions, which are based on the Company's experience and management's understanding of current facts and circumstances. These estimates affect the reported amounts of assets, liabilities, contingencies, revenues and expenses included in the Company's consolidated financial statements and may differ materially from actual results.

Significant areas requiring the use of management estimates include inventories, goodwill and intangible assets, capital assets, right of use assets and lease obligations, income tax provisions, puttable interest in subsidiaries, convertible unsecured subordinated debentures, business acquisitions and contingent consideration, provisions, and plant start-up and restructuring costs. Details on these items can be found in the Company's 2022 audited consolidated financial statements, which are incorporated by reference herein, have been filed electronically through SEDAR and are available online at www.sedar.com.

NEW ACCOUNTING POLICIES

The International Accounting Standards Board (IASB) periodically issues new standards and amendments or interpretations to existing standards. Details on the impact (see *Forward Looking Statements*) of any such changes can be found in the Company's 2022 audited consolidated financial statements, which are incorporated by reference herein and have been filed electronically through SEDAR and are available online at www.sedar.com.

FINANCIAL INSTRUMENTS

Foreign Currency Contracts

To reduce the risk associated with purchases denominated in currencies other than Canadian dollars, the Company, from time to time, enters into foreign currency contracts. The Company does not hold foreign currency contracts for speculative purposes.

Details on the Company's outstanding foreign currency contracts can be found in its 2022 audited consolidated financial statements, which are incorporated by reference herein.

Interest Rate Swap Contracts

To reduce its exposure to rising interest rates, the Company, from time to time, enters into interest rate swap contracts. The Company does not hold interest rate swaps for speculative purposes.

Details on the Company's outstanding interest rate swap contracts can be found in its 2022 audited consolidated financial statements, which are incorporated by reference herein.

OTHER

Outstanding Shares

The shares outstanding in the Company as of March 15, 2023 were 44,629,382. Under IFRS, which requires that shares issued under employee share benefit plans that have not yet vested be deducted from shares outstanding, the shares outstanding in the Company as of March 15, 2023 were 44,406,159.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management has designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures (DCP) and internal control over financial reporting (ICFR) as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109).

Management has evaluated the Company's DCP as of December 31, 2022 and has concluded that such procedures are adequately designed and effective for providing reasonable assurance that: (i) material information relating to the Company, including its consolidated subsidiaries, is made known to management on a timely basis to ensure adequate disclosure; and (ii) information required to be disclosed by the Company in its annual filings or other reports filed and submitted under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time period.

Management has also evaluated the Company's ICFR as of December 31, 2022 and has concluded that the Company's ICFR is adequately designed and effective for providing reasonable assurance that the reliability of financial reporting and the preparation of financial statements for external purposes are in accordance with IFRS.

Although the Company's assessment of DCP and ICFR are based on the integrated framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (2017 COSO), both DCP and ICFR, no matter how well designed, have inherent limitations. Therefore, DCP and ICFR can only provide reasonable assurance and thus may not prevent or detect all misstatements.

The Company's Management has also concluded that there have been no changes to the Company's ICFR during the period ending December 31, 2022 that have materially affected, or are reasonably likely to affect, its ICFR.

Responsibilities of Management and Board of Directors

Management is responsible for the reliability and timeliness of content disclosed in this MD&A, which is current as of March 15, 2023. It is the responsibility of the Company's Audit Committee to provide oversight in reviewing the MD&A and the Company's Board of Directors to approve the MD&A.

The Company's Board of Directors and its Audit Committee also review all material matters relating to the necessary systems, controls and procedures in place to ensure the appropriateness and timeliness of MD&A disclosures.

This MD&A, dated March 15, 2023, has been approved by the Company's Board of Directors.

Additional Information

Additional information, including the Company's Annual Information Form, has been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.