

High Liner Foods Reports Operating Results for the Third Quarter of 2020

**- Delivers Strong Cash Flow, Reduced Leverage and Ongoing Margin Improvements -
- Increases Dividend by 2 Cents Per Share -**

LUNENBURG, NS, Nov. 6, 2020 /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 26, 2020.

"Our strong financial performance in the third quarter is a result of continuous improvement, consistent delivery and unrelenting focus on our customers' evolving needs," said Rod Hepponstall, President and CEO of High Liner Foods. "We have enhanced our business operations and overall financial health, generating significant improvements to cash flow, profitability and leverage, strengthening our ability to navigate market challenges and deliver ongoing Adjusted EBITDA improvements. Moving forward our increased cash flow will enable us to invest further in our business, our brands and ongoing product innovation, while continuing to reduce debt and support a higher dividend."

Robert Pace, Chair of the Board of Directors, said, "High Liner Foods has risen to the occasion during a time of unprecedented challenge in the North American food industry and proven how far the business has come in a relatively short amount of time. We are raising the dividend as a result of the Company's consistent performance and the Board's increased confidence in the future outlook for the business. We would like to thank shareholders for their support during our necessary business transformation."

The Company's Board of Directors approved a quarterly dividend of CAD\$0.070 per share on the Company's common shares, payable on December 15, 2020 to holders of record on December 1, 2020. The quarterly dividend of CAD\$0.070 per share represents a 40.0% increase from the CAD\$0.050 per share quarterly dividend paid during the third quarter of 2020 and reflects the Board's continued confidence in the Company's operations.

Key financial results, reported in U.S. dollars ("USD"), for the thirteen weeks ended September 26, 2020, or the third quarter of 2020, are as follows (unless otherwise noted, all comparisons are relative to the third quarter of 2019):

- Sales volume decreased by 5.5 million pounds, or 9.1%, to 54.7 million pounds compared to 60.2 million pounds and sales decreased by \$25.5 million, or 11.6%, to \$194.6 million compared to \$220.1 million;
- Gross profit as a percentage of sales increased to 20.0% compared to 19.3% and gross profit decreased by \$3.5 million, or 8.3%, to \$38.9 million compared to \$42.4 million;
- Adjusted EBITDA¹ as a percentage of sales increased to 9.8% compared to 7.5% and Adjusted EBITDA increased by \$2.6 million, or 15.8%, to \$19.1 million compared to \$16.5 million;
- Net income increased by \$6.2 million, or 258.3%, to \$3.8 million compared to a net loss of \$2.4 million and diluted earnings per share ("EPS") increased to \$0.11 compared to a loss per share of \$0.07; and
- Net Debt¹ to rolling twelve-month Adjusted EBITDA improved to 3.3x at September 26, 2020 compared to 3.9x at June 27, 2020 and 4.1x at the end of Fiscal 2019.

¹ Please refer to High Liner Foods' Management's Discussion and Analysis ("MD&A") for the thirteen and thirty-nine weeks ended September 26, 2020 for definitions of the non-IFRS financial measures used by the Company, including "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Diluted EPS" and "Net Debt".

COVID-19 Related Update

High Liner Foods continues to satisfy strong retail demand for its products with high case fill rates and product innovations.

The Company's foodservice business continues to steadily rebound, with quarter over quarter improvements on volumes since COVID-19 hit in March 2020. Foodservice customers continue to respond favourably to the Company's expanded value-added branded products which are well suited to the new operating environment. The Company continues to benefit from the diversity of its foodservice business through this period with institutional foodservice customers, like health care facilities, providing stable demand.

High Liner Foods' three plants continue to operate at planned capacity and higher efficiency rates to meet demand from its retail and foodservice customers and consumers. The Company's overall supply chain continues to be robust with no significant issues related to production, transportation and warehousing activities nor the procurement of raw materials and ingredients.

Employee safety is High Liner Food's top priority and as the pandemic evolves, it will implement any further measures designed to protect the health and safety of its employees and prevent disruption to the Company's supply chain and operations.

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, EPS and financial statements are reported in USD.

The financial results for the thirteen and thirty-nine weeks ended September 26, 2020 and September 28, 2019 are summarized in the following table:

(Amounts in 000s, except per share amounts, unless otherwise noted)	Thirteen weeks ended		Thirty-nine weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Sales volume (millions of lbs)	54.7	60.2	181.3	199.1
Average foreign exchange rate (USD/CAD)	1.3330	1.3205	1.3537	1.3295
Sales	\$ 194,621	\$ 220,141	\$ 629,038	\$ 720,599
Gross profit	\$ 38,903	\$ 42,434	\$ 134,404	\$ 141,358
Gross profit as a percentage of sales	20.0%	19.3%	21.4%	19.6%
Adjusted EBITDA	\$ 19,068	\$ 16,455	\$ 66,860	\$ 66,553
Adjusted EBITDA as a percentage of sales	9.8%	7.5%	10.6%	9.2%
Net income (loss)	\$ 3,821	\$ (2,400)	\$ 21,430	\$ 13,308
Diluted EPS	\$ 0.11	\$ (0.07)	\$ 0.63	\$ 0.39
Adjusted Net Income	\$ 5,948	\$ 3,857	\$ 24,896	\$ 23,462
Adjusted Diluted EPS	\$ 0.18	\$ 0.11	\$ 0.74	\$ 0.68
Diluted weighted average number of shares outstanding	33,840	33,807	33,857	34,257

Sales volume for the third quarter of 2020 decreased by 5.5 million pounds to 54.7 million pounds compared to 60.2 million pounds in same period in 2019. In our foodservice business, sales volume continued to be lower due to the impact of COVID-19 on our foodservice customers. In our retail business, sales volume continued to be higher due to the increased demand related to COVID-19,

partially offset by lost business in the fourth quarter of Fiscal 2019 that continued to impact volume year-over-year. The decline in sales volume was partially offset by new business and new product sales.

Sales in the third quarter of 2020 decreased by \$25.5 million to \$194.6 million compared to \$220.1 million in the same period in 2019 due to the lower sales volumes discussed above and changes in sales mix. In addition, the weaker Canadian dollar in the third quarter of 2020 compared to the same quarter of 2019 decreased the value of USD sales from our CAD-denominated operations by approximately \$0.5 million relative to the conversion impact last year.

Gross profit in the third quarter of 2020 decreased by \$3.5 million to \$38.9 million compared to \$42.4 million in the same period in 2019 and gross profit as a percentage of sales increased by 70 basis points to 20.0% compared to 19.3%. Gross profit reflects the lower sales volume discussed above, partially offset by favorable changes in product mix reflected in the improved gross profit as a percentage of sales. The weaker Canadian dollar had the effect of decreasing the value of reported USD gross profit from our Canadian operations in 2020 by approximately \$0.1 million relative to the conversion impact last year.

Adjusted EBITDA in the third quarter of 2020 increased by \$2.6 million to \$19.1 million compared to \$16.5 million in the same period in 2019 and Adjusted EBITDA as a percentage of sales increased by 230 basis points to 9.8% compared to 7.5%. Adjusted EBITDA reflects a decrease in distribution expense and net SG&A expenses, partially offset by the decrease in gross profit discussed previously. In addition, the weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2020 by approximately \$0.1 million relative to the conversion impact last year.

Reported net income (loss) in the third quarter of 2020 increased by \$6.2 million to income of \$3.8 million (diluted EPS of \$0.11) compared to a loss of \$2.4 million (diluted loss per share of \$0.07) in the same period in 2019. The increase in net income reflects the increase in Adjusted EBITDA discussed previously and decreases in share-based compensation expense, business acquisition, integration and other expense (income) and finance costs, partially offset by an increase in income tax expense.

Reported net income in the third quarter of 2020 included an expense of \$0.6 million related to certain non-routine expenses classified as "business acquisition, integration and other expense (income)" compared to an expense of \$3.4 million in the same period in 2019. Excluding the impact of these non-routine, other non-cash expenses and share-based compensation, Adjusted Net Income in the third quarter of 2020 increased by \$2.0 million or 51.3% to \$5.9 million compared to \$3.9 million the same period last year. Correspondingly, Adjusted Diluted EPS increased by \$0.07 to \$0.18 compared to 0.11 in the same period last year.

Net cash flows provided by operating activities in the third quarter of 2020 increased by \$30.8 million to \$46.3 million compared to \$15.5 million in the same period in 2019 primarily reflecting favorable changes in net non-cash working capital and higher cash flows from operations, partially offset by higher income taxes paid. The favorable changes in net non-cash working capital are the result of favorable changes in accounts receivable, inventories and provisions, partially offset by an unfavorable change in accounts payable.

Net Debt at September 26, 2020 decreased by \$41.7 million to \$286.0 million compared to \$327.7 million at June 27, 2020 reflecting a decrease in short-term borrowings, a decrease in lease liabilities and a higher cash on hand balance.

Net Debt to Adjusted EBITDA improved to 3.3x at September 26, 2020 compared to 3.9x at June 27, 2020 and 4.1x at the end of Fiscal 2019. We expect that at the end of Fiscal 2020 this ratio will be higher than the ratio as at September 26, 2020, due to increased seasonal working capital

requirements in advance of the Lenten period.

Outlook

Based on the consistent performance of the Company over the past quarters and steady recovery of its foodservice business, High Liner Foods remains confident that it can deliver Adjusted EBITDA growth in 2020.

High Liner Foods believes it is fully prepared to navigate the second wave of COVID-19 in North America. The Company is confident that its diverse and integrated North American business will continue to satisfy the needs of retail and foodservice customers and consumers through excellent fill rates, product innovation and creative solutions to help solve challenges facing foodservice operators looking for convenience-focused products.

The Company is confident in its liquidity position as a result of its prudent cash management and early refinancing of debt in late 2019. The Company does not have any impending debt maturities and will continue to utilize its \$150.0 million working capital credit facility if required. Borrowings on this facility, net of cash on hand, are currently approximately \$nil.

"Over half a million new customers have entered the frozen seafood category in 2020 and frozen seafood is the fastest growing section of the frozen food aisle," said Rod Hepponstall, President and CEO of High Liner Foods. "We are ready to seize the opportunity to grow our value-added business, capitalizing on our market leadership in Canada and the significant runway for growth in the U.S market. As we activate plans for growth, we will continue to strengthen the bottom line and drive the improvements and efficiencies that will deliver ongoing Adjusted EBITDA improvement."

Conference Call

The Company will host a conference call on Friday, November 6, 2020, 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 2020. 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 Friday, November 13, 2020 at midnight (ET). To access the archived conference call, dial 1-855-859-2056 and enter the reservation number 1568934.

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 26, 2020 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**, **Sea Cuisine**, and **Catch of the Day** labels, and are available in most grocery and club stores. The Company also sells branded products to restaurants and institutions under the **High Liner**, **Mirabel**, **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.

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 MD&A for the thirteen and thirty-nine weeks ended September 26, 2020, the Risk Factors section of our 2019 Annual Report and the Risk Factors section of our 2019 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: compliance with food safety laws and regulations; timely identification of and response to events that could lead to a product recall; volatility in the CAD/USD exchange rate; 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 geopolitical events (and related economic sanctions) on the same; the impact of the U.S. Trade Representative'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, taxation and regulatory requirements; technology changes with respect to production and other equipment and software programs; enterprise resource planning system risk; adverse impacts of cybersecurity attacks or breach of sensitive information; 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; credit risk associated with receivables from customers; volatility associated with the funding status of the Company's post-retirement pension benefits; adverse weather conditions and natural disasters; the availability of adequate levels of insurance; management retention and development; and the potential impact of a pandemic outbreak of a contagious illness, such as the 2019 coronavirus/COVID-19 pandemic, on general economic and business conditions and therefore the Company's operations and financial performance. 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 26, 2020 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 Unaudited Condensed Interim 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.

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