



HIGH LINER FOODS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the thirteen and thirty-nine weeks ended September 28, 2024

(All amounts are in United States dollars unless otherwise stated)

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated November 8, 2024, relates to the consolidated financial condition and results of operations of High Liner Foods Incorporated for the thirteen and thirty-nine weeks ended September 28, 2024, compared to the thirteen and thirty-nine weeks ended September 30, 2023. Throughout this discussion, "We", "Us", "Our", "Company" and "High Liner Foods" refer to High Liner Foods Incorporated and its businesses and subsidiaries.

This document should be read in conjunction with the Company's 2023 Annual Consolidated Financial Statements, 2023 Annual MD&A, and Unaudited Condensed Interim Consolidated Financial Statements as at and for the thirteen and thirty-nine weeks ended September 28, 2024 ("Consolidated Financial Statements"), prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The information contained in this document, including forward-looking statements, is based on information available to Management as of November 8, 2024, except as otherwise noted.

Currency

All amounts in this MD&A are in United States dollars ("USD") unless otherwise noted. Although the functional currency of High Liner Foods' Canadian company (the "Parent") is the Canadian dollar ("CAD"), management believes the USD presentation better reflects the Company's overall business activities and improves investors' ability to compare the Company's consolidated financial results with other publicly traded businesses in the packaged foods industry (most of which are based in the United States ("U.S.") and report in USD) and should result in less volatility in reported sales and income on the conversion into the presentation currency.

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).

In some parts of this document, the balance sheet and operating items of the Parent are discussed in the CAD functional currency (the "domestic currency" of the Parent) to eliminate the effect of fluctuating foreign exchange rates used to translate the Parent's operations to the USD presentation currency.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of applicable securities laws. In particular, these forward-looking statements and expectations concerning the performance of the business in general are based on a number of factors and assumptions that are discussed throughout this document and include but are not limited to: availability, demand, and prices of raw materials, energy and supplies; the condition of the Canadian and American economies; product pricing; foreign exchange rates, especially the rate of exchange of the CAD to the USD; the ability to attract and retain customers; operating costs and improvement to operating efficiencies; interest rates; continued access to capital; the competitive environment and related market conditions; and the general assumption that none of the risks identified below or elsewhere in this document will materialize.

Specific forward-looking statements in this document include, but are not limited to: statements with respect to: future growth strategies and their impact on the Company's market share and shareholder value; anticipated financial performance, including earnings trends and growth; achievement, and achievement and timing of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce operating and supply chain costs; return of capital to shareholders; the ability to develop new and innovative products that result in increased sales and market share; increased demand for the Company's

products whether due to the recognition of the health benefits of seafood or otherwise; inflation, 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 the Company's brands; expectations with regards to sales volume, earnings, product margins, product innovations, brand development and anticipated financial performance; competitor reaction 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 amount and timing of integration activities related to acquisitions; expected results from litigation and/or arbitration, including the net amounts and benefits that may be received by the Company; expected leverage levels and expected Net Debt to Adjusted EBITDA; statements under the "outlook" heading including expected demand, sales of new product, the efficiency of plant production and U.S. tariffs on certain seafood products imported from China; economic and geopolitical conditions such as Russia's invasion of Ukraine and the implementation and/or expansion of related sanctions; impact of the inflationary environment, expected amount and timing of cost savings related to the optimization of the Company's structure; decreased leverage in the future; estimated capital spending; future inventory trends and seasonality; diversification of its supply chain; market forces and the maintenance of existing customer and supplier relationships; availability of credit facilities; the projection of excess cash flow and minimum repayments under the Company's long-term loan facility; expected decreases in debt-to-capitalization ratio; dividend payments; the amount and timing of the capital expenditures, including those in excess of normal requirements to allow the movement of production between plants; and expectations regarding the potential future impact of a global pandemic on the Company's operations and performance, customer and consumer behavior and economic patterns.

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. Forward-looking statements in this MD&A include, but are not limited to, statements regarding the business strategies and operational activities of High Liner Foods, the markets in which High Liner Foods operates, potential M&A and other investment opportunities and the return of capital to shareholders, anticipated operating conditions and the geopolitical and economic environment, and the future financial and operating performance of High Liner Foods, including the Company's leverage and anticipated growth in Adjusted EBITDA. 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 2023 Annual MD&A and the *Risk Factors* section of our 2023 Annual Information Form ("AIF"). 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; ability to import seafood into North America while adhering to updated government sanctions; ability to adapt to regulatory changes and increase flexibility on seafood substitutions in certain products with customers; 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; completion and/or advancement of sustainability initiatives, including, without limitation, initiatives relating to the carbon work plan, waste reduction and/or seafood sustainability and traceability initiatives; 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; economic and geopolitical conditions such as Russia's invasion of Ukraine and the implementation and/or expansion of related sanctions policies; and the potential impact of a pandemic outbreak of a contagious illness, 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.

COMPANY OVERVIEW

High Liner Foods, through its predecessor companies, has been in business since 1899 and has been a publicly traded Canadian company since 1967, trading under the symbol 'HLF' on the Toronto Stock Exchange ("TSX"). We are a leading North American processor and marketer of value-added (i.e. processed) frozen seafood, producing a wide range of products from breaded and battered items to seafood entrées, that are sold to North American food retailers and foodservice distributors. In addition, we are a major supplier of commodity products in the North American market. The retail channel includes grocery and club stores, and our products are sold throughout the U.S. and Canada under the **High Liner**, **Fisher Boy**, **Mirabel**, **Sea Cuisine**, and **Catch of the Day** labels. The foodservice channel includes sales of seafood that is usually eaten outside the home, and our branded products are sold through distributors to restaurants and institutions under the **High Liner**, **Mirabel**, **Icelandic Seafood**¹ and **FPI** labels. The Company is also a major supplier of private-label value-added frozen premium seafood products to North American food retailers and foodservice distributors.

We own and operate three food-processing plants located in Lunenburg, Nova Scotia ("N.S."), Portsmouth, New Hampshire, and Newport News, Virginia.

Although our roots are in the Atlantic Canadian fishery, we purchase all our seafood raw materials and some finished goods from around the world. From our headquarters in Lunenburg, N.S., we have transformed our long and proud heritage into global seafood expertise. We deliver on the consumers' expectations by selling seafood products that respond to their demands for sustainable, convenient, tasty, and nutritious seafood, at good value.

Additional information relating to High Liner Foods, including our most recent Annual Information Form ("AIF"), is available on SEDAR+ at www.sedarplus.ca and in the Investors section of the Company's website at www.highlinerfoods.com.

¹ In December 2011, as part of the acquisition of the U.S. subsidiary of Icelandic Group h.f, the Company acquired several brands and agreed to a seven year royalty-free licensing agreement with Icelandic Group for the use of the Icelandic Seafood brand in the U.S., Canada and Mexico. In April 2018, the Company executed a seven-year brand license agreement for the continued use of the Icelandic Seafood brand in the U.S. and Canada with royalty payments effective January 2019 (1.5% on net sales of products sold under the Icelandic Seafood brand).

OUTLOOK

High Liner Foods' solid third quarter performance reinforces confidence in the outlook for the business. With a strong balance sheet, low debt ratio, and strong free cash flow generation, High Liner Foods' remains well positioned to navigate short-term market challenges, support the continued recovery of the top-line of the business, and deliver year-over-year Adjusted EBITDA growth, while continuing to advance the Company's strategy to support long-term value creation for the business.

The Company is focused on executing against its branded and value-added strategy and ongoing supply chain diversification and innovation within the frozen seafood category to reinforce its competitive positioning in a dynamic global seafood market. In addition, High Liner Foods continues to explore opportunities across the value-chain to position the Company for long-term growth, through potential M&A activities, as illustrated by High Liner Foods' investments in aquaculture leaders, Norcod and Andfjord during the first half of the year.

The Company cautions that additional challenges in the geopolitical and economic environment may impact the timeline for improvements to its financial performance and growth agenda.

RECENT DEVELOPMENTS

Economic Conditions

The Company continues to navigate the challenging macroeconomic environment and issues caused by global conflicts, characterized by prolonged inflation, high interest rates, and shifting consumer sentiment that have affected both retail and foodservice segments. The frozen seafood category in retail saw a demand decline in the first half of 2024, leading to increased promotional activity, while the foodservice slowdown is linked to changing dining habits. Amid these challenges, the Company remains confident in its brands and strategy, leveraging data-driven insights to stay resilient. See the *Outlook* section above for the Company's response to these current economic conditions.

U.S. Tariffs

In September 2018, the U.S. Trade Representative ("USTR") commenced trade discussions with China that resulted in various actions impacting the Company related to additional tariffs on goods imported to the U.S. During March 2022, the Company received notice of approval of an exclusion extension request submitted to the USTR regarding tariffs on certain goods imported to the U.S. from China. The extension applied to tariffs already incurred, or that would otherwise have been incurred, on specific goods from October 12, 2021 to December 31, 2022. Since December 16, 2022 the USTR has extended this exclusion multiple times, including most recently on May 25, 2024, which further extended the exclusion to May 31, 2025, which will allow for further consideration under the statutory four-year review.

Based on current volume and raw material costs, the estimated annual run-rate exposure of the 25% tariff would have been approximately \$6.0 million in 2024 before the extended exclusion, however, the Company has implemented plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact on the Company and its customers.

The Company will continue to monitor these developments closely in 2024, particularly as further information becomes available regarding potential additional tariffs or exclusions, or how the previously announced tariffs and exclusions will impact the Company.

Change in Senior Management

On May 31, 2024, the Company appointed Darryl Bergman as Chief Financial Officer ("CFO"), effective July 15, 2024.

Refinancing of Term Loan Facility

On July 31, 2024, the Company completed the early refinancing of its term loan facility (refer to Note 5 "Long-term debt" to the Consolidated Financial Statements for further information). The term loan facility was refinanced for \$240.0 million with an extended term from October 2026 to July 2031, and the applicable interest rates for loans under the facility were decreased from SOFR plus 3.75% (0.75% LIBOR floor) to SOFR plus 3.25% (0.50% LIBOR floor).

The amendments to the facility were not assessed as a substantial modification. As a result, the deferred financing costs related to the original facility continue to be amortized over the remaining term. The Company incurred additional deferred financing costs on the amended facility of \$5.8 million. As the net present value of the cash flows of the modified debt are less than the carrying value of the original facility before the amendments, a modification gain of \$12.7 million was recorded as a reduction in finance costs on the consolidated statements of income during the thirty-nine weeks ended September 28, 2024.

Lease Modification

On July 12, 2024, the Company extended the lease of 185 International Drive, Portsmouth, New Hampshire to April 30, 2035. As part of the extension agreement, the Company has lowered the overall leased space. However the Company's previous lease will continue until the earlier of the original lease expiration date of April 14, 2025, or the date a new tenant's lease of the surrendered space begins. Once the original lease term has expired or a new tenant is paying rent for the surrendered space, whichever is earlier, the new terms of the retained premises will begin. The right-of-use asset and lease liability were remeasured to account for the revised lease payments and extended term. In remeasuring the asset and liability, the Company has considered an additional 5-year extension option, which is present in the modified lease agreement, as the Company is reasonably certain the option will be exercised. This remeasurement led to an adjustment in the carrying amount of the right-of-use asset by \$2.4 million, using the incremental borrowing rate at the date of modification to discount the new lease payments.

PERFORMANCE

This discussion and analysis of the Company's financial results focuses on the performance of the consolidated North American operations, the Company's single operating and reporting segment.

Seasonality

Overall, the first quarter of the year is historically the strongest for both sales and profit, and the second quarter is the weakest. Both our retail and foodservice businesses traditionally experience a strong first quarter due to retailers and restaurants promoting seafood during the Lenten period. As such, the timing of Lent can impact our quarterly results.

A significant percentage of advertising and promotional activity is typically done in the first quarter. Customer-specific promotional expenditures such as trade spending, listing allowances and couponing are deducted from "Sales" and non-customer-specific consumer marketing expenditures are included in selling, general and administrative expenses.

Inventory levels fluctuate throughout the year, most notably increasing to support strong sales periods such as the Lenten period. In addition, the timing of ordering raw materials is earlier than typically required in order to have adequate quantities available during the seasonal closure of plants in Asia during the Lunar New Year period. These

events typically result in significantly higher inventories in December, January, February and March than during the rest of the year.

Consolidated Performance

The table below summarizes key consolidated financial information for the relevant periods.

(in \$000s, except sales volume, per share amounts, percentage amounts, and exchange rates)	Thirteen weeks ended			Thirty-nine weeks ended		
	September 28, 2024	September 30, 2023	Change	September 28, 2024	September 30, 2023	Change
Sales volume (millions of lbs)	56.8	61.0	(4.2)	175.4	197.4	(22.0)
Average foreign exchange rate (USD/CAD)	1.3641	1.3414	\$0.0227	1.3604	1.3456	\$0.0148
Sales	\$228,884	\$ 259,699	\$(30,815)	\$724,179	\$ 843,212	\$(119,033)
Gross profit	\$ 48,346	\$ 49,644	\$(1,298)	\$166,306	\$ 170,032	\$(3,726)
Gross profit as a percentage of sales	21.1%	19.1%	2.0%	23.0%	20.2%	2.8%
Distribution expenses	\$ 11,136	\$ 13,861	\$(2,725)	\$ 33,899	\$ 45,194	\$(11,295)
Selling, general and administrative expenses	\$ 21,824	\$ 20,707	\$ 1,117	\$ 73,972	\$ 70,788	\$ 3,184
Adjusted EBITDA ⁽¹⁾	21,493	\$ 19,974	\$ 1,519	79,557	\$ 73,205	\$ 6,352
Adjusted EBITDA as a percentage of sales	9.4%	7.7%	1.7%	11.0%	8.7%	2.3%
Net income	\$ 18,347	\$ 5,486	\$12,861	\$ 54,236	\$ 25,261	\$28,975
Basic Earnings per Share ("EPS")	\$ 0.61	\$ 0.16	\$ 0.45	\$ 1.69	\$ 0.75	\$ 0.94
Diluted EPS	\$ 0.61	\$ 0.16	\$ 0.45	\$ 1.69	\$ 0.73	\$ 0.96
Adjusted Net Income ⁽¹⁾	5,601	\$ 4,906	\$ 695	35,430	\$ 31,387	\$ 4,043
Adjusted Basic EPS	0.20	\$ 0.15	\$ 0.05	1.10	\$ 0.93	\$ 0.17
Adjusted Diluted EPS ⁽¹⁾	0.20	\$ 0.14	\$ 0.06	1.10	\$ 0.91	\$ 0.19
Total assets				\$830,466	\$ 854,833	\$(24,367)
Total long-term financial liabilities				\$228,817	\$ 249,946	\$(21,129)
Dividends paid per common share (in CAD)	\$ 0.15	\$ 0.13	\$ 0.02	\$ 0.45	\$ 0.39	\$ 0.06

⁽¹⁾ See the *Non-IFRS Financial Measures* section starting on page 19 for further explanation of Adjusted EBITDA, Adjusted Net Income, and Adjusted Diluted EPS.

Sales

Thirteen weeks

Sales volume for the thirteen weeks ended September 28, 2024, or the third quarter of 2024, decreased by 4.2 million pounds, or 6.9%, to 56.8 million pounds compared to 61.0 million pounds in the thirteen weeks ended September 30, 2023, due to customer and consumer pull back and the continued impact of a decline in contract manufacturing business and exiting of low margin business. In the Company's retail business, while High Liner Foods experienced year over year decline in volumes, the Company once again expanded distribution in strategic areas including club and premium offerings. In the Company's foodservice business, High Liner Foods saw continued success of new value-added innovations in terms of volume and expanded distribution, and saw continued growth in alternative species despite the overall year-over-year decline in volume.

Sales in the third quarter of 2024 decreased by \$30.8 million, or 11.9%, to \$228.9 million compared to \$259.7 million in the same period last year, driven by volume declines amid challenging market conditions and reduced pricing reflecting deflationary markets. Given the highly promotional and price sensitive retail and foodservice markets, the Company continues to take actions on promotions, innovation and distribution to strengthen its competitive positioning and mitigate the impact of external pressures while preserving profitability.

The weaker Canadian dollar in the third quarter of 2024 compared to the same period in 2023 decreased the value of USD sales from our CAD-denominated operations by approximately \$1.0 million relative to the conversion impact last year.

Thirty-nine weeks

Sales volume in the first three quarters of 2024 decreased by 22.0 million pounds, or 11.1%, to 175.4 million pounds compared to 197.4 million pounds in the same period in the prior year. High Liner Foods' foodservice business was impacted by both a decline in contract manufacturing business, the exit of some unprofitable business, and some overall market softness. The Company continues to benefit from diversification of its foodservice customer base across non-commercial and commercial customers as well as its strategic focus on high growth channels and species. The decrease was also driven by lower sales volume in our retail business, including during the Lenten period, as the retail market continued to experience challenges as a result of consumer price sensitivity and competitive pressure in a highly promotional environment.

Sales in the first three quarters of 2024 decreased by \$119.0 million, or 14.1%, to \$724.2 million compared to \$843.2 million in the same period in the prior year. The decrease in sales is mainly driven by reduced volumes, previously mentioned, and reduced pricing reflecting deflationary markets.

The weaker Canadian dollar in the first three quarters of 2024 compared to the first three quarters of 2023 decreased the value of reported USD sales from our CAD-denominated operations by approximately \$1.8 million relative to the conversion impact last year.

Gross Profit

Thirteen weeks

Gross profit decreased in the third quarter of 2024 by \$1.3 million, or 2.6%, to \$48.3 million compared to \$49.6 million in the same period in 2023, and gross profit as a percentage of sales increased to 21.1% compared to 19.1%. The decrease in gross profit reflects the decrease in sales, partially offset by increased margins as a result of lower raw material costs, normalized inventory levels, a more profitable mix, and a balanced approach to pricing focused on supporting both the bottom and top line of the business. High Liner Foods continues to drive continuous improvements across operations to ensure prudent cost management.

In addition, the weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2024 by \$0.2 million relative to the conversion impact last year.

Thirty-nine weeks

Gross profit decreased in the first three quarters of 2024 by \$3.7 million, or 2.2%, to \$166.3 million compared to \$170.0 million in the same period in the prior year, however, gross profit as a percentage of sales increased to 23.0%, compared to 20.2%. The decrease in gross profit reflects the decline in sales volume previously mentioned. This was partially mitigated by the benefit of lower inventory levels, lower raw material costs and the favourable changes in the product mix reflected in the improved gross profit as a percentage of sales.

The weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2024 by \$0.5 million relative to the conversion impact last year.

Distribution Expenses

Thirteen weeks

Distribution expenses, consisting of freight and storage, decreased in the third quarter of 2024 by \$2.8 million or 20.1% to \$11.1 million compared to \$13.9 million in the same period in the prior year reflecting lower storage costs due to the benefit of lower inventory levels and decreased reliance on external warehouses, as well as lower freight costs as a result of the lower sales volumes mentioned previously, as compared to the same period in the prior year. As a percentage of sales, distribution expenses decreased favourably to 4.9% in the third quarter of 2024 compared to 5.3% in the same period in 2023.

Thirty-nine weeks

Distribution expenses decreased in the first three quarters of 2024 by \$11.3 million, or 25.0%, to \$33.9 million compared to \$45.2 million in the same period in the prior year. This decline reflects lower storage and freight costs in the first three quarters of 2024 compared to the same period in 2023. This reduction is attributed to the decreased reliance on external warehouses compared to the same period last year, as inventory levels have since stabilized. In addition, the lower sales volume, mentioned previously, contributed to overall lower freight costs during the first three quarters of 2024 as compared to the same period in the prior year. As a percentage of sales, distribution expenses decreased favourably to 4.7% in the first three quarters of 2024 compared to 5.4% in the same period in 2023.

Selling, General and Administrative ("SG&A") Expenses

(Amounts in \$000s)	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
SG&A expenses, as reported	\$ 21,824	\$ 20,707	\$ 73,972	\$ 70,788
Less:				
Share-based compensation expense ⁽¹⁾	55	(1,602)	3,582	801
Depreciation and amortization expense ⁽¹⁾	2,510	2,631	7,224	7,879
SG&A expenses, net	\$ 19,259	\$ 19,678	\$ 63,166	\$ 62,108
SG&A expenses, net as a percentage of sales	8.4%	7.6 %	8.7%	7.4%

⁽¹⁾ Represents share-based compensation expense and depreciation and amortization expense that is allocated to SG&A only. The remaining expense is allocated to the cost of sales and distribution expenses.

SG&A Expenses

Thirteen weeks

SG&A expenses increased in the third quarter of 2024 by \$1.1 million to \$21.8 million compared to \$20.7 million in the same period last year. SG&A expenses included share-based compensation expense of \$0.1 million in the third quarter of 2024, compared with a recovery of \$1.6 million in the third quarter of 2023, primarily due to an increase in share price performance and a higher number of units outstanding compared to the prior year. SG&A expenses also included depreciation and amortization expense of \$2.5 million in the third quarter of 2024 compared to \$2.6 million in the same period in 2023.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses decreased in the third quarter of 2024 by \$0.4 million to \$19.3 million compared to \$19.7 million in the same period last year, due to a reduction in variable selling expenses, particularly in our U.S. foodservice business, increased absorption of overhead costs, and a reduction in consumer marketing costs compared to the same period in the prior year. This was partially offset by higher administrative expenses including salaries, benefits and incentives, travel and entertainment expenses, and information technology expenses. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense was 8.4% in the third quarter of 2024 compared to 7.6% in the same period last year.

Thirty-nine weeks

SG&A expenses increased by \$3.2 million, or 4.5%, to \$74.0 million in the first three quarters of 2024 as compared to \$70.8 million in the same period in the prior year. SG&A expenses included share-based compensation expense of \$3.6 million in the first three quarters of 2024 compared to \$0.8 million in the same period in the prior year, primarily due to a higher expected performance multiplier for performance-based awards increased share price performance, and a higher number of units outstanding in the first three quarters of 2024 compared to the same period last year. SG&A expenses also included depreciation and amortization expense of \$7.2 million in the first three quarters of 2024 compared to \$7.9 million in the same period in the prior year.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in the first three quarters of 2024 by \$1.1 million, or 1.8%, to \$63.2 million compared to \$62.1 million in 2023, due to increased administrative expenses including salary, benefits, incentives and other human resources-related costs, information technology expenses, and travel and entertainment expenses, offset by a reduction in consumer marketing expenses, increased absorption of overhead costs, variable selling costs, and a reduction in consulting costs compared to the same period in the prior year. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense increased to 8.7% in the first three quarters of 2024 compared to 7.4% for the same period in 2023.

Adjusted EBITDA

We refer to Adjusted EBITDA throughout this MD&A in discussing our results for the thirteen and thirty-nine weeks ended September 28, 2024. See the *Non-IFRS Financial Measures* section starting on page 19 for further explanation of this non-IFRS measure.

Thirteen weeks

Adjusted EBITDA increased in the third quarter of 2024 by \$1.5 million, or 7.5%, to \$21.5 million compared to \$20.0 million in the same period in the prior year. As a percentage of sales, Adjusted EBITDA increased favourably to 9.4% compared to 7.7%. The increase in Adjusted EBITDA is due to favourable distribution expenses and lower net SG&A expenses, partially offset by lower gross profit, all discussed previously.

The weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2024 by \$0.1 million relative to the conversion impact last year.

Thirty-nine weeks

Adjusted EBITDA increased in the first three quarters of 2024 by \$6.4 million, or 8.7%, to \$79.6 million compared to \$73.2 million in the same period in the prior year, and as a percentage of sales, Adjusted EBITDA increased favourably to 11.0% compared to 8.7%. The increase in Adjusted EBITDA is a result of decreased distribution expenses, partially offset by higher net SG&A expenses and the decrease in gross profit.

In addition, the weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2024 by \$0.3 million relative to the conversion impact last year.

Net Income

We refer to Adjusted Net Income and Adjusted Diluted EPS throughout this MD&A. See the *Non-IFRS Financial Measures* section starting on page 19 for further explanation of these non-IFRS measures.

Thirteen weeks

Net income increased in the third quarter of 2024 by \$12.8 million, or 232.7%, to net income of \$18.3 million (\$0.61 per diluted share) compared to net income of \$5.5 million (\$0.16 per diluted share) in the same period in the prior year.

The increase in net income reflects the increase in Adjusted EBITDA, discussed previously, a gain on the modification of long term debt recorded in finance costs (income), discussed in the *Finance Costs* section below, lower depreciation and amortization costs and a decrease in business acquisition, integration and other expense (income), discussed on page 12 below, partially offset by higher income taxes discussed on page 13 of this MD&A.

In the third quarter of 2024, net income included "business acquisition, integration and other expense (income)" (as explained in the *Business Acquisition, Integration and Other Expense (Income)* section on page 12 of this MD&A) related to certain non-routine expenses. 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 2024 increased by \$0.7 million, or 14.3%, to \$5.6 million compared to \$4.9 million in the same period in the prior year.

Adjusted Diluted EPS increased to \$0.20 from \$0.14 in 2023.

Thirty-nine weeks

Net income increased in the first three quarters of 2024 by \$28.9 million, or 114.2%, to \$54.2 million (\$1.69 per diluted share) compared to \$25.3 million (\$0.73 per diluted share) in the same period in the prior year. The increase in net income is due to the increase in Adjusted EBITDA, a decrease in finance costs, a decrease in depreciation and amortization expense, and an increase in business acquisition, integration and other (income) expense, partially offset by an increase in income tax expense. The cancellation of 2.4 million shares in the second quarter of 2024 related to the Rubicon settlement also supported the growth in the earnings per share.

In the first three quarters of 2024, net income included "business acquisition, integration and other expense (income)" (as explained in the *Business Acquisition, Integration and Other Expense (Income)* section on page 12 of this MD&A) related to certain non-routine expenses. Excluding the impact of these non-routine items, other non-cash expenses, and share-based compensation, Adjusted Net Income in the first three quarters of 2024 increased by \$4.0 million, or 12.7%, to \$35.4 million compared to \$31.4 million in the same period in the prior year.

Adjusted Diluted EPS increased \$0.19 in the first three quarters of 2024 to \$1.10 compared to \$0.91 in the same period in the prior year.

RESULTS BY QUARTER

The following table provides summarized financial information for the last nine quarters:

(Amounts in \$000s, except per share amounts)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Sales	\$228,884	\$218,323	\$276,972	\$237,126	\$259,699	\$254,349	\$329,164	\$250,346	\$271,181
Adjusted EBITDA⁽¹⁾	\$ 21,493	\$ 23,824	\$ 34,240	\$ 21,887	\$ 19,974	\$ 22,032	\$ 31,199	\$ 25,385	\$ 24,809
Net Income	\$ 18,347	\$ 19,291	\$ 16,598	\$ 6,416	\$ 5,486	\$ 5,887	\$ 13,888	\$ 11,131	\$ 9,977
Adjusted Net Income⁽¹⁾	\$ 5,601	\$ 11,237	\$ 18,590	\$ 7,293	\$ 4,906	\$ 10,044	\$ 16,437	\$ 12,318	\$ 14,292
EPS, based on Net Income									
Basic	\$ 0.61	\$ 0.59	\$ 0.49	\$ 0.19	\$ 0.16	\$ 0.18	\$ 0.41	\$ 0.33	\$ 0.30
Diluted	\$ 0.61	\$ 0.59	\$ 0.49	\$ 0.20	\$ 0.16	\$ 0.17	\$ 0.40	\$ 0.32	\$ 0.28
EPS, based on Adjusted Net Income⁽¹⁾									
Basic	\$ 0.20	\$ 0.35	\$ 0.55	\$ 0.21	\$ 0.15	\$ 0.30	\$ 0.49	\$ 0.37	\$ 0.42
Diluted ⁽¹⁾	\$ 0.20	\$ 0.35	\$ 0.55	\$ 0.23	\$ 0.14	\$ 0.29	\$ 0.48	\$ 0.35	\$ 0.41
Dividends paid per common share (CAD)									
	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.10
Net non-cash working capital⁽²⁾									
	\$241,392	\$237,221	\$262,840	\$255,151	\$306,131	\$352,189	\$388,476	\$383,988	\$309,660

⁽¹⁾ See the *Non-IFRS Financial Measures* section starting on page 19 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

⁽²⁾ Net non-cash working capital is comprised of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, contract liabilities and provisions.

As discussed in the *Performance* section on page 5 of this MD&A, the first quarter of the year historically emerges as the peak period for both sales and profit. This pattern holds true for both our retail and foodservice businesses, strengthened by heightened seafood promotion during the Lenten period.

During the second quarter of 2024, the Company recorded \$9.8M in *Business acquisition, integration and other expense (income)* relating to the shares that were surrendered, and subsequently cancelled, in connection with the litigation settlement reached with the former shareholders of Rubicon. This amount is reflected in net income and earnings per share in the second quarter of 2024.

During the third quarter of 2024, the Company completed the early refinancing of its term loan facility (refer to *Recent Developments* section on page 4 for further details). As the net present value of the cash flows of the modified debt are less than the carrying value of the original facility before the amendments, a one-time modification gain of \$12.7 million was recorded as a reduction of the finance costs on the consolidated statements of income during the third quarter of 2024.

Throughout fiscal 2022, net non-cash working capital experienced sequential growth, largely stemming from increased inventory investments aimed at mitigating global supply chain disruptions. Subsequently, as supply chain challenges eased, the Company progressively reduced inflated inventory levels throughout fiscal 2023, resulting in a corresponding decrease in net non-cash working capital each consecutive quarter.

BUSINESS ACQUISITION, INTEGRATION AND OTHER EXPENSE (INCOME)

The Company reports expenses associated with business acquisition and integration activities, and certain other non-routine costs separately in its consolidated statements of income as follows:

(Amounts in \$000s)	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Business acquisition, integration and other expense (income)	\$ 232	\$ 1,044	\$ (8,760)	\$ 6,660

Business acquisition, integration and other expense (income) for the thirty-nine weeks ended September 28, 2024, and September 30, 2023, also included certain non-routine expenses, such as legal and consulting fees, that are not representative of the Company's ongoing operational activities. During the thirteen and thirty-nine weeks ended September 28, 2024, and September 30, 2023, the Company incurred legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn, as well as other legal and consulting costs associated with the Company's business acquisition activities and other litigation matters. During the thirty-nine weeks ended September 28, 2024, the Company recognized a gain of \$9.8M relating to the shares reacquired as a result of the litigation settlement reached between High Liner Foods and the former shareholders of Rubicon.

FINANCE COSTS (INCOME)

The following table shows the various components of the Company's finance costs:

(Amounts in \$000s)	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Interest paid in cash during the period	\$ 5,652	\$ 6,131	\$ 16,160	\$ 19,077
Change in cash interest accrued during the period	(1,516)	(75)	(1,962)	(152)
Total interest to be paid in cash	4,136	6,056	14,198	18,925
Modification gain related to debt refinancing activities	(13,033)	—	(13,033)	—
Interest expense on lease liabilities	236	73	777	300
Deferred financing cost & net modification loss amortization	664	373	1,090	1,136
Total finance costs	\$ (7,997)	\$ 6,502	\$ 3,032	\$ 20,361

Finance costs were \$14.5 million lower in the third quarter of 2024 and \$17.4 million lower in the thirty-nine weeks ended September 28, 2024, compared to the same periods last year. The decrease during the thirteen and thirty-nine

weeks ended September 28, 2024 was due to the accounting gain recognized due to the refinancing of the term loan facility (see *Recent Developments* section of this MD&A), and lower interest expense on short-term and long-term borrowings due to lower interest rates and lower average short-term borrowings outstanding during the first three quarters of 2024 compared to the same period last year.

INCOME TAXES

The Company's statutory tax rate for the thirteen and thirty-nine weeks ended September 28, 2024 was 28.1% (thirteen and thirty-nine weeks ended September 30, 2023: 27.9%). The Company's effective income tax rate for the thirteen and thirty-nine weeks ended September 28, 2024 was 20.7% and 15.5%, respectively (thirteen and thirty-nine weeks ended September 30, 2023: 27.1% and 6.5%, respectively). The higher effective tax rate for the thirty-nine weeks ended September 28, 2024, reflects the Company's tax efficient financing structure on a higher amount of income, as well as implications of Global Minimum Tax, described below in more detail, offset with the income tax effects resulting from the Rubicon settlement.

On June 20, 2024, the Global Minimum Tax Act was enacted by the Government of Canada. The Global Minimum Tax Act is the Canadian implementation of the Pillar Two model rules published by the Organization for Economic Co-operation and Development. The Company intends to rely on certain transitional safe harbours for certain jurisdictions in which it operates. A provision of \$0.9 million was recorded, of which \$0.3 million was a non-recurring item with respect to the tax efficient financing structure.

CONTINGENCIES

The Company has no material outstanding contingencies.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated balance sheet is affected by foreign currency fluctuations, the effect of which is discussed in the *Introduction* section on page 1 of this MD&A (under the heading "*Currency*") and in the *Foreign Currency* risk section in the Annual 2023 MD&A.

Our capital management practices are described in Note 26, "*Capital management*" in the 2023 Annual Consolidated Financial Statements.

Working Capital Credit Facility

The Company has a \$200.0 million asset-based working capital credit facility (the "Facility"), with the Royal Bank of Canada as the Administrative and Collateral agent, which was amended on October 6, 2022, to increase the borrowing limit from \$150.0 million to \$200.0 million. Additionally, on April 28, 2022, the Facility was amended to extend the term expiry from April 2023 to April 2027. The amendment also included a necessary update from LIBOR to Secured Overnight Financing Rate ("SOFR") based loans.

The rates provided by the working capital credit facility are noted in the following table, based on the "Average Adjusted Aggregate Availability" as defined in the credit agreement. The Company's borrowing rates as of September 28, 2024 are also noted in the following table:

Per Credit Agreement	As at September 28, 2024	
Canadian Prime Rate revolving loans, Canadian Base Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%	plus 0.00%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.50%	plus 1.25%
SOFR revolving loans at SOFR rates	plus 1.25% to 1.50%	plus 1.25%
Letters of credit, with fees of	1.25% to 1.50%	1.25%
Standby fees, required to be paid on the unutilized facility, of	0.25%	0.25%

Average short-term borrowings outstanding during the first three quarters of 2024 were \$3.9 million compared to \$105.5 million in the same period in the prior year. The \$101.6 million decrease in average short-term borrowings is attributed to the ongoing reduction in working capital requirements, which peaked during the latter part of Fiscal 2022 and into the first quarter of 2023, which had been influenced by inflation's effect on raw materials and heightened investments in inventory required to mitigate global supply chain disruptions. Inventory levels have since stabilized from 2023 to 2024, leading to a corresponding decrease in overall short-term borrowings.

As at September 28, 2024, the Company had \$169.3 million of unused borrowing availability (September 30, 2023: \$140.4 million), taking into account the current borrowing base and letters of credit, which reduce the availability under the working capital facility. On September 28, 2024, letters of credit and standby letters of credit were outstanding in the amount of \$6.9 million (September 30, 2023: \$8.8 million) to secure certain contractual obligations, including those related to the Company's Supplemental Executive Retirement Plan ("SERP").

The facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in North America. Under the Company's term loan facility, it is subject to a first charge on brands, trade names and related intangibles. A second charge over the Company's property, plant and equipment is also in place. Additional details regarding the Company's working capital credit facility are provided in Note 4 "Bank loans" to the Consolidated Financial Statements.

We expect average short-term borrowings in Fiscal 2024 to be lower than Fiscal 2023, and we believe the asset-based working capital credit facility should be sufficient to fund all the Company's anticipated cash requirements.

Term Loan Facility

On July 31, 2024, the Company completed the early refinancing of its term loan facility. The term loan facility was refinanced from \$300.0 million to \$240.0 million with an extended term from October 2026 to July 2031, and the applicable interest rate for loans under the facility was decreased from SOFR plus 3.75% (0.75% SOFR floor) to SOFR plus 3.25% (0.50% SOFR floor).

Prior to the July 2024 refinancing, quarterly repayments of \$1.9 million were required on the term loan as regularly scheduled repayments. Under the new refinanced term loan agreement, quarterly principal repayments of \$1.5 million are required on the term loan as regularly scheduled repayments. Any mandatory and voluntary repayments after the refinancing are applied to future regularly scheduled principal repayments. On an annual basis, based on a leverage test, additional prepayments could be required of up to 50% of the previous year's defined excess cash flow ("mandatory prepayments"). Per the loan agreement, mandatory prepayments and voluntary repayments will be applied to future regularly scheduled principal repayments. During the thirty-nine weeks ended September 28, 2024, regularly scheduled repayments of \$5.3 million were made. There are regularly scheduled repayments of \$6.0 million to be paid in the next 12 months. There are no mandatory prepayments to be paid in 2024 related to excess cash flows from 2023. Substantially all tangible and intangible assets (excluding working capital) of the Company are pledged as collateral for the term loan.

During the thirty-nine weeks ended September 28, 2024, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility:

Effective date	Maturity date	Receive floating rate	Pay fixed rate	Notional amount (millions)
Designated in a formal hedging relationship:				
July 7, 2023	July 7, 2025	3-month SOFR (floor 0.75%)	4.9076 % \$	40.0
January 6, 2023	July 6, 2026	3-month SOFR (floor 0.75%)	1.1500 % \$	35.0
January 6, 2023	July 8, 2024	3-month SOFR (floor 0.75%)	0.6840 % \$	25.0
December 30, 2022	December 31, 2025	3-month SOFR (floor 0.75%)	1.0910 % \$	20.0

As of September 28, 2024, the combined impact of the outstanding interest rate swaps listed above effectively fix the interest rate on \$95.0 million of the \$240.0 million face value of the term loan, while the remaining portion of the debt continues to be at variable interest rates. As such, we expect that there will be fluctuations in interest expense due to changes in interest rates when SOFR is higher than the embedded floor of 0.50%.

Additional details regarding the Company's term loan are provided in Note 5, "Long-term debt" to the Consolidated Financial Statements.

Net Debt

The Company's Net Debt (as calculated in the *Non-IFRS Financial Measures* section starting on page 23 of this MD&A) is comprised of the working capital credit and term loan facilities (excluding deferred finance costs and modification gains/losses) and lease liabilities, less cash. Net Debt decreased by \$10.3 million to \$239.6 million at September 28, 2024, compared to \$249.9 million at December 30, 2023, reflecting lower bank loans, long-term debt, lease liabilities, and a higher cash balance as at September 28, 2024, as compared to December 30, 2023.

Net Debt to Rolling Twelve-Month Adjusted EBITDA (see the *Non-IFRS Financial Measures* section starting on page 23 of this MD&A) improved to 2.4x at September 28, 2024, compared to 2.6x at December 30, 2023, and 3.1x at September 30, 2023. The ratio has continued to improve in 2024 due to lower net debt, as mentioned previously, and higher Rolling Twelve-Month Adjusted EBITDA compared to Fiscal 2023. In the absence of any major acquisitions or unplanned capital expenditures in 2024, we expect this ratio to continue to be lower than the Company's long-term target of 3.0x at the end of Fiscal 2024.

(Amounts in \$000s, except as otherwise noted)	Twelve months ended	
	September 28, 2024	December 30, 2023
Net Debt	239,634	249,916
Adjusted EBITDA	101,444	95,092
Net Debt to Adjusted EBITDA ratio (times)	2.4	2.6

Capital Structure

At September 28, 2024, Net Debt was 37.0% of total capitalization compared to 39.5% at December 30, 2023, and 44.5% at September 30, 2023.

(Amounts in \$000s)	September 28, 2024		December 30, 2023		September 30, 2023	
Net Debt	\$	239,634	\$	249,916	\$	304,788
Shareholders' equity		409,798		385,856		385,087
Unrealized gains on derivative financial instruments included in AOCI		(1,093)		(2,514)		(4,362)
Total capitalization	\$	648,339	\$	633,258	\$	685,513
Net Debt as a percentage of total capitalization		37.0%		39.5%		44.5%

Using our September 28, 2024 market capitalization of \$276.5 million, based on a share price of CAD\$12.52 (USD\$9.27 equivalent), instead of the book value of equity, Net Debt as a percentage of total capitalization increased to 46.4% (September 30, 2023: 52.9%).

Cash Flow

(Amounts in \$000s)	Thirteen weeks ended			Thirty-nine weeks ended		
	September 28, 2024	September 30, 2023	Change	September 28, 2024	September 30, 2023	Change
Net cash flows provided by operating activities	\$ 13,423	\$ 54,048	\$ (40,625)	\$ 69,962	\$ 112,373	\$ (42,411)
Net cash flows used in financing activities	(12,270)	(49,792)	37,522	(34,693)	(99,700)	65,007
Net cash flows used in investing activities	(7,066)	(4,047)	(3,019)	(32,163)	(12,862)	(19,301)
Foreign exchange decrease on cash	(44)	(113)	69	(777)	217	(994)
Net change in cash during the period	\$ (5,957)	\$ 96	\$ (6,053)	\$ 2,329	\$ 28	\$ 2,301

Cash Flows from Operating Activities

Cash flows from operating activities were \$42.4 million lower in the first three quarters of 2024 compared to the same period in the prior year despite net income being higher by \$28.9 million during the same time period, even after adjusting for non-cash items, as well as lower interest and taxes paid. This is due to the higher positive changes in non-cash working capital balances in the first three quarters of 2023 in comparison to the first three quarters of 2024. The lower positive changes in non-cash working capital are due to lower favourability in inventories, partially offset by favourable changes in accounts receivables, and accounts payables and accrued liabilities.

Cash Flows from Financing Activities

Cash outflows from financing activities were \$65.0 million lower in the first three quarters of 2024 compared to the same period in the prior year mainly due to decreased repayments of short-term borrowings in the first three quarters of 2024 as compared to the first three quarters of 2023 (see the *Liquidity and Capital Resources* section on page 13 of this MD&A), partially offset by costs relating to common shares repurchased for cancellation, and deferred financing costs in relation to the refinancing of the Company's Term Loan B in the current year.

Cash Flows from Investing Activities

Cash outflows from investing activities were \$19.3 million higher in the first three quarters of 2024 compared to the same period last year primarily due to the investments in Norcod AS and Andfjord in the first three quarters of 2024, and higher capital expenditures (see the *Capital Expenditures* section on page 17 of this MD&A).

Standardized Free Cash Flow

Standardized Free Cash Flow (see the *Non-IFRS Financial Measures* section on page 22 for further explanation of Standardized Free Cash Flow) for the twelve months ended September 28, 2024 increased by \$79.2 million to an inflow of \$113.8 million compared to an inflow of \$34.6 million for the twelve months ended September 30, 2023. This increase reflects favourable changes in higher cash flows provided by operations including higher non-cash working capital, and lower interest and income taxes paid during the twelve months ended September 28, 2024 as compared to the twelve months ended September 30, 2023, partially offset by higher capital expenditures, during the last twelve months.

Net Non-Cash Working Capital

(Amounts in \$000s)	September 28, 2024	December 30, 2023	Change
Accounts receivable	\$ 100,932	\$ 100,634	\$ 298
Inventories	271,189	295,624	(24,435)
Prepaid expenses	5,711	7,390	(1,679)
Accounts payable and accrued liabilities	(136,113)	(148,343)	12,230
Provisions	(327)	(154)	(173)
Net non-cash working capital	\$ 241,392	\$ 255,151	\$ (13,759)

Net non-cash working capital consists of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions. Net non-cash working capital decreased by \$13.8 million to \$241.4 million at September 28, 2024, as compared to \$255.2 million at December 30, 2023, primarily reflecting lower inventories and prepaid expenses, partially offset by lower accounts payable and accrued liabilities.

Our working capital requirements fluctuate during the year, usually peaking between December and March as our inventory is the highest at that time, as described in the *"Seasonality"* section on page 5 of this MD&A. Going forward we do expect the trend of inventory peaking between December and March to continue, and we believe we have sufficient availability on our working capital credit facility to finance our working capital requirements throughout the remainder of 2024.

Capital Expenditures

Capital expenditures (including computer software) were \$7.1 million and \$17.2 million during the thirteen and thirty-nine weeks ended September 28, 2024, respectively, as compared to capital expenditures of \$4.0 million and \$13.1 million during the thirteen and thirty-nine weeks ended September 30, 2023, respectively. Capital expenditures in the first three quarters of 2024 are higher than the prior year reflecting the Company's continued investment in the modernization of capital assets.

Excluding strategic initiatives that may arise, management expects that capital expenditures in 2024 will be between \$20.0 million to \$24.0 million, funded by cash generated from operations and short-term borrowings.

Dividends

The Company paid a CAD \$0.15 per share quarterly dividend on September 15, 2024 to common shareholders of record on September 1, 2024.

On November 8, 2024, the Company's Board of Directors approved a quarterly dividend of CAD \$0.17 per share on the Company's common shares, payable on December 15, 2024 to holders of record as of December 1, 2024. These dividends are considered "eligible dividends" for Canadian income tax purposes.

Dividends and Normal Course Issuer Bids ("NCIB"), if applicable, are subject to the following restrictions in our credit agreements:

- Under the working capital credit facility, Average Adjusted Aggregate Availability, as defined in the credit agreement, needs to be \$25.0 million or higher and was \$164.1 million on September 28, 2024, and NCIBs are subject to an annual limit of \$10.0 million with a provision to carry forward unused amounts subject to a maximum of \$20.0 million per annum; and
- Under the term loan facility, annual dividends cannot exceed the greater of \$32.5 million or 32.5% of EBITDA, as defined in the loan agreement. This amount can be increased to include any defined excess cash flows when the defined total leverage ratio is below 4.0x and becomes unlimited when the defined total leverage ratio is below 3.0x. The defined total leverage ratio was 2.4x on September 28, 2024. NCIBs are subject to an annual limit of \$10.0 million under the term loan facility with a provision to carry forward unused amounts subject to a maximum of \$20.0 million per annum.

Contractual Obligations

Contractual obligations relating to our bank loans, long-term debt, lease liabilities, and purchase obligations as at September 28, 2024 were as follows:

(Amounts in \$000s)	Total	Less than 1 year	1–5 Years	Thereafter
Bank loans	\$ —	\$ —	\$ —	\$ —
Long-term debt	340,470	22,134	83,185	235,151
Lease liabilities	13,087	4,837	5,487	2,763
Purchase obligations	172,280	135,112	37,168	—
Total contractual obligations	\$ 525,837	\$ 162,083	\$ 125,840	\$ 237,914

Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products, and frying oils. For further details, see the *Procurement* and *Foreign Currency* risk section in the 2023 Annual MD&A.

Financial Instruments and Risk Management

The Company has exposure to the following risks as a result of its use of financial instruments: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company enters into interest rate swaps, foreign currency contracts, and insurance contracts to manage these risks that arise from the Company's operations and its sources of financing, in accordance with a written policy that is reviewed and approved by the Audit Committee of the Board of Directors. The policy prohibits the use of derivative financial instruments for trading or speculative purposes.

Readers are directed to Note 10 "*Fair value measurement*" of the Consolidated Financial Statements for a complete description of the Company's use of derivative financial instruments and their impact on the financial results, and to Note 27 "*Financial risk management objectives and policies*" of the 2023 Annual Consolidated Financial Statements for further discussion of the Company's financial risks and policies.

Disclosure of Outstanding Share Data

On November 8, 2024, 29,743,751 common shares and 362,375 options were outstanding. The options are exercisable on a one-for-one basis for common shares of the Company.

RELATED PARTY TRANSACTIONS

The Company had no related party transactions, excluding key management personnel compensation, for the thirteen and thirty-nine weeks ended September 28, 2024 and September 30, 2023. Refer to Note 23, "Related party disclosures" to the 2023 Annual Consolidated Financial Statements, for a further description of the Company's related party transactions, which are substantially unchanged in 2024.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS financial measures and ratios (together, "measures") in this MD&A: Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"); Adjusted EBITDA as a Percentage of Sales; Adjusted Net Income; Adjusted Diluted Earnings per Share ("Adjusted Diluted EPS"); Standardized Free Cash Flow; Net Debt; and Net Debt to Rolling Twelve-Month Adjusted EBITDA. 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 for the reasons outlined below. These measures do not have any standardized meaning as 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.

Adjusted EBITDA and Adjusted EBITDA as Percentage of Sales

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted for items that are not considered representative of ongoing operational activities of the business. The related margin, Adjusted EBITDA as a Percentage of Sales, is defined as Adjusted EBITDA divided by net sales, where net sales is defined as "Sales" on the consolidated statements of income.

We use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) as a performance measure as it approximates cash generated from operations before capital expenditures and changes in working capital, and it excludes the impact of expenses and recoveries associated with certain non-routine items that are not considered representative of the ongoing operational activities, as discussed above, and share-based compensation expense related to the Company's share price. We believe investors and analysts also use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) to evaluate the performance of our business. The most directly comparable IFRS measure to Adjusted EBITDA is "Net income" on the consolidated statements of income. Adjusted EBITDA is also useful when comparing to other companies, as it eliminates the differences in earnings that are due to how a company is financed. Also, for the purpose of certain covenants on our credit facilities, "EBITDA" is based on Adjusted EBITDA, with further adjustments as defined in the Company's credit agreements.

The following table reconciles Adjusted EBITDA with measures in our Consolidated Financial Statements and calculates Adjusted EBITDA as a Percentage of Sales.

(Amounts in \$000s)	Thirteen weeks ended September 28, 2024		Thirteen weeks ended September 30, 2023	
Net income	\$	18,347	\$	5,486
Add back (deduct):				
Depreciation and amortization expense		5,917		6,367
Finance costs ⁽¹⁾		(7,997)		6,502
Income tax expense		4,804		2,044
Standardized EBITDA		21,071		20,399
Add back (deduct):				
Business acquisition, integration and other expenses (income) ⁽²⁾		232		1,044
Loss on disposal of assets		135		133
Share-based compensation expense (recovery)		55		(1,602)
Adjusted EBITDA	\$	21,493	\$	19,974
Net Sales	\$	228,884	\$	259,699
Adjusted EBITDA as a Percentage of Sales		9.4%		7.7%

(Amounts in \$000s)	Thirty-nine weeks ended September 28, 2024		Thirty-nine weeks ended September 30, 2023	
Net income	\$	54,236	\$	25,261
Add back (deduct):				
Depreciation and amortization expense		17,191		18,396
Finance costs ⁽¹⁾		3,032		20,361
Income tax expense		9,927		1,768
Standardized EBITDA		84,386		65,786
Add back (deduct):				
Business acquisition, integration and other expenses (income) ⁽²⁾		(8,760)		6,660
Loss (gain) on disposal of assets		349		(42)
Share-based compensation expense		3,582		801
Adjusted EBITDA	\$	79,557	\$	73,205
Net Sales	\$	724,179	\$	843,212
Adjusted EBITDA as a Percentage of Sales		11.0%		8.7%

⁽¹⁾ Finance Costs for the thirteen and thirty-nine weeks ended September 28, 2024 include a gain of \$12.7 million on the modification of debt related to the debt refinancing completed in July 2024 (see the *Recent Developments* section on page 4 of this MD&A).

⁽²⁾ The business acquisition, integration and other expenses (income) for the thirty-nine weeks ended September 28, 2024 includes a gain of \$9.8 million relating to the shares reacquired in result of the litigation settlement reached between High Liner Foods and the former shareholders of Rubicon. For the thirteen and thirty-nine weeks ended September 30, 2023 this amount includes legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn.

Rolling Twelve-Month Adjusted EBITDA

(Amounts in \$000s)	Rolling twelve months ended		
	September 28, 2024	December 30, 2023	September 30, 2023
Net income	60,652	31,677	36,392
Add back (deduct):			
Depreciation and amortization expense	25,168	26,373	24,566
Finance costs ⁽¹⁾	8,849	26,178	26,312
Income tax expense	10,593	2,434	2,075
Standardized EBITDA	105,262	86,662	89,345
Add back (deduct):			
Business acquisition, integration and other expenses (income) ⁽²⁾	(8,350)	7,070	7,605
Impairment of property, plant and equipment	—	—	164
Loss on disposal of assets	282	(109)	(12)
Share-based compensation expense	4,250	1,469	1,488
Rolling Twelve-Month Adjusted EBITDA	101,444	95,092	98,590

⁽¹⁾ Finance Costs for the rolling twelve months ended September 28, 2024 include a gain of \$12.7 million on the modification of debt related to the debt refinancing completed in July 2024 (see the *Recent Developments* section on page 4 of this MD&A).

⁽²⁾ The business acquisition, integration and other expenses (income) for the rolling twelve months ended September 28, 2024, includes a gain of \$9.8 million relating to the shares reacquired in result of the litigation settlement reached between High Liner Foods and the former shareholders of Rubicon. During the rolling twelve months ended December 30, 2023, and September 30, 2023, this amount includes legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn.

Adjusted Net Income and Adjusted Diluted EPS

Adjusted Net Income is net income adjusted for the after-tax impact of items which are not representative of ongoing operational activities of the business and certain non-cash expenses or income. Adjusted Diluted EPS is Adjusted Net Income divided by the average diluted number of shares outstanding.

We use Adjusted Net Income and Adjusted Diluted EPS to assess the performance of our business without the effects of the above-mentioned items, and we believe our investors and analysts also use these measures. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. The most comparable IFRS financial measures are net income and EPS.

The table below reconciles our Adjusted Net Income with measures that are found in our Consolidated Financial Statements and calculates Adjusted Diluted EPS.

	Thirteen weeks ended September 28, 2024		Thirteen weeks ended September 30, 2023	
	\$000s	Adjusted Diluted EPS	\$000s	Adjusted Diluted EPS
Net income	\$ 18,347	\$ 0.61	\$ 5,486	\$ 0.16
Add back (deduct):				
Business acquisition, integration and other expenses (income) ⁽¹⁾	232	0.01	1,044	0.03
Share-based compensation expense (recovery)	55	—	(1,602)	(0.05)
Modification gain on debt refinancing activities ⁽²⁾	(13,033)	(0.42)	—	—
Tax impact of reconciling items	—	—	(22)	—
Adjusted Net Income	\$ 5,601	\$ 0.20	\$ 4,906	\$ 0.14
Weighted average shares for the period (000s)		30,509		34,001

	Thirty-nine weeks ended September 28, 2024		Thirty-nine weeks ended September 30, 2023	
	\$000s	Adjusted Diluted EPS	\$000s	Adjusted Diluted EPS
Net income	\$ 54,236	\$ 1.69	\$ 25,261	\$ 0.73
Add back (deduct):				
Business acquisition, integration and other expenses (income) ⁽¹⁾	(8,760)	(0.27)	6,660	0.19
Share-based compensation expense	3,582	0.11	801	0.02
Modification gain on debt refinancing activities ⁽²⁾	(13,033)	(0.41)	—	—
Tax impact of reconciling items	(595)	(0.02)	(1,335)	(0.03)
Adjusted Net Income	\$ 35,430	\$ 1.10	\$ 31,387	\$ 0.91
Weighted average shares for the period (000s)		32,180		34,092

⁽¹⁾ The business acquisition, integration and other expenses (income) for the thirty-nine weeks ended September 28, 2024 includes a gain of \$9.8 million relating to the shares reacquired in result of the litigation settlement reached between High Liner Foods and the former shareholders of Rubicon. For the thirteen and thirty-nine weeks ended September 30, 2023, this amount includes legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn.

⁽²⁾ Modification gain on debt refinancing activities for the thirteen and thirty-nine weeks ended September 28, 2024 includes a gain of \$12.7 million on the modification of debt related to the debt refinancing completed in July 2024 (see the *Recent Developments* section on page 4 of this MD&A).

Standardized Free Cash Flow

Standardized Free Cash Flow is cash flow provided by operating activities less capital expenditures (net of investment tax credits) as reported in the consolidated statements of cash flows. The capital expenditures related to business acquisitions are not deducted from Standardized Free Cash Flow.

We believe Standardized Free Cash Flow is an important indicator of the financial strength and performance of our business because it shows how much cash is available to pay dividends, repay debt (including lease liabilities) and reinvest in the Company. We believe investors and analysts use Standardized Free Cash Flow to value our business and its underlying assets. The most comparable IFRS financial measure is "cash flows provided by operating activities" in the consolidated statements of cash flows.

The table below reconciles our Standardized Free Cash Flow calculated on a rolling twelve-month basis, with measures that are in accordance with IFRS and as reported in the consolidated statements of cash flows.

(Amounts in \$000s)	Twelve months ended		
	September 28, 2024	September 30, 2023	Change
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid	\$ 99,703	\$ 89,309	\$ 10,394
Net change in non-cash working capital balances	66,328	1,024	65,304
Interest paid	(21,985)	(23,962)	1,977
Income taxes paid	(7,143)	(9,843)	2,700
Cash flows provided by operating activities	136,903	56,528	80,375
Less:			
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets	(23,102)	(21,940)	(1,162)
Standardized Free Cash Flow	\$ 113,801	\$ 34,588	\$ 79,213

Net Debt and Net Debt to Rolling Twelve-Month Adjusted EBITDA

Net Debt is calculated as the sum of bank loans, long-term debt (excluding deferred finance costs and modification gains/losses) and lease liabilities, less cash.

We consider Net Debt to be an important indicator of our Company's financial leverage because it represents the amount of debt that is not covered by available cash. We believe investors and analysts use Net Debt to determine the Company's financial leverage. Net Debt has no comparable IFRS financial measure, but rather is calculated using several asset and liability items in the consolidated statements of financial position.

Net Debt to Rolling Twelve-Month Adjusted EBITDA is calculated as Net Debt divided by Rolling Twelve-Month Adjusted EBITDA. We consider Net Debt to Rolling Twelve-Month Adjusted EBITDA to be an important indicator of our ability to generate sufficient earnings to service our debt, that enhances understanding of our financial performance, and highlights operational trends. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the calculations of Adjusted EBITDA may not be comparable to those of other companies, which limits their usefulness as comparative measures.

The following table reconciles Net Debt to IFRS measures reported as at the end of the indicated periods in the consolidated statements of financial position and calculates Net Debt to Rolling Twelve-Month Adjusted EBITDA.

(Amounts in \$000s)	September 28, 2024	December 30, 2023	September 30, 2023
Bank loans	\$ —	\$ 2,559	\$ 47,307
Add-back: Deferred finance costs included in bank loans ⁽¹⁾	—	441	475
Total bank loans	—	3,000	47,782
Long-term debt	212,013	233,791	233,490
Current portion of long-term debt	6,000	5,625	7,500
Add-back: Deferred finance costs included in long-term debt ⁽²⁾	8,382	3,607	3,945
Less: Net gain (loss) on modification of debt ⁽³⁾	12,106	(393)	(430)
Total term loan debt	238,501	242,630	244,505
Long-term portion of lease liabilities	6,690	6,997	7,893
Current portion of lease liabilities	4,072	4,589	4,791
Total lease liabilities	10,762	11,586	12,684
Less: Cash	(9,629)	(7,300)	(183)
Net Debt	\$ 239,634	\$ 249,916	\$ 304,788
Rolling Twelve-Month Adjusted EBITDA	\$ 101,444	95,092	\$ 98,590
Net Debt to Rolling Twelve-Month Adjusted EBITDA	2.4x	2.6x	3.1x

⁽¹⁾ Represents deferred finance costs that are included in "Bank loans" in the consolidated statements of financial position. See Note 4 to the Consolidated Financial Statements.

⁽²⁾ Represents deferred finance costs that are included in "Long-term debt" in the consolidated statements of financial position. See Note 5 to the Consolidated Financial Statements.

⁽³⁾ The net gain/loss on modification of debt has been excluded from the calculation of Net Debt as it does not represent the expected cash outflows from the term loan facility. See Note 5 to the Consolidated Financial Statements.

GOVERNANCE

In accordance with National Instrument 52-109, *"Certification of Disclosure in Issuers' Annual and Interim Filings"*, our certifying officers have evaluated the design effectiveness of Disclosure Controls and Procedures ("DC&P"), and our Company's Internal Control over Financial Reporting ("ICFR"). There were no changes in the Company's ICFR during the period beginning on June 30, 2024, and ending on September 28, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ACCOUNTING ESTIMATES AND STANDARDS

Critical Accounting Estimates

Critical accounting judgments and estimates used in preparing our Consolidated Financial Statements are described in the Company's 2023 Annual Consolidated Financial Statements. The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of sales, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual

outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

Accounting Standards

The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 30, 2023, except for the adoption of the following new amendments that were effective for annual periods beginning on January 1, 2024, and that the Company adopted on December 31, 2023:

IAS 1, *Presentation of Financial Statements*

In January 2020 and October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after January 1, 2024 and must be applied prospectively. The Company has adopted these amendments which had no impact on its Consolidated Financial Statements.

IAS 7 & IFRS 7, *Supplier Finance Arrangements*

In May 2023, the IASB issued the final amendments to IAS 7 and IFRS 7 which addresses the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied prospectively. The Company has adopted these amendments which had no impact on its Consolidated Financial Statements.

IAS 12, *Income Taxes*

In May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (the Amendments). IAS 12 was amended to add the temporary exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the “Pillar Two legislation”).

The Amendments require that entities shall apply the Amendments immediately upon issuance. The Amendments also require that entities shall disclose separately its current tax expense/ income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

On June 20, 2023, the Pillar Two legislation was enacted in Canada and is effective for the Company's fiscal year that commenced on December 30, 2023. The Company has applied the temporary exception during the current interim period. The Company will disclose known or reasonably estimable information that helps users of financial statements to understand the Company's exposure to Pillar Two income taxes in the Company's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

RISK FACTORS

High Liner Foods is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. The Company takes a strategic approach to risk management. To achieve a superior return on investment, we have designed an enterprise-wide approach, overseen by the senior management of the Company and reported to the Board, to identify, prioritize and manage risk effectively and consistently across the organization.

Readers should refer to the 2023 Annual Consolidated Financial Statements, MD&A and AIF for a more detailed description of risk factors applicable to the Company, which are available at www.sedarplus.ca and at www.highlinerfoods.com.