



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 and 52 Weeks Ended December 29, 2018

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 13, 2019. It should be read in conjunction with the Company's fiscal 2018 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:

- **Manufacturers of specialty food products ("specialty food businesses") with strong proprietary brands and/or leading niche market positions.**

The Company considers the key characteristics of a specialty food business to be: (i) a consumer's decision to purchase its products is based primarily on factors other than price, such as quality, convenience, health and/or lifestyle; and / or (ii) it caters to niche oriented markets. As a result of these characteristics, specialty food businesses generally earn higher and more consistent selling margins, relative to other types of food manufacturing companies, and avoid competing with large national and international food companies. Furthermore, due to a variety of consumer related trends impacting the food industry, these businesses also 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.

EXTRA WEEK OF OPERATIONS

The Company's fiscal year is the 52 week or 53 week period ending on the nearest Saturday on or before December 31. For the 2018 and 2017 fiscal years this was the 52 week periods ended on December 29, 2018 and December 30, 2017, respectively and for the 2016 fiscal year this was the 53 week period ended on December 31, 2016. Correspondingly, the Company's results for 2016 include an extra week of operations as compared to 2018 and 2017 (the "Extra Week").

The Extra Week resulted in incremental revenue and adjusted EBITDA in 2016 of approximately \$29.2 million and \$3.4 million, respectively.

SELECT ANNUAL INFORMATION

The following is a summary of select annual consolidated financial information. All amounts, except adjusted EBITDA and RONA, are derived from the Company's audited consolidated financial statements for each of the three most recently completed financial years and are 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>	52 weeks ended Dec 29, 2018	52 weeks ended Dec 30, 2017	53 weeks ended Dec 31, 2016
Revenue	3,025.8	2,198.3	1,857.5
Adjusted EBITDA	251.3	190.2	154.8
Earnings	98.0	80.5	68.8
Basic earnings per share	3.03	2.70	2.39
Diluted earnings per share	3.02	2.69	2.38
Total assets	2,450.5	1,459.5	1,121.1
Senior debt	779.3	426.9	149.1
Long-term financial liabilities ⁽¹⁾	1,098.3	636.1	410.7
RONA	13.2%	17.0%	17.2%
Dividends declared per share	1.9000	1.6800	1.5200
Free cash flow per share ⁽²⁾	5.08	4.41	4.22

(1) Excludes deferred financing costs and includes the current portion of long-term debt.

(2) See *Liquidity and Capital Resources – Dividends – Free Cash Flow* for the calculation of free cash flow. 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, adjusted EBITDA and earnings from continuing operations for each of the last two years through a combination of acquisitions and organic growth initiatives. In

addition, the Company's results over the last three years were impacted by: (i) plant start-up and restructuring costs in 2018 (\$5.2 million) and 2017 (\$7.3 million) associated with long-term investments being made in certain businesses; (ii) the Extra Week which resulted in incremental sales and adjusted EBITDA in 2016 of \$29.2 million and \$3.4 million, respectively; and (iii) unusual deferred income tax recoveries in 2018 (\$10.2 million) and 2017 (\$3.9 million).

Total Assets

The increases in the Company's total assets over the last two years were primarily due to business acquisitions, project capital expenditures and additional working capital needed to support the Company's growth.

Long-term Financial Liabilities

The Company's long-term financial liabilities have consistently increased over the last two years as these have been the primary financing source used to fund its business acquisitions strategy. In particular, from the beginning of 2016 to the end of 2018 the Company raised \$371.8 million from the issuance of convertible debentures, all of which the Company expects (see *Forward Looking Statements*) to be converted to common shares in due course.

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>	52 weeks ended Dec 29, 2018	52 weeks ended Dec 30, 2017	53 weeks ended Dec 31, 2016
Return:			
Adjusted EBITDA ⁽¹⁾	251.3	190.2	154.8
Maintenance capital expenditures ⁽²⁾	(19.8)	(12.0)	(8.6)
	<u>231.5</u>	<u>178.2</u>	<u>146.2</u>
Average adjusted net assets ⁽³⁾ :			
Opening net assets	1,280.4	965.2	722.3
Closing net assets excluding net assets of businesses acquired during the year	1,379.6	1,036.5	721.4
Average net assets before including businesses acquired during the year ⁽⁴⁾	1,330.0	1,000.8	721.9
Weighted net assets of business acquired during the year ⁽⁵⁾	419.3	47.2	127.9
	<u>1,749.3</u>	<u>1,048.0</u>	<u>849.8</u>
RONA ⁽⁶⁾	13.2%	17.0%	17.2%

(1) See *Results of Operations – Adjusted EBITDA*.

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

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

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

(5) Based on weighting the net assets of each business 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.

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

The Company's RONA for 2018 decreased to 13.2% from 17.0% in 2017 primarily due to: (i) business acquisitions made in late 2017 and 2018 that are in the early stages of development and correspondingly are not yet generating the levels of return that are expected over the longer term; and (ii) additional investments recently made by a number of the Company's legacy businesses in capacity and working capital in order to support future growth. Normalizing for these factors the Company's 2018 RONA is approximately 16.7%.

The Company's average RONA for the last five years is 15.3%, which is in line with its long-term targeted RONA of 15.0%.

FOURTH QUARTER FINANCIAL STATEMENTS

The Company's operating results for the fourth quarters of 2018 and 2017 and for the fiscal years of 2018 and 2017 were as follows:

<i>(in millions of dollars)</i>	13 weeks ended Dec 29, 2018	13 weeks ended Dec 30, 2017	52 weeks ended Dec 29, 2018	52 weeks ended Dec 30, 2017
Revenue	843.9	585.4	3,025.8	2,198.3
Gross profit	164.6	108.1	600.7	418.6
Selling, general and administrative expenses	101.9	60.8	349.4	228.4
Plant start-up and restructuring costs	62.7	47.3	251.3	190.2
	2.7	3.4	5.2	7.3
	60.0	43.9	246.1	182.9
Depreciation of capital assets	14.1	8.6	46.9	30.9
Amortization of intangible assets	5.1	2.8	15.9	10.2
Interest and other financing costs	14.7	7.4	47.5	23.3
Acquisition transaction costs	0.9	3.7	8.2	4.2
Change in value of puttable interest in subsidiaries	1.0	1.3	6.2	5.7
Accretion of provisions for contingent consideration	0.9	0.3	1.2	1.1
Equity loss in associates	1.2	0.2	2.7	0.5
Earnings before income taxes	22.1	19.6	117.5	107.0
Income tax provision – current	2.3	6.4	25.1	28.2
Income tax provision (recovery) – deferred	1.7	(4.0)	(5.6)	(1.7)
Income tax provision	4.0	2.4	19.5	26.5
Earnings	18.1	17.2	98.0	80.5

RESULTS OF OPERATIONS

The Company reports on two reportable segments, Specialty Foods and Premium Food Distribution, as well as 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.

Revenue

<i>(in millions of dollars except percentages)</i>								
	13 weeks ended Dec 29, 2018	% (1)	13 weeks ended Dec 30, 2017	% (1)	52 weeks ended Dec 29, 2018	% (1)	52 weeks ended Dec 30, 2017	% (1)
Revenue by segment:								
Specialty Foods	564.2	66.9%	372.6	63.6%	2,043.8	67.5%	1,334.2	60.7%
Premium Food Distribution	279.7	33.1%	212.8	36.4%	982.0	32.5%	864.1	39.3%
Consolidated	843.9	100.0%	585.4	100.0%	3,025.8	100.0%	2,198.3	100.0%

(1) Expressed as a percentage of consolidated revenue.

Specialty Foods' (SF) revenue for the fourth quarter of 2018 as compared to the fourth quarter of 2017 increased by \$191.6 million or 51.4% primarily due to: (i) business acquisitions, which accounted for \$167.0 million of the increase (see *Liquidity and Capital Resources – Corporate Investments*); (ii) organic volume growth of \$18.9 million, representing a growth rate of 5.3%, which was driven primarily by meat snacks, sandwiches and cooked protein products. SF also made significant progress in growing its sales in the U.S., which now account for approximately 47.2% of its total sales; and (iii) an \$8.5 million increase in the translated value of its U.S. based businesses' sales resulting from a weaker Canadian dollar. These increases were partially offset by selling price deflation of \$2.8 million.

SF's organic volume growth of 5.3% was at the bottom end of its expected range for the quarter mainly due to production issues experienced by one of its raw material suppliers. Overall, the Company estimates that unusually high customer short shipments resulted in approximately \$8.0 million in lost sales during the quarter. Normalizing for this factor, SF's organic volume growth for the quarter was 7.6%.

For 2018 as compared to 2017, SF's revenue increased by \$709.6 million or 53.2% primarily due to the factors outlined above with business acquisitions accounting for \$583.9 million of the increase and its organic volume growth rate being 8.9%.

Premium Food Distribution's (PFD) revenue for the fourth quarter of 2018 as compared to the fourth quarter of 2017 increased by \$66.9 million or 31.5% primarily due to: (i) business acquisitions, which accounted for \$64.5 million of the increase; and (ii) selling price inflation of \$2.4 million.

PFD's organic volume growth rate for the quarter was relatively flat due to several offsetting factors. Positive factors included solid volume increases in its wholesale business with retailers in eastern Canada and continued steady growth in its seafood business. These were, however, largely offset by weaker foodservice sales in western Canada that were the result of a variety of factors including less activity in the Alberta oil industry and generally softer market conditions in certain geographic regions.

For 2018 as compared to 2017, PFD's revenue increased by \$117.9 million or 13.6% primarily due to: (i) business acquisitions, which accounted for \$96.2 million of the growth; (ii) organic volume growth of \$16.1 million representing a growth rate of 1.9%; and (iii) selling price inflation of \$5.6 million.

Gross Profit

<i>(in millions of dollars except percentages)</i>								
	13 weeks ended Dec 29, 2018	% (1)	13 weeks ended Dec 30, 2017	% (1)	52 weeks ended Dec 29, 2018	% (1)	52 weeks ended Dec 30, 2017	% (1)
Gross profit by segment:								
Specialty Foods	122.9	21.8%	73.6	19.8%	448.4	21.9%	279.7	21.0%
Premium Food Distribution	41.7	14.9%	34.5	16.2%	152.3	15.5%	138.9	16.1%
Consolidated	164.6	19.5%	108.1	18.5%	600.7	19.9%	418.6	19.0%

(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 fourth quarter of 2018 as compared to the fourth quarter of 2017 increased by 200 basis points primarily due to: (i) recently acquired businesses having higher gross margins relative to SF's average gross margin; (ii) decreases in the cost of certain raw material commodities including various pork and chicken products, many of which are now trading at close to five year averages; (iii) the reclassification of \$1.7 million of certain freight costs to selling, general and administrative expense; (iv) incremental contribution margin associated with SF's organic volume growth; and (v) improved operating efficiencies at a number of SF's plants. These factors were partially offset by rising labor costs at many of SF's operations.

SF's gross margin for 2018 as compared to 2017 increased by 90 basis points primarily due to the factors outlined above, as well as a one-time operating tax cost recovery of \$1.6 million in the third quarter of 2018. These factors were partially offset by lower than normal margins in the third quarter of 2018 resulting from: (i) promotional pricing on certain new products and/or for new markets in order to generate incremental consumer demand; (ii) production inefficiencies associated with initial new product runs; and (iii) sales mix changes as a portion of its organic growth was driven by products with lower gross margins relative to its average gross margins – correspondingly these products have lower SG&A ratios relative to SF's average SG&A ratios.

PFD's gross margins for the fourth quarter of 2018 as compared to the fourth quarter of 2017 and for 2018 as compared to 2017 decreased by 130 basis points and 60 basis points, respectively, primarily due to: (i) its recently acquired Ready Seafood business having a lower gross margin relative to PFD's average gross margin; (ii) temporarily lower than normal margins on seafood sales mainly due to raw material cost inflation; and (iii) changes in sales mix as lower margin wholesale business with retailers partially offset a decrease in higher margin foodservice sales in western Canada.

Ready Seafood's lower gross margin relative to PFD's average gross margin was the result of: (i) structurally lower selling margins based on the nature of its business – correspondingly it has a lower SG&A ratio relative to PFD's average SG&A ratio; and (ii) tariffs implemented by China on imports of U.S. lobsters. The China tariff issue impacted Ready Seafood's margins on both its exports to China as well as its domestic sales due to a larger portion of domestic supply staying in the U.S. market. Ready Seafood is in the process of implementing several strategies to mitigate the impact of the Chinese tariffs, one of the most significant of which is expected to be in place by the end of the first quarter of 2019.

Selling, General and Administrative Expenses (SG&A)

(in millions of dollars except percentages)

	13 weeks ended Dec 29, 2018	% (1)	13 weeks ended Dec 30, 2017	% (1)	52 weeks ended Dec 29, 2018	% (1)	52 weeks ended Dec 30, 2017	% (1)
SG&A by segment:								
Specialty Foods	70.2	12.4%	34.2	9.2%	237.5	11.6%	129.8	9.7%
Premium Food Distribution	25.8	9.2%	21.5	10.1%	95.1	9.7%	83.5	9.7%
Corporate	5.9		5.1		16.8		15.1	
Consolidated	101.9	12.1%	60.8	10.4%	349.4	11.5%	228.4	10.4%

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

SF's SG&A for the fourth quarter of 2018 as compared to the fourth quarter of 2017 increased by \$36.0 million primarily due to: (i) business acquisitions; (ii) the reclassification of \$1.7 million of certain freight expenses from cost of sales; (iii) incremental freight costs resulting from a combination of higher sales volumes and increased freight rates; (iv) a \$1.4 million increase in the translated value of its U.S. based businesses' SG&A due to a weaker Canadian dollar; (v) increased discretionary promotional spending; and (vi) higher variable compensation resulting from a combination of the timing of accruals and growth in SF's free cash flow.

SF's SG&A for 2018 as compared to 2017 increased by \$107.7 million primarily due to the factors outlined above as well as investments largely made in the later part of 2017 in additional selling and administration infrastructure needed to support SF's continued growth.

SF's SG&A as a percentage of sales (SG&A ratio) for the fourth quarter of 2018 as compared to the fourth quarter of 2017 increased by 320 basis points primarily due to the factors outlined above with the impact of acquisitions representing a significant majority of the increase. These were partially offset by: (i) changes in SF's sales mix as a portion of its growth was driven by products with lower variable SG&A costs; and (ii) its organic revenue growth in relation to the relatively fixed nature of some of its SG&A costs.

PFD's SG&A for the fourth quarter of 2018 as compared to the fourth quarter of 2017 and for 2018 as compared to 2017 increased by \$4.3 million and \$11.6 million, respectively primarily due to: (i) business acquisitions; (ii) investments in additional fleet and sales infrastructure needed to support future growth; and (iii) incremental freight costs resulting from a combination of increased freight rates and higher sales volumes – on an annual basis.

PFD's SG&A ratio for the fourth quarter of 2018 as compared to the fourth quarter of 2017 decreased by 90 basis points primarily due to its recently acquired Ready Seafood business having a lower SG&A ratio relative to its average SG&A ratio. The impact of this was partially offset by rising freight costs and investments in additional fleet and sales infrastructure needed to support future growth.

Corporate SG&A for the fourth quarter of 2018 as compared to the fourth quarter of 2017 increased by \$0.8 million primarily due to increased investments in administrative infrastructure and the timing of accruals for the Company's long-term incentive programs. Corporate SG&A for 2018 as compared to 2017 increased by \$1.7 million primarily due to increased investments in administrative infrastructure.

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>	13 weeks ended Dec 29, 2018	13 weeks ended Dec 30, 2017	52 weeks ended Dec 29, 2018	52 weeks ended Dec 30, 2017
Earnings before income taxes	22.1	19.6	117.5	107.0
Plant start-up and restructuring costs ⁽¹⁾	2.7	3.4	5.2	7.3
Depreciation of capital assets ⁽²⁾	14.1	8.6	46.9	30.9
Amortization of intangible assets ⁽²⁾	5.1	2.8	15.9	10.2
Interest and other financing costs ⁽³⁾	14.7	7.4	47.5	23.3
Acquisition transaction costs ⁽¹⁾	0.9	3.7	8.2	4.2
Change in value of puttable interest in subsidiaries ⁽⁴⁾	1.0	1.3	6.2	5.7
Accretion of provisions ⁽³⁾	0.9	0.3	1.2	1.1
Equity loss in associates ⁽⁵⁾	1.2	0.2	2.7	0.5
Consolidated adjusted EBITDA	62.7	47.3	251.3	190.2

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

(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 minority shareholders' interest in certain subsidiaries of the Company.

(5) Amount relates to businesses that the Company does not control.

<i>(in millions of dollars except percentages)</i>	13 weeks ended Dec 29, 2018	% (1)	13 weeks ended Dec 30, 2017	% (1)	52 weeks ended Dec 29, 2018	% (1)	52 weeks ended Dec 30, 2017	% (1)
Adjusted EBITDA by segment:								
Specialty Foods	52.7	9.3%	39.4	10.6%	210.9	10.3%	149.9	11.2%
Premium Food Distribution	15.9	5.7%	13.0	6.1%	57.2	5.8%	55.4	6.4%
Corporate	(5.9)		(5.1)		(16.8)		(15.1)	
Consolidated	62.7	7.4%	47.3	8.1%	251.3	8.3%	190.2	8.7%

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

Adjusted EBITDA for the fourth quarter of 2018 as compared to the fourth quarter of 2017 increased by \$15.4 million or 32.6% to \$62.7 million. While setting a new fourth quarter record for the Company, this result was below its expectations primarily due to: (i) delays in some of the key initiatives being implemented by Ready Seafood to mitigate the impact of China's tariffs on U.S. lobsters – these are now expected to be implemented in the first quarter of 2019; (ii) lower than expected seafood margins

mainly due to raw material cost inflation; (iii) the timing of certain SG&A costs, and in particular, some promotional spending that is expected to help drive future sales; and (iv) the changes in PFD's sales mix with lower margin wholesale business with retailers partially offsetting a decrease in higher margin foodservice sales in western Canada.

Plant Start-up and Restructuring Costs

Plant start-up and restructuring costs consist of expenses associated with the start-up of new production capacity or the reconfiguration of existing capacity to gain efficiencies and/or additional capacity. The Company expects (see *Forward Looking Statements*) these projects to result in significant improvements in its future earnings and cash flows.

During 2018, the Company incurred \$5.2 million in plant start-up and restructuring costs relating primarily to: (i) the construction and start-up of a new 105,000 square foot state-of-the-art distribution and custom cutting facility in the Greater Toronto Area (the GTA facility), which commenced operations towards the end of the fourth quarter; (ii) the construction and start-up of a new 22,300 square foot culinary plant for fresh salads, soups and sauces in Surrey, BC (the Culinary facility), which also commenced operations near the end of the fourth quarter; and (iii) the reconfiguration of production between its three artisan bakeries in BC, which was completed in the third quarter.

Looking forward (see *Forward Looking Statements*), the Company expects to incur in 2019 between \$0.5 million and \$1.0 million of additional start-up related costs for the GTA facility and Culinary facility projects.

Depreciation and Amortization (D&A)

<i>(in millions of dollars)</i>	13 weeks ended Dec 29, 2018	13 weeks ended Dec 30, 2017	52 weeks ended Dec 29, 2018	52 weeks ended Dec 30, 2017
Depreciation and amortization of intangible assets (D&A) by segment:				
Specialty Foods	15.7	8.8	51.5	31.4
Premium Food Distribution	3.3	2.3	10.1	8.9
Corporate	0.2	0.3	1.2	0.8
Consolidated	19.2	11.4	62.8	41.1

The Company's D&A expense for the fourth quarter of 2018 as compared to the fourth quarter of 2017 and for 2018 as compared to 2017 increased by \$7.8 million and \$21.7 million, respectively primarily due to: (i) business acquisitions completed in 2018 and late 2017; and (ii) the completion of a variety of capital projects over the past year.

Interest and Other Financing Costs

The Company's interest and other financing costs for the fourth quarter of 2018 as compared to the fourth quarter of 2017 and for 2018 as compared to 2017 increased by \$7.3 million and \$24.2 million, respectively primarily due to: (i) increases in its net funded debt (see *Liquidity and Capital Resources – Debt Financing Activities – Funded Debt*); and (ii) a higher weighted average interest rate resulting from a combination of rising short term interest rates and increased interest rate premiums associated with the Company's higher senior debt to adjusted EBITDA ratio.

Change in Value of Puttable Interest in Subsidiaries

Change in value of puttable interest in subsidiaries (put expense) represents an estimate 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*).

Income Taxes

The Company's expected range (see *Forward Looking Statements*) for its provision for income taxes as a percentage of earnings before income taxes (income tax rate) for 2018 is 25% to 27%. This is based on: (i) an effective income tax rate range within the main tax jurisdictions that it operates in (the Tax Jurisdictions) of 21% to 28%; (ii) the expected allocation of its taxable income among the Tax Jurisdictions; and (iii) the deductibility of certain costs for income tax purposes.

For 2018, the Company's income tax rate was 16.6%, which is below its expected range primarily due to the recognition of \$10.2 million in tax attributes in the third quarter of 2018 that became useable after a reorganization of certain legal entities within the Company's corporate structure. Normalizing for this factor, the Company's income tax rate for 2018 is 25.2%.

Outlook for 2019

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

Except as noted below, the Company's outlooks for 2019 do not incorporate any provisions for possible future acquisitions even though the Company continues to pursue a variety of opportunities and expects to complete several more transactions in the coming quarters.

2019 Outlook

<i>(in millions of dollars)</i>	Bottom of Range	Top of Range
Revenue		
Prior guidance	3,660.0	3,720.0
Current guidance	3,660.0	3,720.0
Adjusted EBITDA:		
Prior guidance	320.0	340.0
Current guidance	320.0	340.0

The Company is maintaining its guidance for 2019 based on a range of factors including: (i) all of its business platforms are making solid progress towards achieving their 2019 organic growth objectives. This includes winning a number of new listings with major retailers in the U.S. and Canada, the resolution of certain capacity issues among its protein business, and the successful start-up of its distribution group's new facility in the Greater Toronto Area; and (ii) the impact of the Company's more recent acquisitions, all of which are expected to be accretive to its 2019 earnings, not being significant enough to warrant revising its guidance.

The Company expects its adjusted EBITDA margin for 2019, assuming its current portfolio of businesses, to be in the 8.7% to 9.2% range with one of the major determining factors being the extent of its organic sales growth. Longer term, the Company is targeting a 10% adjusted EBITDA margin

based on a variety of drivers including continued organic sales growth, production efficiency improvements and the ongoing development of internal buying and selling synergies.

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 and are prepared in accordance with IFRS.

<i>(in millions of dollars except per share amounts)</i>								
	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
Revenue	478.2	577.4	557.6	585.4	584.9	761.5	835.5	843.9
Adjusted EBITDA	38.4	55.0	49.5	47.3	43.1	74.2	71.3	62.7
Earnings	15.3	26.7	21.3	17.2	13.2	30.6	36.1	18.1
Earnings per share – basic	0.52	0.90	0.72	0.57	0.43	0.96	1.09	0.54
Earnings per share – diluted	0.51	0.89	0.71	0.57	0.43	0.96	1.08	0.54

The financial performance of many of the Company's businesses is subject to fluctuations associated with the impact on consumer demand of seasonal changes in weather. As a result, the Company's performance varies with the seasons.

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, corner 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.

In addition to seasonal factors, over the last eight quarters, the Company's sales and adjusted EBITDA have been impacted by business acquisitions and a variety of organic growth initiatives that have resulted in consistent year over year increases. The Company's earnings and earnings per share were further impacted by: (i) plant start-up costs associated with certain long term investment initiatives; (ii) business acquisition costs which are expensed as incurred; (iii) the recognition of certain tax attributes in the third quarter of 2018; and (iv) the heightened seasonality of certain businesses acquired late in 2017 and early in 2018.

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 29, 2018	As at Dec 30, 2017
Accounts receivable	321.9	220.6
Inventories	339.8	218.1
Prepaid expenses	14.3	9.3
Accounts payable and accrued liabilities	(246.6)	(179.1)
Net working capital	429.4	268.9

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 from the associated growth in the Company's free cash flow.

Net working capital at the end of 2018 as compared to the end of 2017 increased by \$160.5 million primarily due to: (i) business acquisitions, which accounted for \$103.8 million of the increase; (ii) the Company's organic growth; (iii) the buildup of inventory in preparation for a number of new sales initiatives being launched in 2019; and (iv) normal fluctuations in the timing of sales, accounts receivable collections, accounts payable payments and inventory purchases.

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

<i>(in days)</i>	As at Dec 29, 2018	As at Dec 30, 2017
Days sales in accounts receivable ⁽¹⁾	34.7	34.3
Days cost of sales in inventory ⁽²⁾	45.5	41.6

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

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

The Company's days sales in accounts receivable at the end of 2018 as compared to the end of 2017 was relatively stable as the unfavorable impact of normal fluctuations in the timing of sales and account collections was mostly offset by the favorable impact of acquisitions.

The Company's days cost of sales in inventory at the end of 2018 as compared to the end of 2017 increased by 3.9 days primarily due to: (i) the buildup of inventory in preparation for a number of new sales initiatives being launched in 2019; (ii) business acquisitions; and (iii) normal fluctuations in the timing of sales and inventory purchases.

Debt Financing Activities

Credit Facilities

As at December 29, 2018, 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⁾	894.5	702.5	192.0
4.65% debentures (2016) ⁽²⁾	84.5	84.5	-
4.60% debentures ⁽³⁾	109.7	109.7	-
4.65% debentures (2018) ⁽⁴⁾	166.0	166.0	-
Industrial Development Revenue Bond ⁽⁵⁾	8.4	8.4	-
Vendor take-back notes	29.0	29.0	-
Capital leases and other term loans	30.5	30.5	-
Other revolving credit facilities	35.7	6.3	29.4
Cheques outstanding	-	22.0	(22.0)
Cash and cash equivalents	-	(19.4)	19.4
	1,358.3	1,139.5	218.8

- (1) Represents the Company's main revolving senior credit facility, consisting of a \$700.0 million Canadian dollar denominated line of credit and a US\$150.0 million U.S. dollar denominated line of credit, less approximately \$10.1 million in outstanding letters of credit. The facility matures in September 2022, 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 \$86.3 million in 4.65% convertible unsecured subordinated debentures issued by the Company in April 2016 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, 2021 and have no principal payments prior to that date, was \$86.1 million as at December 29, 2018. The 4.65% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.E.
- (3) Represents the present value of the outstanding portion of the \$113.0 million in 4.60% convertible unsecured subordinated debentures issued by the Company in December 2016 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on December 31, 2023 and have no principal payments prior to that date, was \$113.0 million as at December 29, 2018. The 4.60% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.F.
- (4) 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 29, 2018. The 4.65% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.G.
- (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 29, 2018	As at Dec 30, 2017
Cheques outstanding	22.0	13.9
Bank indebtedness	35.9	6.2
Current portion of long-term debt	10.8	1.8
Long-term debt	726.4	417.9
Deferred financing costs ⁽¹⁾	3.6	2.2
	798.7	442.0
Less: cash and cash equivalents	19.4	15.1
Senior funded debt	779.3	426.9
5.00% Debentures	-	21.9
4.65% Debentures (2016)	84.5	83.7
4.60% Debentures	109.7	108.7
4.65% Debentures (2018)	166.0	-
Total funded debt	1,139.5	641.2

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

Debt Activities

During 2018, the Company's significant debt activities consisted of the following:

<i>(in millions of dollars)</i>	52 weeks ended Dec 29, 2018
Opening total funded debt at December 30, 2017	641.2
Funding for business acquisitions including issued promissory notes and assumed funded debt	632.2
Issuance of 4.65% Debentures (2018)	164.7
Application of net proceeds from 4.65% Debentures (2018) to senior credit facility	(164.7)
Funding for capital expenditures	71.2
Payment of provisions	20.5
Foreign currency translation adjustment ⁽¹⁾	18.3
Funding for investments in and advances to associate companies	9.2
Accretion of debentures	4.6
Repayment of 5.00% Debentures at redemption	(0.5)
Scheduled repayments	(2.9)
Conversions of debentures to common shares	(22.9)
Net repayment on revolving senior credit facility	(66.5)
Application of net proceeds from common share issuance to senior credit facility	(164.9)
	1,139.5

(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 2018, the Company completed the following financing activities:

- The issuance of \$172.5 million of convertible unsecured subordinated debentures (4.65% Debentures (2018)) resulting in net proceeds of \$164.7 million after underwriting fees of \$6.9 million and transaction costs of approximately \$0.9 million. The 4.65% Debentures (2018) bear interest at an annual rate of 4.65% payable semi-annually, have a maturity date of April 30, 2025 and are convertible into common shares of the Company at a price of \$182.51 per share.
- The issuance of \$172.7 million of subscription receipts (the sub receipts) at a price of \$117.35 per sub receipt, which upon the closing of the Company's acquisition of Oberto (see *Liquidity and Capital Resources – Corporate Investments*), resulted in the Company issuing 1.5 million common shares (each sub receipt entitled the holder to receive, upon closing of the Oberto acquisition, without payment of additional consideration, one common share of the Company). Net proceeds from the transaction were \$164.9 million after underwriting fees of \$6.9 million and transaction costs of \$0.9 million.
- The issuance of a notice of intention to redeem its 5.00% convertible unsecured subordinated debentures, which resulted in: (i) \$22.8 million of the 5.00% debentures being converted at the option of the debenture holders into common shares of the Company at a conversion price of \$44.65 per share; and (ii) \$0.5 million of the 5.00% debentures being redeemed through a cash payment.
- The upsizing of its revolving senior credit facility to include a US\$150.0 million U.S dollar denominated credit line in addition to its legacy \$700.0 million Canadian dollar denominated credit line and. The Company also extended the maturity date of the facility to September 2022.

Banking Covenants

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

	Covenant Requirement	Dec 29, 2018 Ratio
Senior funded debt to adjusted EBITDA ratio ⁽¹⁾	=< 4.0 : 1.0	2.6 : 1.0
Interest coverage ratio ⁽²⁾	>= 4.0 : 1.0	11.1 : 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.

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 to 3.0 : 1 as the long-term targeted range for its senior funded debt to adjusted EBITDA ratio and 4.0 : 1 to 4.5 : 1 as the long-term targeted range for its total funded debt to adjusted EBITDA ratio. These ranges are based on a number of 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;
- 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 2018, the Company's senior funded debt to adjusted EBITDA ratio of 2.6 : 1 and its total funded debt to adjusted EBITDA ratio of 3.8 : 1 were at the low range or below the Company's long-term targeted ranges for these ratios, respectively.

Looking forward (see *Forward Looking Statements*) the Company intends to use its excess senior debt capacity to fund project capital expenditures and business acquisitions.

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>	52 weeks ended Dec 29, 2018	52 weeks ended Dec 30, 2017
Cash flow from operating activities	135.9	85.9
Changes in non-cash working capital ⁽¹⁾	35.1	45.9
Acquisition transaction costs ⁽²⁾	8.2	4.2
Plant start-up and restructuring costs ⁽³⁾	5.2	7.3
Maintenance capital expenditures ⁽⁴⁾	(19.8)	(12.0)
Free cash flow	164.6	131.3

(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 relates to the Company's business acquisition activities.

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

(4) 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;
- Debt principal repayment 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, despite the seasonal nature of many of the Company's businesses;
- 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 2018 the Company increased its quarterly dividend by 13.1% to \$0.475 per share, or \$1.90 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 expects to continue increasing its dividend on a basis consistent with its recent past practice, 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 Annualized Dividend / Distribution Per Share / Unit
Trailing four quarters ended:					
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.

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 expected to generate a minimum internal rate of return of 15% on an after tax, unlevered basis. 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 efficiency.

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 2018:

<i>(in millions of dollars)</i>	52 weeks ended Dec 29, 2018
Opening capital assets at December 30, 2017	319.0
Depreciation	(46.9)
Foreign currency translation adjustment ⁽¹⁾	11.0
Disposals	(1.0)
Acquisitions	123.1
Capital expenditures:	
Project	51.4
Maintenance	19.8
Closing capital assets	476.4

(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 2018, the Company invested \$51.4 million in project capital expenditures consisting of: (i) \$23.6 million for larger projects as outlined below; (ii) \$25.2 million for a variety of smaller projects; and (iii) \$2.6 million for the implementation of a new enterprise resource planning system in a number of the Company's businesses.

<i>(in millions of dollars)</i>				
Project	Incremental Sales Capacity	2018 Expenditure	Future Expenditure	Expected Completion Date
Construction of a new 105,000 square foot custom cutting and distribution center for seafood and protein in the Greater Toronto Area	200	8.1	-	Complete
Equipment purchases to increase the sandwich production capacity of a plant in Phoenix, AZ including investments in automation	US75	US3.3	US1.4	Q3-2019
Equipment purchases to increase the snack tray packing capacity of a plant in Reno, NV	US40	US3.2	-	Complete
Construction of a new 22,300 square foot culinary plant in Surrey, BC	7	3.3	1.0	Complete
A 25,000 square foot expansion of a cooked protein plant in Montreal, QC to allow for efficiency improvements, including automation of certain processes, and future additional production lines	-	2.8	4.6	Q3-2019
Equipment purchases to increase the meat snack capacity of a plant in Brantford, ON	14	0.5	2.1	Q3-2019
Construction of a new 40,000 square foot state-of-the-art lobster processing facility in Saco, ME	US120	US0.2	US9.6	Q3-2019
Equipment purchases to increase the meat snack capacity of a plant in Yorkton, SK	8	0.1	3.3	Q4-2019
A 45,000 square foot expansion of a protein focused distribution facility in Montreal, QC to allow for the processing and distribution of seafood	120	0.1	1.5	Q2-2019

Historic Maintenance Capital Expenditures

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

<i>(in millions of dollars)</i>	
Trailing four quarters ended:	
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 2019 the Company expects its maintenance capital expenditures to be between \$20.0 million and \$25.0 million (see *Forward Looking Statements*).

Corporate Investments

Corporate investments consist primarily of three activities: business acquisitions, equity investments in non-controlled businesses and 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 2018, the Company invested \$753.0 million in the acquisition of the following businesses:

<i>(millions of dollars)</i>					
Business	Primary Business Activity	Annual Sales	Investment Interest	Segment	Purchase Date
The Meat Factory Limited	Protein production	52.0	100%	SF	Mar 23, 2018
Frandon Seafoods Inc.	Seafood distribution	15.0	100%	PFD	Mar 23, 2018
Country Prime Meats Ltd.	Protein production	(1)	100%	SF	Mar 29, 2018
McLean Meats Inc.	Protein marketer	13.0	(2)	SF	Apr 6, 2018
Penguin Meats Supply Ltd.	Protein distribution.	30.0	100%	PFD	Apr 22, 2018
Concord Premium Meats Ltd.	Protein production	235.0	100%	SF	May 28, 2018
Oberto Sausage Company	Protein production	US217.0	100%	SF	May 31, 2018
Select Food LLC	Sandwich production	US18.0	100%	SF	Jul 6, 2018
Yorkshire Valley Farms Ltd.	Protein production	65.0	62.6%	SF	Jul 27, 2018
Ready Seafood Co.	Seafood processing and distribution	US129.0	100%	PFD	Sep 18, 2018
L.Walker Seafoods Ltd.	Seafood distribution	0.7	100%	PFD	Nov 22, 2018
Smokemasters Gourmet Food	Seafood processing	0.4	100%	PFD	Dec 21, 2018

(1) Primarily all of Country Prime Meats' sales are to businesses owned by the Company.

(2) The Company increased its interest in McLean Meats Inc. from 30.0% to 66.2%.

Investments in Associates

Investment in associates consists of the Company's investments in businesses which it does not control, including a 35% interest in PB Real Estate Limited Partnership, formerly Pender West LP, a Vancouver, B.C. based real estate investment fund which owns and leases to the Company three industrial real estate properties. Other than PB Real Estate Limited Partnership, all of the businesses included in investment in associates are specialty food companies.

The following table shows the changes in investment in associates during 2018:

<i>(in millions of dollars)</i>	52 weeks ended Dec 29, 2018
Opening investment in associates at December 30, 2017	25.5
Investments in and advances to associates	9.2
Equity loss in associates	(2.7)
Acquisition of control of associates – McLean ⁽¹⁾	(1.6)
Cash distribution from associates	(3.7)
Closing investment in associates at December 29, 2018	26.7

(1) The Company previously accounted for its investment in McLean Meats Ltd. (McLean) using the equity method. On April 6, 2018, it acquired a controlling interest in Mclean and, accordingly, changed to accounting for McLean on a consolidated basis.

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 acquisitions.

The following table shows the changes in the combined total of the Company's goodwill and intangible assets during 2018:

<i>(in millions of dollars)</i>	52 weeks ended Dec 29, 2018
Opening goodwill and intangible assets at December 30, 2017	640.3
Amortization of intangible assets	(15.9)
Business acquisitions	587.7
Foreign currency translation adjustment ⁽¹⁾	16.5
Other	1.0
Closing goodwill and intangible assets	1,229.6

(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 during 2018:

<i>(in millions of dollars)</i>	52 weeks ended Dec 29, 2018
Opening puttable interest at December 30, 2017	36.7
Change in value ⁽¹⁾	6.2
Acquisitions	35.9
Addition arising from issuance of shares of subsidiary ⁽²⁾	0.5
Cash distributions to non-controlling shareholders with puttable interests	(2.1)
Foreign currency translation adjustment ⁽³⁾	0.6
Closing puttable interest ⁽⁴⁾	77.8

(1) See *Results of Operations – Change in Value of Puttable Interest in Subsidiaries*.

(2) Contingent consideration relating to a previous acquisition was partially settled through the issuance of shares of one of the Company's subsidiaries (see *Liquidity and Capital Resources – Corporate Investments – Provisions*). The holders of these shares have put options which entitle them to require the Company to purchase the shares from them.

(3) 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.

(4) Includes both the current and long-term portions

Provisions

Provisions consist of the following amounts:

<i>(in millions of dollars)</i>	As at Dec 29, 2018
Contingent consideration – IMS acquisition ⁽¹⁾	0.8
Contingent consideration – Country Prime Meats acquisition ⁽²⁾	1.9
Contingent consideration – Ready Seafood Co. acquisition ⁽³⁾	34.2
Contingent consideration – Select Food LLC acquisition ⁽⁴⁾	0.7
Lease restoration costs ⁽⁵⁾	1.0
Provisions ⁽⁶⁾	38.6

(1) This represents the discounted present value of the contingent consideration that is payable to the previous owners of IMS (acquired in 2017) if the business achieves certain performance targets over the two-year period ending January 27, 2019.

(2) This represents the discounted present value of the contingent consideration that is payable to the previous owners of Country Prime Meats (acquired in 2018) if the business achieves certain performance targets over the two-year period ending March 29, 2020.

(3) This represents the discounted present value of the contingent consideration that is payable to the previous owners of Ready Seafood Co. (acquired in 2018) based on the business' performance for the two-year period ending March 31, 2024.

(4) This represents the discounted present value of the contingent consideration that is payable to the previous owners of Select Food LLC (acquired in 2018) if the business achieves certain performance targets over the one-year period ending July 06, 2019.

(5) This represents the discounted present value of estimated (see *Forward Looking Statements*) future site restoration costs associated with certain leased facilities. The final liabilities will be payable upon the expiry of the associated leases.

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

The following table shows the changes in the provisions during 2017:

<i>(in millions of dollars)</i>	52 weeks ended Dec 29, 2018
Opening provisions at December 30, 2017	22.5
Acquisition	35.9
Accretion of provisions	1.2
Cash payments	(20.5)
Settlement through issuance of shares of subsidiary	(0.5)
Closing provisions ⁽¹⁾	38.6

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

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 revenue and adjusted EBITDA expectations for 2019 and income tax rate expectations for 2019.

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 for 2019.

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.

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 at December 29, 2018 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	740.8	10.8	10.4	9.8	680.1	20.4	9.3
4.65% Debentures (2018)	172.5	-	-	-	-	-	172.5
4.60% Debentures	113.0	-	-	-	-	-	113.0
4.65% Debentures (2016)	86.1	-	-	86.1	-	-	-
Operating leases	250.9	36.6	34.6	31.9	27.0	20.6	100.2
Total	1,363.3	47.4	45.0	127.8	707.1	41.0	395.0

TRANSACTIONS WITH RELATED PARTIES

During 2018, the Company entered into the following transactions with related parties:

Employee Loan Program (ELP)

In 2006 the Company put into place the ELP. Under the terms of the program the Company makes loans to certain employees, officers and directors of the Company (the participants) for the sole purpose of enabling them to purchase the Company's issued and outstanding common shares. The primary reasons for the ELP are: (i) facilitating ownership in the Company by the participants and thereby further aligning their interests with those of the Company's shareholders; and (ii) supporting employee retention.

The terms of a loan made under the ELP are as follows:

- **Security:** A first charge on the shares (the ELP shares) purchased with the proceeds of the loan and a personal guarantee from the participant
- **Interest:** None unless an event of default occurs
- **Principal payments:** Quarterly payments equal to 55% of the dividends paid on the ELP shares
- **Maturity:** Loan is immediately due and payable upon the termination of the participant's employment with the Company, otherwise, no fixed maturity date

As at the end of 2018, \$19.3 million of ELP loans, which are included as part of *Other Assets* on the Company's consolidated balance sheet, were outstanding to 154 employees, officers and directors of the Company.

Principal payments on the ELP loans in 2018 totaled \$0.7 million from employees, officers and directors of the Company.

SUBSEQUENT EVENTS

Subsequent to December 29, 2018 the following events occurred:

Acquisitions

The Company invested \$54.8 million, including \$32.9 million of contingent consideration, in the acquisition of the following businesses:

<i>(millions of dollars)</i>					
Business	Primary Business Activity	Annual Sales	Investment Interest	Segment	Purchase Date
Certain sales of products co-packed by one of the Company's businesses	Protein sales	(1)	100%	SF	Jan 17, 2019
Mavros Foods & Distributors	Concessionary products distribution	2.0	80%	PFD	Feb 19, 2019

(1) The incremental sales impact of this transaction is nominal since the associated products are co-packed by one of the Company's businesses.

Increase in Dividend Rate

In March 2019 the Company increased its quarterly dividend by 10.5% to \$0.525 per share, or \$2.10 per share on an annual basis (see *Liquidity and Capital Resources – Dividends – Dividend Policy*).

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 13, 2019, 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) dividend policy; (vi) capital expenditures and business acquisitions; (vii) senior debt capacity utilization; and (viii) convertible debentures.

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 information 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.

- The overall economic conditions in Canada and the United States will be relatively stable with modest improvement in the near to medium term. In particular, the Company is expecting a general improvement in Alberta's economy in the latter half of 2019.
- The average cost of the basket of food commodities purchased by the Company will be relatively stable. In particular, recent seafood cost inflation will normalize and North American pork commodity prices will not be impacted by the current outbreak of African Swine Fever in China.
- The Company's major capital projects, plant start-up and business acquisition initiatives will progress in line with its expectations.
- The Company will be able to continue to access sufficient skilled and unskilled labor at reasonable wage levels.
- The Company will be able to continue to access sufficient goods and services for its manufacturing and distribution operations.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with recent levels.
- 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 key food trends that are driving growth in many of the Company's businesses. These trends 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; (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.

- Overall North American weather patterns will be in line with historic patterns.
- 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 products.
- The Company will be able to negotiate new collective agreements with no labor disruptions.
- The Company will be able to continue to access reasonably priced debt and equity capital.
- The Company's average interest cost on floating rate debt will remain relatively stable in the near to medium future.
- 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 information included in this discussion and analysis in order to provide a more complete perspective on the Company's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

Unless otherwise indicated, the forward looking information in this document is made as of March 13, 2019 and, except as required by applicable law, will not be publicly updated or revised. This cautionary statement expressly qualifies the forward looking information in this document.

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 of the other information contained in this MD&A. 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 below that it is not presently aware of or that it may currently consider immaterial (see *Forward Looking Statements*).

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's 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, help to mitigate this risk. See the Company's Annual Information Form, which is filed electronically through SEDAR and is available online at www.sedar.com, for a summary of the types and amounts of commodities purchased by the Company.

Consumer Discretionary Spending Risk

The Company's sales could be adversely effected 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, in particular, are 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's business diversification strategies, which include the development of sales in both the retail and foodservice segments of the food industry, help to mitigate this risk 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.

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 increased prices from suppliers for products distributed by the Company, increased costs for raw materials used by the Company in the manufacturing of its products, or through 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. 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.

Customer Risk

The Company's sales to large format retail customers accounted for approximately 36.7% of its total revenue in 2018, after adjusting for a full year's revenue of businesses acquired during 2018. As is customary in the food industry, the Company does not have long-term contracts with any of these customers. The Company also has sales, representing approximately 14.4% of its total revenue in 2018, after adjusting for a full year's revenue of businesses acquired during 2018, to a group of distributors who sell the Company's products primarily to one customer (the Core Customer). 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 or the Core Customer could have a material adverse effect on the Company's revenue.

The Company's customer diversification strategies, which include its individual businesses maintaining unique relationships with its customers, help to mitigate exposure to this risk. Furthermore, the risk associated with losing sales associated with the Core Customer 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 long time solid 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 and 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 recall and integration 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 be harmful to the Company's reputation.

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.

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 climate change in general, and droughts in particular, on livestock production;
- The potential impact of 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;
- 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;
- Livestock risk (see *Risk and Uncertainties – Livestock Risk*); and
- International trade risk (see *Risk and Uncertainties – International Trade Risk*).

The Company mitigates these risks 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, in part, upon stable and continued consumer interest in its products. While the Company believes it is well positioned to benefit from a number of 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 and/or dietary habits change, the Company's success will depend upon 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's financial condition and results of operations.

In addition, part of the Company's growth strategy, as well as its strategy for dealing with changes in consumer preference, is based on the development of new and innovative products and product extensions. 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.

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. Certain 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.

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 accretive acquisitions. There can be no assurance that the Company will be successful in growing its business or in managing its growth. Furthermore, significant growth 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, availability of capital and other resources. The Company's ability to manage growth will also depend in part on its ability to continue to grow and enhance its information systems in a timely fashion. The Company must also manage succession planning for personnel across the organization to support such growth. Any inability to properly manage growth could result in cancellation of customer orders, as well as increased operating costs, and correspondingly, could have a material adverse effect on the Company's financial results.

Labor Risk

Approximately 9.5% 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, a labor disruption involving one 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 also impair the Company's ability to produce an adequate supply of finished products. A labor shortage at one of the Company's suppliers could also impair this ability.

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 indemnities and potential disputes with the sellers.

There is also a risk that some or all of the expected benefits of acquisitions may fail to materialize or may not occur within the time periods anticipated by management. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Company.

Further, inherent in any acquisition, there is a risk of liabilities and contingencies that the Company may not discover in its due diligence prior to the consummation of a particular acquisition, and the Company may not be indemnified for some or all of these liabilities and contingencies.

If any one or more of such risks materialize, they could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

The Company manages its acquisition risk through extensive due diligence, transaction structuring 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 is required to adjust to changes in purchasing practices and changing customer requirements. Failure to do so could result in losing sales volumes and market share. The Company's sales and profitability could also be affected by deterioration in the financial condition of, or other adverse developments in the relationship with, one or more of its major customers. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

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 can come at a significant price and may 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's financial condition, results of operations and cash flows 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:

- 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 exposure through the use of foreign currency forward contracts (see *Financial Instruments – Foreign Currency Contracts*).

- 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.
- The valuation of the 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.
- 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.

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 and possible acquisitions or other significant initiatives. The Company's consolidated indebtedness level could adversely affect its business due to: (i) limiting or impairing the Company's ability to obtain financing in the future; (ii) reducing the Company's flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise; (iii) dedicating a portion of the Company's cash flow from operations to interest payments that is not available for other purposes; and (iv) restricting the Company's ability to pay dividends. The Company's revolving senior credit facilities contain affirmative and negative covenants that, among other things, may limit or restrict the Company's 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, in each case, subject to certain qualifications and exceptions.

International Trade Risk

The Company imports products from and, to a lesser extent, exports products to other countries and as such can be adversely affected by international events that affect the price of food commodities or the free flow of food products between countries. In addition, the Company can be adversely affected if such events affect the supply/demand balance in the marketplace and result in increased prices for raw materials being purchased by the Company for use in its products.

The North American Free Trade Agreement (NAFTA) was a comprehensive trade agreement that set the rules of trade and investment between Canada, the United States, and Mexico. The agreement entered into force on January 1, 1994 and systematically eliminated most tariff and non-tariff barriers to free trade and investment between the three NAFTA countries.

On September 30, 2018, NAFTA was replaced with a new tentative agreement named the United States-Mexico-Canada Agreement (USMCA) which must be ratified by the member countries before coming into effect. The Company is not expected to experience any material impacts due to the changes under the USMCA. Management will continue to review, assess and monitor for any changes to USMCA that could significantly impact the Company until the agreement is ratified.

Cyber Security 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 proprietary business information on its information technology network infrastructure, and uses its systems for electronic communications with its personnel, customers, business partners and suppliers.

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 Company mitigates these risks by maintaining and testing systems of internal controls over its information technology systems and networks, education of its employees of potential sources of cyber risks, maintaining disaster recovery plans and developing response plans. 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.

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 cause processing inefficiencies, the loss of customers and sales, negative consequences on employees and business partners, negative impacts on operations or business reputation and expose the Company to liability, litigation and 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.

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 civil remedies, including fines, injunctions, recalls, seizures, criminal sanctions, negative publicity, or increased costs associated with complying with such standards and controls. As well, changes in packaging and labelling requirements regarding product content could impact consumer purchasing.

Tax Risk

The Company is subject to taxes in Canada and the United States. Significant judgment is required in determining the Company's provision for income taxes. The Company's total income tax expense could 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 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 tax liability, including interest and penalties, which could adversely affect the Company's financial results.

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. A number of 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 could impact the Company's ability to execute its various business plans.

Interest Rate Risk

The Company is exposed to interest rate fluctuations on all of its revolving senior credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*). Where appropriate, these exposures are managed through interest rate swaps (see *Financial Instruments – Interest Rate Swap Contracts*), however, there can be no assurance that the Company will be able, in the future, to adequately manage these exposures.

Credit Risk

The Company extends credit to its customers which, like for most businesses in the food industry, is generally unsecured. Although the Company has a system of credit management in place which includes credit limits and close monitoring of payment, there is a risk that some of the Company's customers may not be able to meet their obligations when they become due.

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. Livestock health problems could adversely affect both the supply of raw materials to the Company's production facilities as well as consumer confidence in the Company's products.

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's operating costs.

No assurance can be given that additional environmental, health and safety issues relating to presently known matters or identified sites, or to other matters or sites, will not require currently unanticipated

investigation, assessment or expenditures. Future discovery of previously unknown contamination of property underlying, or in the vicinity of, the Company's present or former properties or manufacturing facilities could require the Company to incur material unforeseen expenses.

Enterprise Resource Planning System Risk

The Company is engaged in or is planning the implementation of an enterprise resource planning (ERP) system at several of its businesses. Such an implementation is a major undertaking from a financial, management, and personnel perspective and, in some cases, can take several years to complete. The implementation of the ERP system may prove to be more difficult, costly, or time consuming than expected, and there can be no assurance that this system will be beneficial to the extent anticipated. Any disruptions, delays or deficiencies in the design and implementation of the 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 insurance. 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's business, financial condition and operating results.

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, 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 2018 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. The only current new pronouncement by the IASB that management considers to be material to the Company's financial reporting is IFRS 16 – Leases. Details on the expected impact (see *Forward Looking Statements*) of this pronouncement can be found in the Company's 2018 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

In order 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 2018 consolidated financial statements, which are incorporated by reference herein.

Interest Rate Swap Contracts

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

Details on the Company's outstanding interest rate swap contracts can be found in its 2018 consolidated financial statements, which are incorporated by reference herein.

OTHER

Outstanding Shares

The shares outstanding in the Company as of March 13, 2019 were 33,765,329. 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 13, 2019 were 33,657,422.

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 NI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109).

Management has evaluated the Company's DCP as of December 29, 2018 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 29, 2018 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 (2013 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 interim period ending December 29, 2018 that has 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 management's discussion & analysis (MD&A), which is current as of March 13, 2019. 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 13, 2019, 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.