PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 and 52 Weeks Ended December 26, 2020

The following Management's Discussion and Analysis (MD&A) is a review of the financial performance and position of Premium Brands Holdings Corporation (the Company or Premium Brands) and is current to March 10, 2021. It should be read in conjunction with the Company's fiscal 2020 audited consolidated financial statements and the notes thereto, which are prepared in accordance with International Financial Reporting Standards (IFRS). These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at www.sedar.com.

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

BUSINESS OVERVIEW

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

- **Specialty food businesses**

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

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

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

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

SELECT ANNUAL INFORMATION

The following is a summary of select annual consolidated financial information. Adjusted EBITDA, free cash flow per share and RONA are not defined under IFRS, all other amounts are derived from the Company's audited consolidated financial statements for each of the three most recently completed financial years prepared in accordance with IFRS.

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

(in millions of dollars except per share amounts)	52 weeks ended Dec 26, 2020	52 weeks ended Dec 28, 2019	52 weeks ended Dec 29, 2018
Revenue	4,068.9	3,649.4	3,025.8
Adjusted EBITDA	312.6	307.7	251.3
Earnings	83.7	84.2	98.0
Basic earnings per share	2.16	2.35	3.03
Diluted earnings per share	2.15	2.34	3.02
Total assets	3,541.9	2,937.1	2,450.5
Net senior debt	194.1	637.0	779.3
Long-term financial liabilities (1)	962.4	975.9	1,098.3
RONA	10.2%	10.7%	13.2%
Dividends declared per share	2.31	2.10	1.90
Free cash flow per share (2)	4.87	4.97	5.08

(1) Excludes deferred financing costs and includes the current and long-term portions of long-term debt, pension obligations and convertible unsecured subordinated debentures.
(2) See *Liquidity and Capital Resources – Dividends – Free Cash Flow* for the calculation of free cash flow. Free cash flow per share is calculated as free cash flow divided by the weighted average shares outstanding for the applicable period.

Revenue and Earnings

The Company has grown its revenue and adjusted EBITDA for each of the last two years through a combination of business acquisitions and organic growth initiatives as well as the adoption of IFRS-16 prospectively in 2019, partially offset by a variety of transitory challenges including the COVID-19 pandemic in 2020 (see *Risks and Uncertainties – Public Health Threat*) and unusual protein commodity cost inflation in 2019 resulting from a major outbreak of African Swine Flu in China that significantly decreased global pork supplies. The Company's earnings in 2018 were further impacted by an unusual deferred income tax recovery.

In addition to the above factors, the Company's basic earnings per share were impacted by large share issuances completed in 2019 and 2020.

Total Assets

The increases in the Company's total assets over the last two years were primarily due to investments in business acquisitions and project capital expenditures as well as the adoption of IFRS-16 prospectively in 2019.

Net Senior Debt and Long-term Financial Liabilities

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

RONA

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

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

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

(in millions of dollars)	52 weeks ended Dec 26, 2020	52 weeks ended Dec 28, 2019	52 weeks ended Dec 29, 2018
Return:			
Adjusted EBITDA	312.6	307.7	251.3
Impact of the adoption of IFRS-16 on Adjusted EBITDA	(40.8)	(35.8)	-
Maintenance capital expenditures (1)	(27.1)	(26.5)	(19.8)
	244.7	245.4	231.5
Average adjusted net assets (2):			
Opening net assets	2,351.7	2,203.9	1,280.4
Closing net assets excluding net assets of businesses acquired during the year and unusual excess cash (3)	2,345.3	2,235.7	1,379.6
Average net assets (4)	2,348.5	2,219.8	1,330.0
Weighted net assets of business acquired during the year (5)	55.3	67.0	419.3
	2,403.8	2,286.8	1,749.3
RONA (6)	10.2%	10.7%	13.2%

(1) See *Liquidity and Capital Resources – Capital Expenditures*
(2) Net assets are calculated as total assets less right-of-use assets, deferred income tax assets, accounts payable and accrued liabilities.
(3) Excludes temporary excess cash balance held at the end of 2020.
(4) Calculated as the sum of the opening net assets and the closing net assets (excluding net assets of businesses acquired during the year and unusual excess cash) divided by two.
(5) Based on weighting the net assets of each business acquired during the current fiscal year by a factor based on the number of days in the fiscal year that the Company owned the applicable business in relation to the total number of days in the fiscal year.
(6) Calculated as return divided by average adjusted net assets.

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

FOURTH QUARTER FINANCIAL STATEMENTS

The Company's operating results for the fourth quarters of 2020 and 2019 and for the fiscal years of 2020 and 2019 were as follows:

(in millions of dollars)	13 weeks ended Dec 26, 2020	13 weeks ended Dec 28, 2019	52 weeks ended Dec 26, 2020	52 weeks ended Dec 28, 2019
Revenue	1,056.2	959.1	4,068.9	3,649.4
Gross profit before depreciation, amortization and plant start-up and restructuring costs	202.1	179.2	780.2	725.3
Selling, general and administrative expenses before depreciation, amortization and plant start-up and restructuring costs	114.4	104.1	467.6	417.6
	87.7	75.1	312.6	307.7
Plant start-up and restructuring costs	2.0	2.6	8.2	9.6
	85.7	72.5	304.4	298.1
Depreciation of capital assets	17.9	16.2	67.2	60.0
Amortization of intangible assets	6.9	5.4	26.2	20.6
Amortization of right of use assets	8.1	7.4	31.6	27.9
Accretion of lease obligations	3.9	3.6	15.0	13.4
Interest and other financing costs	10.6	11.5	43.0	53.6
Acquisition transaction costs	1.3	0.8	5.6	3.3
Change in value of puttable interest in subsidiaries	0.5	-	(3.3)	0.5
Accretion of provisions	2.5	1.7	8.5	5.7
Equity loss (gain) in investment in associates	(0.1)	1.2	2.0	2.5
Provisions not earned	-	-	(2.0)	-
Earnings before income taxes	34.1	24.7	110.6	110.6
Income tax provision – current	4.2	2.0	18.3	19.1
Income tax provision – deferred	6.6	6.5	8.6	7.3
Income tax provision	10.8	8.5	26.9	26.4
Earnings	23.3	16.2	83.7	84.2

RESULTS OF OPERATIONS

The Company reports on two reportable segments, Specialty Foods and Premium Food Distribution, as well as corporate costs (Corporate). The Specialty Foods segment consists of the Company's specialty food manufacturing businesses while the Premium Food Distribution segment consists of the Company's differentiated distribution and wholesale businesses.

Revenue

(in millions of dollars except percentages)	13 weeks ended Dec 26, 2020	% (1)	13 weeks ended Dec 28, 2019	% (1)	52 weeks ended Dec 26, 2020	% (1)	52 weeks ended Dec 28, 2019	% (1)
Revenue by segment:								
Specialty Foods	678.1	64.2%	593.3	61.9%	2,667.3	65.6%	2,416.0	66.2%
Premium Food Distribution	378.1	35.8%	365.8	38.1%	1,401.6	34.4%	1,233.4	33.8%
Consolidated	1,056.2	100.0%	959.1	100.0%	4,068.9	100.0%	3,649.4	100.0%

(1) Expressed as a percentage of consolidated revenue.

Specialty Foods' (SF) revenue for the quarter increased by $84.8 million or 14.3% primarily due to: (i) organic volume growth of $59.8 million representing a growth rate of 10.1%. After adjusting for approximately $10.0 million in net pandemic related impacts associated with demand destruction in the airline and foodservice channels partially offset by stronger than normal demand in the retail channel, SF's normalized organic volume growth rate is 11.8%; (ii) business acquisitions, which accounted for $19.4 million of SF's growth; and (iii) net selling price inflation of $7.1 million, which was driven mainly by increases implemented by SF's protein businesses in reaction to higher pork and beef input commodity costs. These factors were partially offset by a currency translation impact of $1.5 million resulting from a stronger Canadian dollar relative to the U.S. dollar – approximately 50.3% of SF's revenue for the quarter was in the U.S.

SF's unadjusted and normalized organic volume growth rates of 10.1% and 11.8%, respectively, were both well above its long-term targeted range of 4% to 6% primarily due to its meat snack, artisan sandwich, charcuterie and cooked meat product growth initiatives, including the ramping up of its U.S. expansion and new products that were launched prior to the pandemic.

SF's revenue for 2020 increased by $251.3 million or 10.4% primarily due to: (i) organic volume growth of 7.0% or approximately 10.8% after normalizing for the estimated impacts of the pandemic; (ii) net selling price inflation of $36.0 million; (iii) business acquisitions, which accounted for $27.6 million of the increase; and (iv) a currency translation effect of $18.2 million.

Premium Food Distribution's (PFD) revenue for the quarter increased by $12.3 million or 3.4% due to business acquisitions, which accounted for $24.9 million of PFD's growth. This was partially offset by: (i) a $9.8 million decline in volume attributable to approximately $42.8 million in pandemic related impacts, including additional lockdowns in parts of Canada that resulted in demand destruction in the fine dining segment of the foodservice channel, and the ongoing shutdown of the global cruise line industry. After adjusting for these, PFD's normalized organic volume growth rate is 9.0%; (ii) net selling price deflation of $2.3 million, which was driven mainly by a lower lobster pricing environment resulting from pandemic related demand destruction in the foodservice and cruise line channels; partially offset by price increases put through to address higher pork and beef input commodity costs; and (iii) a currency translation impact of $0.5 million resulting from a stronger Canadian dollar relative to the U.S. dollar – approximately 27.7% of PFD's revenue for the quarter was in the U.S.

PFD's normalized organic volume growth rate, which was above its long-term target of 4% to 6%, was driven primarily by new customer and product sales initiatives that leveraged recent capacity

investments, including a new lobster processing facility in Saco, Maine, a recently expanded protein and seafood distribution facility in Montreal, and a new distribution and custom cutting operation in the Greater Toronto Area.

PFD's revenue for 2020 increased by $168.2 million or 13.6% primarily due to: (i) business acquisitions, which accounted for $113.4 million of the increase; (ii) organic volume growth of 3.5% or approximately 13.4% after normalizing for the impacts of the pandemic; (iii) net selling price inflation of $8.1 million; and (iv) a currency translation effect of $3.8 million.

Gross Profit

(in millions of dollars except percentages)	13 weeks ended Dec 26, 2020	% (1)	13 weeks ended Dec 28, 2019	% (1)	52 weeks ended Dec 26, 2020	% (1)	52 weeks ended Dec 28, 2019	% (1)
Gross profit by segment:								
Specialty Foods	144.3	21.3%	125.9	21.2%	567.9	21.3%	544.2	22.5%
Premium Food Distribution	57.8	15.3%	53.3	14.6%	212.3	15.1%	181.1	14.7%
Consolidated	202.1	19.1%	179.2	18.7%	780.2	19.2%	725.3	19.9%

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

SF's gross profit as a percentage of its revenue (gross margin) for the quarter increased by 10 basis points primarily due to: (i) sales deleveraging associated with SF's higher production volumes; and (ii) improved plant efficiencies. These factors were partially offset by: (i) continued investment by a number of SF's businesses in production infrastructure to support current and future growth; (ii) wage inflation; and (iii) pandemic related costs consisting mainly of labor related production inefficiencies, inventory write-offs, employee thank-you bonuses and investments in additional employee safety measures; partially offset by government wage subsidies.

SF's gross margin for 2020 decreased by 120 basis points to 21.3% primarily due to: (i) the loss of critical mass at several production facilities during the second quarter of 2020 as a result of pandemic related sales impacts; (ii) the pandemic related costs as outlined above; and (iii) additional outside storage costs associated with long inventory positions taken to help hedge against unusually volatile global pork and beef commodity costs, and to mitigate the risk of supply chain disruptions.

PFD's gross margins for the quarter and 2020 increased by 70 basis points and 40 basis points, respectively, primarily due to: (i) lower seafood purchase costs resulting from supply / demand imbalances associated with pandemic related demand destruction in the foodservice and cruise line channels; (ii) new supply relationships; and (iii) favorable inventory positions relative to inflationary beef and pork costs. These factors were partially offset by pandemic related sales mix changes, namely lower margin retail channel sales partially offsetting lost sales in the fine dining segment of the foodservice channel.

Selling, General and Administrative Expenses (SG&A)

(in millions of dollars except percentages)	13 weeks ended Dec 26, 2020	% (1)	13 weeks ended Dec 28, 2019	% (1)	52 weeks ended Dec 26, 2020	% (1)	52 weeks ended Dec 28, 2019	% (1)
SG&A by segment:								
Specialty Foods	77.3	11.4%	70.6	11.9%	320.2	12.0%	292.8	12.1%
Premium Food Distribution	31.2	8.3%	30.4	8.3%	128.6	9.2%	109.5	8.9%
Corporate	5.9		3.1		18.8		15.3	
Consolidated	114.4	10.8%	104.1	10.9%	467.6	11.5%	417.6	11.4%

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

SF's SG&A for the quarter and 2020 increased by $6.7 million and $27.4 million, respectively, primarily due to: (i) increased discretionary compensation; (ii) additional variable selling costs; (iii) business acquisitions; and (iv) wage inflation; partially offset by pandemic related savings associated with decreased discretionary marketing, less travel and government wage subsidies.

SF's SG&A as a percentage of sales (SG&A ratio) for the quarter and 2020 decreased primarily due to sales deleveraging and the pandemic impacts outlined above; partially offset by increased discretionary compensation and wage inflation.

PFD's SG&A for the quarter and 2020 increased by $0.8 million and $19.1 million, respectively, primarily due to business acquisitions and investments in additional staff to support current and future growth; partially offset by pandemic related impacts including government subsidies and a variety of smaller cost savings.

PFD's SG&A ratios for the quarter and for 2020 were stable or up slightly primarily due to investments made in additional staff to support future growth being partially offset by pandemic related impacts.

Corporate SG&A for the quarter and the year increased by $2.8 million and $3.5 million, respectively, primarily due to: (i) decreased interest income from non-wholly owned businesses; (ii) higher discretionary compensation; and (iii) a variety of smaller cost fluctuations.

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 Dec 26, 2020	13 weeks ended Dec 28, 2019	52 weeks ended Dec 26, 2020	52 weeks ended Dec 28, 2019
Earnings before income taxes	34.1	24.7	110.6	110.6
Plant start-up and restructuring costs (1)	2.0	2.6	8.2	9.6
Depreciation of capital assets (2)	17.9	16.2	67.2	60.0
Amortization of intangible assets (2)	6.9	5.4	26.2	20.6
Amortization of right of use assets (2)	8.1	7.4	31.6	27.9
Accretion of lease obligations (3)	3.9	3.6	15.0	13.4
Interest and other financing costs (3)	10.6	11.5	43.0	53.6
Acquisition transaction costs (1)	1.3	0.8	5.6	3.3
Change in value of puttable interest in subsidiaries (4)	0.5	-	(3.3)	0.5
Accretion of provisions (3)	2.5	1.7	8.5	5.7
Provisions not earned (3)	-	-	(2.0)	-
Equity loss (gain) in investments in associates (5)	(0.1)	1.2	2.0	2.5
Adjusted EBITDA	87.7	75.1	312.6	307.7

(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.

(in millions of dollars except percentages)	13 weeks ended Dec 26, 2020	% (1)	13 weeks ended Dec 28, 2019	% (1)	52 weeks ended Dec 26, 2020	% (1)	52 weeks ended Dec 28, 2019	% (1)
Adjusted EBITDA by segment:								
Specialty Foods	67.0	9.9%	55.3	9.3%	247.7	9.3%	251.4	10.4%
Premium Food Distribution	26.6	7.0%	22.9	6.3%	83.7	6.0%	71.6	5.8%
Corporate	(5.9)		(3.1)		(18.8)		(15.3)	
Consolidated	87.7	8.3%	75.1	7.8%	312.6	7.7%	307.7	8.4%

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

Adjusted EBITDA for the quarter increased by $12.6 million or 16.8% primarily due to the Company's growth initiatives, including business acquisitions, and plant efficiency gains; partially offset by: (i) pandemic related factors; (ii) investments in plant and staffing infrastructure to support the Company's current and future growth; (iii) wage inflation; and (iv) increased discretionary compensation.

Normalizing for the impact of the pandemic, which is estimated to be $7.7 million consisting of $10.6 million in lost margin on $52.8 million of lost sales partially offset by $2.9 million in net cost savings, the Company's adjusted EBITDA and adjusted EBITDA margin are approximately $95.4 million and 8.6%, respectively.

Adjusted EBITDA for 2020 increased by $4.9 million or 1.6%, which is significantly lower than what the Company originally expected to achieve for the year primarily due to pandemic related factors. Normalizing for the impact of the pandemic, which is estimated to be $50.5 million consisting of $47.3 million in lost margin on $212.2 million of lost sales and $3.2 million in incremental costs, the Company's adjusted EBITDA and adjusted EBITDA margin are approximately $363.1 million and 8.5%, respectively.

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 quarter and for the year, the Company incurred $2.0 million and $8.2 million, respectively, in plant start-up and restructuring costs for a variety of projects including: (i) the startup of a new 50,000 square foot lobster processing facility in Saco, ME; (ii) the startup of a new 45,000 square foot distribution and seafood processing facility in Montreal; (iii) the startup of a 25,000 square foot expansion of the Company's cooked protein plant in Montreal; (iv) the installation of new automated production lines at its sandwich plants in Phoenix and Reno; (v) staffing changes in certain businesses which resulted in unusually high severance costs; and (vi) the shutdown of an unprofitable retail outlet in the Company's PFD segment.

Depreciation and Amortization (D&A)

(in millions of dollars)	13 weeks ended Dec 26, 2020	13 weeks ended Dec 28, 2019	52 weeks ended Dec 26, 2020	52 weeks ended Dec 28, 2019
Depreciation and amortization of intangible assets (D&A) by segment:				
Specialty Foods	19.4	16.7	72.9	63.6
Premium Food Distribution	5.0	4.5	19.3	15.7
Corporate	0.4	0.4	1.2	1.3
Consolidated	24.8	21.6	93.4	80.6

The Company's D&A expense for the quarter and the year increased by $3.2 million and $12.8 million, respectively, primarily due to: (i) business acquisitions; and (ii) the recent completion of a variety of capital projects.

Interest and Other Financing Costs

The Company's interest and other financing costs for the quarter decreased by $0.9 million, primarily due to lower average interest rates. For the year, the Company's interest and other financing costs decreased by $10.6 million primarily due to lower average interest rates and the renegotiation of its credit terms in the third quarter of 2019.

Change in Value of Puttable Interest in Subsidiaries

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

Income Taxes

Based on the Company's original outlook for its earnings in 2020, its expected range (see *Forward Looking Statements*) for its provision for income taxes as a percentage of earnings before income taxes (income tax rate) for the year was 24% to 27%. This was based on: (i) an effective income tax rate range within the main tax jurisdictions that it operates in (the Tax Jurisdictions) of 21% to 29%; (ii) the expected allocation of its taxable income among the Tax Jurisdictions; and (iii) the deductibility of certain costs for income tax purposes.

For the year, the Company's income tax rate of 24.3% is at the bottom end of its expected range (see *Forward Looking Statements*) due to: (i) a non-taxable $4.3 million recovery on its puttable interest in subsidiaries that was recognized in the second quarter (see *Results of Operations – Change in Value of Puttable Interest in Subsidiaries*); and (ii) recent changes in tax loss carry-back rules in certain Tax Jurisdictions that enabled the Company to offset carried-forward tax losses with taxable income generated in years with a higher income tax rate relative to the current income tax rate; partially offset by income taxes on foreign exchange gains relating to an internal reorganization that are included in the Company's consolidated statements of comprehensive earnings but not in its consolidated statement of earnings.

Sales and Adjusted EBITDA Outlook

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

2021

At this time, the Company is not providing annual sales and adjusted EBITDA guidance for 2021 based on the significant uncertainties associated with the potential impacts of the pandemic over the next several quarters. While the Company is expecting to continue generating year over year improvement in its sales and adjusted EBITDA through 2021 (see *Forward Looking Statements*), there remains considerable uncertainty about how the pandemic will play out over the coming quarters and how consumer behavior will change if, and when, the pandemic is over.

5 Year Plan

Despite the near-term uncertainty on what the impacts of the pandemic will be, the Company remains confident in its ability to achieve the five-year targets set in 2018 of $6 billion in sales and $600 million in adjusted EBITDA. While pandemic related factors have impacted many areas of the Company's business, substantially all of these are expected to be temporary (see *Forward Looking Statements*). 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.

SUMMARY OF QUARTERLY RESULTS

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

(in millions of dollars except per share amounts)								
	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20
Revenue	776.6	945.4	968.3	959.1	935.0	976.6	1,101.1	1,056.2
Adjusted EBITDA	60.3	88.3	84.1	75.1	64.3	67.1	93.5	87.7
Earnings	10.0	31.2	26.9	16.2	12.2	13.5	34.7	23.3
Earnings per share – basic	0.30	0.89	0.72	0.43	0.33	0.36	0.88	0.57
Earnings per share – diluted	0.30	0.89	0.71	0.43	0.33	0.36	0.88	0.57

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 during the last three quarters of 2020 and, in particular, in the second quarter when the loss of critical mass at several production facilities resulted in a significant decline in the Company's SF segment's margins.

In addition to the factors impacting its sales and adjusted EBITDA, the trend in the Company's earnings was also impacted by unusual tax recoveries in the second and third quarter of 2020.

The trend in the Company's earnings per share was also impacted by: (i) a private placement of common shares in the second quarter of 2019; and (ii) 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:

(in millions of dollars)	As at Dec 26, 2020	As at Dec 28, 2019
Accounts receivable	387.0	346.5
Inventories	448.8	396.2
Prepaid expenses	21.2	17.8
Accounts payable and accrued liabilities	(369.3)	(285.0)
Net working capital	487.7	475.5

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 2020 as compared to the end of 2019 increased by $12.2 million primarily due to: (i) business acquisitions, which accounted for $9.7 million of the increase; (ii) higher inventory levels resulting from hedging against rising pork and beef commodity costs and mitigating the risk of pandemic and/or African Swine Fever related supply chain disruptions; and (iii) higher accounts receivable and inventory levels associated with the Company's growth. These factors were partially offset by: (i) higher accounts payable balances resulting from general fluctuations in the timing of payments and the purchase of goods and services; and (ii) lower translated values for U.S. dollar denominated net working capital due to a weaker U.S. dollar.

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

(in days)	As at Dec 26, 2020	As at Dec 28, 2019
Days sales in accounts receivable (1)	33.3	32.9
Days cost of sales in inventory (2)	47.8	46.2

(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 2020 as compared to the end of 2019 increased by 0.4 days primarily due to: (i) business acquisitions; 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 2020 as compared to the end of 2019 increased by 1.6 days primarily due to: (i) higher inventory levels associated with various hedging and

risk mitigation strategies as outlined above; and (ii) general fluctuations in the timing of sales and the purchasing of inventory. These increases were partially offset by the impacts of business acquisitions.

Debt Financing Activities

Credit Facilities

As at December 26, 2020, 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)]	982.0	482.0	500.0
4.60% debentures [(2)]	111.8	111.8	-
4.65% debentures (2018) [(3)]	169.8	169.8	-
4.20% debentures [(4)]	144.1	144.1	-
Industrial Development Revenue Bond [(5)]	7.9	7.9	-
Vendor take-back notes	21.5	21.5	-
Other term loans	26.6	26.6	-
Other revolving credit facilities	39.2	-	39.2
Cheques outstanding	-	19.1	(19.1)
Cash and cash equivalents	-	(363.0)	363.0
	1,502.9	619.8	883.1

(1) Represents the Company's main revolving senior credit facility, consisting of an $800.0 million Canadian dollar denominated line of credit and a US$150.0 million U.S. dollar denominated line of credit, less approximately $10.5 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 December 26, 2020. 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 December 26, 2020. 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 December 26, 2020. 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.

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:

(in millions of dollars)	As at Dec 26, 2020	As at Dec 28, 2019
Cheques outstanding	19.1	16.4
Bank indebtedness	-	24.9
Current portion of long-term debt	9.5	7.7
Long-term debt	525.6	603.0
Deferred financing costs [1]	2.9	3.4
	557.1	655.4
Less: cash and cash equivalents	(363.0)	(18.4)
Senior funded debt	194.1	637.0
4.65% Debentures (2016)	-	85.5
4.60% Debentures	111.8	110.7
4.65% Debentures (2018)	169.8	167.8
4.20% Debentures	144.1	-
Total funded debt	619.8	1,001.0

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

Debt Activities

During 2020, the Company's significant debt activities consisted of the following:

(in millions of dollars)	52 weeks ended Dec 26, 2020
Opening total funded debt at December 28, 2019	1,001.0
Issuance of 4.20% Debentures – net of transaction costs to be accreted	143.5
Funding for business acquisitions including issued promissory notes and assumed funded debt	110.5
Funding for capital expenditures	92.6
Payment of dividends	86.5
Payment for the settlement of puttable interest of non-wholly owned subsidiaries	21.5
Payment of provisions	15.9
Funding for changes in net working capital	15.6
Funding for investments in and advances to associate companies – net of distributions	11.6
Accretion of debentures	4.4
Repayment of 4.65% Debentures (2016)	(5.4)
Application of net proceeds from asset sale and leaseback to revolving senior credit facility	(6.4)
Scheduled principal payments	(6.6)
Foreign currency translation adjustment [1]	(8.5)
Conversions of debentures to common shares	(80.8)
Application of net proceeds from 4.20% Debenture issuance to revolving senior credit facility	(143.5)
Net cash flow applied to revolving senior credit facility and other term loans	(191.6)
Application of net proceeds from common shares issued to revolving senior credit facility	(440.5)
	619.8

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

During 2020, the Company completed the following financing activities:

- In the second quarter, increased its revolving credit facility by $100.0 million to approximately $1.0 billion
- In the third quarter, the issuance of $150.0 million of convertible unsecured subordinated debentures (4.20% Debentures) resulting in net proceeds of $143.5 million after underwriting fees of $6.0 million and transaction costs of approximately $0.5 million. The 4.20% Debentures bear interest at an annual rate of 4.20% payable semi-annually, have a maturity date of September 30, 2027 and are convertible into common shares of the Company at a price of $142.40 per share.
- Also, in the third quarter, the issuance of $138.1 million in common shares at a price of $86.30 per common share resulting in net proceeds of $132.1 million after underwriting fees of $5.5 million and transaction costs of $0.5 million.
- Also, in the third quarter, a private placement of $34.5 million in common shares at a price of $86.30 per common share, resulting in net proceeds of $33.1 million after fees and transaction costs of $1.4 million.
- Also, in the third quarter, the issuance of a notice of intention to redeem its 4.65% Debenture (2016), which resulted in: (i) $80.8 million of the debentures being converted at the option of the debenture holders into common shares of the Company at a conversion price of $85.90 per share; and (ii) $5.4 million of the debentures being redeemed through a cash payment.
- In the fourth quarter, the issuance of $230.1 million in common shares at a price of $97.55 per common share resulting in net proceeds of $220.3 million after underwriting fees of $9.2 million and transaction costs of $0.6 million.
- Also, in the fourth quarter, a private placement of $57.6 million in common shares at a price of $97.55 per common share resulting in net proceeds of $55.0 million after fees and transaction costs of $2.6 million.

Subsequent to 2020, the Company increased its revolving credit facility by $200.0 million to approximately $1.2 billion in anticipation of the acquisition of a 50% interest in Clearwater Seafood (*see Subsequent Events*).

Banking Covenants

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

	Covenant Requirement	Dec 26, 2020 Ratio
Senior funded debt to adjusted EBITDA ratio (1) (3)	=< 4.0 : 1.0	0.6 : 1.0
Interest coverage ratio (2) (3)	>= 4.0 : 1.0	14.1 : 1.0

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

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

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

Financial Leverage

Two of the key indicators that the Company uses to assess the appropriateness of its financial leverage are its senior funded debt to adjusted EBITDA and total funded debt to adjusted EBITDA ratios. The Company has set 2.5 : 1 to 3.0 : 1 as the long-term targeted range for its senior funded debt to adjusted EBITDA ratio and 4.0 : 1 to 4.5 : 1 as the long-term targeted range for its total funded debt to adjusted EBITDA ratio. These ranges are based on a number of considerations including:

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

At the end of the fourth quarter of 2020, the Company's senior funded debt to adjusted EBITDA ratio of 0.6 : 1 and its total funded debt to adjusted EBITDA ratio of 2.2 : 1 were both below the Company's long-term targeted ranges for these ratios.

Liquidity Outlook

Looking forward (see *Forward Looking Statements*) the Company expects that cash flows from its operations combined with its available credit capacity will be more than sufficient to fund its existing capital needs and dividend policy and intends to use its excess financing capacity to fund investments in new business and growth initiatives in its existing businesses.

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:

(in millions of dollars)	52 weeks ended Dec 26, 2020	52 weeks ended Dec 28, 2019
Cash flow from operating activities	227.3	164.2
Changes in non-cash working capital (1)	15.6	63.0
Lease obligation payments (2)	(40.8)	(35.8)
Business acquisition transaction costs (3)	5.6	3.3
Plant start-up and restructuring costs (4)	8.2	9.6
Maintenance capital expenditures (5)	(27.1)	(26.5)
Free cash flow	188.8	177.8

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

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

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

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

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

Dividend Policy

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

- The ratio of its dividends to its free cash flow on a rolling four quarter basis;
- Debt principal repayment 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 2020, the Company increased its quarterly dividend by 10.0% to $0.5775 per share, or $2.31 per share on an annual basis.

Subsequent to 2020, in March 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:					
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. 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 2020:

(in millions of dollars)	52 weeks ended Dec 26, 2020
Opening capital assets at December 28, 2019	502.1
Depreciation	(67.2)
Foreign currency translation adjustment [(1)]	(3.7)
Disposals	(8.1)
Change in preliminary purchase price allocation from prior year acquisition	3.3
Acquisitions	5.9
Capital expenditures:	
Project	65.5
Maintenance	27.1
Closing capital assets	524.9

(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 second quarter of 2020, the Company completed a sale and leaseback transaction with PB Real Estate Limited Partnership (see *Liquidity and Capital Resources – Corporate Investments – Investments in Associates*) involving a protein distribution and custom portioning facility in Quebec City, QC that was acquired as part of the purchase of Viandex Inc. in the third quarter of 2019. The sale was completed at fair market value and resulted in total proceeds of $6.4 million with no gain or loss recorded in the Company's earnings.

Project Capital Expenditures

During 2020, the Company invested $65.5 million in project capital expenditures consisting of: (i) $31.1 million for larger projects as outlined below; and (ii) $34.4 million for a variety of smaller projects.

(in millions of dollars) Project	2020 Expenditures	Future Expenditures	Expected Completion Date
A 41,000 square foot capacity expansion of a 66,000 square foot leased artisan bakery in Langley, BC	15.6	15.4	Q4-2021
Equipment purchases to increase the capacity of a meat snack production facility in Brantford, ON	0.9	-	Complete
Equipment purchases and a 15,000 square foot expansion to increase the meat snack capacity of a production facility in Yorkton, SK	2.9	0.3	Complete
A 26,000 square foot expansion of an 80,000 square foot meat snack production facility in Brantford, ON	1.6	18.4	Q4-2021
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	0.7	19.3	Q4-2022
Equipment purchases to increase the sandwich production capacity of a facility in Phoenix, AZ including investments in automation	2.6	-	Complete
Equipment and leasehold improvements to expand the deli meats / charcuterie tray pack capacity of facilities in Reno, NV and Columbus, OH	6.8	-	Complete

Subsequent to the quarter, the Company approved the following major capital projects:

(in millions of dollars) Project	Future Expenditures	Expected Completion Date
A 50,000 square foot expansion of a 52,000 square foot meat snack and processed meats production facility in Ferndale, WA	34.0	Q1-2023
Two third generation automated sandwich lines for installation at the Company's Phoenix and Reno sandwich plants	30.0	Q1-2022

Historic Maintenance Capital Expenditures

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

(in millions of dollars)	
Trailing four quarters ended:	
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*).

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 2020, the Company invested $144.8 million, consisting of $109.0 million in cash, $19.2 million in shares, $7.6 million in notes payable and $9.0 million in contingent consideration, in the following business acquisitions:

(millions of dollars)					
Business	Primary Business Activity	Annual Sales	Investment Interest	Segment	Purchase Date
Inform Brokerage Inc.	Specialty food brokerage and distributor	18.6	100%	PFD	Dec 31, 2019
Bavarian Meats	Protein production	US4.5	100%	SF	Mar 3, 2020
Global Gourmet Foods Inc.	Culinary foods manufacturer	50.0	100%	SF	Aug 28, 2020
Allseas Fisheries Inc.	Seafood distributor	143.4	100%	PFD	Nov 3, 2020

Investments in Associates

Investments in associates consists of the Company's investments in businesses which it does not control, including a 35% interest in PB Real Estate Limited Partnership (PBRE), a Vancouver, B.C. based real estate investment fund which owns and leases to the Company four industrial real estate properties. Other than PBRE, all of 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 2020:

(in millions of dollars)	52 weeks ended Dec 26, 2020
Opening investment in associates at December 28, 2019	64.6
Investments in associates	8.9
Advances to associates	2.7
Equity loss in associates	(2.0)
Closing investment in associates	74.2

During 2020, the Company invested $8.9 million in associated businesses consisting of: (i) the purchase of a 16.67% interest in La Felinese, an Italy based producer of premium Italian dry cured meats and supplier to several of the Company's businesses; and (ii) a pro-rata equity contribution of $0.5 million to PBRE as part of a sale and leaseback transaction (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 2020:

(in millions of dollars)	52 weeks ended Dec 26, 2020
Opening goodwill and intangible assets at December 28, 2019	1,270.4
Amortization of intangible assets	(26.2)
Business acquisitions	135.8
Foreign currency translation adjustment [1]	(10.2)
Change in preliminary purchase price allocation of prior year acquisitions	1.5
Closing goodwill and intangible assets	1,371.3

(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 2020:

(in millions of dollars)	52 weeks ended Dec 26, 2020
Opening puttable interest at December 28, 2019	58.2
Change in value	(3.3)
Cash distributions to non-controlling shareholders with puttable interests	(1.0)
Purchase of remaining interest in non-wholly owned subsidiaries pursuant to put options	(25.8)
Closing puttable interest	28.1

During the third quarter of 2020, the Company paid $21.5 million in cash and issued $4.3 million in common shares to certain minority shareholders pursuant to the exercise of puttable interest options. As a result of these options being exercised, the Company: (i) increased its ownership interest in Yorkshire Valley Farms Ltd. from 62.6% to 100% and Interprovincial Meat Sales Limited from 80.0% to 94.0%; and (ii) recorded a change in value on its puttable interest in subsidiaries of $4.3 million.

Provisions

Provisions consist of the following amounts:

(in millions of dollars)	As at Dec 26, 2020
Contingent consideration – Ready Seafood Co. acquisition [1]	39.7
Contingent consideration – acquisition of assets related to certain product sales [2]	18.5
Contingent consideration – Viandex Inc. acquisition [3]	4.9
Contingent consideration – Inform Brokerage acquisition [4]	0.7
Contingent consideration – Global Gourmet Foods Inc. acquisition [5]	4.7
Contingent consideration – Allseas.Fisheries Inc. acquisition [6]	4.0
Lease restoration costs [7]	1.1
Provisions [8]	73.6

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

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

The following table shows the changes in the provisions during 2020:

(in millions of dollars)	52 weeks ended Dec 26, 2020
Opening provisions at December 28, 2019 [1]	70.9
Business and asset acquisition	9.0
Accretion of provisions	8.5
Change in preliminary purchase price allocation of a prior year acquisition	3.9
Contingent consideration not earned [2]	(2.0)
Cash payments	(15.9)
Foreign currency translation adjustment [3]	(0.8)
Closing provisions [1]	73.6

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

(2) Amount relates to Country Prime Meats, which was acquired in 2018, not achieving certain performance targets.

(3) 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 and third quarters of 2020, the Company paid US$5.0 million and US$6.6 million, respectively, for contingent consideration associated with the 2019 acquisition of certain meat snack business / 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 – Liquidity Outlook* for details on the Company's liquidity outlook.

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

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

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

SUBSEQUENT EVENTS

Subsequent to December 26, 2020 the following events occurred:

Acquisitions

The Company invested $489.2 million, including $5.0 million of contingent consideration, in the acquisition of the following businesses:

(millions of dollars)					
Business	Primary Business Activity	Annual Sales	Investment Interest	Segment	Purchase Date
Clearwater Seafoods Inc.	Fishing, value-added seafood processing and distribution	468.6	50%	NA	Jan 25, 2021
Distribution Cote-Nord Inc.	Foodservice distributor	18.0	100%	PFD	Jan 29, 2021
Starboard Seafood Inc.	Seafood distributor	75.9	100%	PFD	Feb 19, 2021

Increase in Dividend Rate

In March 2021, the Company increased its quarterly dividend by 10.0% to $0.635 per share, or $2.54 per share on an annual basis.

Increase in Credit Facility

In January 2021, the Company increased its revolving senior credit facility by $200.0 million to approximately $1.2 billion.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The payments due on the Company's significant contractual obligations as at December 26, 2020 are as follows:

(in millions of dollars)	Total	1 year out	2 years out	3 years out	4 years out	5 years out	There-after
Long-term debt	538.0	9.5	29.1	488.2	1.8	0.7	8.7
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)	509.5	41.3	40.0	38.0	35.6	33.4	321.2
Total	1,483.0	50.8	69.1	639.2	37.4	206.6	479.9

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

TRANSACTIONS WITH RELATED PARTIES

Employee Loan Program (ELP)

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

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

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

As at the end of 2020, $17.0 million of ELP loans, which are included as part of *Other Assets* on the Company's consolidated balance sheet, were outstanding to 133 employees, officers and directors of the Company. No ELP loans were made in 2020.

Principal payments on the ELP loans in 2020 totaled $1.3 million from employees, officers and directors of the Company.

FORWARD LOOKING STATEMENTS

This discussion and analysis contains forward looking statements with respect to the Company, including, without limitation, statements regarding its business operations, strategy and financial performance and condition, cash distributions, proposed acquisitions, budgets, projected costs and plans and objectives of or involving the Company. While management believes that the expectations reflected in such forward looking statements are reasonable and represent the Company's internal expectations and belief as of March 10, 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; and (x) liquidity outlook.

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 there will not be any major shutdowns of the Canadian or U.S. economies in the near term.
- 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 be relatively stable over the medium term.
- 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 continue to access sufficient skilled and unskilled labor at reasonable wage levels.
- The Company will be able to continue to access sufficient goods and services for its manufacturing and distribution operations.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with recent levels.
- The Company will be able to achieve its projected operating efficiency improvements.
- There will not be any material changes in the competitive environment of the markets in which the Company's various businesses compete.
- There will not be any material changes in the 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 products.
- The Company will be able to negotiate new collective agreements with no labor disruptions.
- The Company will be able to continue to access reasonably priced debt and equity capital.
- The Company's average interest cost on floating rate debt will remain relatively stable in the near to medium future.
- Contractual counterparties will continue to fulfill their obligations to the Company.
- There will be no material changes to the tax and other regulatory requirements governing the Company.

Management has set out the above summary of assumptions related to forward looking 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 March 10, 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 the Company. Some of these risks and uncertainties are outlined below. Prospective investors should carefully review and evaluate these risk factors together with all of the other information contained in this discussion and analysis. Furthermore, it should be noted that the risk factors described below are not the only risk factors facing the Company and it may be subject to risks and uncertainties not described below that it is not presently aware of or that it may currently deem insignificant (see *Forward Looking Statements*).

Public Health Threat

In March 2020, the World Health Organization declared a global pandemic related to a novel strain of coronavirus (COVID-19). As at March 10, 2021, the extent and continuing impacts of the COVID-19 pandemic on the Company remains highly uncertain and will depend on future developments, including the duration, severity and spread of the outbreak, the actions required to contain COVID-19 or treat its impact, the development and spread of variants, and how quickly the global economy, in general, and Canada's and the U.S.'s economies, in particular, are able to recover from the related impacts. In early 2021, vaccines for combatting COVID-19 were approved and began to be administered by health agencies in Canada and the U.S. While most jurisdictions project full administration of the COVID-19 vaccines by mid to late 2021, uncertainties surrounding this timeline still remain.

An outbreak of disease, epidemic or pandemic, or similar public threat, or fear of such an event, could materially impact the Company in a variety of ways including: (i) reduced consumer demand for certain products, particularly those associated with out-of-home dining, air travel, cruise ship travel or those that require extra in-store handling by staff; (ii) general decreased consumer spending resulting from lower confidence levels; (iii) supply chain disruptions; (iv) internal production disruptions and/or inefficiencies resulting from a range of factors including employee absenteeism and new operating processes; (v) extra costs associated with mitigating the risk of employees contracting the disease and maintaining their safety and well-being; and (vi) increased financial pressure on the Company's customers. In addition, further outbreaks of disease could impact the Company's ability to raise capital as a result of disruptions in capital and financial markets as well as potentially increase the effects of other risks and uncertainties described below (see *Forward Looking Statements*).

The Company has taken significant actions to mitigate the effects of COVID-19 and continues to monitor the evolving situation very closely. As is needed, the Company will take further actions that are in its best interest as well as those of its employees, customers, suppliers and other stakeholders.

Commodity Risk

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

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

The Company's product diversification strategies, which reduce its exposure to any single commodity, combined with its focus on differentiated products and niche markets that are less price sensitive, help mitigate this risk. See the Company's Annual Information Form, which is filed electronically through SEDAR and is available online at www.sedar.com, for a summary of the types and amounts of commodities purchased by the Company.

Consumer Discretionary Spending Risk

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

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

Sales and Margin Risk

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

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

Customer Risk

The Company's sales to a relatively small group of large format retail customers accounted for approximately 41.0% of its total revenue for 2020 with one such retailer (Customer A) accounting for approximately 14.0% of its total revenue for 2020. As is customary in the food industry, the Company does not have long-term contracts with any of these customers. The Company also sells, directly or indirectly, to a foodservice operator (Customer B) who represents approximately 13.1% of its total revenue in 2020. The balance of the Company's sales is to a broad and diversified base of customers. The loss of sales to a large format retail customer, Customer A or Customer B could have a material adverse effect on the Company.

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

Product Defect Risk

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

The Company mitigates this risk by maintaining strict and rigorous quality controls and processes in its manufacturing and distribution facilities and by maintaining product liability and other insurance coverage that it believes to be in accordance with industry practices. Its insurance coverage may not, however, be adequate to fully protect the Company against damage claims and other costs resulting from product defects. In addition, even if a claim is unsuccessful, the negative publicity associated with a claim and/or a product recall could harm the Company's reputation and result in a material adverse effect on it.

Weather Risk

Many of the Company's businesses are seasonal as their revenues depend partly on favorable weather conditions. Correspondingly the Company's strongest financial performance is during the spring and summer seasons (see *Summary of Quarterly Results*). Poor weather conditions during these periods could have a material adverse effect on the Company's sales.

Access to Raw Material Supply Risk

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

The Company mitigates these risks by maintaining a broad network of suppliers, contractual relationships with certain suppliers, developing global procurement relationships and through its general business and product diversification strategies. Any failure of the Company to source adequate quantities of raw materials at reasonable prices could have a material adverse effect on the Company.

Consumer Preference Risk

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

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

Competition Risk

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

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

Growth Risk

A key component of the Company's strategy is to continue to grow by increasing sales and earnings in existing markets with existing products; by expanding into new markets and products; and through business acquisitions. There can be no assurance that the Company will be successful in growing its

business or in managing its growth. Furthermore, high growth rates may place a significant amount of strain on the Company's senior management team and other key personnel as well as its business processes, operations, information systems, availability of capital and other resources. Any inability to properly manage growth could result in cancellation of customer orders, increased operating costs and lower employee retention rates, and correspondingly, could have a material adverse effect on the Company.

Labor Risk

Approximately 9.6% of the Company's non-management employees are represented by labor unions or employee associations and the Company cannot predict with certainty which, if any, groups of employees that are not currently represented by a trade union or employee association may seek such representation in the future. A labor disruption, whether at one of the Company's businesses or involving one of the Company's significant suppliers, could impair the Company's ability to produce and/or source an adequate supply of finished products. Furthermore, labor disruptions involving one or more of the Company's significant customers could impair the Company's sales.

The Company is also dependent on having sufficient skilled and unskilled production and distribution labor for the continued efficient operation and growth of its business. In the event the Company is unable to hire and retain adequate labor resources, this could also impair the Company's ability to produce an adequate supply of finished products. The Company mitigates this risk by devoting significant resources to employee training and retention programs in order to keep top performing employees. Labor shortages at one or more of the Company's suppliers could also impair the Company's ability to produce an adequate supply of finished products.

Acquisition Risk

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

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

The occurrence of one or more of the above risks could have a material adverse effect on the Company. The Company manages these through extensive due diligence, transaction structuring, the use of third party experts and working closely with its businesses after acquisition.

Customer Consolidation Risk

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

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

Business Restructuring Risk

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

Capital Project Risk

As part of the Company's growth and continuing improvement initiatives, it often invests in a variety of capital projects including the construction of new facilities and enhancements to existing facilities. In estimating the cost of these projects, the Company must make a variety of assumptions which are based on its experience and understanding of current facts and circumstances. If the capital expenditures associated with a capital project are greater than projected, or if the expected benefits associated with larger capital projects are not achieved then the Company could be adversely affected.

Currency Exchange Risk

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

Indebtedness Risk

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

investments, engage in certain transactions with affiliates and enter into hedging transactions, which could have a material adverse effect on the Company.

International Trade Risk

The Company imports products from and, to a lesser extent, exports products to other countries and as such may be adversely affected by international events, including changes in trade agreements or policies, the implementation of export controls, tariffs and other trade barriers, or shifts in political attitude, that affect the price of food commodities or the free flow of food products between countries.

The Company mitigates these risks by maintaining a broad network of suppliers and customers, developing global procurement relationships and through its general business and product diversification strategies.

Cyber Security Risk

The Company relies heavily on information technology systems for the efficient and effective operation of many aspects of its business, including: (i) managing business data; (ii) processing financial information; and (iii) complying with various regulatory, legal and tax requirements. The Company also stores confidential proprietary business information on its information technology network infrastructure, and uses its systems for electronic communications with its personnel, customers, business partners and suppliers.

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

The Company mitigates these risks by maintaining and testing systems of internal controls over its information technology systems and networks, education of its employees on potential sources of cyber risks, maintaining disaster recovery and response plans, and maintaining relevant insurance coverage. However, given the rapidly evolving nature of information technology, the increasing sophistication of groups and individuals with a wide range of motives and expertise, and the high rate of change in the threat landscape, the Company may not be able to mitigate all risks associated with its information technology systems and networks.

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

Governmental Regulation Risk

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

Although the Company maintains strict and rigorous controls and processes in its manufacturing facilities and strives to maintain material compliance with all applicable laws and regulations and maintain all material permits and licenses relating to its operations, there can be no assurance that it is

in compliance with all such laws and regulations or that it will be able to comply with all applicable laws and regulations which may be enacted in the future. Failure by the Company to comply with applicable laws and regulations could subject it to significant civil remedies, including fines, injunctions, recalls, seizures, criminal sanctions, negative publicity, and/or increased costs associated with complying with such standards and controls. As well, changes in packaging and labelling requirements regarding product content could materially impact consumer demand for the Company's products.

Tax Risk

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

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

Availability of Capital Risk

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

Dependence on Key Personnel Risk

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

Interest Rate Risk

The Company is exposed to interest rate fluctuations on most of its senior credit facilities. Where appropriate, these exposures are managed through interest rate swaps, however, there can be no assurance that the Company will be able, in the future, to adequately manage these exposures, which could have a material adverse effect on it.

In addition, LIBOR, the interest rate benchmark used as a reference rate on a portion of the Company's U.S. denominated debt, is expected to be phased out after the 2021 calendar year, when private-sector banks will no longer be required to report the information used to set this rate. At this time, no consensus exists as to what rate or rates will become accepted alternatives to LIBOR, although the U.S. Federal

Reserve, in connection with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate (SOFR). Given the inherent differences between LIBOR and SOFR or any other alternative benchmark rate that may be established, there are many uncertainties regarding, what impact a transition from LIBOR will have on the cost of the Company's variable rate debt and certain derivative financial instruments.

Credit Risk

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

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

Manufacturing Risk

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

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

Livestock Risk

The Company is susceptible to risks related to the health status of livestock. The outbreak of disease in Canada or elsewhere in the world could materially impact the Company in a variety of ways including: (i) raw material shortages; (ii) increased procurement costs; (iii) reduced consumer confidence about meat products associated with the particular disease; and (iv) adverse publicity on meat products in general. The Company has developed business continuity plans for various disease scenarios and will continue to update them as necessary but there can be no assurance that these plans will be effective in mitigating any negative effects of a disease outbreak.

Seafood Supply Risk

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

Environmental, Health and Safety Regulation Risk

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

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

Climate Change Risk

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

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

Enterprise Resource Planning System Risk

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

Uninsured and Underinsured Losses Risk

The Company maintains property, equipment, business interruption and liabilities insurance coverage and uses the services of a national insurance broker to continuously review the adequacy of its coverage and the pricing of insurance. The Company uses its discretion in determining the amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim, which could have a material adverse effect on the Company.

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, 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 2020 consolidated financial statements, which are incorporated by reference herein and have been filed electronically through SEDAR and are available online at www.sedar.com.

FINANCIAL INSTRUMENTS

Foreign Currency Contracts

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

Details on the Company's outstanding foreign currency contracts can be found in its 2020 audited consolidated financial statements, which are incorporated by reference herein.

Interest Rate Swap Contracts

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

Details on the Company's outstanding interest rate swap contracts can be found in its 2020 audited consolidated financial statements, which are incorporated by reference herein.

OTHER

Outstanding Shares

The shares outstanding in the Company as of March 10, 2021 were 43,594,368. Under IFRS, which requires that shares issued under employee share benefit plans that have not yet vested be deducted from shares outstanding, the shares outstanding in the Company as of March 10, 2021 were 43,451,378.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

Management has evaluated the Company's DCP as of December 26, 2020 and has concluded that such procedures are adequately designed and effective for providing reasonable assurance that: (i) material information relating to the Company, including its consolidated subsidiaries, is made known to management on a timely basis to ensure adequate disclosure; and (ii) information required to be disclosed by the Company in its annual filings or other reports filed and submitted under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time period.

Management has also evaluated the Company's ICFR as of December 26, 2020 and has concluded that the Company's ICFR is adequately designed and effective for providing reasonable assurance that the reliability of financial reporting and the preparation of financial statements for external purposes are in accordance with IFRS.

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

The Company's Management has also concluded that there have been no changes to the Company's ICFR during the period ending December 26, 2020 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 management's discussion & analysis (MD&A), which is current as of March 10, 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 March 10, 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.