



Great People and Great Culture – Our Points of Difference

Dear Fellow Shareholders,

As I write this letter we are all living through a period of social and economic upheaval, unprecedented in recent history. The past weeks have been truly shocking and will likely be life changing for most if not all of us. The uncertainty and life and death situations being created by the COVID-19 pandemic are putting an enormous amount of stress on all segments of our society.

I would like to take this opportunity to thank all of the front line people who are ensuring the sick are cared for and the basic needs of our citizens are met. This includes our own dedicated staff who continue to show up to work every day despite the potential risks associated with not staying at home. Words alone cannot express our appreciation and gratitude for their dedication, hard work and sacrifice for the common good. Their courage and humanity are an inspiration to us all during these difficult times. I am truly humbled by the stories of selfless generosity and dedication that I have heard over the last several weeks, both from within and outside of our company.

As we navigate through this uncharted territory, I take great comfort in the abilities of our people and unique culture to see us through this unprecedented challenge. Ultimately, the true nature of an organization is made clear during times like these and I am incredibly humbled by how ours is defining itself. I have more confidence than ever in our exceptional team and our ability to protect the health and welfare of our people, the well-being of our communities and the long-term potential of Premium Brands.

Crisis management and resilience

COVID-19 and its impact on our economy surprised most of us with its speed and magnitude. Our immediate focus has been on prioritizing the health and welfare of our people and ensuring that we play our part in keeping our customers' stores stocked and our fellow citizens nourished. In terms of the long term outlook for our company, I assure you that you need not have any concerns. This crisis has not in any way impacted our long-term objectives or our focus on creating value for our shareholders in a socially responsible way that respects and rewards all of our stakeholders. We have always been dedicated to ensuring that our business is, using the concept developed by Nassim Nicholas Taleb in his book *Antifragile: Things That Gain From Disorder*, antifragile. By this we mean that we have built Premium Brands based on concepts and principles that enable us to emerge from times of crisis as a stronger and even more vibrant organization. Some of the key business concepts we have built into our business model to ensure this are as follows:

Decentralized entrepreneurial culture

We have always taken the position that the best and most creative decisions are made by empowered entrepreneurs operating in a decentralized environment and not through centralized hierarchical organizational structures. Our people are our greatest resource and competitive advantage, so it only

makes sense to give them the ability to be true decision makers. This ensures that all new and relevant information is taken into account immediately and acted on in a rapid and practical manner. We further strengthen our entrepreneurial partners by providing them an infrastructure that ensures they have access to needed resources, critical data and alternative points of view. The creativity, passion and knowledge of an empowered entrepreneur, backed with the resources and stability of a large organization, is an incredibly powerful combination. It has enabled us to weather many storms in the past and to emerge a stronger and better company each time.

I am already seeing great examples of how our entrepreneurial management teams are responding to the COVID-19 pandemic. These run a very wide gamut of creative solutions – from our plants being among the first to implement novel employee protection protocols (such as the taking of temperatures of everyone prior to entering a production facility); to developing new sales channels and revamping product formats; to repurposing production capacity to adapt to changing customer and consumer buying patterns. Furthermore, our partners all understand that relationships are ultimately one of the most important elements of any business and, consequently, have consistently gone out of their way to help and support customers and suppliers, some of whose revenues virtually disappeared overnight. I have no doubt that these types of priorities and decisions, which can only take place in a people-focused environment, will further strengthen relationships and create long-term value for all our stakeholders. In many of the larger centrally managed food companies that I follow I am generally hearing a much different narrative where suppliers are being pushed harder and struggling customers are being left to fend for themselves. Again, it is in times of crisis that the true nature of an organization is defined.

PB Ecosystem

As I have discussed in the past, the PB Ecosystem is a core strength of Premium Brands and is what makes us somewhat unique in the food world. The core to this system is the development of resources for, and connections among, our different businesses that can be leveraged by individual management teams to make their respective businesses stronger. These resources encompass basic tools such as access to corporate procurement programs and sophisticated financial modelling; to more intangible things such as peer supported decision-making and the sharing of best practices.

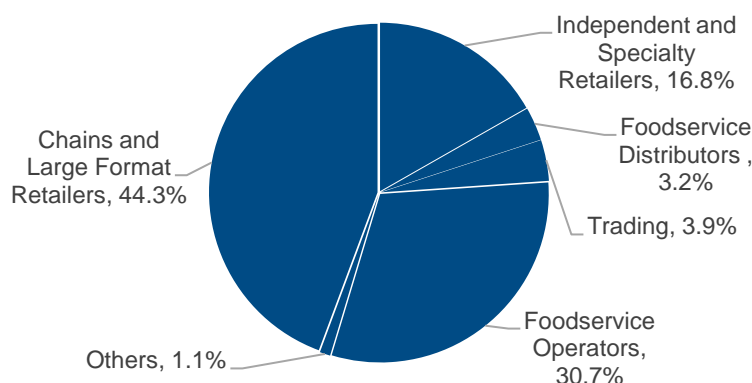
While some of the resources in our PB Ecosystem are relatively unique to our industry and others may be less so, what truly makes the PB Ecosystem distinct is that it is up to individual management teams to choose how they want to leverage the ecosystem to make their own businesses stronger. This not only creates value by ensuring that each solution is perfectly fitted to the individual business but, more importantly, it ensures the preservation of the entrepreneurial spirit that we hold so dear. The decentralized nature and entrepreneurial focus of our ecosystem is what truly makes Premium Brands unique and antifragile and is what is missed by almost all other major organizations. As I mentioned earlier, the combination of a talented entrepreneurial management team operating in a decentralized environment with access to the resources of a much larger organization is a formidable competitive advantage and a unique point of difference.

Diversified business portfolio

Over the years we have consciously built a diversified portfolio of companies that operate across a variety of sales channels and in multiple product categories. The benefits of this diversification are many, however, three key ones that will help see us through this most recent crisis are as follows:

- Channel diversification. Below is a chart of our 2019 sales by channel, which shows how well we are represented in all segments of the food industry. So while our foodservice focused initiatives are being impacted by the shutdown of non-essential businesses, our retail focused businesses are stepping up to meet the increased demand in this channel. Furthermore, the PB Ecosystem is helping our foodservice businesses by assisting them in developing new retail channel opportunities and by leveraging their idle production capacities to enhance and expand their core capabilities and competencies.

2019 Sales by Channel



- Long-term decision making. A stand-alone foodservice focused business in today's environment is having to make short-term decisions based on a survival objective that in many cases can destroy or hinder long-term value creation. This is in stark contrast to our foodservice focused businesses which have the support of the PB Ecosystem and continue to make decisions based on long-term considerations.
- Diversified network of production facilities across North America. This is a critical risk mitigation tool in the current environment as one of the greatest challenges facing all food manufacturers today is keeping their workforce healthy and avoiding community spread of COVID-19 in their production facilities. Our smaller, nimbler facilities make it much easier to manage employee safety on a daily basis and, in the event that there is a COVID-19 outbreak in a facility, production in many cases can be transferred to a sister facility. While this may add costs and result in operating inefficiencies, it enables us to continue to service our customers and provide food and nourishment to our communities.

The way forward

Over the coming weeks and months, we will do what it takes to ensure that our people remain healthy and safe and that our communities remain viable and strong. COVID-19 is a formidable opponent that needs to be defeated and we intend to do everything within our means to help achieve this goal even if that means sacrificing short-term profits. At times like these the well-being of society at large is the greater good. We have always been about the bigger picture and as we continue to focus on generating long-term sustainable value, I remain optimistic that human ingenuity and the global cooperation we are witnessing today will enable us to defeat this virus in the relatively near future.

Liquidity and risk analysis

We entered this crisis with a strong balance sheet and access to almost record levels of liquidity. Last year, we strengthened our financial position with a \$250 million equity issuance, welcomed CPP Investments as a key strategic shareholder and negotiated favorable changes to our senior credit facilities.

Going forward, out of an abundance of caution we are delaying certain capital projects and working with a number of potential acquisition partners to postpone the completion of transactions until there is better clarity on the long-term consequences of the COVID-19 pandemic. Our long-term growth strategies have not, however, changed and we continue to nurse a full pipeline of acquisition opportunities.

Looking into rear view mirror

2019 seems so long ago. It marked the end of another decade and the second decade since Premium Brands was founded. I am very pleased to report that our long-term shareholders have done very well over the last ten years with our company being one of the top ten performing companies on the TSX having generated an overall return of almost 1,000%. We remain thankful to our shareholders for their support as we enter our third decade, which we expect will be as exciting as the last.

The factors that have driven our success, including our unique culture and ecosystem, our focus on leading consumer trends and the geographical expansion of our business model, remain as valid today as they were ten years ago. The flexibility of our business model is empowering our management teams to be responsive to our customers and is ensuring that we remain well positioned to capitalize on the major paradigm shifts that are taking place in the food industry. Correspondingly, our businesses continue to work with customers across all channels of the industry on a wide variety of new and innovative product solutions and food offerings.

In terms of geographical expansion, our U.S. based initiatives, which have grown from \$18 million in sales ten years ago to \$1.4 billion last year, are still in the very early innings and just this last quarter we took our first step in establishing a presence in Europe. There is an incredible amount of work for us to do on this front.

Another factor that has contributed to our success over the past decade is our Board. The deep understanding of our culture that our directors have developed over a period of many years, combined with their strong capital allocation skills and profound understanding of the importance of entrepreneurship have made them exceptionally effective. Our Board is truly driven by the objective of creating sustainable shareholder value and fully understands the importance of protecting our company's core values, entrepreneurial spirit and culture.

As we look forward, our unique competitive advantages are accelerating the opportunities for us to create shareholder value, even as we become a bigger company and a more significant player in our industry. We are making great progress towards our long-term goal of being North America's leading specialty food company.

Conclusion

At Premium Brands, our algorithm for success has always started and ended with our great people who are once again rising to the occasion and doing an incredible job in dealing with the current crisis facing us. I am very fortunate to be surrounded by such an amazing group; together we will lead Premium Brands through this pandemic to strength and success on the other side.

George Paleologou
President and CEO