

High Liner Foods Reports Improved Operating Results for the Third Quarter of 2021

- Increases Quarterly Dividend by 3.0 Cents Per Share -

LUNENBURG, NS, Nov. 16, 2021 /CNW/ - High Liner Foods Incorporated (TSX: HLF) ("High Liner Foods" or "the Company"), a leading North American value-added frozen seafood company, today reported improving financial results for the thirteen and thirty-nine weeks ended October 2, 2021.

"Our financial performance this quarter reflects the strong underlying fundamentals of our business and the proactive action we have taken on pricing, purchasing and portfolio mix," said Rod Hepponstall, President and CEO of High Liner Foods. "We grew net sales and made further profitability gains as we worked hard to fully satisfy demand for our products, especially our branded, valued-added seafood offerings. We were able to capitalize on the resurgence in foodservice, despite ongoing pandemic-related pressures, while sustaining retail performance versus the same period last year."

The Company's Board of Directors approved a quarterly dividend of CAD\$0.10 per share on the Company's common shares, payable on December 15, 2021 to holders of record on December 1, 2021. The quarterly dividend of CAD\$0.10 per share represents a 3.0 cents increase from the CAD\$0.07 per share quarterly dividend paid during the third quarter of 2021 and reflects the Board's continued confidence in the Company's operations.

"The High Liner Foods team is doing an excellent job navigating ongoing market challenges, while continuing to drive profitability," said Robert Pace, Chair of the Board of Directors. "The dividend increase announced today recognizes this continued strong performance and cash flow position. The 3.0 cents increase per share brings High Liner Foods closer to its target dividend payout ratio, while still allowing for investment in growth."

Key financial results, reported in U.S. dollars ("USD"), for the thirteen weeks ended October 2, 2021, or the third quarter of 2021, are as follows (unless otherwise noted, all comparisons are relative to the third quarter of 2020):

- Sales increased by \$19.7 million, or 10.1%, to \$214.3 million compared to \$194.6 million and sales volume increased by 0.1 million pounds, or 0.2%, to 54.8 million pounds compared to 54.7 million pounds;
- Gross profit as a percentage of sales increased to 22.4% compared to 20.0% and gross profit increased by \$9.0 million, or 23.1%, to \$47.9 million compared to \$38.9 million;
- Adjusted EBITDA^[1] as a percentage of sales increased to 10.5% compared to 9.8% and Adjusted EBITDA increased by \$3.3 million, or 17.3%, to \$22.4 million compared to \$19.1 million;
- Two-year Compound Annual Growth Rate ("CAGR")^[2] for gross profit and Adjusted EBITDA was 6.2% and 16.8% respectively.
- Net Debt¹ to rolling twelve-month Adjusted EBITDA improved to 2.8x at October 2, 2021 compared to 3.0x at the end of Fiscal 2020 and 3.3x at September 26, 2020;
- Net income increased by \$5.4 million, or 142.1%, to \$9.2 million compared to \$3.8 million and diluted earnings per share ("EPS") increased to \$0.26 per share compared to \$0.11 per share; and
- Adjusted Net Income¹ increased by \$5.4 million, or 91.5%, to \$11.3 million compared to \$5.9 million and Adjusted Diluted EPS¹ increased to \$0.32 per share compared to \$0.18 per share.

¹ Please refer to High Liner Foods' Management's Discussion and Analysis ("MD&A") for the thirteen and thirty-nine weeks ended October 2, 2021 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 Compound Average Growth Rate ("CAGR") is the measure of annualized growth over a period longer than one year. CAGR as disclosed by the Company is the annual growth rate over the two-year period, 2019 to 2021.

Q3 Operational Update

Overall, sales volumes remained relatively consistent year-over-year. Importantly, branded value-added volumes increased over the prior year in line with the Company's strategy of branded value-added growth, while performance of the foodservice business continued to steadily improve.

Global supply chain challenges continued to impact operations and related sales in both the foodservice and retail businesses during the quarter. Specifically, shipping container availability and raw material supply impacted the Company's ability to maximize volume sales during the quarter. Without the various steps taken to mitigate the impact of these supply challenges, the impact to the Company would have been more pronounced.

The Company continued to take appropriate pricing actions during the quarter to offset the additional costs incurred and manage the inflationary environment. These pricing actions, along with the favorable brand product mix, resulted in a 10.1% increase in net sales versus a year ago.

High Liner Foods continues to take prudent and proactive measures designed to protect the health and safety of its employees and mitigate disruption to the Company's supply chain and operations. "We recognize that these continue to be very challenging times for our employees, customers and suppliers and their families. We are investing in the health and wellness of our team to ensure a supportive work environment that aligns with safety best practices and the evolving needs of the business," said Mr. Hepponstall.

Financial Results

For the purpose of presenting the Consolidated Financial Statements in USD, CAD-denominated assets and liabilities in the Company'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 October 2, 2021 and September 26, 2020 are summarized in the following table:

(Amounts in 000s, except per share amounts, unless otherwise noted)	Thirteen weeks ended		Thirty-nine weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Sales volume (millions of lbs)	54.8	54.7	175.0	181.3
Average foreign exchange rate (USD/CAD)	1.2604	1.3330	1.2512	1.3537
Sales	\$ 214,302	\$ 194,621	\$ 647,526	\$ 629,038
Gross profit	\$ 47,901	\$ 38,903	\$ 149,939	\$ 134,404
Gross profit as a percentage of sales	22.4 %	20.0 %	23.2 %	21.4 %
Adjusted EBITDA	\$ 22,444	\$ 19,068	\$ 69,822	\$ 66,860
Adjusted EBITDA as a percentage of sales	10.5 %	9.8 %	10.8 %	10.6 %
Net income	\$ 9,177	\$ 3,821	\$ 35,026	\$ 21,430
Diluted EPS	\$ 0.26	\$ 0.11	\$ 1.00	\$ 0.62
Adjusted Net Income	\$ 11,281	\$ 5,948	\$ 35,719	\$ 24,896

Adjusted Diluted EPS	\$ 0.32	\$ 0.18	\$ 1.02	\$ 0.73
Diluted weighted average number of shares outstanding	35,015	33,840	35,139	33,857

Sales volume for the third quarter of 2021 increased by 0.1 million pounds to 54.8 million pounds compared to 54.7 million pounds in same period in 2020. In our foodservice business, sales volume was higher due to the impact of significantly reduced COVID-19 restrictions on the Company's foodservice customers as compared to the third quarter of 2020. This increase was partially offset by our retail business, where sales volume was lower compared to the same period last year due to evolving consumer behaviour during the COVID-19 pandemic. Sales volume in the third quarter was also negatively impacted by the global supply challenges that have resulted in shipping container shortages and reduced raw material supply. Sales volume was favorably impacted by new business and new product sales.

Sales in the third quarter of 2021 increased by \$19.7 million to \$214.3 million compared to \$194.6 million in the same period in 2020 due to the higher sales volumes discussed above, pricing actions related to inflationary increases on input costs and favorable changes in sales mix. In addition, the stronger Canadian dollar in third quarter of 2021 compared to the same quarter of 2020 increased the value of reported USD sales from our CAD-denominated operations by approximately \$3.2 million relative to the conversion impact last year.

Gross profit in the third quarter of 2021 increased by \$9.0 million to \$47.9 million compared to \$38.9 million in the same period in 2020 and gross profit as a percentage of sales increased by 240 basis points to 22.4% compared to 20.0%. The increase in gross profit reflects the higher sales volume discussed above in combination with favorable changes in product mix reflected in the improved gross profit as a percentage of sales. In addition, the stronger Canadian dollar increased the value of reported USD gross profit from our Canadian operations in 2021 by approximately \$0.8 million relative to the conversion impact last year.

Adjusted EBITDA in the third quarter of 2021 increased by \$3.3 million to \$22.4 million compared to \$19.1 million in the same period in 2020 and Adjusted EBITDA as a percentage of sales increased to 10.5% compared to 9.8%. The increase in Adjusted EBITDA reflects the increase in gross profit partially offset by the increase in distribution expenses and net SG&A expenses.

Reported net income in the third quarter of 2021 increased by \$5.4 million to net income of \$9.2 million (diluted EPS of \$0.26) compared to \$3.8 million (diluted EPS of \$0.11) in the same period in 2020. The increase in net income reflects a decrease in finance costs and a decrease in income tax expense. The higher net income was also due to the increase in Adjusted EBITDA and decrease in share-based compensation expense.

Reported net income in the third quarter of 2021 included an expense of \$1.2 million related to certain non-routine expenses classified as "business acquisition, integration and other expense" compared to an expense of \$0.6 million in the same period in 2020. Excluding the impact of these non-routine items or other non-cash expenses and share-based compensation, Adjusted Net Income in the third quarter of 2021 increased by \$5.4 million or 91.5% to \$11.3 million compared to \$5.9 million in the same period last year. Correspondingly, Adjusted Diluted EPS increased by \$0.14 to \$0.32 compared to \$0.18 in the same period last year.

Net cash flows provided by operating activities in the third quarter of 2021 decreased by \$42.1 million to an inflow of \$4.2 million compared to an inflow of \$46.3 million in the same period in 2020 due to less favorable changes in non-cash working capital balances, partially offset by lower income taxes paid, lower interest paid and higher cash flows provided by operations.

Net Debt increased by \$4.4 million to \$252.6 million at the end of the third quarter of 2021 as compared to \$248.2 million at July 3, 2021, primarily reflecting a lower cash balance on October 2, 2021 as compared to the second quarter of 2021, partially offset by lower lease liabilities.

Net Debt to Adjusted EBITDA was 2.8x at October 2, 2021 compared to 2.8x at July 3, 2021 and 3.0x at the end of Fiscal 2020. In the absence of any major acquisitions or unplanned capital expenditures in 2021, we expect this ratio to remain below the Company's long-term target of 3.0x at the end of Fiscal 2021.

Outlook

"As a result of our performance in the third quarter, we are on track to deliver Adjusted EBITDA growth this year," said Mr. Hepponstall.

Like others in the retail and foodservice space, the Company continues to navigate global supply challenges and ongoing uncertainty related to the COVID-19 pandemic. High Liner Foods is taking all necessary steps to attempt to mitigate the impact to the business by drawing on the scale of its global supply chain and the diversification of species, product, procurement and strong customer and supplier relationships to support its position. The Company's performance may be impacted by ongoing global supply chain challenges, raw material inflation and its ability to successfully take related pricing actions.

Mr. Hepponstall added, "Although pandemic-related pressures stalled the rate of growth this year, we are encouraged by the net sales growth experienced this quarter, and we remain well-positioned to accelerate sales growth in 2022."

With a strong balance sheet and cash flow, the Company is well equipped to invest in the business, with anticipated capital expenditures of approximately \$20.0 million in Fiscal 2021, an increase over the average capital investment in the business over the past three years.

The Company does not have any impending debt maturities and will continue to utilize its \$150.0 million working capital credit facility, if required. The Company currently has no borrowings on this facility and remains confident in its liquidity position. High Liner Foods expects that its Net Debt to Adjusted EBITDA ratio will remain consistent with current levels at the end of Fiscal 2021.

Conference Call

The Company will host a conference call on Wednesday, November 17, 2021, 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 2021. To access the conference call by telephone, dial 416-764-8659 or 1-888-664-6392. 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 Wednesday, November 24, 2021 at midnight (ET). To access the archived conference call, dial 1-888-390-0541 and enter the replay entry code 125507#.

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 October 2, 2021 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 and Canada 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 October 2, 2021, the Risk Factors section of our 2020 Annual Report and the Risk Factors section of our 2020 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, freight, storage 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 October 2, 2021 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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