



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 and 39 Weeks Ended September 25, 2021

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 November 3, 2021. It should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the period ended September 25, 2021, and its audited consolidated financial statements for the fiscal year ended December 26, 2020 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:

- **Specialty food businesses**

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

- **Differentiated food distribution and wholesale businesses ("premium food distribution businesses")**

The Company considers the key characteristic of a premium food distribution business to be that it offers its customers specialized and/or unique products and services in addition to logistical solutions. This enables it to generate higher and more consistent selling margins

relative to the large national and international food distributors that are primarily focused on logistics.

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

RESULTS OF OPERATIONS

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

Revenue

<i>(in millions of dollars except percentages)</i>								
	13 weeks ended Sep 25, 2021	% (1)	13 weeks ended Sep 26, 2020	% (1)	39 weeks ended Sep 25, 2021	% (1)	39 weeks ended Sep 26, 2020	% (1)
Revenue by segment:								
Specialty Foods	776.3	57.9%	710.3	64.5%	2,207.7	61.6%	1,989.1	66.0%
Premium Food Distribution	565.5	42.1%	390.8	35.5%	1,378.6	38.4%	1,023.6	34.0%
Consolidated	1,341.8	100.0%	1,101.1	100.0%	3,586.3	100.0%	3,012.7	100.0%

(1) Expressed as a percentage of consolidated revenue.

Specialty Foods' (SF) revenue for the quarter increased by \$66.0 million or 9.3% primarily due to: (i) selling price inflation of \$39.6 million, which was driven by increases implemented in reaction to inflationary pressures across a broad range of production inputs; (ii) organic volume growth of \$38.9 million representing a growth rate of 5.5%. After adjusting for the reversal of approximately \$10.8 million of transitory pandemic related sales in the third quarter of 2020, SF's normalized organic volume growth rate (OVGR) is 7.0%; and (iii) business acquisitions, which accounted for \$7.1 million of SF's growth. These factors were partially offset by a \$19.6 million reduction in the translated value of sales generated by SF's U.S. based businesses due to a stronger Canadian dollar – approximately 48.4% of SF's revenue for the quarter was generated by these businesses.

SF's normalized OVGR of 7.0% was driven primarily by its artisan sandwich, meat snack, cooked meat and charcuterie growth initiatives, including the ramping up of its U.S. expansion and the launch of several new product lines. While this rate is above SF's long-term targeted range of 4% to 6%, it was lower than expected because of: (i) reduced featuring of products in the retail channel as a result of production labor shortages and as a transitory measure to manage the impact of record high cost inflation; and (ii) supply chain and labor shortage challenges experienced by some of its larger customers. SF's growth rate was also impacted by asset related production capacity constraints experienced by several of its businesses, which are being addressed with a variety of initiatives including investing in additional production capacity (see *Liquidity and Capital Resources – Capital Expenditures – Project Capital Expenditures*).

SF's revenue for the first three quarters of 2021 increased by \$218.6 million or 11.0% primarily due to: (i) organic volume growth of 10.8% or approximately 9.2% after normalizing for the estimated impacts of the pandemic; (ii) net selling price inflation of \$61.6 million; and (iii) business acquisitions, which

accounted for \$32.7 million of the increase; partially offset by a \$89.8 million reduction in the translated value of sales generated by the Company's U.S. based businesses.

Premium Food Distribution's (PFD) revenue for the quarter increased by \$174.7 million or 44.7% due to: (i) business acquisitions, which accounted for \$88.8 million of PFD's growth; (ii) selling price inflation of \$81.0 million, which was driven by increases implemented in reaction to inflationary pressures across a broad range of procured products and production inputs; and (iii) organic volume growth of \$12.7 million representing a growth rate of 3.2%. After adjusting for approximately \$11.4 million in sales recoveries associated with the easing of pandemic related restrictions in the U.S. and Canada, PFD's normalized OVGR is 0.3%. These factors were partially offset by a \$7.8 million reduction in the translated value of sales generated by PFD's U.S. based businesses due to a stronger Canadian dollar.

PFD's normalized OVGR of 0.3% is below its long-term target of 4.0% to 6.0% primarily due to: (i) a significant decline in live lobster featuring by retailers because of record high lobster prices; (ii) lower exports to Asia as a result of supply chain disruptions within that region; and (iii) on an overall basis, PFD's foodservice focused businesses still being in recovery mode and not yet generating organic growth relative to 2019 sales levels. Normalizing for the factors relating to less live lobster featuring and lower exports, PFD's OVGR is 6.2%, which was driven by: (i) leveraging its new lobster processing facility to develop sales opportunities in the retail and foodservice channels; and (ii) the continued development of new supply and product solutions for the retail channel, an initiative that has benefited from customer relationships developed during the pandemic.

PFD's revenue for the first three quarters of 2021 increased by \$355.0 million or 34.7% primarily due to: (i) business acquisitions, which accounted for \$205.9 million of the increase; (ii) net selling price inflation of \$134.2 million; and (iii) organic volume growth of 3.6% or approximately 2.9% after normalizing for the estimated impacts of the pandemic; partially offset by a \$21.6 million reduction in the translated value of sales generated by the Company's U.S. based businesses.

Gross Profit

<i>(in millions of dollars except percentages)</i>								
	13 weeks ended Sep 25, 2021	% (1)	13 weeks ended Sep 26, 2020	% (1)	39 weeks ended Sep 25, 2021	% (1)	39 weeks ended Sep 26, 2020	% (1)
Gross profit by segment:								
Specialty Foods	156.9	20.2%	155.8	21.9%	456.2	20.7%	423.5	21.3%
Premium Food Distribution	84.5	14.9%	57.9	14.8%	211.6	15.3%	154.6	15.1%
Consolidated	241.4	18.0%	213.7	19.4%	667.8	18.6%	578.1	19.2%

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

SF's gross profit as a percentage of its revenue (gross margin) for the quarter decreased by 170 basis points primarily due to: (i) significantly higher costs for a broad range of production inputs, which exceeded SF's selling price increases due to a portion of the selling price increases taking effect part way through the quarter and further increases taking effect after the quarter; (ii) wage inflation; (iii) freight inflation; and (iv) additional outside storage costs associated with inventory strategies used to help mitigate the impact of rising production input costs and industry wide supply chain disruptions. These factors were partially offset by: (i) sales leveraging associated with SF's organic growth; (ii) the reversal of transitory pandemic related costs incurred in the third quarter of 2020; and (iii) improved plant efficiencies resulting from investments in automation and a variety of continuous improvement projects.

SF's gross margin for the first three quarters of 2021 decreased by 60 basis points primarily due to the factors outlined above partially offset by unusually low margins in the second quarter of 2020 as a result of lost sales leveraging caused by pandemic related shutdowns of large portions of the U.S. and Canadian economies.

PFD's gross margins for the quarter increased by 10 basis points primarily due to: (i) higher margins generated by recently acquired businesses; and (ii) sales leveraging associated with its organic growth, including a favorable sales mix impact resulting from a partial recovery of PFD's sales to the fine dining segment of the foodservice channel. These factors were partially offset by significantly higher costs for a broad range of procured products and production inputs. PFD was able to more than offset these increased costs with selling price increases (in general, PFD's businesses are able to implement selling price increases quicker than SF's businesses due to the more dynamic pricing structures that are inherent to their segments of the food industry) but did not maintain the same margin percentage due to a variety of factors including providing its customers with time to adapt to the higher price environment and a portion of its business being structured on a cost-plus basis.

PFD's gross margins for the first three quarters of 2021 increased by 20 basis points primarily due to the factors outlined above as well as unusually low margins on certain live seafood products in the first quarter of 2020 because of pandemic related demand destruction in Asia.

Selling, General and Administrative Expenses (SG&A)

<i>(in millions of dollars except percentages)</i>								
	13 weeks ended Sep 25, 2021	% (1)	13 weeks ended Sep 26, 2020	% (1)	39 weeks ended Sep 25, 2021	% (1)	39 weeks ended Sep 26, 2020	% (1)
SG&A by segment:								
Specialty Foods	85.9	11.1%	83.6	11.8%	254.8	11.5%	242.9	12.2%
Premium Food Distribution	42.5	7.5%	32.7	8.4%	118.5	8.6%	97.4	9.5%
Corporate	5.0		4.4		16.2		15.1	
Investment Income	(14.6)		(0.5)		(39.0)		(2.2)	
Consolidated	118.8	8.9%	120.2	10.9%	350.5	9.8%	353.2	11.7%

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

SF's SG&A for the quarter increased by \$2.3 million primarily due to: (i) additional variable selling costs associated with SF's organic growth; (ii) freight and wage inflation; (iii) business acquisitions; and (iv) higher travel costs, which were unusually low in the third quarter of 2020 because of pandemic related restrictions; partially offset by: (i) lower discretionary marketing costs as a result of unusually high marketing costs in the third quarter of 2020 and some of SF's businesses using reduced promotion as a transitory measure to manage the impact of record high cost inflation across a broad range of production inputs; (ii) reduced incentive-based compensation accruals; and (iii) a lower translated value of the SG&A associated with the Company's U.S. based businesses due to a stronger Canadian dollar.

SF's SG&A for the first three quarters of 2021 as compared to the first three quarters of 2020 increased by \$11.9 million primarily due to: (i) additional variable selling costs associated with SF's organic growth; (ii) freight and wage inflation; and (iii) business acquisitions; partially offset by: (i) reduced discretionary marketing costs; and (ii) a lower translated value of the SG&A associated with the Company's U.S. based businesses due to a stronger Canadian dollar.

SF's SG&A as a percentage of sales (SG&A ratio) for the quarter and for the first three quarters of 2021 both decreased by 70 basis points primarily due to: (i) sales leveraging; and (ii) lower discretionary marketing costs; partially offset by freight and wage inflation.

PFD's SG&A for the quarter increased by \$9.8 million primarily due to: (i) business acquisitions; and (ii) additional variable and infrastructure costs associated with PFD's organic growth.

PFD's SG&A for first three quarters of 2021 as compared to the first three quarters of 2020 increased by \$21.1 million primarily due to: (i) the factors outlined above; and (ii) higher incentive-based compensation; partially offset by pandemic related travel cost savings and government wage subsidies.

PFD's SG&A ratios for the quarter and for the first three quarters of 2021 both decreased by 90 basis points primarily due to sales leveraging.

Investment income for the quarter increased by \$14.1 million primarily due to interest and management fees relating to the acquisition of a 50% interest in Clearwater (see *Liquidity and Capital Resources – Corporate Investments – Investments in Associates*).

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 Sep 25, 2021	13 weeks ended Sep 26, 2020	39 weeks ended Sep 25, 2021	39 weeks ended Sep 26, 2020
Earnings before income taxes	64.5	43.4	129.1	76.5
Plant start-up and restructuring costs ⁽¹⁾	-	0.7	1.0	6.2
Depreciation of capital assets ⁽²⁾	18.4	16.8	53.2	49.3
Amortization of intangible assets ⁽²⁾	6.8	6.5	20.2	19.3
Amortization of right of use assets ⁽²⁾	9.5	7.9	26.8	23.5
Accretion of lease obligations ⁽³⁾	5.1	3.7	13.9	11.1
Interest and other financing costs ⁽³⁾	11.7	9.9	33.0	32.4
Change in fair value of option liabilities ⁽¹⁾⁽³⁾	2.6	-	26.9	-
Acquisition transaction costs ⁽¹⁾	1.4	1.4	5.8	4.3
Change in value of puttable interest in subsidiaries ⁽⁴⁾	-	0.5	0.5	(3.8)
Accretion of provisions ⁽³⁾	1.8	2.4	5.4	6.0
Equity loss in investments in associates ⁽⁵⁾	0.8	0.3	5.7	2.1
Clearwater closing risk fee ⁽¹⁾	-	-	(2.4)	-
Acquisition bargain purchase gain ⁽¹⁾	-	-	(1.8)	-
Provisions not earned ⁽³⁾	-	-	-	(2.0)
Adjusted EBITDA	122.6	93.5	317.3	224.9

(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 consolidate as it does not own a controlling interest.

<i>(in millions of dollars except percentages)</i>								
	13 weeks ended Sep 25, 2021	% (1)	13 weeks ended Sep 26, 2020	% (1)	39 weeks ended Sep 25, 2021	% (1)	39 weeks ended Sep 26, 2020	% (1)
Adjusted EBITDA by segment:								
Specialty Foods	71.0	9.1%	72.2	10.2%	201.4	9.1%	180.6	9.1%
Premium Food Distribution	42.0	7.4%	25.2	6.4%	93.1	6.8%	57.2	5.6%
Corporate	(5.0)		(4.4)		(16.2)		(15.1)	
Investment Income	14.6		0.5		39.0		2.2	
Consolidated	122.6	9.1%	93.5	8.5%	317.3	8.8%	224.9	7.5%

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

The Company's adjusted EBITDA for the quarter increased by \$29.1 million or 31.1%. Normalizing for the impact of the pandemic, which is estimated to be \$7.6 million, consisting of \$6.8 million in lost margin on approximately \$32.8 million of continuing sales impacts and transitory pandemic related costs of \$0.8 million, the Company's adjusted EBITDA and adjusted EBITDA margin for the quarter are approximately \$130.2 million and 9.5%, respectively.

The Company's adjusted EBITDA for the quarter was in line with its expectations with the adjusted EBITDA of its PFD segment exceeding expectations, mainly due to a stronger than expected recovery of its foodservice channel sales, and its SF segment lagging expectations, mainly due to production input cost inflation and lower organic volume growth. Correspondingly, due to SF's lower margins and the changes in sales mix, i.e. higher than expected PFD sales and lower than expected SF sales, the Company's adjusted EBITDA margin for the quarter was lower than expected.

The Company's adjusted EBITDA for the first three quarters of 2021 increased by \$92.4 million or 41.1% to \$317.3 million. Normalizing for the impact of the pandemic, which is estimated to be \$26.1 million, consisting of \$28.9 million in lost margin on approximately \$126.5 million of continuing sales impacts and \$2.8 million of offsetting cost savings, mainly associated with reduced travel and discretionary spending, the Company's adjusted EBITDA and adjusted EBITDA margin for the first three quarters of 2021 are approximately \$343.4 million and 9.2%, respectively.

Sales and Adjusted EBITDA Outlook

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

2021

The Company's sales and adjusted EBITDA outlooks for 2021 do not incorporate any provisions for potential future acquisitions.

For 2021, the Company expects (see *Forward Looking Statements*) its sales to be between \$4.70 billion and \$4.85 billion and its adjusted EBITDA to be between \$423.0 million and \$436.5 million, which is consistent with the Company's previously released outlook on August 5, 2021. While the Company's overall guidance targets remain unchanged, it does expect its adjusted EBITDA margin for 2021 to be lower than the previously forecasted 9% as a result of: (i) sales mix changes, namely its PFD segment's revenue is exceeding the Company's earlier expectations while, for the reasons outlined above, its SF segment's revenue is lagging its earlier expectations; and (ii) continued cost inflation across a variety of production inputs. The acquisitions of Maid-Rite and Westmorland subsequent to the quarter (see *Subsequent Events*) are not expected to have a material impact on the Company's results for 2021 based on: (i) the seasonality of these businesses; and (ii) the timing of the transactions.

5 Year Plan

The Company continues to make solid progress on the execution of its growth and value creation strategies and remains confident (see *Forward Looking Statements*) it will achieve or exceed the five-year targets set in 2018 of \$6 billion in sales and \$600 million in adjusted EBITDA. While pandemic related factors continue to impact some of its businesses, substantially all of these impacts are expected to be temporary. Furthermore, the pandemic has enabled many of its businesses to develop new sustainable sales opportunities as well as strengthen customer and supply chain relationships, all of which will enhance its ability to achieve its five-year targets. (see *Forward Looking Statements*)

Plant Start-up and Restructuring Costs

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

During the first three quarters of 2021, the Company incurred \$1.0 million in plant start-up and restructuring costs primarily related to: (i) a 42,000 square foot expansion of the Company's artisan bakery in British Columbia; and (ii) the installation of a new cooking line at the Company's cooked protein plant in Quebec.

Depreciation and Amortization (D&A)

(in millions of dollars)	13 weeks ended Sep 25, 2021	13 weeks ended Sep 26, 2020	39 weeks ended Sep 25, 2021	39 weeks ended Sep 26, 2020
Depreciation of capital assets and amortization of intangible assets (D&A) by segment:				
Specialty Foods	19.1	18.4	56.0	53.5
Premium Food Distribution	5.7	4.7	16.3	14.2
Corporate	0.4	0.2	1.1	0.9
Consolidated	25.2	23.3	73.4	68.6

The Company's D&A expense for the third quarter of 2021 as compared to the third quarter of 2020 and for the first three quarters of 2021 as compared to the first three quarters of 2020 increased by \$1.9 million and \$4.8 million, respectively, primarily due to: (i) business acquisitions; and (ii) the recent completion of a variety of capital projects; partially offset by decreases in the translated value of its U.S. based businesses' D&A expense due to a stronger Canadian dollar.

Interest and Other Financing Costs

The Company's interest and other financing costs for the third quarter of 2021 as compared to the third quarter of 2020 and for the first three quarters of 2021 as compared to the first three quarters of 2020 increased by \$1.8 million and \$0.6 million, respectively, primarily due to increases in the Company's total funded debt (see *Liquidity and Capital Resources – Debt Financing Activities*); partially offset by lower average interest rates resulting from: (i) general market rate decreases; and (ii) lower, cash flow ratio based, credit spreads on the Company's revolving senior credit facility.

Change in Value of Puttable Interest in Subsidiaries

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

Equity Earnings (Loss) in Investment in Associates

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

<i>(in millions of dollars)</i>	13 weeks ended Oct 2, 2021	13 weeks ended Oct 3, 2020	39 weeks ended Oct 2, 2021	39 weeks ended Oct 3, 2020
Clearwater:				
Sales	158.4	133.7	391.2	340.0
Gross profit	53.1	35.8	123.8	83.0
SG&A	13.0	10.4	35.6	31.0
	40.1	25.4	88.2	52.0
Depreciation	9.7	10.0	26.7	25.0
Amortization	1.4	1.0	4.3	3.0
Interest – senior debt	3.1	7.5	10.1	22.3
Non-controlling interest	0.5	1.5	1.9	5.1
Unrealized foreign exchange (gain) loss	6.5	(6.9)	(2.8)	5.5
Other	(0.1)	0.3	(0.2)	1.1
	19.0	12.0	48.2	(10.0)
Interest – shareholder debt	12.4	-	32.4	-
Payments to shareholders	11.8	-	23.5	-
Acquisition costs	-	1.0	12.8	1.0
Closing risk fee paid to Premium Brands	-	-	2.4	-
Income taxes	(1.6)	(1.5)	(4.8)	0.4
Earnings (loss)	(3.6)	12.5	(18.1)	(11.4)
Pre-close earnings (loss)	-	12.5	(4.3)	(11.4)
	(3.6)	-	(13.8)	-
Ownership	50.0%	-	50.0%	-
Clearwater net equity earnings (loss)	(1.8)	-	(6.9)	-
Other net equity earnings (loss)	1.0	(0.3)	1.2	(2.1)
Equity earnings (loss) in investment in associates	(0.8)	(0.3)	(5.7)	(2.1)

Clearwater Seafoods Incorporated (Clearwater)

Clearwater's sales for the quarter increased by \$24.7 million primarily due to the easing of pandemic related restrictions and a corresponding reopening of economies in North America and Asia, which drove higher volumes and prices for many of the species sold by Clearwater including clams, lobsters, and scallops. This was partially offset by: (i) a stronger Canadian dollar relative to the U.S. dollar and Euro as a significant portion of Clearwater's sales are denominated in these currencies; (ii) a decline in crab sales because of reduced procurement opportunities as well as pandemic related restrictions on the export of certain products to Asia by Clearwater's operations in Scotland; and (iii) the timing of landings.

Clearwater's gross margin for the quarter increased by 670 basis points to 33.5% primarily due to: (i) a strong pricing environment, which was driven by several factors including increased demand associated with the reopening of economies in North America and Asia; (ii) improved operating efficiencies resulting from larger catch sizes per sea-day as well as the reversal of pandemic related inefficiencies incurred in the third quarter of 2020; and (iii) foreign currency impacts including realized gains on hedges. These factors were partially offset by the reversal of pandemic related government subsidies received in the third quarter of 2020.

Clearwater's SG&A increased by \$2.6 million primarily due to: (i) higher discretionary compensation accruals associated with its improved performance as well as a change in the method used to account for its long-term incentive plan; (ii) the reversal of pandemic related government subsidies received in the third quarter of 2020; and (iii) increased professional fees driven by a variety of items including BREXIT related issues and the timing of billings.

Income Taxes

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

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

For the first three quarters of 2021, the Company's tax rate, after excluding the applicable equity loss in investments in associates and a one-time \$2.4 million non-taxable dividend received from Clearwater as part of the acquisition, is 26.2%, which is within its expected range.

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>								
	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21
Revenue	959.1	935.0	976.6	1,101.1	1,056.2	1,009.8	1,234.7	1,341.8
Adjusted EBITDA	75.1	64.3	67.1	93.5	87.7	82.5	112.2	122.6
Earnings	16.2	12.2	13.5	34.7	23.3	19.8	28.0	46.9
Earnings per share – basic	0.43	0.33	0.36	0.88	0.57	0.45	0.65	1.08
Earnings per share – diluted	0.43	0.33	0.36	0.88	0.57	0.45	0.64	1.07

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

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

In addition to seasonal factors, over the last eight quarters, the trend in the Company's sales and adjusted EBITDA has been impacted by: (i) business acquisitions and a variety of organic growth initiatives that have generally resulted in year over year increases; and (ii) the impacts of the pandemic, which began towards the end of the first quarter of 2020 and was most severe in the second quarter of 2020.

In addition to the factors impacting its sales and adjusted EBITDA, the trend in the Company's earnings was also impacted by: (i) a \$4.3 million recovery recognized in the second quarter of 2020 on its puttable interest in subsidiaries; (ii) an unusual tax recovery in the third quarter of 2020; (iii) the Company's investment in Clearwater in the first quarter of 2021, which is accounted for using the equity method; and (iv) a significant revaluation of the conversion options associated with the Company's outstanding convertible debentures in the second quarter of 2021.

The trend in the Company's earnings per share was also impacted by common share issuances in the third and fourth quarters of 2020.

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 Sep 25, 2021	As at Sep 26, 2020
Accounts receivable	478.1	358.6
Inventories	513.6	417.0
Prepaid expenses	16.8	16.9
Accounts payable and accrued liabilities	(420.8)	(370.1)
Net working capital	587.7	422.4

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

capital resulting from its growth initiatives are, over the longer term, financed through the associated growth in the Company's free cash flow.

Net working capital at the end of the third quarter of 2021 as compared to the end of the third quarter of 2020 increased by \$165.3 million primarily due to: (i) the Company's organic growth; (ii) higher inventory levels associated with the Company's hedging strategies, which are being used to mitigate the risks of rising production input costs and supply chain disruptions; and (iii) general fluctuations in the timing of sales, accounts receivable collections, accounts payable payments and inventory purchases. These factors were partially offset by a reduction in the translated value of the Company's U.S. based businesses' net working capital due to a stronger Canadian dollar.

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

<i>(in days)</i>	As at Sep 25, 2021	As at Sep 26, 2020
Days sales in accounts receivable ⁽¹⁾	32.4	29.6
Days cost of sales in inventory ⁽²⁾	42.5	42.8

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

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

The Company's days sales in accounts receivable at the end of the third quarter of 2021 as compared to the end of the third quarter of 2020 increased by 2.8 days primarily due to: (i) temporary early payments made by certain customers in the third quarter of 2020 as part of supporting their supply networks through the pandemic; and (ii) general fluctuations in the timing of sales and accounts receivable collections.

The Company's days cost of sales in inventory at the end of the third quarter of 2021 as compared to the end of the third quarter of 2020 decreased by 0.3 days primarily due to: (i) business acquisitions; and (ii) general fluctuations in inventory levels. These factors were partially offset by higher inventory levels associated with the risk mitigation strategies outlined above.

Debt Financing Activities

Credit Facilities

As at September 25, 2021, 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⁾	1,177.7	793.5	384.2
4.60% debentures ⁽²⁾	128.4	128.4	-
4.65% debentures (2018) ⁽³⁾	168.0	168.0	-
4.20% debentures ⁽⁴⁾	159.6	159.6	-
Industrial Development Revenue Bond ⁽⁵⁾	7.8	7.8	-
Vendor take-back notes	13.5	13.5	-
Other term loans	0.9	0.9	-
Other revolving credit facilities	38.9	2.2	36.7
Cheques outstanding	-	19.4	(19.4)
Cash and cash equivalents	-	(24.9)	24.9
	1,694.8	1,268.4	426.4

- (1) Represents the Company's main revolving senior credit facility, consisting of an \$1.0 billion Canadian dollar denominated line of credit and a US\$150.0 million U.S. dollar denominated line of credit, less approximately \$12.5 million in outstanding letters of credit. The facility matures in September 2023, 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 \$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 September 25, 2021. The 4.60% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.F.
- (3) 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 September 25, 2021. The 4.65% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.G.
- (4) Represents the present value of the outstanding portion of the \$150.0 million in 4.20% convertible unsecured subordinated debentures issued by the Company in July 2020 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on September 30, 2027 and have no principal payments prior to that date, was \$150.0 million as at September 25, 2021. The 4.20% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.H.
- (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.

Subsequent to the quarter, the Company increased its revolving senior credit facility by US\$250.0 million to approximately \$1.5 billion, extended the facility's maturity date to November 1, 2026, and linked the interest rates associated with the facility to the Company's performance relative to certain environmental and social objectives set by the Company.

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 Sep 25, 2021	As at Dec 26, 2020	As at Sep 26, 2020
Cheques outstanding	19.4	19.1	13.8
Bank indebtedness	2.2	-	2.9
Current portion of long-term debt	6.7	9.5	7.5
Long-term debt	806.4	525.6	549.9
Deferred financing costs ⁽¹⁾	2.6	2.9	3.1
	837.3	557.1	577.2
Less: cash and cash equivalents	24.9	363.0	192.7
Senior funded debt	812.4	194.1	384.5
4.60% Debentures	128.4	111.8	111.5
4.65% Debentures (2018)	168.0	169.8	169.2
4.20% Debentures	159.6	144.1	143.8
Total funded debt	1,268.4	619.8	809.0

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

Change in Total Funded Debt

During the first three quarters of 2021, the Company's significant debt activities consisted of the following:

<i>(in millions of dollars)</i>	39 weeks ended Sep 25, 2021
Opening total funded debt at December 26, 2020	619.8
Funding for investments in and advances to associate companies – net of distributions	443.6
Funding for business acquisitions including issued promissory notes and assumed funded debt	185.1
Funding for changes in net working capital	141.7
Funding for capital expenditures	100.0
Payment of dividends	80.6
Revaluation of options on convertible debentures	26.9
Payment of provisions	14.7
Accretion of debentures	3.4
Payment for the settlement of puttable interests in non-wholly owned subsidiaries	0.9
Payments to shareholders of non-wholly owned subsidiaries	0.6
Scheduled principal payments	(8.9)
Foreign currency translation adjustment ⁽¹⁾	(5.9)
Application of net proceeds from sale-leaseback ⁽²⁾	(150.0)
Net cash flow applied to revolving senior credit facility and other term loans	(184.1)
	1,268.4

(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.

(2) Proceeds related to the sale and leaseback transactions involving three of the Company's facilities in Ontario, Canada (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

Banking Covenants

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

	Covenant Requirement	Sep 25, 2021 Ratio
Senior funded debt to adjusted EBITDA ratio ^{(1) (3)}	=< 4.0 : 1.0	2.1 : 1.0
Interest coverage ratio ^{(2) (3)}	>= 4.0 : 1.0	19.7 : 1.0

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

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

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

Financial Leverage

Two of the key indicators that the Company uses to assess the appropriateness of its financial leverage are its senior funded debt to adjusted EBITDA and total funded debt to adjusted EBITDA ratios. The Company has set 2.5 : 1 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 third quarter of 2021, the Company's senior funded debt to adjusted EBITDA ratio of 2.1 : 1 and its total funded debt to adjusted EBITDA ratio of 3.4 : 1 were both below the bottom end of its long-term targeted ranges for these ratios.

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 26, 2020	39 weeks ended Sep 25, 2021	39 weeks ended Sep 26, 2020	Rolling Four Quarters
Cash flow from operating activities	227.3	87.4	225.8	88.9
Changes in non-cash working capital ⁽¹⁾	15.6	141.7	(53.9)	211.2
Lease obligation payments ⁽²⁾	(40.8)	(37.0)	(30.3)	(47.5)
Business acquisition transaction costs ⁽³⁾	5.6	5.8	4.3	7.1
Clearwater closing risk fee ⁽³⁾	-	(2.4)	-	(2.4)
Plant start-up and restructuring costs ⁽⁴⁾	8.2	1.0	6.2	3.0
Income taxes on sale and leaseback transaction ⁽⁵⁾	-	15.5	-	15.5
Maintenance capital expenditures ⁽⁶⁾	(27.1)	(22.0)	(18.9)	(30.2)
Free cash flow	188.8	190.0	133.2	245.6

- (1) Cash used for increases in the Company's non-cash working capital is funded primarily through draws on its revolving credit facilities, while cash resulting from decreases in its non-cash working capital is used primarily to pay down these facilities.
- (2) Amount normalizes for the Company's adoption of IFRS-16 accounting standard.
- (3) Amount relates to the Company's business acquisition activities.
- (4) Amount relates to the Company's plant start-up and restructuring initiatives.
- (5) Amount relates to the Company's financing activities (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).
- (6) Amount represents the portion of the Company's capital expenditures necessary for maintaining its existing capital asset base (see *Liquidity and Capital Resources – Capital Expenditures*).

Dividend Policy

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

- The ratio of its dividends to its free cash flow on a rolling four quarter basis;
- Debt principal repayment and senior lender loan covenant obligations;
- Financing requirements for project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*), plant start-up and business restructuring initiatives and business acquisitions;
- Ability to access reasonably priced debt and equity financing;
- The ratio of its annual dividend per share to the trading price of its shares on the Toronto Stock Exchange, i.e. dividend yield;
- Maintaining a stable quarterly dividend per share, 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 2021, the Company increased its quarterly dividend by 10.0% to \$0.635 per share, or \$2.54 per share on an annual basis.

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

Dividend History

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

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

	Declared Shareholder Dividends / Distributions	Nature of Distribution	Free Cash Flow	Ratio ⁽¹⁾	Average Dividend / Distribution Per Share / Unit
Trailing four quarters ended:					
September 25, 2021	108.2	Dividend	245.6	44.1%	\$2.4825
December 26, 2020	92.0	Dividend	188.8	48.7%	\$2.3100
December 28, 2019	76.7	Dividend	177.8	43.1%	\$2.1000
December 29, 2018	62.7	Dividend	164.6	38.1%	\$1.9000
December 30, 2017	50.6	Dividend	131.3	38.5%	\$1.6800
December 31, 2016	44.5	Dividend	121.5	36.6%	\$1.5200
December 26, 2015	35.0	Dividend	81.1	43.2%	\$1.3800
December 27, 2014	27.8	Dividend	57.4	48.4%	\$1.2500
December 28, 2013	26.5	Dividend	49.2	53.9%	\$1.2315
December 29, 2012	24.4	Dividend	46.0	53.0%	\$1.1760
December 31, 2011	22.7	Dividend	38.2	59.4%	\$1.1760
December 25, 2010	21.0	Dividend	32.2	65.2%	\$1.1760
December 26, 2009	20.7	(2)	29.3	70.6%	\$1.1760
December 31, 2008	20.6	Trust distribution	29.6	69.6%	\$1.1760
December 31, 2007	20.5	Trust distribution	26.4	77.7%	\$1.1760
December 31, 2006	18.4	Trust distribution	17.3	106.4%	\$1.1760

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

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

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 (see *Forward Looking Statements*). Maintenance capital expenditures include all capital expenditures that do not qualify as a project capital expenditure, and consist mainly of expenditures necessary for maintaining the Company's existing level of production capacity and operating 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 2021:

<i>(in millions of dollars)</i>	39 weeks ended Sep 25, 2021
Opening capital assets at December 26, 2020	524.9
Depreciation	(53.2)
Foreign currency translation adjustment ⁽¹⁾	(1.9)
Disposals	(168.4)
Acquisitions	178.5
Capital expenditures:	
Project	78.0
Maintenance	22.0
Closing capital assets	579.9

(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.

During the first quarter of 2021, the Company completed a sale and leaseback transaction with a REILP (see *Liquidity and Capital Resources – Corporate Investments – Investments in Associates*) for three facilities in Ontario, Canada that were acquired as part of the acquisition of Confederation Freezers Inc. (Confederation Freezers). The sale prices for the properties were at fair market value and resulted in net after tax proceeds of \$150.0 million.

Project Capital Expenditures

During the first three quarters of 2021, the Company invested \$78.0 million in project capital expenditures consisting of: (i) \$49.2 million for larger projects as outlined below; and (ii) \$28.8 million for a variety of smaller projects.

<i>(in millions of dollars)</i>			
Project	2021 Expenditures	Future Expenditures	Expected Completion Date
Equipment purchases and a 15,000 square foot expansion to increase the meat snack capacity of a production facility in Yorkton, SK	0.5	-	Complete
An additional cooking line at a cooked protein facility in Montreal, QC	3.9	0.2	Complete
A 41,000 square foot capacity expansion of a 66,000 square foot leased artisan bakery in Langley, BC	7.1	7.0	Q1-2022
A 26,000 square foot expansion of an 80,000 square foot meat snack production facility in Brantford, ON	10.6	6.7	Q1-2022
Two third generation automated sandwich lines for installation at the Company's Phoenix, AZ and Reno, NV sandwich production facilities	US10.9	US12.0	Q1-2022
A 42,600 square foot expansion of a 91,600 square foot sandwich and ready-to-eat meals production facility in Lakeville, MN	US1.3	US10.6	Q2-2022
Automation of case packing at the Company's Phoenix, AZ sandwich production facility	US1.7	US3.7	Q2-2022
A new 144,000 square foot sandwich production facility in Hilliard, OH	US0.6	US24.8	Q4-2022
A new 67,000 square foot sandwich production facility in Edmonton, AB, which will replace the Company's existing 23,000 square foot sandwich production facility in Edmonton, AB	-	17.5	Q4-2022
Equipment purchases and building modifications to gain processing efficiencies and increase the capacity of its 170,000 square foot meat snack production facility in Kent, WA	US3.4	US13.4	Q4-2022
A 107,000 square foot expansion of a 52,000 square foot meat snack and processed meats production facility in Ferndale, WA	US2.2	US81.9	Q1-2023
Reconfiguration of kettle cooking facility in Richmond, BC in order to expand capacity and improve operating efficiencies	1.8	10.0	Q4-2023

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:	
September 25, 2021	30.2
December 26, 2020	27.1
December 28, 2019	26.5
December 29, 2018	19.8
December 30, 2017	12.0
December 31, 2016	8.6
December 26, 2015	6.4
December 27, 2014	4.8
December 28, 2013	4.3
December 29, 2012	2.9
December 31, 2011	2.9
December 25, 2010	1.7
December 26, 2009	2.0
December 31, 2008	2.6
December 31, 2007	1.8
December 31, 2006	1.9

Looking forward, for 2021 the Company expects its maintenance capital expenditures to be between \$35.0 million and \$40.0 million (see *Forward Looking Statements*).

Right of Use Assets and Lease Obligations

The following table shows the changes in the Company's right of use assets during 2021:

<i>(in millions of dollars)</i>	39 weeks ended Sep 25, 2021
Opening right of use assets at December 26, 2020	328.5
Acquired through business and asset acquisitions	1.1
Additions ⁽¹⁾	141.4
Disposals	(0.6)
Amortization	(26.8)
Foreign currency translation adjustment ⁽²⁾	(1.0)
Closing right of use assets	442.6

(1) Includes properties involved in a sale and leaseback transaction (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*)

(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.

The following table shows the changes in the Company's lease obligations during 2021:

<i>(in millions of dollars)</i>	39 weeks ended Sep 25, 2021
Opening lease obligation at December 26, 2020 ⁽¹⁾	368.9
Acquired through business and asset acquisitions	1.1
Additions ⁽²⁾	141.4
Payments	(37.0)
Disposals	(0.6)
Accretion	13.9
Foreign currency translation adjustment ⁽³⁾	(1.2)
Closing lease obligations ⁽¹⁾	486.5

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

(2) Includes properties involved in a sale and leaseback transaction (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*)

(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.

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

<i>(in millions of dollars)</i>	As at Sep 25, 2021
Undiscounted minimum lease payments	683.5
Effect of discounting	(197.0)
Present value of minimum lease payments ⁽¹⁾	486.5

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

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 three quarters of 2021, the Company invested \$198.0 million, consisting of \$185.1 million in cash, \$7.8 million in notes payable and \$5.1 million in contingent consideration, in the following business acquisitions:

<i>(in millions of dollars except percentages)</i>					
Business	Primary Business Activity	Annual Sales	Investment Interest	Segment	Purchase Date
Distribution Côte-Nord Inc.	Foodservice distribution	18	100%	PFD	Jan 29, 2021
Starboard Seafood Inc.	Seafood distribution	76	100%	PFD	Feb 19, 2021
Confederation Freezers Inc.	Cold storage and logistics	37	100%	PFD	Mar 11, 2021
C.H. Rich Inc.	Seafood distribution	(1)	100%	PFD	Apr 16, 2021
Mermax Inc.	Foodservice distribution	13	100%	PFD	Jun 30, 2021

(1) The incremental sales impact of this transaction is nominal since sales are primarily to one of the Company's businesses.

Investments in Associates

Investments in associates consists of the Company's investments in businesses which it does not control, including 35% to 40% interests in real estate investment limited partnerships (REILPs) which, on a combined basis, own and lease to the Company seven industrial real estate properties. Other than REILPs, all the businesses included in investment in associates are specialty food or premium food distribution 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 three quarters of 2021:

<i>(in millions of dollars)</i>	39 weeks ended Sep 25, 2021
Opening investment in associates at December 26, 2020	74.2
Investment in REILP	16.5
Other investments in associates	0.8
Initial advance to Clearwater	450.0
Other advances to and repayments from associates including accrued interest	25.6
Foreign currency translation adjustment ⁽¹⁾	(0.9)
Equity loss in associates	(5.7)
Cash distribution from associates	(0.3)
Closing investment in associates	560.2

(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.

During the first quarter of 2021, the Company acquired a 50% interest in Clearwater, a harvester, value-added processor and distributor of seafood, for a nominal equity value. As part of the transaction, the Company advanced Clearwater \$450.0 million as an unsecured subordinated note bearing interest at a rate of 10% and due in 2030.

Also during the first quarter of 2021, the Company invested \$16.5 million in a REILP for its pro-rata contribution on a sale and leaseback transaction involving three of the Company's properties (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

Goodwill and Intangible Assets

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

The following table shows the changes in the combined total of the Company's goodwill and intangible assets during the first three quarters of 2021:

<i>(in millions of dollars)</i>	39 weeks ended Sep 25, 2021
Opening goodwill and intangible assets at December 26, 2020	1,371.3
Amortization of intangible assets	(20.2)
Business acquisitions	41.0
Foreign currency translation adjustment ⁽¹⁾	(6.7)
Change in preliminary purchase price allocation of prior year acquisitions	(0.5)
Closing goodwill and intangible assets	1,384.9

(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 the first three quarters of 2021:

<i>(in millions of dollars)</i>	39 weeks ended Sep 25, 2021
Opening puttable interest at December 26, 2020	28.1
Change in value	0.5
Purchase of remaining interest in non-wholly owned subsidiaries pursuant to put options	(0.9)
Cash distributions to non-controlling shareholders with puttable interests	(0.6)
Closing puttable interest	27.1

Provisions

Provisions consist of the following amounts:

<i>(in millions of dollars)</i>	As at Sep 25, 2021
Contingent consideration – Ready Seafood Co. acquisition ⁽¹⁾	42.4
Contingent consideration – acquisition of assets relating to certain meat snack product sales ⁽²⁾	4.7
Contingent consideration – Viandex Inc. acquisition ⁽³⁾	5.3
Contingent consideration – Inform Brokerage Inc. acquisition ⁽⁴⁾	0.7
Contingent consideration – Global Gourmet Foods Inc. acquisition ⁽⁵⁾	5.2
Contingent consideration – Allseas Fisheries Inc. acquisition ⁽⁶⁾	4.0
Contingent consideration – Distribution Côte-Nord Inc. acquisition ⁽⁷⁾	1.3
Contingent consideration – Starboard Seafood Inc. acquisition ⁽⁸⁾	2.7
Contingent consideration – Mermax Inc. acquisition ⁽⁹⁾	1.4
Lease restoration costs ⁽¹⁰⁾	1.1
Provisions ⁽¹¹⁾	68.8

- (1) This represents the discounted present value of the contingent consideration payable to the previous owners of Ready Seafood Co. (acquired in 2018) based on the performance of Ready Seafood for the two-year period ending December 30, 2023.
- (2) 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 three-year period ending January 17, 2022.
- (3) This represents the discounted present value of the contingent consideration payable to the previous owners of Viandex Inc. (acquired in 2019) if the business achieves defined performance targets over any two-year fiscal period ending between December 25, 2021 and February 29, 2024.
- (4) This represents the discounted present value of the contingent consideration payable to a previous owner of Inform Brokerage (acquired in 2020) if the business achieves defined performance targets over any one-year fiscal period ending between December 31, 2022 and March 28, 2025.
- (5) This represents the discounted present value of the contingent consideration payable to a previous owner of Global Gourmet Inc. (acquired in 2020) if the business achieves defined performance targets over the three-year period ending December 31, 2025.
- (6) This represents the contingent consideration payable to the previous owners of Allseas Fisheries Inc. (acquired in 2020) if the business achieves defined performance targets over the one-year fiscal period ending either December 25, 2021 or December 31, 2022.
- (7) This represents the discounted present value of the contingent consideration payable to the previous owners of Distribution Côte-Nord Inc. (acquired in 2021) if the business achieves defined performance targets over a two-year fiscal period ending between December 31, 2023 and December 31, 2026.
- (8) This represents the discounted present value of the contingent consideration payable to the previous owners of Starboard Seafood Inc. (acquired in 2021) if the business achieves defined performance targets over the one-year period ending June 25, 2022.
- (9) This represents the discounted present value of the contingent consideration payable to the previous owners of Mermax Inc. (acquired in 2021) if the business achieves defined performance targets over any two-year fiscal period ending between December 25, 2021 and December 27, 2025.
- (10) 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.
- (11) Includes both the current and long-term portions.

The following table shows the changes in the provisions during the first three quarters of 2021:

<i>(in millions of dollars)</i>	39 weeks ended Sep 25, 2021
Opening provisions at December 26, 2020 ⁽¹⁾	73.6
Business and asset acquisition	5.1
Accretion of provisions	5.4
Cash payments	(14.7)
Foreign currency translation adjustment ⁽²⁾	(0.6)
Closing provisions ⁽¹⁾	68.8

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

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

During the first three quarters of 2021, the Company paid US\$11.6 million for contingent consideration associated with the 2019 acquisition of assets relating to certain meat snack product sales.

OUTLOOK

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

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

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

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

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

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

SUBSEQUENT EVENTS

Changes to Revolving Senior Credit Facility

Subsequent to the quarter, the Company increased its revolving senior credit facility by US\$250.0 million to approximately \$1.5 billion, extended the facility's maturity date to November 1, 2026, and linked the interest rates associated with the facility to the Company's performance relative to certain environmental and social objectives set by the Company.

Acquisitions

Subsequent to the quarter the Company acquired 100% interests in the businesses of Maid-Rite Specialty Foods LLC (Maid-Rite) and Westmorland Fisheries Ltd. (Westmorland) for total consideration

of approximately \$210.6 million, consisting of \$176.6 million in cash, \$30.0 million in shares and \$4.0 million in contingent consideration.

Maid-Rite is a Pennsylvania based leading manufacturer of customized cooked and raw protein solutions for retail and foodservice customers across Canada and the U.S. It has annual sales of approximately US\$90 million.

Westmorland is a New Brunswick based leading processor, distributor and marketer of lobster products which it sells to retail, foodservice and distribution customers around the world. It has annual sales of approximately \$140 million.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The payments due on the Company's significant contractual obligations as at September 25, 2021 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	815.7	6.7	4.3	794.3	1.8	0.2	8.4
4.60% Debentures	113.0	-	-	113.0	-	-	-
4.65% Debentures (2018)	172.5	-	-	-	172.5	-	-
4.20% Debentures	150.0	-	-	-	-	-	150.0
Lease obligations ⁽¹⁾	683.5	49.2	47.4	44.5	40.8	39.8	461.8
Total	1,934.7	55.9	51.7	951.8	215.1	40.0	620.2

(1) Includes the impact of lease renewal options based on the likelihood of renewal.

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 November 3, 2021, 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; (viii) convertible debentures; (ix) impacts of the COVID-19 pandemic; (x) liquidity outlook; (xi) equity earnings or loss in investment in associates; and (xii) 5 year plan.

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

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

- The general economic conditions in Canada and the United States will return to pre-pandemic levels in the medium term and will continue to show steady improvement in the short term as pandemic related restrictions are eased.
- The Company's businesses impacted by the pandemic will recover from the resulting disruptions in the medium term and, to the extent there are ongoing changes in their operating costs resulting from the crisis, will be able to recover these through increased selling prices.
- The Company's organic growth initiatives will progress in line with previous expectations post the pandemic.
- The average cost of the basket of food commodities purchased by the Company will stabilize and start to moderate in the short to medium term relative to recent increased volatility and inflationary trends.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with the levels seen over the last several months.
- The Company will be able to access sufficient skilled and unskilled labor at reasonable wage levels.
- The Company's major capital projects, plant start-up and restructuring, and business acquisition initiatives will progress in line with its expectations.
- The Company will be able to access sufficient goods and services for its manufacturing and distribution operations.
- The Company will be able to achieve its projected operating efficiency improvements.
- There will not be any material changes in the competitive environment of the markets in which the Company's various businesses compete.
- There will not be any material changes in the long-term food trends that have been driving growth in many of the Company's businesses. These include: (i) growing demand for higher quality foods made with simpler more wholesome ingredients and/or with differentiating attributes such as antibiotic free, no added hormones or use of organic ingredients; (ii) increased reliance on convenience oriented foods both for on-the-go snacking as well as easy home meal preparation; (iii) healthier eating including reduced sugar consumption and increased emphasis on protein and seafood; (iv) increased snacking in between and in place of meals; (v) increased interest in understanding the background and stories behind food products being consumed; and (vi) increased social awareness on issues such as sustainability, sourcing products locally, animal welfare and food waste.
- Weather conditions in the Company's core markets will not have a significant impact on any of its businesses.
- There will not be any material changes in the Company's relationships with its larger customers including the loss of a major product listing and/or being forced to give significant product pricing concessions.
- There will not be any material changes in the trade relationship between Canada and the U.S., particularly with respect to certain protein commodities such as beef, pork and chicken.
- The Company will be able to negotiate new collective agreements with no labor disruptions.
- The Company will be able to access reasonably priced debt and equity capital.

- 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 statements included in this discussion and analysis in order to provide a more complete perspective on the Company's future operations. Readers are cautioned that these statements may not be appropriate for other purposes.

Unless otherwise indicated, the forward looking statements in this discussion and analysis are made as of November 3, 2021 and, except as required by applicable law, will not be publicly updated or revised. This cautionary statement expressly qualifies the forward looking statements in this discussion and analysis.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties related to its businesses that may have adverse effects on its results of operations and financial position. Details on some of these can be found in its Management's Discussion and Analysis (MD&A) for the fiscal year ended December 26, 2020 under the heading "Risks and Uncertainties", which is incorporated by reference herein. 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 discussion and analysis. Furthermore, it should be noted that the risk factors described in the fiscal 2020 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*).

CRITICAL ACCOUNTING ESTIMATES

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

Significant areas requiring the use of management estimates include: inventories, goodwill and intangible assets, capital assets, right of use assets and lease obligations, income tax provisions, puttable interest in subsidiaries, convertible unsecured subordinated debentures, business acquisitions and contingent consideration, provisions and plant start-up and restructuring costs. Details on these items can be found in the Company's 2020 audited consolidated financial statements and interim condensed consolidated financial statements for the thirty-nine-week period ended September 25, 2021, 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 thirty-nine-week period ended September 25, 2021, which are incorporated by reference herein and have been filed electronically through SEDAR and are available online at www.sedar.com.

FINANCIAL INSTRUMENTS

Foreign Currency Contracts

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

Details on the Company's outstanding foreign currency contracts can be found in its interim condensed consolidated financial statements for the thirty-nine-week period ended September 25, 2021, which are incorporated by reference herein.

Interest Rate Swap Contracts

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

Details on the Company's outstanding interest rate swap contracts can be found in its interim condensed consolidated financial statements for the thirty-nine-week period ended September 25, 2021, which are incorporated by reference herein.

OTHER

Outstanding Shares

The shares outstanding in the Company as of November 3, 2021 were 43,818,818. 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 November 3, 2021 were 43,662,541.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

Management has evaluated the Company's DCP as of September 25, 2021 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 September 25, 2021 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 (2017 COSO),

both DCP and ICFR, no matter how well designed, have inherent limitations. Therefore, DCP and ICFR can only provide reasonable assurance and thus may not prevent or detect all misstatements.

The Company's Management has also concluded that there have been no changes to the Company's ICFR during the period ending September 25, 2021 that have materially affected, or are reasonably likely to affect, its ICFR.

Responsibilities of Management and Board of Directors

Management is responsible for the reliability and timeliness of content disclosed in this MD&A, which is current as of November 3, 2021. 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 November 3, 2021, 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.