

## High Liner Foods Reports Operating Results for the Third Quarter of 2018

### *Advances Critical Initiatives to Drive Cost Savings and Efficiencies*

LUNENBURG, NOVA SCOTIA (November 8, 2018) – 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 29, 2018 and provided details of how the Company is advancing five critical initiatives designed to drive cost savings, enhance the efficiency of the business and return the Company to profitable organic growth by 2020.

Key financial results, reported in U.S. dollars, for the thirteen weeks ended September 29, 2018, or the third quarter of 2018, are as follows (unless otherwise noted, all comparisons are relative to the third quarter of 2017):

- Sales decreased by \$41.5 million to \$241.2 million compared to \$282.7 million;
- Gross profit decreased by \$4.3 million to \$44.0 million compared to \$48.3 million;
- Adjusted EBITDA<sup>1</sup> decreased by \$3.1 million to \$14.2 million compared to \$17.3 million;
- Net income decreased by \$1.5 million to \$4.5 million compared to \$6.0 million and diluted earnings per share (EPS) decreased to \$0.13 compared to \$0.18;
- Adjusted Net Income<sup>1</sup> decreased by \$8.0 million to \$0.4 million compared to \$8.4 million and Adjusted Diluted EPS<sup>1</sup> decreased to \$0.01 compared to \$0.25;
- Net cash flows provided by operating activities in the third quarter of 2018 increased by \$11.0 million to \$15.4 million compared to \$4.4 million;
- Net interest-bearing debt<sup>1</sup> decreased by \$9.3 million to \$362.6 million at September 29, 2018 compared to \$371.9 million at June 30, 2018 and by \$25.3 million compared to \$387.9 million at the end of Fiscal 2017; and
- Net interest-bearing debt to rolling twelve-month Adjusted EBITDA was 5.7x at September 29, 2018 compared to 5.6x at June 30, 2018 and 5.9x at the end of Fiscal 2017 (5.6x at the end of Fiscal 2017 when calculated including trailing twelve-month Adjusted EBITDA for Rubicon).

Subsequent to the end of the third quarter of 2018, High Liner completed its organizational realignment, resulting in a reduction of 14% of its salaried workforce. The full realignment will generate approximately \$7 million in net annualized run rate cost savings, which gives the Company full confidence that it will achieve in excess of the previously disclosed \$10 million net annualized run rate cost savings that will be generated by executing against its five critical initiatives. High Liner expects the cost savings to be delivered within the next twelve to fifteen months. There will be a one-time charge of approximately \$4.5 million associated with the latest

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<sup>1</sup> Please refer to High Liner Foods' Management's Discussion and Analysis ("MD&A") for the thirteen and thirty-nine weeks ended September 29, 2018 for definitions of the non-IFRS financial measures used by the Company, including "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Diluted EPS" and "Net Interest-Bearing Debt".

round of restructuring, \$3.3 million of which will be recognized in the fourth quarter of 2018, with the remainder to be recognized in 2019.

"Our disappointing third quarter financial performance reflects challenges in both the external operating environment and our internal operations, and reinforces the need for action to realign the business and drive cost efficiencies," said Rod Hepponstall, President and CEO of High Liner Foods. "We started this process in July, shortly after I joined the Company, focusing first on our executive realignment and have moved quickly to realign the rest of the organization. It has required some difficult decisions and we thank departing employees for their contributions to High Liner. We now have an integrated and appropriate structure that will enable us to execute on our plans to re-position the business so that we can unlock our true potential moving forward."

Mr. Hepponstall added, "The good news is that demand for seafood continues to be strong and the Company is well positioned to meet this demand because of its established market position, well known brands and seafood expertise. To capitalize on these opportunities, we must first set our business up for success. Over the next 12 to 15 months we will focus on five critical initiatives that will ensure we have the most efficient supply chain, a simplified business with lower costs, the right talent in the right roles, a tighter integration with Rubicon, and a stronger strategic marketing platform to grow consumer demand for seafood and our value-added offerings. We are focusing all of our attention on ensuring swift and effective execution against these plans to stabilize the business and create optimal conditions for innovation, industry leadership and growth in support of long-term value creation for our stakeholders."

### **Critical Initiatives**

A summary of High Liner's five critical initiatives follows. For more details on these initiatives, investors are encouraged to join management for its forthcoming investor conference call.

- 1. Organizational Realignment** - Important progress has already been made on this initiative (as referenced above) to realign the organization to create an integrated "One High Liner Foods" culture that operates efficiently, facilitates knowledge sharing, establishes organizational best practices, and sets the foundation for the critical initiatives that follow.

Please note that as part of the Company's realignment, it has combined its procurement, plant operations, transportation and warehousing activities into an end-to-end supply chain that will be overseen by Paul Snow as Executive Vice President, Chief Supply Chain Officer.

- 2. Business Simplification** – We will take unnecessary complexity out of our business to ensure that we have a simple, yet powerful product portfolio that focuses on the best of High Liner - in terms of margins, customer appeal and growth potential. Although this will require certain product eliminations, doing so will enable us to focus our resources on developing and innovating our most profitable and desirable products.
- 3. Supply Chain Excellence** – We will build on our efforts to date to implement one integrated supply chain by creating a cross-border operating system, increasing the efficiency of manufacturing activities through further centralization and standardization. We will also focus our attention on sales and operational planning and continuous improvement.
- 4. Rubicon Alignment and Growth** – We will work to extract the value and synergies in this acquisition that have yet to be fully realized. By fully aligning Rubicon with High Liner

Foods, we will maximize the opportunity for growth in shrimp, one of the fastest growing seafood categories.

- 5. Profitable Organic Growth** – We will invest in product innovation, research and partnerships to strengthen our customer engagement model, shape consumer tastes and increase demand for our seafood with the goal of returning to profitable organic growth by 2020.

## 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).

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 statements are reported in USD.

The financial results for the thirteen and thirty-nine weeks ended September 29, 2018 and September 30, 2017 are summarized in the following table:

(Amounts in 000s, except per share amounts, unless otherwise noted)	Thirteen weeks ended		Thirty-nine weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
<b>Sales volume (millions of lbs)</b>	<b>64.2</b>	73.6	<b>217.8</b>	220.2
<b>Average foreign exchange rate (USD/CAD)</b>	<b>1.3072</b>	1.2528	<b>1.2877</b>	1.3071
Sales in domestic currency	\$ <b>260,616</b>	\$ 299,819	\$ <b>862,003</b>	\$ 850,815
Foreign exchange impact on sales	\$ <b>(19,459 )</b>	\$ (17,115 )	\$ <b>(56,350 )</b>	\$ (59,991 )
<b>Sales in USD</b>	\$ <b>241,157</b>	\$ 282,704	\$ <b>805,653</b>	\$ 790,824
<b>Gross profit</b>	\$ <b>43,999</b>	\$ 48,260	\$ <b>147,870</b>	\$ 141,575
<b>Gross profit as a percentage of sales</b>	<b>18.2 %</b>	17.1 %	<b>18.4 %</b>	17.9 %
Adjusted EBITDA in domestic currency	\$ <b>14,677</b>	\$ 17,923	\$ <b>52,688</b>	\$ 55,422
Foreign exchange impact on Adjusted	\$ <b>(442 )</b>	\$ (625 )	\$ <b>(2,182 )</b>	\$ (2,371 )
<b>Adjusted EBITDA</b>	\$ <b>14,235</b>	\$ 17,298	\$ <b>50,506</b>	\$ 53,051
<b>Adjusted EBITDA as a percentage of sales</b>	<b>5.9 %</b>	6.1 %	<b>6.3 %</b>	6.7 %
<b>Net income</b>	\$ <b>4,531</b>	\$ 6,040	\$ <b>17,586</b>	\$ 17,426
<b>Diluted EPS</b>	\$ <b>0.13</b>	\$ 0.18	\$ <b>0.52</b>	\$ 0.54
<b>Adjusted Net Income</b>	\$ <b>412</b>	\$ 8,424	\$ <b>14,881</b>	\$ 25,292
<b>Adjusted Diluted EPS</b>	\$ <b>0.01</b>	\$ 0.25	\$ <b>0.44</b>	\$ 0.78
<b>Diluted weighted average number of shares outstanding</b>	<b>33,674</b>	33,439	<b>33,601</b>	32,222

In the third quarter of 2018, an \$8.5 million recovery of product recall losses from an ingredient supplier was recognized related to the Company's product recall announced in April 2017. This recovery was recognized as business acquisition, integration and other (income) expense in the consolidated statements of income and has been excluded for the purpose of Adjusted EBITDA and Adjusted Net Income. This is the first recovery installment from the ingredient supplier. The Company continues to expect it will recover from the ingredient supplier substantially all of the losses it incurred associated with the product recall, including \$13.5 million in net losses recognized in Fiscal 2017. Future recoveries will be recorded in the period in which they occur or are virtually certain to occur, in accordance with IFRS.

In the third quarter of 2017, the product recall had the impact of increasing sales volume by 0.1 million and sales by \$0.8 million related to the revision of estimated product returns, and decreased gross profit by \$2.7 million.

Sales volume for the third quarter of 2018 decreased by 9.4 million pounds to 64.2 million pounds compared to 73.6 million pounds in the same period in 2017. The decrease in sales volume reflects lower sales volume in the U.S. retail and foodservice businesses and Canadian retail business, including lower sales volume from Rubicon (3.4 million pounds) due to the loss of a major customer.

Sales in the third quarter of 2018 decreased by \$41.5 million to \$241.2 million compared to \$282.7 million in the same period in 2017. Excluding the impact of a weaker Canadian dollar on the translation of USD sales from the Company's CAD-denominated operations relative to the conversion impact in 2017 (approximately \$2.8 million) and the impact of the product recall in 2017 (\$0.7 million), sales decreased by \$38.5 million mainly due to the lower sales volume mentioned previously and changes in product mix, partially offset by price increases related to raw material cost increases.

Gross profit in the third quarter of 2018 decreased by \$4.3 million to \$44.0 million compared to \$48.3 million in the same period in 2017, with gross profit as a percentage of sales increasing to 18.2% compared to 17.1%. Gross profit in the third quarter of 2017 included non-reoccurring losses associated with the product recall (\$2.7 million). Excluding these losses, gross profit in the third quarter of 2018 decreased by \$7.0 million to \$44.0 million (18.2% of sales) compared to \$51.0 million (18.1% of sales) in the same period of 2017 due to lower sales volume, unfavourable changes in product mix and U.S. plant inefficiencies, partially offset by price increases related to raw material cost increases. In addition, the weaker Canadian dollar had the effect of decreasing the value of reported USD gross profit from our Canadian operations in 2018 by approximately \$0.5 million relative to the conversion impact in 2017.

Adjusted EBITDA in the third quarter of 2018 decreased by \$3.1 million to \$14.2 million (5.9% of sales) compared to \$17.3 million (6.1% of sales) in the same period in 2017. Excluding the impact of converting our CAD-denominated operations and corporate activities to our USD presentation currency (a decrease of \$0.4 million in 2018 and \$0.6 million in 2017), Adjusted EBITDA decreased by \$3.2 million reflecting the lower gross profit mentioned previously (\$6.9 million) after adjusting for the losses associated with the 2017 product recall, partially offset by lower distribution and SG&A.

Reported net income in the third quarter of 2018 decreased by \$1.5 million to \$4.5 million (diluted EPS of \$0.13) compared to \$6.0 million (diluted EPS of \$0.18) in the same period last year. The decrease in net income reflects the decrease in Adjusted EBITDA mentioned previously, along with an impairment of property, plant and equipment and an increase in finance costs and income tax expense, partially offset by the product recall recovery (\$8.5 million) mentioned previously.

In 2018, net income included "business acquisition, integration and other (income) expenses" related to the product recall recovery and termination benefits related to restructuring activities, and other non-cash

expenses, including an impairment of property, plant and equipment. In 2017, net income included "business acquisition, integration and other (income) expenses" related to the acquisition of Rubicon and other business development activities, losses associated with the product recall, and other non-cash expenses. Excluding the impact of these non-routine and other non-cash expenses, Adjusted Net Income in the third quarter of 2018 decreased by \$8.0 million to \$0.4 million (Adjusted Diluted EPS of \$0.01) compared to \$8.4 million (Adjusted Diluted EPS of \$0.25) in the same period last year.

The Company's effective income tax rate for the third quarter of 2018 was an expense of 56.3% compared to a recovery of 29.6% in the third quarter of 2017. The higher effective income tax rate for the third quarter of 2018 was attributable to reduced interest expense deductibility associated with the Company's tax efficient financing structures due to a valuation allowance, partially offset by a reduction in the U.S. federal corporate income tax rate from 35% to 21%, which are both attributable to the Tax Cuts and Jobs Act that was signed into law on December 22, 2017. The Company expects the annual effective income tax rate to be approximately 20-25% for 2018.

Net cash flows provided by operating activities in the third quarter of 2018 increased by \$11.0 million to \$15.4 million compared to \$4.4 million in the same period in 2017, primarily reflecting more favourable results from operations, including income tax refunds, partially offset by higher interest payments and less favourable changes in net non-cash working capital.

Net interest-bearing debt decreased by \$9.3 million to \$362.6 million at the end of the third quarter of 2018 compared to \$371.9 million at the end of the second quarter of 2018 and by \$25.2 million compared to \$387.9 million at the end of Fiscal 2017.

Net interest-bearing debt to rolling twelve-month Adjusted EBITDA was 5.7x at the end of the third quarter of 2018 compared to 5.6x at the end of the second quarter of 2018 and 5.9x at the end of Fiscal 2017 (or 5.6x at the end of Fiscal 2017 when the latter is calculated including trailing twelve-month Adjusted EBITDA for Rubicon).

### **Dividend & Capital Structure**

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, 2018 to holders of record on December 1, 2018<sup>2</sup>. The Board also announced that it has commenced a review of its capital structure to determine the most prudent use of capital.

### **Outlook**

The Company advises shareholders that until it completes its critical initiatives over the next twelve to fifteen months, High Liner is likely to continue to face pressure on its financial results. This is due to a number of internal and external factors including, among other things, internal challenges being addressed by the critical initiatives and rising raw material prices, compounded by recently imposed U.S. import tariffs on key species. Longer term, High Liner expects the Company's financial performance to improve and targets a return to profitable organic growth by 2020.

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<sup>2</sup> The Company now offers the ability for its common shareholders to receive dividend payments through electronic funds transfers. For more information, please refer to the "Other News" section of the Company's website.

## Investor Conference Call

The Company will host a conference call on Thursday, November 8, 2018, at 2:00 p.m. ET (3:00 p.m. AT) during which Rod Hepponstall, President & Chief Executive Officer, and Paul Jewer, Executive Vice President & Chief Financial Officer, will discuss the financial results for the third quarter of 2018. 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 22, 2018 at midnight (ET). To access the archived conference call, dial 1-855-859-2056 and enter the reservation number 3179094.

A live audio webcast of the conference call will be available at [www.highlinerfoods.com](http://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.

The Company's Audited Consolidated Financial Statements and MD&A as at and for the thirteen and thirty-nine weeks ended September 29, 2018 were filed concurrently on SEDAR with this news release and are also available at [www.highlinerfoods.com](http://www.highlinerfoods.com).

## 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. Wirthy & Co.** 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: future growth strategies and their impact on the Company's market share and shareholder value; anticipated financial performance including earning trends and growth; 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; 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; increased demand for our products whether due to the recognition of health benefits of seafood or otherwise; changes in costs for seafood and other raw materials; any proposed disposal of assets and/or operations; increases or decreases in processing costs; the USD/CAD exchange rate; percentage of sales from our brands; expectations with regards to sales volume, earnings, product margins, product innovations, brand development and anticipated financial performance; competitor reactions to Company strategies and actions; impact of price increases or decreases on future profitability; sufficiency of working capital facilities; future income tax rates; the expected timing and amount of recovery associated with product recall costs; our ability to successfully integrate the acquisition of Rubicon Resources, LLC; levels of accretion and synergy and earnings growth related to Rubicon; the expected amount and timing of integration activities related to acquisitions; expected leverage levels and net interest-bearing debt to*

*Adjusted EBITDA; and statements under the heading “Outlook” including expected demand, sales of new product, the efficiency of our plant production, U.S. tariffs on certain seafood products imported from China, and expected amount and timing of cost savings related to the optimization of the Company's structure. These statements are based on a number of factors and assumptions including, but not limited to: seafood and other ingredient 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 the interpretation of the U.S. Tax Reform by tax authorities; the impact of the U.S. Administration's tariffs on certain seafood products; 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 and Net Interest-Bearing Debt. Please refer to the Company's MD&A for the thirteen and thirty-nine weeks ended September 29, 2018 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](http://www.highlinerfoods.com) or send an e-mail to [investor@highlinerfoods.com](mailto:investor@highlinerfoods.com).

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