

# Investor Presentation

Third quarter ended  
September 30, 2023

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LASSONDE INDUSTRIES INC.



Lassonde

# Forward-Looking Statements and use of financial measures not in accordance with IFRS

This document contains “forward-looking information” and the Corporation’s oral and written public communications that do not constitute historical fact may be deemed to be “forward-looking information” within the meaning of applicable securities law. These forward-looking statements, which include, but are not limited to, statements on objectives and goals of the Corporation, are based on current expectations, projections, beliefs, judgments, and assumptions based on information available at the time the applicable forward looking statement was made and considering the Corporation’s experience combined with its perception of historical trends.

Forward-looking statements are typically identified by words such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “could”, “would”, “believe”, “plan”, “intend”, “design”, “target”, “objective”, “strategy”, “likely”, “potential”, “outlook”, “aim”, “goal”, and similar expressions suggesting future events or future performance in addition to the negative forms of these terms or any variations thereof. All statements other than statements of historical fact included in this document may constitute a forward-looking statement.

In this document, forward-looking statements include, but are not limited to, those set forth in above “Outlook” section, which also presents some (but not all) of the key assumptions used in determining the forward-looking statements. Some of the forward-looking statements in this document, such as statements concerning sales growth rate, productivity and service level, key commodity and input costs, expenses (including expenses related to the multi-year strategy (the “Strategy”, defined in the “Multi-Year Strategy” section of the 2022 annual MD&A)), effective tax rate, working capital and capital expenditures, may be considered to be financial outlooks for the purposes of applicable securities legislation. These financial outlooks are presented to evaluate potential future earnings and anticipated future uses of cash flows and may not be appropriate for other purposes.

Various factors or assumptions are typically applied by the Corporation in elaborating the forward looking statements. These factors and assumptions are based on information currently available to the Corporation, including information obtained by the Corporation from third-party sources. Readers are cautioned that the assumptions considered by the Corporation to support these forward-looking statements may prove to be incorrect in whole or in part.

The significant factors that could cause actual results to differ materially from the conclusions, forecasts or projections contained in the forward-looking statements contained herein include, among other things, risks associated with the following: the availability of raw materials and related price variations (including the price of orange concentrate, a key commodity for the Corporation, which has continued to trade above historical highs for the past several months and shows no sign of abating); fluctuations in the prices of inbound and outbound freight, the impact of oil prices (and derivatives thereof) on the Corporation’s direct and indirect costs along with the Corporation’s ability to transfer those increases through higher prices or other means, if any, to its clients in competitive market conditions and considering demand elasticity; the ability to maintain strong sourcing and manufacturing platforms and efficient distribution channels; disruptions in or failures of the Corporation’s information technology systems as well as the development and performance of technology; cyber threats and other information-technology-related risks relating to business disruptions, confidentiality, data integrity, and business email compromise-related fraud; the scarcity of labour and the related impact on the hiring, training, developing, retaining and reliance of personnel together with their productivity, employment matters, compliance with employment laws across multiple jurisdictions, and the potential for work stoppages due to non-renewal of collective bargaining agreements or other reasons; the successful deployment of the Corporation’s health and safety programs in compliance with applicable laws and regulations; serious injuries or fatalities, which could have a material impact on the Corporation’s business continuity and reputation and lead to compliance-related costs; the successful deployment of the Corporation’s Strategy, including components such as Project Eagle; climate change and disasters causing higher operating costs and capital expenditures and reduced production output, and impacting the availability, quality or price volatility of key commodities sourced by the Corporation; the increasing concentration of customers in the food industry, providing them with significant bargaining power; the implementation, cost and impact of environmental sustainability initiatives, as well as the cost of remediating environmental liabilities; changes made to laws that affect the Corporation’s activities as well as the interpretation thereof, and new positions adopted by relevant authorities; the ability to adapt to changes and developments affecting the Corporation’s industry, including customer preferences, tastes and buying patterns, market conditions and the activities of competitors and clients; failure to maintain the quality and safety of the Corporation’s products, which could result in product recalls and product liability claims for misbranded, adulterated, contaminated, or spoiled food products, along with reputational damage; risks related to fluctuations in interest rates, currency exchange rates, liquidity and credit, stock price and pension obligations; deterioration of general macroeconomic conditions, including international conflicts, which can lead to negative impacts on the Corporation’s suppliers, customers and operating costs; the incurrence of restructuring, disposal, or other related charges together with the recognition of impairment charges on goodwill or long-lived assets; the sufficiency of insurance coverage; and the implications and outcome of potential legal actions, litigation and regulatory proceedings to which the Corporation may be a party. The Corporation cautions readers that the foregoing list of factors is not exhaustive.



# Forward-Looking Statements and use of financial measures not in accordance with IFRS (cont'd)

The Corporation's ability to achieve its environmental targets, and goals is further subject to, among other factors, its ability to access and implement all technology necessary to achieve them as well as the development and performance of technology, innovation and the future use and deployment of technology and associated expected future results, and environmental regulation. The Corporation's ability to achieve its ESG commitments is further subject to, among other factors, its ability to leverage its supplier relationships.

Assumptions, expectations, and estimates made in the preparation of forward-looking statements and risks and uncertainties that could cause actual results to differ materially from forward-looking statements are discussed in the Corporation's materials filed with the Canadian securities regulatory authorities from time to time, including information about risk factors that can be found in Section 19 - "Uncertainties and Principal Risk Factors" of the Corporation's MD&A for the year ended December 31, 2022. Readers should review this section in detail.

For additional information regarding the Corporation's business for 2023 and known trends, events or uncertainties, see the Corporation's management's discussion and analysis MD&A for the third quarter ended September 30, 2023, available on the SEDAR website at [www.sedarplus.ca](http://www.sedarplus.ca), in particular the "Outlook", and "Forward-Looking Statements" sections thereof, which are incorporated by reference herein. For information about the use of measures and ratios not in accordance with IFRS, refer to section "Financial Measures Not in Accordance With IFRS".



# Solid Performance in the Third Quarter



## Strong execution against our strategic priorities



## Sales increased by 4.9%

- Pricing adjustments taken in 2022 and early 2023 in response to cost inflation
- Partially offset by volume reduction
  - Simplification of our U.S. portfolio
  - Softer consumer demand



## All divisions delivered a higher year-over-year gross profit

- Ongoing share growth in Canada
- Improvements at our U.S. operations



# Update on U.S. Turnaround Plan



## Portfolio optimization

- Product rationalization
- Pack harmonization
- Formula consolidation



## Important investments in New Jersey



## Stabilized the labour pool



## Deployed new decision-making tools and technology

- Demand Planning System completed in the third quarter
- Recent deployment of a Supply Planning and Production scheduling tool



# Update on U.S. Turnaround Plan



## Efficiency improvements

- Ultimately leads to increased production capacity



## Turning our attention to building back demand

- Will drive better cost absorption and result in further profitability improvement



## Lower freight costs also drove profitability improvement

- Lower fuel surcharges and base rates
- Savings through the Transportation Management System



# Capacity Expansion Initiatives



## **New aseptic single-serve line in North Carolina**

- On schedule for commissioning in the summer of 2024; full production to begin in early 2025
- Total investment estimated at US\$53 million
- Provide additional capacity for both branded activities and private label



## **Two aseptic high-speed juice box lines in Rougemont**

- First line commissioned in early 2024 to bring back in-house volume currently co-packed and provide flexibility for growth opportunities
- Other line in the second half of 2024 to progressively decommission older lines



# Key Takeaways from September 19 Investor Day



## Objective to achieve an annual sales run rate of \$3 billion by the end of 2026

- While sustaining our efforts to further improve profit margins



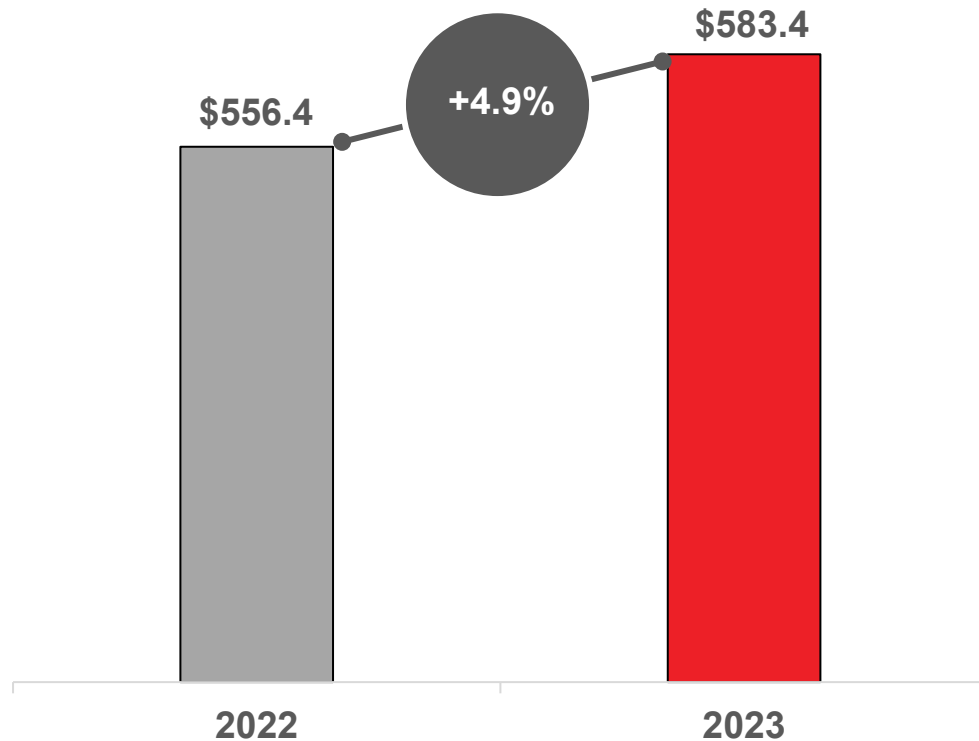
## Combination of organic and investment-driven growth

- Organic: leveraging existing assets by further increasing and optimizing utilization
- Investment-driven: Initiatives aimed at widening our physical footprint by building or expanding existing facilities and/or strategic acquisitions



Q3 2023

# 4.9% Sales Increase (\$M)



## Key Highlights

Excluding a favourable FX impact, sales were up 3.4%

✓ Selling price adjustments:

- ▲ \$27.0M private labels
- ▲ \$20.1M national brands

✓ Changes in sales mix:

- ▲ \$3.3M private labels
- ▼ \$0.4M national brands

✓ Effect of sales volume:

By brand type

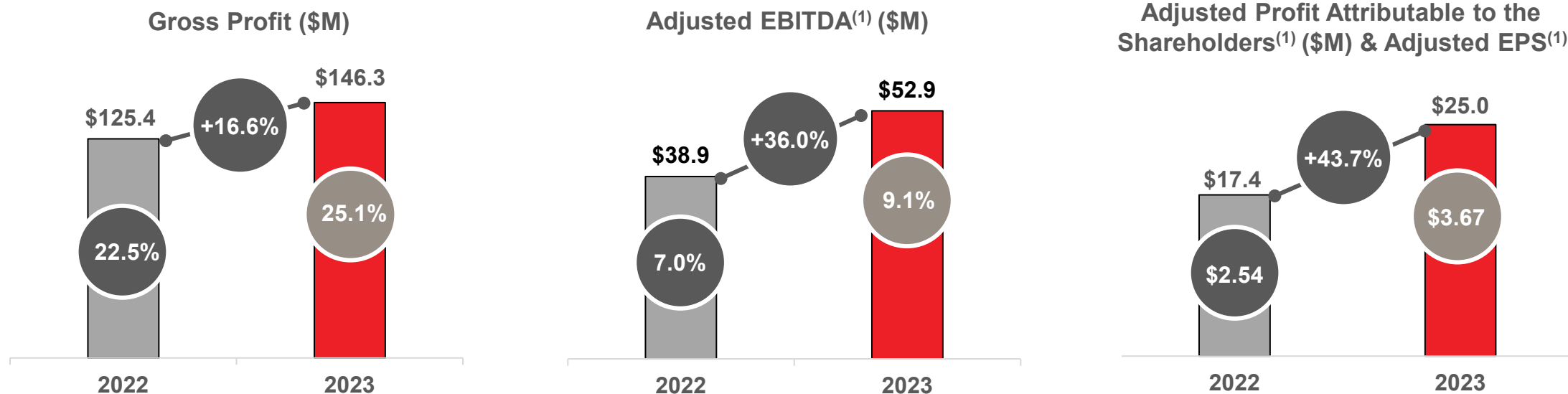
- ▼ \$21.6M private labels
- ▼ \$8.7M national brands

By country

- ▼ \$8.1M Canada
- ▼ \$22.2M U.S.



## Q3 2023 Improved Profitability



### Key Highlights

**Net of FX impact, gross profit increased by \$24.1M**

- ✓ Run rate effect of previous selling price adjustments

### Higher SG&A expenses

- ✓ Higher performance-related salary expenses, unfavourable FX impact, higher administrative expenses

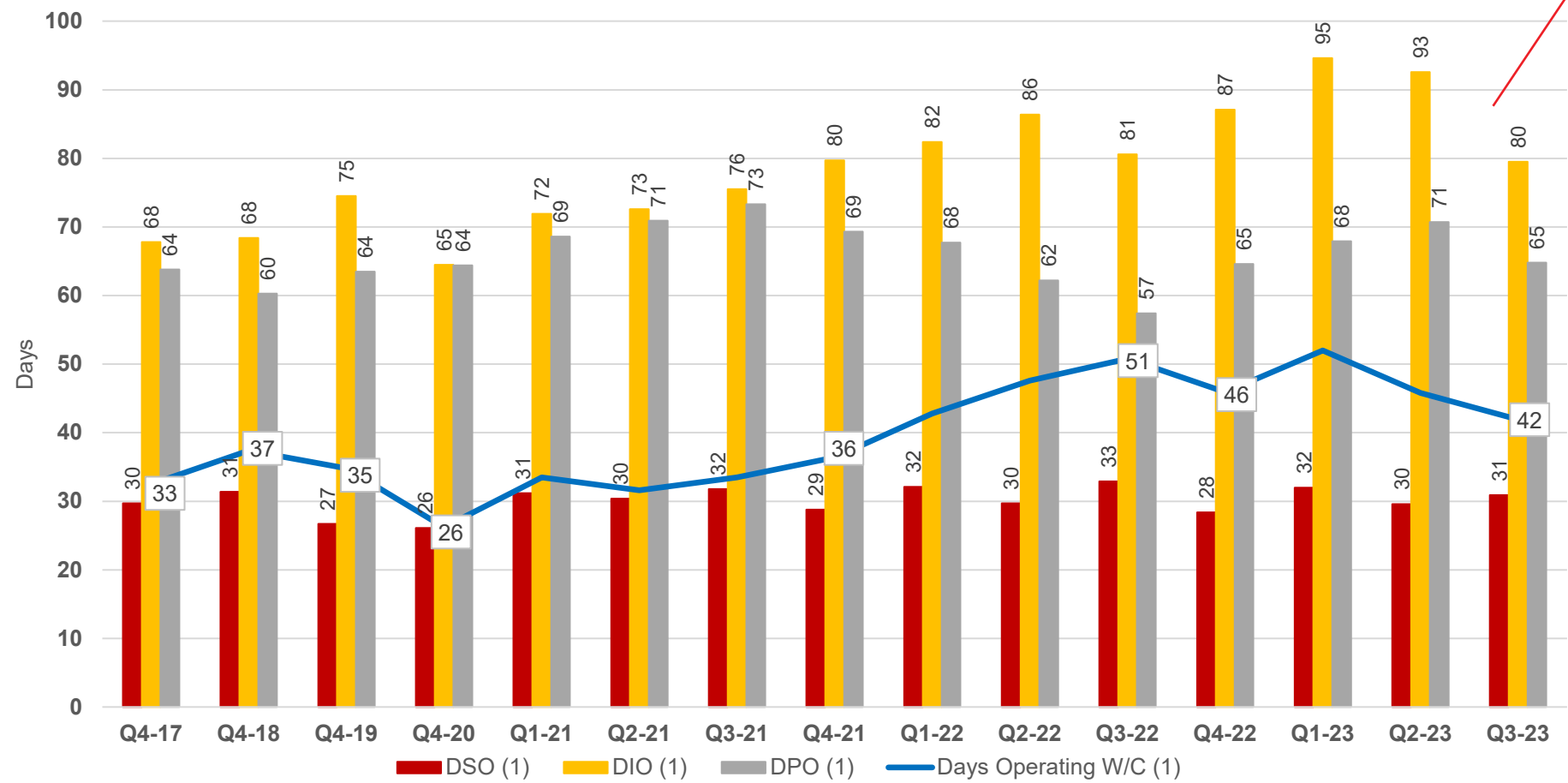
Partially offset by:

- ✓ Lower transportation costs (base rates, surcharges, benefits from TMS in the U.S., lower volume)
- ✓ Lower expenses related to the Strategy and its deployment

*(1) Financial measure not in accordance with IFRS. Please refer to section on Financial Measures Not in Accordance with IFRS.*



# Q3 2023 Days Operating Working Capital (1)



Represents a \$58M cash inflow

Near higher end of pre-Covid range by end of 2023  
Settle within that range in 2024

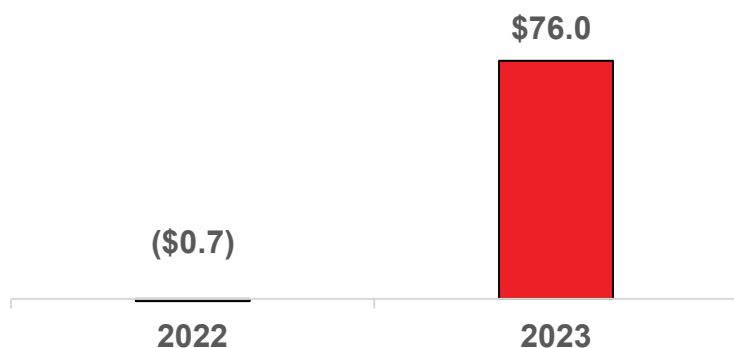
The Corporation may continue using its balance sheet to secure price and/or availability of certain commodities.  
1) Financial measure not in accordance with IFRS. Please refer to section on Financial Measures Not in Accordance with IFRS.



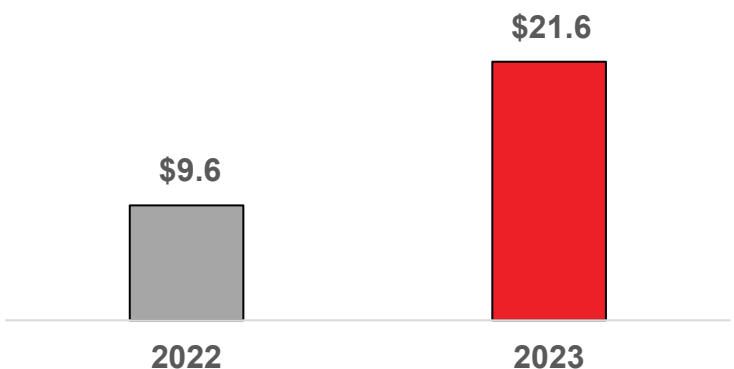
Q3 2023

# Cash Flows (\$M)

## Operating Activities



## Acquisitions of PPE and Intangible Assets

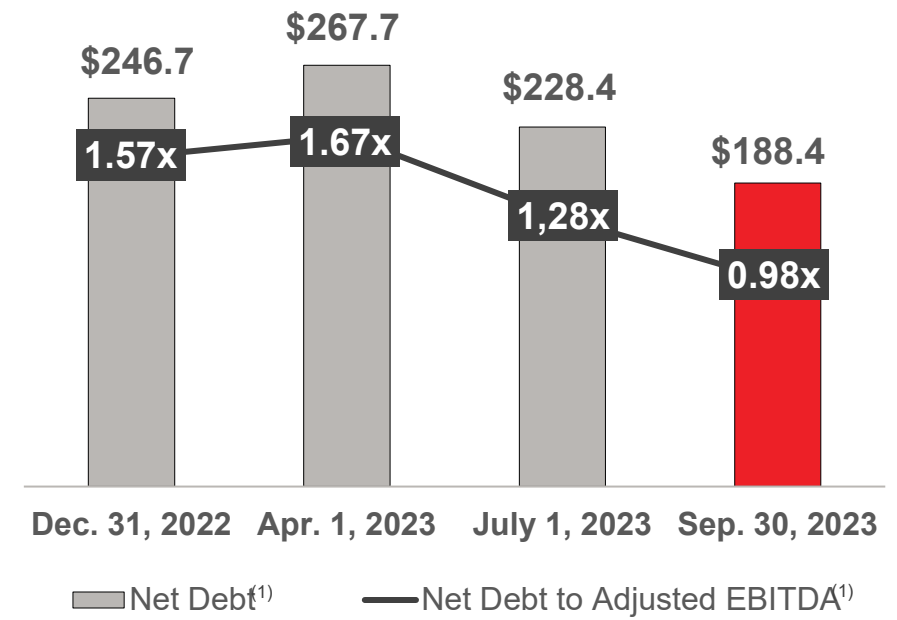
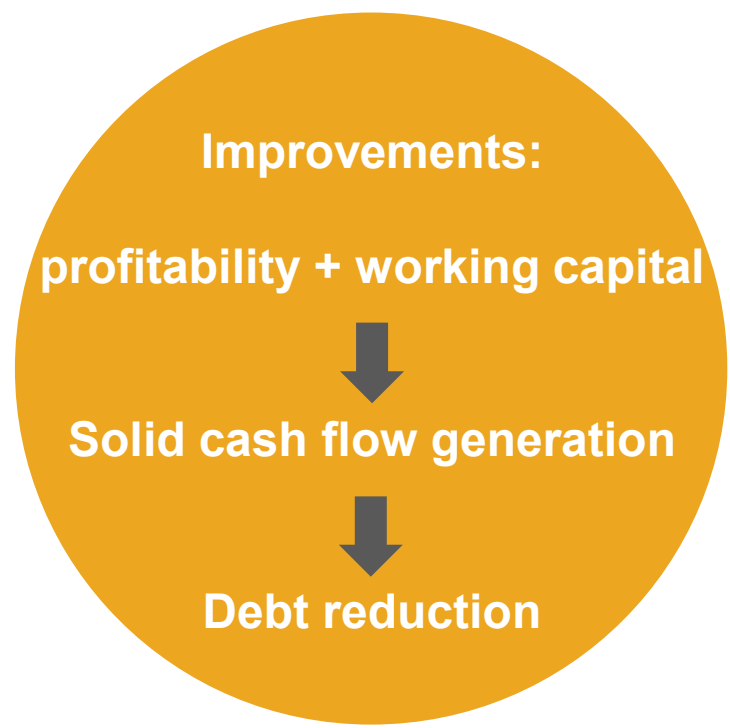


## Key Highlights

- ✓ Significant increase in cash flow due to:
  - Improved profitability
  - Lower working capital requirements
- ✓ Acquisitions of property, plant and equipment mostly related to the Multi-year Strategy
- ✓ 2023 capital expenditures estimated to reach up to 4.5% of sales



# Q3 2023 Net Debt<sup>(1)</sup> (\$M)

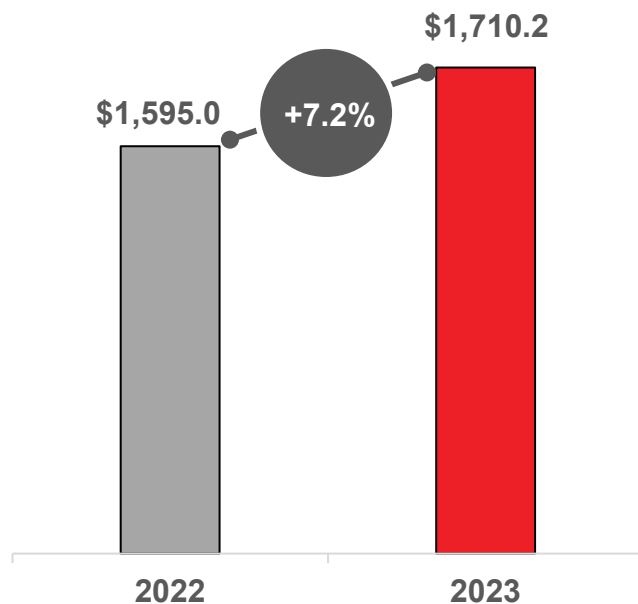


(1) Financial measure not in accordance with IFRS. Please refer to section on Financial Measures Not in Accordance with IFRS.

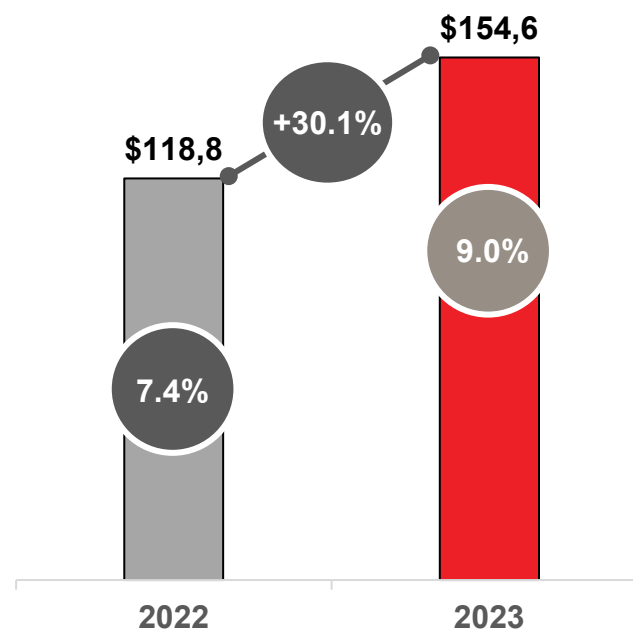


# First nine months of 2023 Financial Highlights

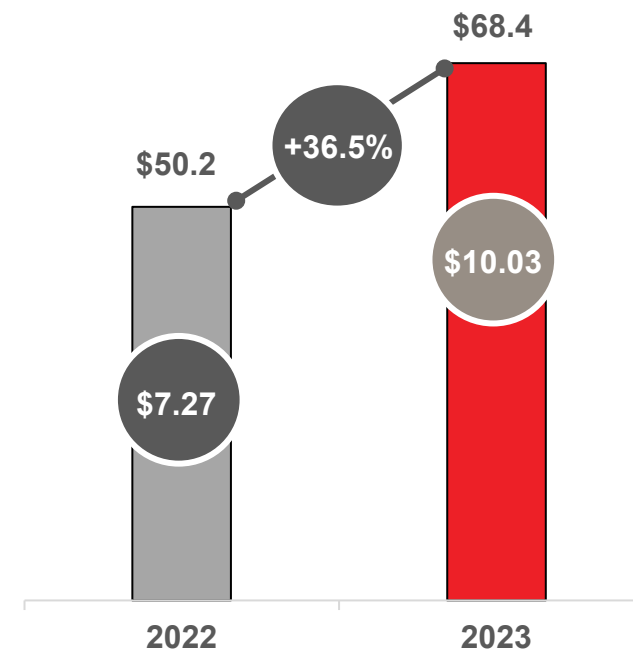
Sales (\$M)



Adjusted EBITDA<sup>(1)</sup> (\$M)



Adjusted Profit Attributable to the Shareholders<sup>(1)</sup> (\$M) & Adjusted EPS<sup>(1)</sup>



(1) Financial measure not in accordance with IFRS. Please refer to section on Financial Measures Not in Accordance with IFRS.

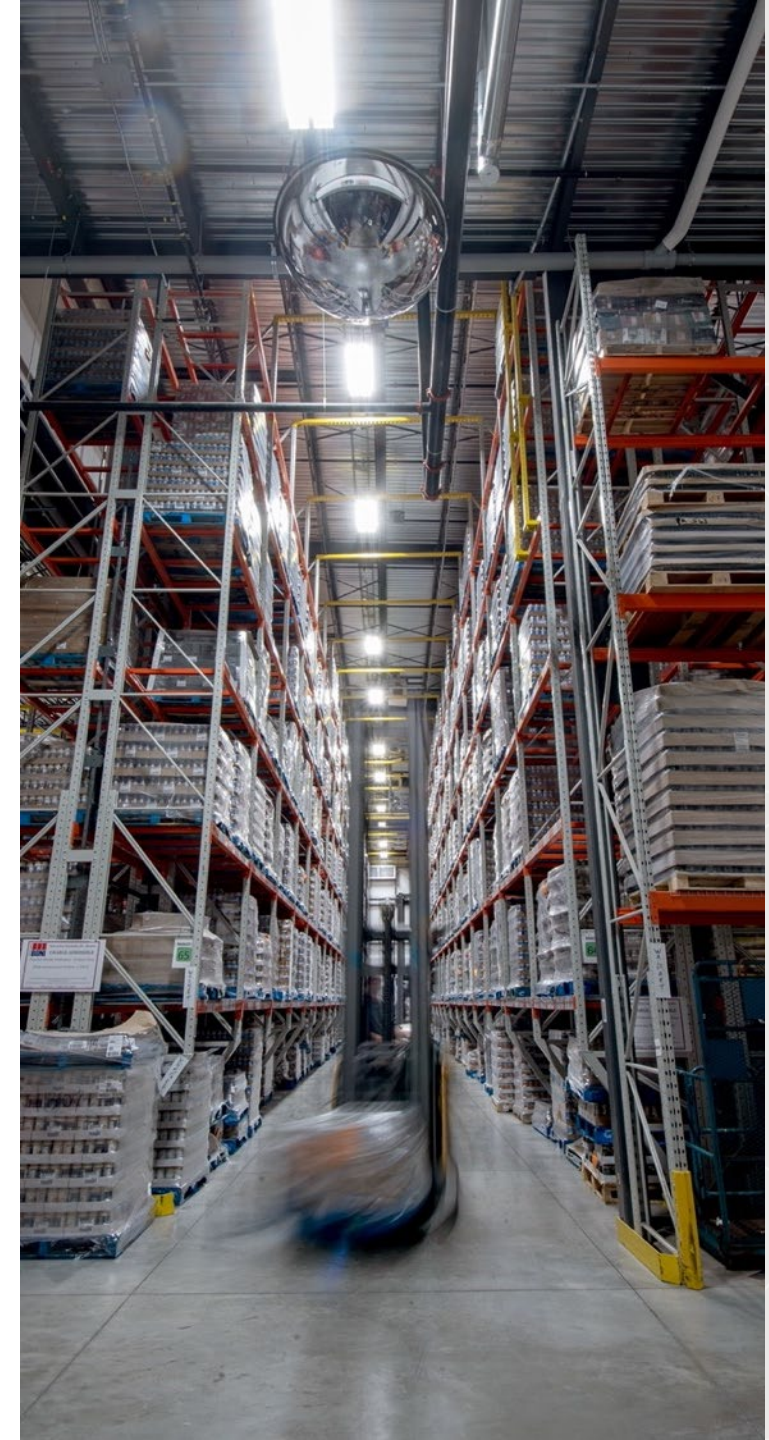


# Looking Ahead

**Remain focused on executing our strategy**

**Expect to conclude 2023 with a sales growth rate in the mid-single digit range**

- Excluding FX impact
- Primarily driven by price increases
- Includes further pricing actions in Q4 to reflect higher cost of orange



# Input Costs

## Orange costs remain high

- Reached another all-time high at the end of October
- Availability constraints are also anticipated
- Monitor the situation very closely

## Mitigate impact of cost increases through pricing

- Mechanisms in customer agreements
- Actions taken with a careful eye on potential changes in consumer habits and demand elasticity

## Continue to strike the right balance

- Meeting consumer demand
- Protecting margins

## Diversified portfolio also plays a role in mitigating impacts



# Focus on Innovation

**Orange situation highlights the importance of even further portfolio diversification**

**Diversification possible through innovation**

- Product formulation
- Formats and packaging
- New product development



# Key Priorities Moving Forward

## Build back U.S. demand

- Leveraging improvements in our operations
- Restoring relationships affected by earlier disruptions

## Protect core business in Canada

- Reinforce innovation to further diversify our portfolio
- Expand our presence in the food service channel
- Increase productivity

## Specialty food

- Evaluate scenarios to grow beyond its existing assets





## Financial Measures Not in Accordance with IFRS

# Financial Measures Not in Accordance with IFRS

## Items impacting the comparability between periods

The table on the right contains a list, description and quantification of items impacting the comparability of the financial performance between the periods.

## EBITDA and Adjusted EBITDA

EBITDA is a financial measure used by the Corporation and investors to assess the Corporation's capacity to generate future cash flows from operating activities and pay financial expenses. Adjusted EBITDA is a financial measure used by the Corporation to compare EBITDA between periods by excluding items impacting comparability. EBITDA consists of the sum of operating profit, the "depreciation of property, plant and equipment and amortization of intangible assets" item shown in the Consolidated Statement of Cash Flows. Adjusted EBITDA is calculated by adjusting the EBITDA with items considered by the management as impacting the comparability between periods

<i>(in millions of dollars)</i>	Third quarters ended		First nine months ended	
	Sept. 30, 2023	Oct. 1, 2022	Sept. 30, 2023	Oct. 1, 2022
	\$	\$	\$	\$
Costs related to the Strategy	0.7	1.5	1.3	6.1
Implementation costs of new cloud-based systems	0.5	1.3	2.1	2.1
Production interruption of a line in New Jersey	-	1.5	-	1.5
Production network optimization	-	-	0.9	-
Adjustment related to non-recoverable sales taxes	0.3	-	0.9	-
Sum of items impacting comparability on operating profit and EBITDA:	1.5	4.3	5.2	9.8
<u>Item impacting comparability on "Other (gains) losses":</u>				
Gain related to the preliminary settlement of an insurance claim	(0.5)	-	(2.6)	-
Tax impact of previous items	(0.3)	(1.1)	(0.7)	(2.5)
Impact on profit	0.7	3.2	1.9	7.2
Attributable to:				
Corporation's shareholders	0.7	2.9	1.9	6.7
Non-controlling interest	0.0	0.3	(0.0)	0.5

<i>(in millions of dollars)</i>	Third quarters ended		First nine months ended	
	Sept. 30, 2023	Oct. 1, 2022	Sept. 30, 2023	Oct. 1, 2022
	\$	\$	\$	\$
Operating profit	35.7	19.9	103.3	64.6
Depreciation of property, plant and equipment and amortization of intangible assets	15.7	14.7	46.1	44.6
<b>EBITDA</b>	<b>51.4</b>	<b>34.5</b>	<b>149.4</b>	<b>109.1</b>
Sum of items impacting comparability	1.5	4.3	5.2	9.8
<b>Adjusted EBITDA</b>	<b>52.9</b>	<b>38.9</b>	<b>154.6</b>	<b>118.8</b>



# Financial Measures Not in Accordance with IFRS (cont'd)

## Adjusted Profit Attributable to the Corporation's Shareholders and Adjusted EPS

Adjusted profit attributable to the Corporation's shareholders and adjusted EPS are financial measures used by the Corporation to compare profit attributable to the Corporation's shareholders and EPS between periods by excluding items impacting comparability. They are calculated by adjusting them with items considered by management as impacting the comparability between periods.

<i>(in millions of dollars, unless otherwise indicated)</i>	Third quarters ended		First nine months ended	
	Sept. 30, 2023	Oct. 1, 2022	Sept. 30, 2023	Oct. 1, 2022
	\$	\$	\$	\$
Profit attributable to the Corporation's shareholders	24.3	14.5	66.5	43.5
Sum of items impacting comparability	0.7	2.9	1.9	6.7
Adjusted profit attributable to the Corporation's shareholders	25.0	17.4	68.4	50.2
Weighted average number of shares outstanding <i>(in thousands)</i>	6,822	6,870	6,822	6,889
Adjusted EPS <i>(in \$)</i>	3.67	2.54	10.03	7.27

## Net Debt to Adjusted EBITDA

Net debt to adjusted EBITDA is a financial measure used by the Corporation to assess its ability to pay off its existing debt and to define its available borrowing capacity. To calculate the net debt to adjusted EBITDA ratio, net debt is divided by the sum of adjusted EBITDA from the last four quarters. Net debt represents long-term debt, including the current portion, less the "Cash and cash equivalents" item, as they are presented in the Corporation's Consolidated Statement of Financial Position.

<i>(in millions of dollars, except the net debt to adjusted EBITDA ratio)</i>	As at	As at
	Sept. 30, 2023	Dec. 31, 2022
	\$	\$
Current portion of long-term debt	7.1	100.8
Long-term debt	201.5	148.6
Less: Cash and cash equivalents	(20.2)	(2.7)
Net debt	188.4	246.7
Sum of adjusted EBITDA from the last four quarters	192.8	157.1
Net debt to adjusted EBITDA ratio	0.98:1	1.57:1



# Financial Measures Not in Accordance with IFRS (cont'd)

**Days Operating Working Capital** is a financial efficiency measure used by the Corporation to represent the amount of sales tied up as operating working capital. To calculate this financial measure, operating working capital is divided by the last quarter's sales, as they are presented in Section 8 – “Analysis of the Consolidated Results” of the Q3 2023 MD&A, and multiplied by 91 days. Operating working capital is the sum of accounts receivable and inventories, less accounts payable and accrued liabilities, as they are presented in the Corporation's Consolidated Statement of Financial Position.

**Days of Sales Outstanding** (“DSO”) is a financial efficiency measure used by the Corporation to represent the average number of days that it takes the Corporation to collect payment for a sale. To calculate this financial measure, accounts receivable, as they are presented in the Consolidated Statement of Financial Position, are divided by the last quarter's sales, as they are presented in Section 8 – “Analysis of the Consolidated Results” of the Q3 2023 MD&A, and multiplied by 91 days.

**Days of Inventory Outstanding** (“DIO”) is a financial efficiency measure used by the Corporation to represent the average number of days the Corporation takes to turn its inventory into sales. To calculate this financial measure, inventories, as they are presented in the Consolidated Statement of Financial Position, are divided by the last quarter's cost of sales, as it is presented in Section 8 – “Analysis of the Consolidated Results” of the Q3 2023 MD&A, and multiplied by 91 days.

**Days of Payable Outstanding** (“DPO”) is a financial efficiency measure used by the Corporation to represent the average number of days the Corporation takes to pay its accounts payable and accrued liabilities. To calculate this financial measure, accounts payable and accrued liabilities, as they are presented in the Consolidated Statement of Financial Position, are divided by the last quarter's cost of sales, as it is presented in Section 8 – “Analysis of the Consolidated Results” of the Q3 2023 MD&A, and multiplied by 91 days.

<i>(in millions of dollars, except DSO)</i>	As at Sept. 30, 2023	As at Dec. 31, 2022
	\$	\$
Accounts receivable	197.8	173.7
Divided by: Last quarter's sales	583.4	556.0
	0.34	0.31
<b>DSO (in days)</b>	<b>30.9</b>	<b>28.4</b>
<i>(in millions of dollars, except DIO)</i>	As at Sept. 30, 2023	As at Dec. 31, 2022
	\$	\$
Inventories	381.9	414.0
Divided by: Last quarter's cost of sales	437.2	432.3
	0.87	0.96
<b>DIO (in days)</b>	<b>79.5</b>	<b>87.1</b>
<i>(in millions of dollars, except DPO)</i>	As at Sept. 30, 2023	As at Dec. 31, 2022
	\$	\$
Accounts payable and accrued liabilities	311.1	307.0
Divided by: Last quarter's cost of sales	437.2	432.3
	0.71	0.71
<b>DPO (in days)</b>	<b>64.8</b>	<b>64.6</b>
<i>(in millions of dollars, except days operating working capital)</i>	As at Sept. 30, 2023	As at Dec. 31, 2022
	\$	\$
Accounts receivable	197.8	173.7
Inventories	381.9	414.0
Less: Accounts payable and accrued liabilities	(311.1)	(307.0)
Operating working capital	268.6	280.7
Divided by: Last quarter's sales	583.4	556.0
	0.46	0.50
<b>Days operating working capital (in days)</b>	<b>41.9</b>	<b>45.9</b>





# Financial Highlights

<i>(in millions of dollars, unless otherwise indicated)</i>	Third quarters ended			First nine months ended		
	Sept. 30, 2023	Oct. 1, 2022	Δ	Sept. 30, 2023	Oct. 1, 2022	Δ
	\$	\$	\$	\$	\$	\$
<b>Sales</b>	<b>583.4</b>	556.4	27.0	<b>1,710.2</b>	1,595.0	115.2
Cost of sales	<b>437.2</b>	431.0	6.2	<b>1,275.0</b>	1,195.3	79.7
Gross profit	<b>146.3</b>	125.4	20.8	<b>435.2</b>	399.7	35.5
Selling and administrative expenses	<b>110.5</b>	105.6	4.9	<b>331.9</b>	335.2	(3.3)
<b>Operating profit</b>	<b>35.7</b>	19.9	15.9	<b>103.3</b>	64.6	38.8
Share in the profit or (loss) of an associate	<b>(0.5)</b>	(0.3)	(0.2)	<b>(1.6)</b>	(0.6)	(1.0)
Financial expenses	<b>4.2</b>	2.6	1.5	<b>12.9</b>	7.3	5.6
Other (gains) losses	<b>(2.2)</b>	(2.5)	0.2	<b>(4.1)</b>	(2.2)	(1.9)
Profit before income taxes	<b>33.3</b>	19.3	13.9	<b>92.8</b>	58.8	34.0
Income tax expense	<b>9.0</b>	5.1	3.8	<b>25.1</b>	15.6	9.5
<b>Profit</b>	<b>24.3</b>	14.2	10.1	<b>67.7</b>	43.2	24.5
Attributable to:						
Corporation's shareholders	<b>24.3</b>	14.5	9.8	<b>66.5</b>	43.5	23.0
Non-controlling interest	<b>0.0</b>	(0.3)	0.3	<b>1.2</b>	(0.2)	1.4
	<b>24.3</b>	14.2	10.1	<b>67.7</b>	43.2	24.5
<b>EPS (in \$)</b>	<b>3.56</b>	2.11	1.45	<b>9.75</b>	6.31	3.44
<b>Weighted average number of shares outstanding (in thousands)</b>	<b>6,822</b>	6,870	(48)	<b>6,822</b>	6,889	(67)
<b>Adjusted operating profit<sup>(1)</sup></b>	<b>37.2</b>	24.2	13.0	<b>108.5</b>	74.3	34.2
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>52.9</b>	38.9	14.0	<b>154.6</b>	118.8	35.8
<b>Adjusted EPS<sup>(1)</sup> (in \$)</b>	<b>3.67</b>	2.54	1.13	<b>10.03</b>	7.27	2.76

(1) Financial measure not in accordance with IFRS. Please refer to section on Financial Measures Not in Accordance with IFRS.



# Sales Evolution

	Third quarters			First nine months		
	Private labels	National brands	Total	Private labels	National brands	Total
<i>(in millions of dollars)</i>	\$	\$	\$	\$	\$	\$
<b>Sales 2022</b>	<b>323.4</b>	<b>233.0</b>	<b>556.4</b>	<b>924.0</b>	<b>671.0</b>	<b>1,595.0</b>
Selling price adjustments impact	27.0	20.1	47.1	96.0	65.2	161.2
Volume impact	(21.6)	(8.7)	(30.3)	(74.9)	(33.3)	(108.2)
Change in the sales mix impact	3.3	(0.4)	2.9	17.8	2.0	19.8
Other impacts, net	-	(0.8)	(0.8)	-	(0.4)	(0.4)
Growth excluding foreign exchange impact	8.7 2.7%	10.2 4.4%	18.9 3.4%	38.9 4.2%	33.5 5.0%	72.5 4.5%
Foreign exchange impact	5.9	2.2	8.1	30.2	12.5	42.7
<b>Sales 2023</b>	<b>338.0</b>	<b>245.4</b>	<b>583.4</b>	<b>993.1</b>	<b>717.0</b>	<b>1,710.2</b>





Lassonde

[lassonde.com](http://lassonde.com)