



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 Weeks Ended March 30, 2019

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 May 10, 2019. It should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the period ended March 30, 2019, and its fiscal 2018 audited consolidated financial statements and the notes thereto, both of 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 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 directly 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.

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

(in millions of dollars except percentages)					
		13 weeks ended Mar 30, 2019	% (1)	13 weeks ended Mar 31, 2018	% (1)
Revenue by segment:					
Specialty Foods		536.9	69.1%	377.9	64.6%
Premium Food Distribution		239.7	30.9%	207.0	35.4%
Consolidated		776.6	100.0%	584.9	100.0%

(1) Expressed as a percentage of consolidated revenue

Specialty Foods’ (SF) revenue for the first quarter of 2019 as compared to the first quarter of 2018 increased by \$159.0 million or 42.1% primarily due to: (i) business acquisitions, which accounted for \$141.8 million of the increase (see *Liquidity and Capital Resources – Corporate Investments*); (ii) organic volume growth of \$11.2 million, which was driven primarily by meat snacks, deli meats and cooked protein products; and (iii) a \$9.6 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 \$3.6 million.

SF’s organic volume growth rate (OVGR) was approximately 4.0% after normalizing for the impact of Easter holiday related sales falling in the second quarter this year versus in the first quarter last year – before normalizing for the Easter holiday impact SF’s OVGR was approximately 3.0%. SF’s normalized OVGR was at the bottom end of the Company’s long-term targeted range of 4% to 6% which is to be expected given that the first quarter is generally the Company’s weakest due to the seasonality associated with many of its businesses (see *Summary of Quarterly Results*). Furthermore, many of the new meat snack, cooked protein, deli meats and sandwich growth initiatives that are scheduled to launch this year in both the U.S. and Canada are not expected to start having a meaningful impact on SF’s sales until part way through the second quarter.

Premium Food Distribution’s (PFD) revenue for the first quarter of 2019 as compared to the first quarter of 2018 increased by \$32.7 million or 15.8% primarily due to: (i) business acquisitions, which accounted for \$39.5 million of the increase; and (ii) selling price inflation of \$2.3 million.

PFD's legacy businesses' sales were down during the quarter primarily due to: (i) the later Easter holiday; (ii) reduced wholesale business with retailers in eastern Canada resulting from a variety of transitory factors including the timing of product promotions and a particularly harsh winter in Quebec; and (iii) lower foodservice sales in western Canada due mainly to lower consumer spending, particularly in the white-table-cloth segment of the market. These factors were partially offset by strong sales growth in the Greater Toronto Area foodservice market driven primarily by PFD's recent investment in a new 105,000 square foot custom cutting and distribution center for seafood and protein (see *Liquidity and Capital Resources – Capital Expenditures – Project Capital Expenditures*).

Gross Profit

(in millions of dollars except percentages)				
	13 weeks ended Mar 30, 2019	% (1)	13 weeks ended Mar 31, 2018	% (1)
Gross profit by segment:				
Specialty Foods	125.0	23.3%	76.7	20.3%
Premium Food Distribution	34.6	14.4%	33.5	16.2%
Consolidated	159.6	20.6%	110.2	18.8%

(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 first quarter of 2019 as compared to the first quarter of 2018 increased by 300 basis points primarily due to: (i) the adoption of the new IFRS-16 accounting standard which resulted in SF's gross margin increasing by approximately \$5.1 million. Normalizing for this factor, SF's gross margin is 22.3%; (ii) improved operating efficiencies at a number of SF's plants due mainly to continuous improvement initiatives; (iii) incremental contribution margin associated with SF's organic volume growth; and (iv) the reclassification of \$1.5 million of certain freight costs to selling, general and administrative expense. Unlike in prior quarters, recently acquired businesses did not have a meaningful positive impact on SF's gross margin due to the seasonality of many of these businesses.

PFD's gross margins for the first quarter of 2019 as compared to the first quarter of 2018 decreased by 180 basis points primarily due to: (i) its recently acquired Ready Seafood business having a lower gross margin relative to PFD's average gross margin. This was an even more significant factor as compared to previous quarters due to a combination of the seasonality of Ready's business and the growing impact on various markets of China's tariffs on U.S. caught lobsters. Looking forward (see *Forward Looking Statements*), Ready launched several initiatives at the end of the quarter that are expected to largely mitigate the impact of these tariffs on a go forward basis; (ii) transitory increases in a variety of commodity costs including beef, which is being impacted by growing global demand, and seafood, which is being impacted by a weaker Canadian dollar; and (iii) lost contribution margin associated with PFD's lower sales volume. These factors were partially offset by the adoption of the new IFRS-16 accounting standard which resulted in PFD's gross profit increasing by approximately \$0.8 million.

Selling, General and Administrative Expenses (SG&A)

(in millions of dollars except percentages)							
				13 weeks ended Mar 30, 2019	% (1)	13 weeks ended Mar 31, 2018	% (1)
SG&A by segment:							
	Specialty Foods			71.3	13.3%	41.1	10.9%
	Premium Food Distribution			23.9	10.0%	22.0	10.6%
	Corporate			4.1		4.0	
	Consolidated			99.3	12.8%	67.1	11.5%

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

SF's SG&A for the first quarter of 2019 as compared to the first quarter of 2018 increased by \$30.2 million primarily due to: (i) business acquisitions; (ii) the reclassification of \$1.5 million of certain freight expenses from cost of sales; (iii) increased discretionary promotional spending associated with a number of new product launches; (iv) higher variable compensation accruals associated with growth in SF's free cash flow; (v) incremental freight costs resulting from a combination of higher sales volumes and increased freight rates; and (vi) a \$0.9 million increase in the translated value of its U.S. based businesses' SG&A due to a weaker Canadian dollar. These factors were partially offset by the adoption of the new IFRS-16 accounting standard which resulted in a \$0.7 million decrease in SF's SG&A.

SF's SG&A as a percentage of sales (SG&A ratio) for the first quarter of 2019 as compared to the first quarter of 2018 increased by 240 basis points primarily due to certain of the factors outlined above, namely business acquisitions, the reclassification of freight costs, increased discretionary marketing and higher variable compensation accruals with the impact of business acquisitions representing a majority of the increase. These factors were partially offset by the adoption of the new IFRS-16 accounting standard.

PFD's SG&A for the first quarter of 2019 as compared to the first quarter of 2018 increased by \$1.9 million primarily due to business acquisitions partially offset by the adoption of the new IFRS-16 accounting standard which resulted in a \$1.6 million decrease in PFD's SG&A. Investments in additional fleet and sales infrastructure made to support future growth were largely offset by: (i) lower variable selling costs associated with the decrease in PFD's legacy businesses' sales; and (ii) reduced variable compensation accruals.

PFD's SG&A ratio for the first quarter of 2019 as compared to the first quarter of 2018 decreased by 60 basis points primarily due to: (i) adoption of the new IFRS-16 accounting standard; and (ii) its recently acquired Ready Seafood business having a lower SG&A ratio relative to its average SG&A ratio. These factors were partially offset by lower sales relative to its higher fleet and sales infrastructure costs.

Corporate SG&A for the first quarter of 2019 as compared to the first quarter of 2018 increased by \$0.1 million primarily due to increased investments in administrative infrastructure partially offset by the adoption of the new IFRS-16 accounting standard, which resulted in a \$0.2 million decrease in Corporate SG&A.

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:

(in millions of dollars)	13 weeks ended Mar 30, 2019	13 weeks ended Mar 31, 2018
Earnings before income taxes	11.7	17.7
Plant start-up and restructuring costs ⁽¹⁾	1.9	0.6
Depreciation of capital assets ⁽²⁾	14.3	8.8
Amortization of intangible assets ⁽²⁾	5.0	3.2
Amortization of right of use assets ⁽³⁾	6.7	-
Accretion of lease obligations ⁽³⁾	3.2	-
Interest and other financing costs ⁽⁴⁾	14.9	8.8
Acquisition transaction costs ⁽¹⁾	0.6	1.4
Change in value of puttable interest in subsidiaries ⁽⁵⁾	0.5	1.6
Accretion of provisions ⁽⁴⁾	0.9	0.3
Equity loss in investments in associates ⁽⁶⁾	0.5	0.7
Other	0.1	-
Consolidated adjusted EBITDA	60.3	43.1
Impact from adoption of IFRS-16	(8.3)	-
Consolidated adjusted EBITDA excluding IFRS-16 impact	52.0	43.1

(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 adoption of the new IFRS-16 accounting standard.

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

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

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

(in millions of dollars except percentages)					
		13 weeks ended Mar 30, 2019	% (1)	13 weeks ended Mar 31, 2018	% (1)
Adjusted EBITDA by segment:					
Specialty Foods		53.7	10.0%	35.6	9.4%
Premium Food Distribution		10.7	4.5%	11.5	5.6%
Corporate		(4.1)		(4.0)	
Consolidated		60.3	7.8%	43.1	7.4%
Adjusted EBITDA by segment excluding IFRS-16 adoption:					
Specialty Foods		48.0	8.9%	35.6	9.4%
Premium Food Distribution		8.3	3.5%	11.5	5.6%
Corporate		(4.3)		(4.0)	
Consolidated		52.0	6.7%	43.1	7.4%

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

Adjusted EBITDA for the first quarter of 2019 as compared to the first quarter of 2018 increased by \$17.2 million or 39.9%. Normalizing for the adoption of the new IFRS-16 accounting standard, the Company's adjusted EBITDA for the first quarter of 2019 is \$52.0 million, representing an increase of \$8.9 million or 20.6% from the first quarter of 2018. While the Company's sales were slightly below its expected range for the quarter, mainly due to a larger than expected impact from the later Easter holiday and some of the challenges facing PFD, its adjusted EBITDA was in line with expectations as improved operating efficiencies in a number of SF's plants more than offset the shortfall in sales.

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 the first quarter of 2019, the Company incurred \$1.9 million in plant start-up and restructuring costs relating primarily to: (i) the start-up of PFD's 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 near the end of the fourth quarter; and (ii) the 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.

Depreciation and Amortization (D&A)

(in millions of dollars)			13 weeks ended Mar 30, 2019	13 weeks ended Mar 31, 2018
Depreciation and amortization of intangible assets (D&A) by segment:				
Specialty Foods			15.3	9.6
Premium Food Distribution			3.6	2.2
Corporate			0.4	0.2
Consolidated			19.3	12.0

The Company's D&A expense for the first quarter of 2019 as compared to the first quarter of 2018 increased by \$7.3 million primarily due to: (i) business acquisitions completed in 2018; 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 first quarter of 2019 as compared to the first quarter of 2018 increased by \$6.1 million 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 higher short term interest rates, on a year over year basis, 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 2019 is 24% 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 the first quarter of 2019, the Company's income tax rate was 14.5%, which is below its expected range primarily due to: (i) certain fixed amount deductions from taxable income that significantly impact the Company's effective tax rate in seasonally slower quarters; and (ii) a \$0.6 million decrease in the translated value of its U.S. dollar denominated deferred income tax liabilities based on a quarter over quarter improvement in the strength of the Canadian dollar.

2019 Outlook

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

Except as noted below, the Company's outlook for 2019 does 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.

(in millions of dollars)	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	300.0	340.0

The Company's results for the first quarter of 2019 were, in general terms, in line with its expectations. Furthermore, its revenue outlook for 2019 remains within its previous guidance range of \$3.66 billion to \$3.72 billion as its major 2019 growth initiatives are proceeding in line with expectations.

The Company is, however, expanding the range of its adjusted EBITDA guidance for 2019 based on taking a conservative approach to estimating the transitory impacts of the higher global commodity protein costs that are expected to result from a severe outbreak of African Swine Fever (ASF) in China, or more particularly, the transitory impact of the time lag associated with the Company implementing selling price increases to counter such cost increases.

It is estimated that as much as 35% of China's hog herd, which is by far the largest in the world, could be infected with ASF. The result of a crisis of this scale will likely not only be higher global pork commodity prices as China looks to increase its imports, but also higher prices for other protein commodities such as beef and poultry as consumers both inside and outside of China turn to substitute products. The Company is closely monitoring the situation, which at this point is very fluid with many unknowns that make it difficult to determine with any certainty what its impacts will be.

Based on its past experience with similar events, the Company does not expect ASF to have any lasting negative impact on its business and, correspondingly, is not making any changes to its current five-year objective of achieving \$6 billion in sales and a 10% adjusted EBITDA margin by 2023. Furthermore, there are a number of potential offsetting factors that could significantly mitigate the impact of ASF on global protein prices, including: pork demand destruction, particularly in China; increased global production of other proteins; international trade disputes; and timing of the containment of the disease. In addition, the product diversification that the Company has built into its business over the last ten years will also help to mitigate the impact of rising commodity pork costs. Today, commodity pork costs as a percentage of its sales are only approximately 11%.

Regardless of how the situation unfolds, the Company is actively working on a range of initiatives with its supply chain partners and customers to manage the situation, including implementing selling price increases and, where possible, building inventory positions.

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.

(in millions of dollars except per share amounts)								
	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
Revenue	577.4	557.6	585.4	584.9	761.5	835.5	843.9	776.6
Adjusted EBITDA	55.0	49.5	47.3	43.1	74.2	71.3	62.7	60.3
Earnings	26.7	21.3	17.2	13.2	30.6	36.1	18.1	10.0
Earnings per share – basic	0.90	0.72	0.57	0.43	0.96	1.09	0.54	0.30
Earnings per share – diluted	0.89	0.71	0.57	0.43	0.96	1.08	0.54	0.30

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: (i) business acquisitions and a variety of organic growth initiatives that have resulted in consistent year over year increases; and (ii) the adoption of the new IFRS-16 accounting standard in 2019 on a prospective basis. 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 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:

(in millions of dollars)			
	As at Mar 30, 2019	As at Dec 29, 2018	As at Mar 31, 2018
Accounts receivable	289.1	321.9	232.0
Inventories	388.2	339.8	250.3
Prepaid expenses	15.4	14.3	10.6
Accounts payable and accrued liabilities	(228.9)	(246.6)	(169.2)
Net working capital	463.8	429.4	323.7

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 first quarter of 2019 as compared to the end of first quarter of 2018 increased by \$140.1 million primarily due to: (i) business acquisitions, which accounted for \$117.3 million of the increase; (ii) the buildup of inventory in preparation for new sales initiatives being launched in the second quarter of 2019 and for general growth during the busier spring and summer months; (iii) additional inventory as a result of the Easter holiday being later in 2019 (see *Results of Operations – Revenue*); (iv) the Company's organic growth; and (v) 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:

(in days)	As at Mar 30, 2019	As at Dec 29, 2018	As at Mar 31, 2018
Days sales in accounts receivable ⁽¹⁾	33.9	34.7	36.1
Days cost of sales in inventory ⁽²⁾	57.3	45.5	48.0

(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 first quarter of 2019 as compared to the end of first quarter of 2018 decreased by 2.2 days primarily due to: (i) normal fluctuations in the timing of sales and account collections; and (ii) business acquisitions.

The Company's days cost of sales in inventory at the end of first quarter of 2019 as compared to the end of first quarter of 2018 increased by 9.3 days primarily due to: (i) the buildup of inventory in preparation for new sales initiatives being launched in the second quarter of 2019 and for general growth during the busier spring and summer months; (ii) additional inventory as a result of the Easter holiday being later in 2019; (iii) business acquisitions, some of which heightened the seasonal fluctuation of inventory; and (iv) normal fluctuations in the timing of sales and inventory purchases.

Debt Financing Activities

Credit Facilities

As at March 30, 2019, the Company's credit facilities and the unutilized portion of those facilities were as follows:

(in millions of dollars)	Credit Facilities	Amount Drawn on Facility	Unutilized Credit Capacity
Revolving senior credit facility ⁽¹⁾	890.1	747.3	142.8
4.65% debentures (2016) ⁽²⁾	84.8	84.8	-
4.60% debentures ⁽³⁾	109.9	109.9	-
4.65% debentures (2018) ⁽⁴⁾	166.4	166.4	-
Industrial Development Revenue Bond ⁽⁵⁾	8.2	8.2	-
Vendor take-back notes	26.8	26.8	-
Capital leases and other term loans	29.0	29.0	-
Other revolving credit facilities	35.3	15.3	20.0
Cheques outstanding	-	13.3	(13.3)
Cash and cash equivalents	-	(14.7)	14.7
	1,350.5	1,186.3	164.2

- (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 \$10.3 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 March 30, 2019. 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 March 30, 2019. 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 March 30, 2019. 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 Mar 30, 2019	As at Dec 29, 2018	As at Mar 31, 2018
Cheques outstanding	13.3	22.0	10.3
Bank indebtedness	43.8	35.9	35.6
Current portion of long-term debt	8.6	10.8	3.8
Long-term debt	770.8	726.4	481.5
Deferred financing costs ⁽¹⁾	3.4	3.6	2.2
	839.9	798.7	533.4
Less: cash and cash equivalents	(14.7)	(19.4)	(18.5)
Senior funded debt	825.2	779.3	514.9
5.00% Debentures	-	-	21.5
4.65% Debentures (2016)	84.8	84.5	83.9
4.60% Debentures	109.9	109.7	108.9
4.65% Debentures (2018)	166.4	166.0	-
Total funded debt	1,186.3	1,139.5	729.2

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

Debt Activities

During the first quarter of 2019, the Company's significant debt activities consisted of the following:

<i>(in millions of dollars)</i>	13 weeks ended Mar 30, 2019
Opening total funded debt at December 29, 2018	1,139.5
Funding for changes in new working capital	36.2
Funding for business acquisitions including issued promissory notes and assumed funded debt	21.4
Payment of dividends	16.0
Funding for capital expenditures	14.7
Payment of provisions	0.8
Accretion of debentures	0.9
Funding for investments in and advances to associate companies	1.0
Scheduled repayments	(3.5)
Foreign currency translation adjustment ⁽¹⁾	(11.5)
Net reduction in revolving senior credit facility	(29.2)
	1,186.3

(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.

Banking Covenants

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

	Covenant Requirement	Mar 30, 2019 Ratio
Senior funded debt to adjusted EBITDA ratio ^{(1) (3)}	=< 4.0 : 1.0	2.7 : 1.0
Interest coverage ratio ^{(2) (3)}	>= 4.0 : 1.0	9.8 : 1.0

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

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

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

Financial Leverage

Two of the key indicators that the Company uses to assess the appropriateness of its financial leverage are its senior funded debt to adjusted EBITDA and total funded debt to adjusted EBITDA ratios. The Company has set 2.5 : 1 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 the first quarter of 2019, the Company's senior funded debt to adjusted EBITDA ratio of 2.7 : 1 and its total funded debt to adjusted EBITDA ratio of 3.9 : 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	13 weeks ended Mar 30, 2019	13 weeks ended Mar 31, 2018	Rolling Four Quarters
Cash flow from operating activities	135.9	5.3	(10.9)	152.1
Changes in non-cash working capital ⁽¹⁾	35.1	36.2	38.9	32.4
Lease obligation payments ⁽²⁾	-	(8.3)	-	(8.3)
Acquisition transaction costs ⁽³⁾	8.2	0.6	1.4	7.4
Plant start-up and restructuring costs ⁽⁴⁾	5.2	1.9	0.6	6.5
Maintenance capital expenditures ⁽⁵⁾	(19.8)	(6.6)	(4.1)	(22.3)
Free cash flow	164.6	29.1	25.9	167.8

- (1) Cash used for increases in the Company's non-cash working capital is funded primarily through draws on its revolving credit facilities, while cash resulting from decreases in its non-cash working capital is used primarily to pay down these facilities.
- (2) Amount normalizes for the Company's adoption of the new IFRS-16 accounting standard.
- (3) Amount relates to the Company's business acquisition activities.
- (4) Amount relates to the Company's plant start-up and restructuring initiatives.
- (5) Amount 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 2019 the Company increased its quarterly dividend by 10.5% to \$0.525 per share, or \$2.10 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.

<i>(in millions of dollars except per share amounts and ratios)</i>					
	Declared Shareholder Dividends / Distributions	Nature of Distribution	Free Cash Flow	Ratio ⁽¹⁾	Average Annualized Dividend / Distribution Per Share / Unit
Trailing four quarters ended:					
March 30, 2019	65.7	Dividend	167.8	39.2%	\$1.9500
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 the first quarter of 2019:

<i>(in millions of dollars)</i>	13 weeks ended Mar 30, 2019
Opening capital assets at December 29, 2018	476.4
Depreciation	(14.3)
Foreign currency translation adjustment ⁽¹⁾	(3.6)
Disposals	(0.4)
Capital expenditures:	
Project	8.1
Maintenance	6.6
Closing capital assets	472.8

(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 the first quarter of 2019, the Company invested \$8.1 million in project capital expenditures consisting of: (i) \$3.3 million for larger projects as outlined below; (ii) \$4.0 million for a variety of smaller projects; and (iii) \$0.8 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>	Incremental Sales Capacity	2019 Expenditure	Future Expenditure	Expected Completion Date
Project				
Construction of a new 22,300 square foot culinary plant in Surrey, BC	7	0.3	0.7	Complete
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	1.4	Q2-2019
Construction of a new 40,000 square foot state-of-the-art lobster processing facility in Saco, ME	US120	2.0	11.3	Q3-2019
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	-	0.1	4.5	Q3-2019
Equipment purchases to increase the meat snack capacity of a plant in Brantford, ON	14	0.2	2.3	Q3-2019
Equipment purchases to increase the meat snack capacity of a plant in Yorkton, SK	8	0.1	3.2	Q4-2019
Equipment purchases to increase the sandwich production capacity of a plant in Phoenix, AZ including investments in automation	US75	0.5	1.8	Q1-2020

Historic Maintenance Capital Expenditures

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

(in millions of dollars)	
Trailing four quarters ended:	
March 30, 2019	22.3
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 \$25.0 million and \$30.0 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 the first quarter of 2019, the Company invested \$47.2 million, consisting of cash of \$21.4 million and contingent consideration of \$25.8 million, in the acquisition of the following businesses:

(millions of dollars)					
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.

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, many of which are in the early stages of their business plan.

The following table shows the changes in investment in associates during the first quarter of 2019:

<i>(in millions of dollars)</i>	13 weeks ended Mar 30, 2019
Opening investment in associates at December 29, 2018	26.7
Investments in and advances to associates	1.0
Foreign currency translation adjustment ⁽¹⁾	0.6
Equity loss in associates	(0.5)
Cash distribution from associates	-
Closing investment in associates	27.8

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

Goodwill and Intangible Assets

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

The following table shows the changes in the combined total of the Company's goodwill and intangible assets during first quarter of 2019:

<i>(in millions of dollars)</i>	13 weeks ended Mar 30, 2019
Opening goodwill and intangible assets at December 29, 2018	1,229.6
Amortization of intangible assets	(5.0)
Business acquisitions	47.8
Foreign currency translation adjustment ⁽¹⁾	(11.2)
Adjustment to preliminary purchase price allocation of 2018 acquisition	(7.4)
Closing goodwill and intangible assets	1,253.8

(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 first quarter of 2019:

<i>(in millions of dollars)</i>	13 weeks ended Mar 30, 2019
Opening puttable interest at December 29, 2018	77.8
Change in value ⁽¹⁾	0.5
Acquisitions	0.7
Cash distributions to non-controlling shareholders with puttable interests	(1.2)
Foreign currency translation adjustment ⁽²⁾	(0.3)
Closing puttable interest ⁽³⁾	77.5

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

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

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

Provisions

Provisions consist of the following amounts:

<i>(in millions of dollars)</i>	As at Mar 30, 2019
Contingent consideration – Country Prime Meats acquisition ⁽¹⁾	1.9
Contingent consideration – Ready Seafood Co. acquisition ⁽²⁾	34.4
Contingent consideration – Select Food LLC acquisition ⁽³⁾	0.7
Contingent consideration – Acquisition of certain product sales ⁽⁴⁾	25.8
Lease restoration costs ⁽⁵⁾	1.0
Provisions ⁽⁶⁾	63.8

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

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

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

(4) This represents the discounted present value of the contingent consideration payable to the entity from which the Company acquired certain product sales (acquired in 2019) if the acquired sales achieve defined performance targets over the four-year period ending January 17, 2023.

(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 provisions during the first quarter of 2019:

(in millions of dollars)	13 weeks ended Mar 30, 2019
Opening provisions at December 29, 2018	38.6
Acquisition	25.8
Accretion of provisions	0.9
Cash payments	(0.8)
Foreign currency translation adjustment ⁽¹⁾	(0.7)
Closing provisions ⁽²⁾	63.8

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

(2) 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 March 30, 2019 are as follows:

(in millions of dollars)	Total	1 year out	2 years out	3 years out	4 years out	5 years out	There-after
Long-term debt	782.8	8.6	10.3	9.6	725.9	19.6	8.8
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	236.4	35.3	32.7	28.7	24.4	19.2	96.1
Total	1,390.8	43.9	43.0	124.4	750.3	151.8	277.4

TRANSACTIONS WITH RELATED PARTIES

During the first quarter of 2019, 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 the first quarter of 2019, \$19.1 million of ELP loans, which are included as part of *Other Assets* on the Company's consolidated balance sheet, were outstanding to 153 employees, officers and directors of the Company.

Principal payments on the ELP loans in the first quarter of 2019 totaled \$0.1 million from employees, officers and directors of the Company.

SUBSEQUENT EVENTS

There are no material subsequent events.

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 May 10, 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, driven by improving oil prices.
- The 2019 adjusted EBITDA guidance provided by the Company in its fiscal 2018 MD&A was based on the average cost of the basket of food commodities purchased by it being relatively stable. The Company has, however, adjusted its adjusted EBITDA guidance range for 2019 to reflect the uncertainties associated with an outbreak of African Swine Fever in China (see *Results of Operations – 2019 Outlook*).
- 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 May 10, 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. Details on some of these can be found in its Management's Discussion and Analysis ("MD&A") for the fiscal year ended December 29, 2018 under the heading "Risks and Uncertainties", which is incorporated by reference herein and which are updated as outlined below. The Company's MD&A has been filed electronically through SEDAR and is available online at www.sedar.com. 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 in the fiscal 2018 MD&A are not the only risk factors facing the Company and it may be subject to risks and uncertainties not described therein or that it is not presently aware of or that it may currently deem insignificant (see *Forward Looking Statements*).

Livestock Risk

As disclosed in the MD&A for the fiscal year ended December 29, 2018, the Company is susceptible to risks related to the health status of livestock. In 2018 there was an outbreak of African Swine Fever in China, which could have a material impact on supply and pricing of pork and other protein, and which could have a material adverse impact on the Company's operations and financial condition (see *2019 Outlook*).

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. Details on the impact (see *Forward Looking Statements*) of any such changes can be found in the Company's Interim Condensed Consolidated Financial Statements for the thirteen-week period ended March 30, 2019, 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 Interim Condensed Consolidated Financial Statements for the thirteen-week period ended March 30, 2019, 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 Interim Condensed Consolidated Financial Statements for the thirteen-week period ended March 30, 2019, which are incorporated by reference herein.

OTHER

Outstanding Shares

The shares outstanding in the Company as of May 10, 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 May 10, 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 March 30, 2019 and has concluded that such procedures are adequately designed 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 March 30, 2019 and has concluded that the Company's ICFR is adequately designed 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 March 30, 2019 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 May 10, 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 May 10, 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.