

High Liner Foods Reports Operating Results for the Third Quarter of 2017

- Company increases quarterly dividend by 3.6% -

LUNENBURG, NS, Nov. 9, 2017 /CNW/ - High Liner Foods Incorporated (TSX: HLF) ("High Liner Foods", "High Liner" or "the Company"), the leading North American value-added frozen seafood company, today reported financial results for the thirteen and thirty-nine weeks ended September 30, 2017.

The Company reports its financial results in USD and all amounts are reported in U.S. dollars ("USD") unless otherwise noted. High Liner Foods' common shares trade on the Toronto Stock Exchange (TSX: HLF) and are quoted in Canadian dollars ("CAD"). HLF shares closed yesterday at CAD\$14.35¹.

Today, the Board of Directors of the Company approved a quarterly dividend of CAD\$0.145 per share on the Company's common shares payable on December 15, 2017 to holders of record on December 1, 2017. The quarterly dividend of CAD\$0.145 per share represents a 3.6% increase from the CAD\$0.140 per share quarter dividend paid on September 15, 2017 to common shareholders of record on September 1, 2017, and reflects the Board's continued confidence in the Company's operations.

"Year-over-year sales volume improved on a consolidated basis in the third quarter of 2017 and was further bolstered by the acquisition of Rubicon on May 30, 2017. This was achieved in spite of continued impact on the business related to the product recall initiated in the second quarter of 2017. Most notably, sales volume and profit margins decreased in our Canadian business on a year-over-year basis, partially due to low product availability following the recall that hindered our ability to fully promote certain higher-margin products with retailers during the third quarter," explained Henry Demone, Chairman and CEO of High Liner Foods. "The operational impact of the product recall is now behind us and we are focused on increasing plant efficiency to improve the Company's financial performance in the fourth quarter."

Financial and operational highlights for the thirteen weeks ended September 30, 2017, or **the third quarter of 2017**, include (unless otherwise noted, all comparisons are relative to the third quarter of 2016)²:

- Sales as reported increased by \$52.3 million to \$282.7 million compared to \$230.4 million;
- Gross profit increased by \$2.3 million to \$48.3 million compared to \$46.0 million;
- Adjusted EBITDA³ decreased to \$17.3 million compared to \$17.5 million;
- Reported net income decreased by \$0.3 million to \$6.0 million compared to \$6.3 million and diluted earnings per share ("EPS") decreased by \$0.02 to \$0.18 compared to \$0.20;
- Adjusted Net Income³ decreased by \$0.6 million to \$8.4 million compared to \$9.0 million and Adjusted Diluted EPS³ decreased by \$0.04 to \$0.25 compared to \$0.29;
- CAD-Equivalent Adjusted Diluted EPS³ decreased by CAD\$0.07 to CAD\$0.31 compared to CAD\$0.38; and
- Including trailing twelve-month Adjusted EBITDA for the acquisition of Rubicon, net interest-bearing debt³ to rolling twelve-month Adjusted EBITDA was 4.5x at September 30, 2017 compared to 3.1x at the end of Fiscal 2016.

¹ Source: TSX November 8, 2017.

² The operating results for the thirteen and thirty-nine weeks ended October 1, 2016 contain certain corrections of errors identified in previously reported amounts. Please refer to High Liner Foods' Unaudited Condensed Interim Consolidated Financial Statements for the thirteen and thirty-nine weeks ended September 30, 2017 for further discussion.

³ Please refer to High Liner Foods' MD&A for the thirteen and thirty-nine weeks ended September 30, 2017 for definitions of the non-IFRS financial measures used by the Company, including "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Diluted EPS", "CAD-Equivalent Adjusted Diluted EPS" and "Net Interest-Bearing Debt".

The acquisition of Rubicon on May 30, 2017 had the impact of increasing sales volume by 9.4 million pounds, sales as reported by \$49.3 million, gross profit by \$5.7 million and Adjusted EBITDA by \$1.4 million in the third quarter of 2017 compared to the third quarter of 2016.

The sale of our New Bedford scallop business on September 7, 2016 had the impact of lowering sales volume by 1.0 million pounds, sales as reported by \$11.6 million, gross profit by \$0.6 million and Adjusted EBITDA by \$0.3 million in the third quarter of 2017 compared to the third quarter of 2016.

Product Recall

Related to the Company's product recall in the second quarter of 2017, an additional \$2.7 million in actual and estimated net losses related to the return of destroyed product and direct incremental costs were recognized in the third quarter 2017. In total, \$12.0 million in actual and estimated losses associated with the product recall have been recognized during the first three quarters of 2017. These losses do not include any estimate of the reduction in earnings associated with the product recall as a result of lost sales opportunities due to limited product availability, reduced promotional activity and customer shortages, or increased production costs related to the interruption of production at the Company's facilities.

The Company expects to recover substantially all of the losses associated with the recall from the ingredient supplier, and will record these recoveries in the period in which they occur or are virtually certain to occur, in accordance with IFRS.

The Company's estimates related to the recall are provisional and were determined based on an assessment of the information available up to the date of filing of the Consolidated Financial Statements, including a review of customer claims received as of that date and consideration of the extent of potential additional claims that have yet to be received. The Company's estimates reflect the losses determined as at September 30, 2017 to be both probable and reasonably estimable, and therefore the Company may need to revise these estimates in subsequent periods as it continues to work with its customers to substantiate the claims received to date and any additional claims that may be received. These revisions may occur at any time and may be material.

New Chief Human Resources Officer Appointment

The Company is also pleased to announce Brigid Pelino will join High Liner Foods as its Chief Human Resources Officer, effective November 13, 2017. Ms. Pelino brings a wealth of experience in Human Resources after working with several of Canada's great brands. She most recently held the position of Executive Vice President of People and Culture at WestJet Airlines and prior to position, spent more than a decade working with Tim Hortons as its Executive Vice-President, Human Resources. Ms. Pelino has also held increasing senior human resources roles at Canadian Tire Corporation, Honeywell Aerospace based in Los Angeles and General Electric. Ms. Pelino's leadership skills and experience will make her a great addition to the Company's executive team.

Financial Results

For the purpose of presenting the Consolidated Financial Statements in USD, CAD-denominated assets and liabilities in the Parent's operations are converted using the exchange rate at the reporting date, and revenue and expenses are converted at the average exchange rate of the month in which the transaction occurs. As such, foreign currency fluctuations affect the reported values of individual lines on our balance sheet and income statement. When the USD strengthens (weakening CAD), the reported USD values of the Parent's CAD-denominated items decrease in the Consolidated Financial Statements, and the opposite occurs when the USD weakens (strengthening CAD). The average USD/CAD exchange rates for the thirteen and thirty-nine weeks ended September 30, 2017 were 1.2528 and 1.3071, respectively (1.3050 and 1.3218 for the thirteen and thirty-nine weeks ended October 1, 2016, respectively.)

Investors are reminded for purposes of calculating financial ratios, including dividend payout and share price-to-earnings ratios, to take into consideration that the Company's share price and dividend rate are reported in CAD and its earnings and financial position are reported in USD.

The financial results for the thirteen and thirty-nine weeks ended September 30, 2017 and October 1, 2016² are summarized in the following table:

	Thirteen weeks ended		Thirty-nine weeks ended	
(Amounts in 000s, except per share amounts, unless otherwise noted)	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Sales volume (millions of lbs)	73.6	64.4	220.2	214.9
Sales in domestic currency	\$ 299,819	\$ 250,645	\$ 850,815	\$ 806,649
Foreign exchange impact on sales	\$ (17,115)	\$ (20,279)	\$ (59,991)	\$ (60,456)
Sales in USD	\$ 282,704	\$ 230,366	\$ 790,824	\$ 746,193
Gross profit	\$ 48,260	\$ 46,035	\$ 141,575	\$ 158,175
Gross profit as a percentage of sales	17.1%	20.0%	17.9%	21.2%
Adjusted EBITDA in domestic currency	\$ 17,923	\$ 19,143	\$ 55,422	\$ 70,367
Foreign exchange impact on Adjusted EBITDA	\$ (625)	\$ (1,633)	\$ (2,371)	\$ (5,102)
Adjusted EBITDA	\$ 17,298	\$ 17,510	\$ 53,051	\$ 65,265
Adjusted EBITDA as a percentage of sales	6.1%	7.6%	6.7%	8.7%
Net income	\$ 6,040	\$ 6,317	\$ 17,426	\$ 25,626
Diluted EPS	\$ 0.18	\$ 0.20	\$ 0.54	\$ 0.82
Adjusted Net Income	\$ 8,424	\$ 8,960	\$ 25,292	\$ 33,315
Adjusted Diluted EPS	\$ 0.25	\$ 0.29	\$ 0.78	\$ 1.07
Diluted weighted average number of shares outstanding	33,439	31,289	32,222	31,138

Sales volume for the third quarter of 2017 increased by 9.2 million pounds to 73.6 million pounds compared to 64.4 million pounds in same period in 2016 due to higher sales volume in U.S. business, reflecting the following:

- Addition of sales volume from Rubicon during the third quarter of 2017 (9.4 million lbs); and
- Revision of estimated sales volume related to the return of various products associated with the product recall (0.1 million pounds); offset by
- Lower scallop sales as a result of the sale of the New Bedford scallop business in the third quarter of 2016 (1.0 million pounds).

Excluding the impact of these items, sales volume for the third quarter of 2017 increased by 0.7 million pounds, reflecting higher sales volume in our U.S. foodservice business. Sales volume continued to be impacted in the third quarter by lost sales opportunities associated with limited product availability, reduced promotional activity in Canada and customer shortages as a result of the recall.

Sales in the third quarter of 2017 increased by \$52.3 million to \$282.7 million compared to \$230.4 million in the same period in 2016. Excluding the impact of a stronger Canadian dollar on the translation of USD sales from the Company's CAD-denominated operations relative to the conversion impact last year (approximately \$2.8 million), the impact of the addition of sales from Rubicon (\$49.3 million), the increase in sales due to revising the estimated product recall returns (\$0.8 million), and reduced sales due to the sale of the New Bedford scallop business (\$11.6 million), sales increased by \$11.0 million mainly due to the increased volume mentioned previously.

Gross profit in the third quarter of 2017 increased by \$2.3 million to \$48.3 million compared to \$46.0 million in the same period in 2016 reflecting higher sales volumes, partially offset by a decrease in gross profit as a percentage of sales to 17.1% compared to 20.0%. This increase in gross profit reflects the gross profit from Rubicon for the third quarter of 2017 (\$5.7 million), partially offset by \$2.7 million in further actual and estimated losses associated with the product recall recognized in the third quarter of 2017 and lower gross profit due to the sale of the New Bedford scallop business (\$0.6 million).

Excluding the impact of the recall, the acquisition of Rubicon and the sale of the New Bedford scallop business, gross profit decreased by \$0.1 million to \$45.3 million (19.4% as a percentage of sales) compared to \$45.4 million (20.7% as a percentage of sales) in the same period of 2016 reflecting the impact of unfavourable product mix changes driven by reduced promotional activity, raw material cost increases and continued plant inefficiencies that were worsened by production interruptions at the Company's facilities as a result of the product recall. In addition, the stronger Canadian dollar had the effect of increasing the value of reported USD gross profit from our Canadian operations in 2017 by approximately \$0.5 million relative to the conversion impact last year.

Adjusted EBITDA in the third quarter of 2017 decreased by \$0.2 million to \$17.3 million (6.1% of sales) compared to \$17.5 million (7.6% of sales) in the same period in 2016. Excluding the impact of converting our CAD-denominated operations and corporate activities to our USD presentation currency (a decrease of \$0.6 million in 2017 and \$1.6 million in 2016), Adjusted EBITDA decreased by \$1.2 million reflecting the increases in distribution and SG&A expenses, offset by the higher gross profit mentioned previously that is further increased by \$3.3 million in actual and estimated losses related to the product recall which have been added back for the purpose of Adjusted EBITDA as they relate to destroyed product and direct incremental costs incurred by the Company related to consumer refunds and customer fines. The \$2.7 million in estimated losses mentioned previously in the gross profit section included a \$0.6 million recovery associated with revising estimates related to product recall returns that has not been added back for the purpose of Adjusted EBITDA, consistent with the treatment in the second quarter. Adjusted EBITDA was positively affected by the acquisition of Rubicon, which contributed \$1.4 million to Adjusted EBITDA in the third quarter of 2017.

Reported net income in the third quarter of 2017 decreased by \$0.3 million to \$6.0 million (diluted EPS of \$0.18) compared to \$6.3 million (diluted EPS of \$0.20) in the same period last year. This change is consistent with the decrease in Adjusted EBITDA mentioned previously and a decrease in income tax expense, offset by an increase in depreciation and finance costs.

In 2017, net income included "business acquisition, integration and other expenses" related to the acquisition of Rubicon and other business development activities. In addition, net income included the actual and estimated losses related to the product recall previously mentioned, and other non-cash expenses. In 2016, net income included "business acquisition, integration and other expenses" related to accelerated depreciation on equipment and impairment of property, plant and equipment as part of the cessation of New Bedford plant operations, and other non-cash expenses. Excluding the impact of these non-routine or non-cash expenses, Adjusted Net Income in the third quarter of 2017 decreased by \$0.6 million to \$8.4 million (Adjusted Diluted EPS of \$0.25) compared to \$9.0 million (Adjusted Diluted EPS of \$0.29) in the same period last year.

Net cash flows provided by operating activities in the third quarter of 2017 decreased by \$13.0 million to \$4.4 million compared to \$17.4 million in the same period in 2016 reflecting less favourable results from operations and a less favourable change in net non-cash working capital, partially offset by lower interest and income tax payments.

Including trailing twelve-month Adjusted EBITDA for the acquisition of Rubicon, net interest-bearing debt to rolling twelve-month Adjusted EBITDA was 4.5x at September 30, 2017 compared to 3.1x at the end of Fiscal 2016. In the absence of any major acquisitions or strategic initiatives requiring capital expenditures in 2017, we expect this ratio will remain consistent at the end of 2017.

Outlook

"Increasing the efficiency of our manufacturing facilities is the primary focus to improve near-term financial performance. Product innovation is how we will grow the business and create longer-term shareholder value. This will continue to be a key strategic objective in 2018 and I also see opportunities to improve our pricing methodologies, lower fixed costs, further increase the effectiveness of our supply chain and product innovation, as well as simplify the business. Increased focus on these areas will improve financial performance in 2018, quicken the pace at which we can achieve our strategic objectives and better position the Company to pursue its profitable growth opportunities," concluded Mr. Demone.

Conference Call

The Company's Consolidated Financial Statements and MD&A as at and for the thirteen and thirty-nine weeks ended September 30, 2017 were filed concurrently on SEDAR with this news release and are also available at www.highlinerfoods.com.

The Company will host a conference call on Thursday, November 9, 2017, at 3:00 p.m. ET (4:00 p.m. AT) during which Henry Demone, Chairman and CEO, and Paul Jewer, Executive Vice President and CFO, will discuss the financial results for the third quarter of 2017. To access the conference call by telephone, dial 647-427-7450 or 1-888-231-8191. Please connect approximately 10 minutes prior to the beginning of the call to ensure participation. The conference call will be archived for replay by telephone until Thursday, November 16, 2017 at midnight (ET). To access the archived conference call, dial 1-855-859-2056 and enter the reservation number 99219122.

A live audio webcast of the conference call will be available at www.highlinerfoods.com. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. The webcast will be archived at the above website for one year.

About High Liner Foods Incorporated

High Liner Foods Incorporated is the leading North American processor and marketer of value-added frozen seafood. High Liner Foods' retail branded products are sold throughout the United States, Canada and Mexico under the **High Liner**, **Fisher Boy**, **Mirabel**, **Sea Cuisine** and **C. Wirthly** labels, and are available in most grocery and club stores. The Company also sells branded products to restaurants and institutions under the **High Liner**, **Icelandic Seafood** and **FPI** labels and is the major supplier of private label value-added seafood products to North American food retailers and foodservice distributors. High Liner Foods is a publicly traded Canadian company, trading under the symbol HLF on the Toronto Stock Exchange.

This document contains forward-looking statements. Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "estimate", "will", "believe", "plan", "expect", "goal", "remain" or "continue", or the negative of these terms or variations of them or words and expressions of similar nature. Specific forward-looking statements in this document include, but are not limited to expectations with respect to: anticipated financial performance including earning trends and growth; changes to sales volume, margins and input costs, including raw material prices; achievement, and timing of achievement, of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce our operating and supply chain costs including, without limitation, related to the cessation of value-added fish processing operations at our New Bedford facility and the related one-time costs and balance sheet implications of same; the expected timing and amount of costs associated with product recalls and the expected recovery thereof; our ability to close and successfully integrate the proposed acquisition of Rubicon Resources, LLC; our ability to develop new and innovative products that result in increased sales and market share; expected leverage levels and expected net interest-bearing debt to Adjusted EBITDA; and statements under the "outlook" heading including expected demand, sales of new product and plant production. These statements are based on a number of factors and assumptions including, but not limited to: seafood availability, demand and pricing; product pricing, including the cost of raw materials, energy and supplies; operating costs; plant performance; the condition of the Canadian and U.S. economies; our ability to attract and retain customers; required level of bank loans and interest rates; income tax rates; and our ability to attract and retain experienced and skilled employees. The statements are not a guarantee of future performance. By their nature, forward-looking statements involve uncertainties and risks that could result in the forecasts and targets not being achieved. Readers are cautioned not to place undue reliance on forward-looking statements, as actual results may differ materially from those expressed in such forward-looking statements. We include in publicly available documents filed from time to time with securities commissions and The Toronto Stock Exchange, a discussion of the risk factors that can cause anticipated outcomes to differ from actual outcomes. Except as required under applicable securities legislation, we do not undertake to update forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, whether as a result of new information, future events or otherwise.

The Company reports its financial results in accordance with International Financial Reporting Standards ("IFRS"). Included in this media release are certain non-IFRS financial measures as supplemental indicators of operating performance. These non-IFRS measures are Adjusted EBITDA, Adjusted Net Income, Adjusted Diluted EPS, CAD-Equivalent Adjusted Diluted EPS, and Net Interest-Bearing Debt. Please refer to the Company's MD&A for the thirteen and thirty-nine weeks ended September 30, 2017 for definitions of non-IFRS financial measures used by the Company and reconciliation of these non-IFRS measures to measures that are found in our consolidated financial statements.

The Company believes these non-IFRS financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS.

For further information about the Company, please visit our website at www.highlinerfoods.com or send an e-mail to investor@highlinerfoods.com.

SOURCE High Liner Foods Incorporated

View original content: <http://www.newswire.ca/en/releases/archive/November2017/09/c2444.html>

%SEDAR: 00001789E

For further information: Paul Jewer, FCPA, FCA, Executive Vice President & Chief Financial Officer, High Liner Foods Incorporated, Tel: (902) 421-7110, investor@highlinerfoods.com; Heather Keeler-Hurshman, CPA, CA, CPIR, Vice President, Investor Relations & Corporate Performance, High Liner Foods Incorporated, Tel: (902) 421-7100, investor@highlinerfoods.com

CO: High Liner Foods Incorporated

CNW 11:20e 09-NOV-17