

High Liner Foods Reports Operating Results for the Third Quarter of 2019

- 16% Adjusted EBITDA Growth and Continued Net Debt Reduction -

LUNENBURG, NS, Nov. 7, 2019 /CNW/ - High Liner Foods Incorporated (TSX: HLF) ("High Liner Foods" or "the Company"), a leading North American value-added frozen seafood company, today reported financial results for the thirteen and thirty-nine weeks ended September 28, 2019.

Key financial results, reported in U.S. dollars, for the thirteen weeks ended September 28, 2019, or the third quarter of 2019, are as follows (unless otherwise noted, all comparisons are relative to the third quarter of 2018):

- Adjusted EBITDA^{1 2} as a percentage of sales increased by 160 basis points to 7.5% compared to 5.9% with Adjusted EBITDA of \$16.5 million compared to \$14.2 million;
- Net debt¹ decreased by \$12.3 million to \$312.3 million compared to \$324.6 million at June 29, 2019;
- Net debt to rolling twelve-month Adjusted EBITDA was 4.0x at September 28, 2019 compared to 4.2x at June 29, 2019 and 5.8x at the end of Fiscal 2018;
- Sales decreased by \$21.1 million to \$220.1 million compared to \$241.2 million;
- Gross profit as a percentage of sales increased by 110 basis points to 19.3% compared to 18.2% with gross profit of \$42.4 million compared to \$44.0 million;
- Net income decreased by \$6.9 million to a net loss of \$2.4 million compared to net income of \$4.5 million and diluted earnings per share (EPS) decreased to a loss of \$0.07 compared to income of \$0.13;
- Adjusted Net Income¹ increased by \$3.5 million to \$3.9 million compared to \$0.4 million and Adjusted Diluted EPS increased to \$0.11 compared to \$0.01; and
- Net cash flows provided by operating activities increased by \$0.1 million to \$15.5 million compared to \$15.4 million.

"Our business today is significantly stronger than this time last year. In the past quarter, we delivered Adjusted EBITDA growth, rolled out new product innovations and secured an important vote of confidence from our investors as we completed our debt refinancing ahead of schedule," said Rod Hepponstall, President and CEO of High Liner Foods. "With fewer SKUs and more emphasis on value-added products we are driving efficiency, increasing margins and delivering innovative and high-quality seafood to our customers. We are moving closer to a more optimal portfolio mix. I am confident that High Liner Foods is well positioned to continue to grow Adjusted EBITDA and seize new opportunities for profitable organic growth."

Debt Refinancing

Subsequent to completion of the third quarter of 2019, the Company announced on October 16, 2019 that it had concluded an early refinancing of its senior secured term loan and amendment of its working capital facility. The term loan facility was reduced from \$370.0 million to \$300.0 million, the term was extended from April 2021 to October 2026, and the applicable interest rates for loans

under the facility was increased from LIBOR plus 3.25% (1.00% LIBOR floor) to LIBOR plus 4.25% (1.00% LIBOR floor). The working capital facility was amended by reducing the amount of the facility from \$180.0 million to \$150.0 million and extending the term from April 2021 to April 2023³.

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, earnings per share and financial statements are reported in USD.

The financial results for the thirteen and thirty-nine weeks ended September 28, 2019 and September 29, 2018 are summarized in the following table:

(Amounts in 000s, except per share amounts, unless otherwise noted)	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Sales volume (millions of lbs)	60.2	64.2	199.1	217.8
Average foreign exchange rate (USD/CAD)	1.3205	1.3072	1.3295	1.2877
Sales in USD	\$ 220,141	\$ 241,157	\$ 720,599	\$ 805,653
Gross profit	\$ 42,434	\$ 43,999	\$ 141,358	\$ 147,870
Gross profit as a percentage of sales	19.3%	18.2%	19.6%	18.4%
Adjusted EBITDA	\$ 16,455	\$ 14,235	\$ 66,553	\$ 50,506
Adjusted EBITDA as a percentage of sales	7.5%	5.9%	9.2%	6.3%
Net (loss) income	\$ (2,400)	\$ 4,531	\$ 13,308	\$ 17,586
Diluted EPS	\$ (0.07)	\$ 0.13	\$ 0.39	\$ 0.52
Adjusted Net Income	\$ 3,857	\$ 412	\$ 23,462	\$ 14,881
Adjusted Diluted EPS	\$ 0.11	\$ 0.01	\$ 0.68	\$ 0.44
Diluted weighted average number of shares outstanding	33,807	33,674	34,257	33,601

Sales volume for the third quarter of 2019 decreased by 4.0 million pounds, or 6.2%, to 60.2 million pounds compared to 64.2 million pounds in same period in 2018. The decrease in sales volume reflects lower sales volumes in our retail and foodservice businesses, including lower sales volume as a result of lost business in the latter half of Fiscal 2018 and the exit of low margin business.

Sales in the third quarter of 2019 decreased by \$21.1 million to \$220.1 million, or 8.7%, compared to \$241.2 million in the same period in 2018 due to the lower sales volumes and changes in sales mix, partially offset by price increases related to raw material cost increases.

Gross profit in the third quarter of 2019 decreased by \$1.6 million to \$42.4 million compared to \$44.0 million in the same period in 2018, while gross profit as a percentage of sales increased by 110 basis points to 19.3% compared to 18.2%. The decrease in gross profit reflects the lower sales volume discussed above and raw material cost increases, including tariffs on certain species imported into the U.S. from China. This was partially offset by sales price increases, favorable product mix related to the exit of low margin business and improved plant efficiencies partially related to the Company's supply chain excellence initiatives. In addition, the weaker Canadian dollar had the effect of decreasing the value of reported USD gross profit from our Canadian operations in 2019 by approximately \$0.1 million relative to the conversion impact last year.

Adjusted EBITDA in the third quarter of 2019 increased by \$2.3 million, or 16.2%, to \$16.5 million

(7.5% of sales) compared to \$14.2 million (5.9% of sales) in the same period in 2018. The increase in Adjusted EBITDA reflects the impact of the new lease standard adopted at the beginning of Fiscal 2019 and a decrease in distribution and net selling, general and administrative expenses, partially offset by the lower gross profit discussed above. The impact of converting our CAD-denominated operations and corporate activities to our USD presentation currency decreased the value of reported Adjusted EBITDA in USD by \$0.7 million in third quarter of 2019 compared to \$0.4 million in 2018.

Reported net (loss) income in the third quarter of 2019 decreased by \$6.9 million to a net loss of \$2.4 million (loss per diluted share of \$0.07) compared to \$4.5 million (diluted EPS of \$0.13) in the same period last year. The decrease in net income reflects the product recall recovery of \$8.5 million from the ingredient supplier recognized in the third quarter of 2018, increased share-based compensation expense, costs associated with the Company's critical initiatives and higher depreciation and amortization expense, partially offset by the increase in Adjusted EBITDA discussed above and lower income taxes.

In the third quarter of 2019, net (loss) income included "business acquisition, integration and other expense (income)" related to the costs associated with the Company's critical initiatives mentioned above, and other non-cash expenses. In 2018, net (loss) income included "business acquisition, integration and other expense (income)" related to the product recall recovery received in the third quarter of 2018, short-term termination benefits as a result of restructuring activities, 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 2019 increased by \$3.5 million to \$3.9 million (Adjusted Diluted EPS of \$0.11) compared to \$0.4 million (Adjusted Diluted EPS of \$0.01) in the same period last year.

Net cash flows provided by operating activities in the third quarter of 2019 increased by \$0.1 million to \$15.5 million compared to \$15.4 million in the same period in 2018 primarily reflecting favourable changes in net non-cash working capital and lower interest payments, partially offset by decreased cash flows from operations and lower tax refunds.

Net debt decreased by \$48.3 million to \$312.3 million compared to \$360.6 million at the end of Fiscal 2018. Excluding the transitional increase in lease liabilities upon the adoption of the new lease standard effective at the beginning of Fiscal 2019, net debt decreased by \$62.9 million.

Including the impact of the new lease standard since adoption only (December 30, 2018), net debt to rolling twelve-month Adjusted EBITDA was 4.0x at September 28, 2019 compared to 4.2x at June 29, 2019 and 5.8x at the end of Fiscal 2018. Including trailing twelve-month Adjusted EBITDA for the new lease standard, net debt to rolling twelve-month Adjusted EBITDA was 3.9x at September 28, 2019. In the absence of any major acquisitions or strategic initiatives requiring capital expenditures in the last quarter of Fiscal 2019, we expect this ratio will remain consistent with the ratio as at September 28, 2019 due to the increased working capital requirements in advance of the Lenten period.

Dividend

Today, the Company's Board of Directors approved a quarterly dividend of CAD\$0.05 per share on the Company's common shares, payable on December 15, 2019 to holders of record on December 1, 2019.

Outlook

"We are confident that execution against our critical initiative plan will continue to deliver year-over-year Adjusted EBITDA improvement in 2019 and 2020," said Mr. Hepponstall. "This Adjusted EBITDA growth will continue despite further anticipated sales volume decline which we are focused

on replacing with increased sales of higher margin value-added products."

High Liner Foods also expects net debt to rolling twelve month Adjusted EBITDA will continue to improve in 2020 as a result of growth in Adjusted EBITDA, improved cash flow management and the dividend reduction announced in May of this year on the Company's common shares.

In regard to the 25% import tariffs (including "List 4B" tariffs) proposed by the U.S. Administration in May 2019 on additional Chinese imports, the U.S. President proposed on August 23, 2019, that the List 4B tariffs be decreased to 15% with an effective date of December 15, 2019, pending further negotiations between the U.S. and China. As currently drafted, the List 4B tariffs apply to only limited products sold by High Liner Foods and as a result of its mitigation activities, are not expected to have a significant financial impact. Excluding any impact related to U.S. import tariffs, the pricing and supply of seafood raw material for the products sold by High Liner Foods are expected to remain relatively stable throughout the remainder of 2019 and 2020.

Conference Call

The Company will host a conference call on Thursday, November 7, 2019, 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 2019. 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 14, 2019 at midnight (ET). To access the archived conference call, dial 1-855-859-2056 and enter the reservation number 7498238.

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.

The Company's Unaudited Condensed Interim Consolidated Financial Statements and MD&A as at and for the thirteen and thirty-nine weeks ended September 28, 2019 were filed concurrently on SEDAR with this news release and are also available at www.highlinerfoods.com.

About High Liner Foods Incorporated

High Liner Foods Incorporated is a 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** and **Sea Cuisine** 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 a 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", "would", "could", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "goal", "remain" or "continue", or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Company's materials filed with the Canadian

securities regulatory authorities from time to time, including the Risk Factors section of our 2018 Annual Report and the Risk Factors section of our 2018 Annual Information Form. The risks and uncertainties that may affect the operations, performance, development and results of High Liner Foods' business include, but are not limited to, the following factors: volatility in the CAD/USD exchange rate; the interpretation of the U.S. Tax Reform by tax authorities; competitive developments including increases in overseas seafood production and industry consolidation; availability and price of seafood raw materials and finished goods and the impact of climate change and geopolitical events (and related economic sanctions) on the same; the impact of the U.S. Administration's tariffs on certain seafood products; costs of commodity products and other production inputs, and the ability to pass cost increases on to customers; successful integration of acquired operations; potential increases in maintenance and operating costs; shifts in market demands for seafood; performance of new products launched and existing products in the market place; changes in laws and regulations, including environmental, climate change, taxation and regulatory requirements; technology changes with respect to production and other equipment and software programs; enterprise resource planning system risk; climate change risks, including damage to the Company's assets and supply chain and operational disruptions due to adverse weather conditions and natural disasters; supplier fulfillment of contractual agreements and obligations; competitor reactions; High Liner Foods' ability to generate adequate cash flow or to finance its future business requirements through outside sources; compliance with debt covenants; the availability of adequate levels of insurance; and management retention and development. Forward-looking information is based on management's current estimates, expectations and assumptions, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Except as required under applicable securities laws, we do not undertake to update these 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. 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 Debt. Please refer to the Company's MD&A for the thirteen and thirty-nine weeks ended September 28, 2019 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.

¹ Please refer to High Liner Foods' Management's Discussion and Analysis ("MD&A") for the thirteen and thirty-nine weeks ended September 28, 2019 for definitions of the non-IFRS financial measures used by the Company, including "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Diluted EPS" and "Net Debt"

² The Company adopted *International Financial Reporting Standard 16, Leases ("IFRS 16")*, effective December 30, 2018, using the modified retrospective method, including the application of certain practical expedients, and therefore, the comparative information for 2018 has not been restated. For more information regarding the Company's adoption of *IFRS 16*, please refer to *Note 2 Basis of Presentation* and *Note 4 Right-of-Use Assets and Lease Liabilities* to High Liner Foods' Unaudited Condensed Interim Consolidated Financial Statements for the thirteen and thirty-nine weeks ended September 28, 2019

³ For more information related to the Company's debt refinancing activities, please refer to *Note 5 Bank Loans*, *Note 6 Long-term Debt* and *Note 15 Events After the Reporting Period* to High Liner Foods' Unaudited Condensed Interim Consolidated Financial Statements for the thirteen and thirty-nine weeks ended September 28, 2019

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