

Maple Leaf Foods



- I. Investment in Plant-Based Protein Segment Positions Maple Leaf Foods to Capitalize on the High-Growth Industry
- II. Expansion of Poultry Production Ensures Maple Leaf Foods Captures Growing Poultry Market with Higher Than Historical Margins
- III. Projected Rebound of EBITDA Margin and Free Cash Flows After 2022 Create an Attractive Buying Opportunity

Current Price

\$25.83

Price Objective

\$33.00

Implied Upside

+28%

Company Overview

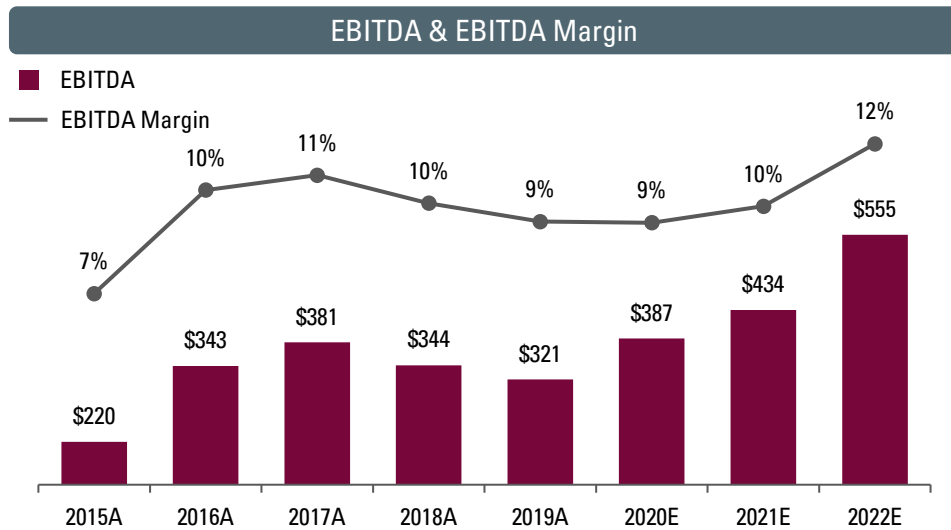
Key Operating Areas and Financials

Company Summary

- Maple Leaf Foods Inc. (TSX: MFI) is a Canadian-based value-added meat, bakery, meals company serving customers across North America and Internationally
- Maple Leaf Foods is comprised of 2 major business segments: Meat Protein Group (95.5% of LTM revenue) and Plant Protein Group (4.5% of LTM revenue)
- Maple Leaf Foods products provide all customers with a wide range of choice, offering both Meat and Plant options
- Headquartered in Toronto Canada, employs approximately 22,500 people across its operations in the United States, Canada, the United Kingdom and Asia

Stock Price	Market Cap	Enterprise Val	Dividend Yield
\$25.74	\$3,147M	\$3,931M	2.46%
52 Wk Range	LTM Revenue	Net Debt	Target Price
\$17.04 – \$30.77	\$4,191M	\$713M	\$31.50

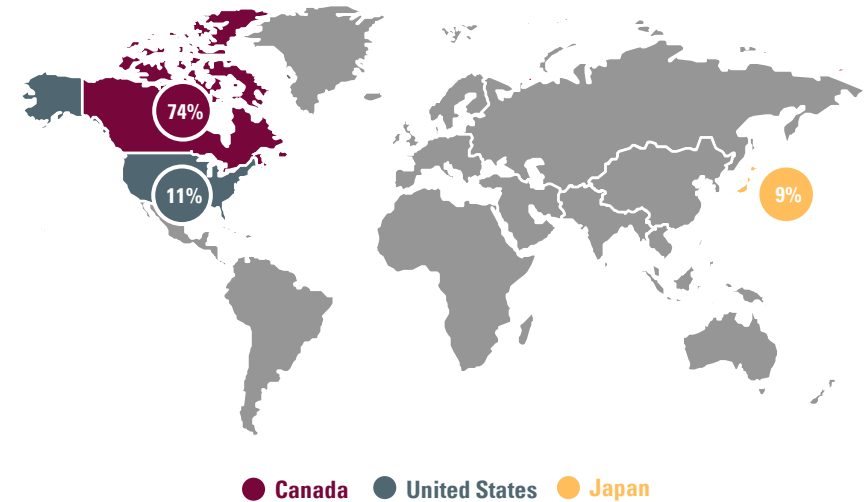
Growth Trends



Canadian Based Company Diversifying Product Mix and Geographical Sales With Newly Introduced Plant-Based Protein Group

Source: Bloomberg, Refinitiv and publicly available information.
Note: Information as at November 11, 2020; metrics are in C\$ millions unless otherwise stated.

Geographic Breakdown



Business Segments

Meat Protein Group



Comprised of prepared meats, pre-packaged meals, value-added fresh pork and poultry that are sold in foodservice. This group includes leading brands such as Schneiders, Swift, Mina, and Maple Leaf. Revenue generated from this segment in the LTM is approximately 3,778M (95.5% of revenue)

Plant Protein Group

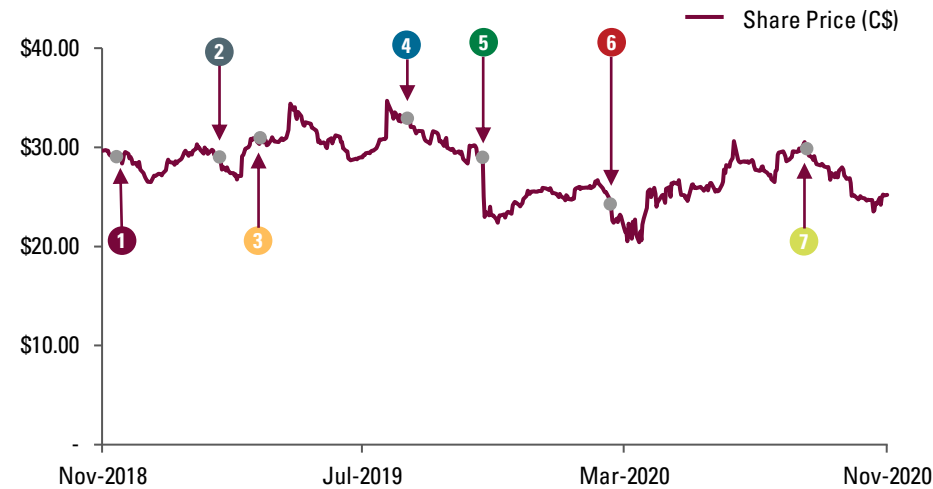


The Plant Protein Group contains refrigerated plant protein products, vegan cheese products, grain-based protein, sold within retail and industry channels. Notable brands involved include: Lightlife, and Field Roast Grain Meat Co. Revenue generated in the LTM is approximately 177M (4.5% of revenue)

Further Analysis

Share Price Shocks and Growth Trends

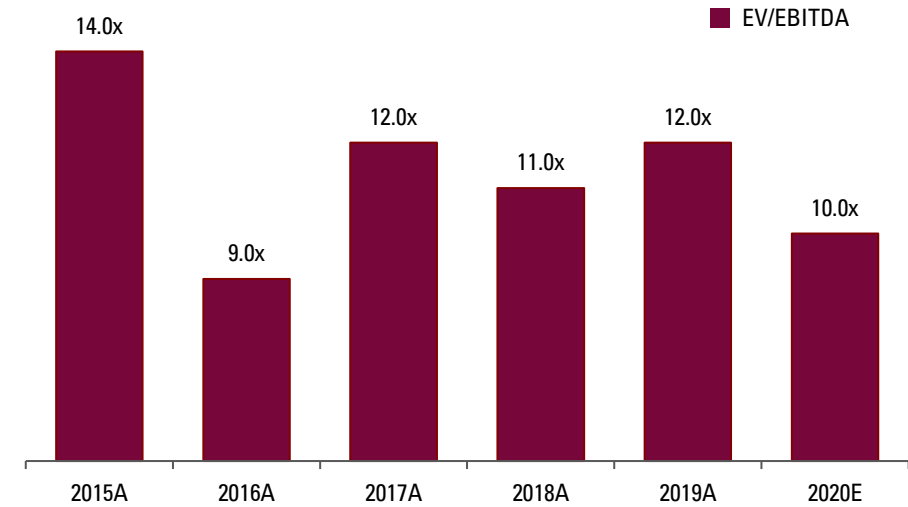
Share Price Since 2018



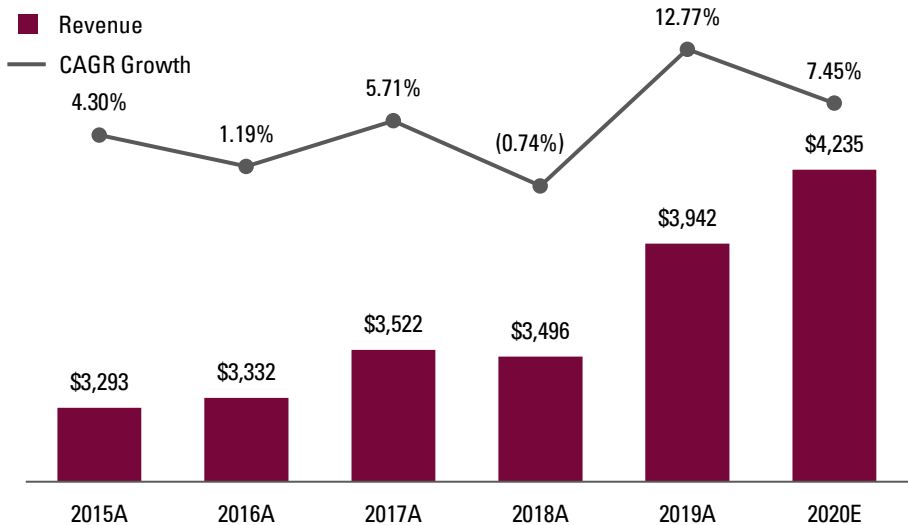
Key Events

Date	Headline
1 Nov 26, 2018	MLF to build C\$600 million poultry facility in Ontario
2 Feb 28, 2019	Profit misses estimates on weak pork prices, quarterly profit falls due to restructuring changes
3 April 11, 2019	Maple Leaf to build \$412 M plant-protein based facility in U.S.
4 Aug 19, 2019	CFO Debbie Simpson departs from the company sparking a fall in share price
5 Oct 30, 2019	Chinese temporary suspension of Canadian Pork Imports
6 Feb 28, 2020	COVID-19 caused minimal fall in price, resurging due to increased meat demand.
7 Aug 20, 2020	Workers call for closure of factory and halt of pork exports to China with two workers testing positive for COVID-19

EV / EBITDA Since 2015



Revenue Growth Since 2015

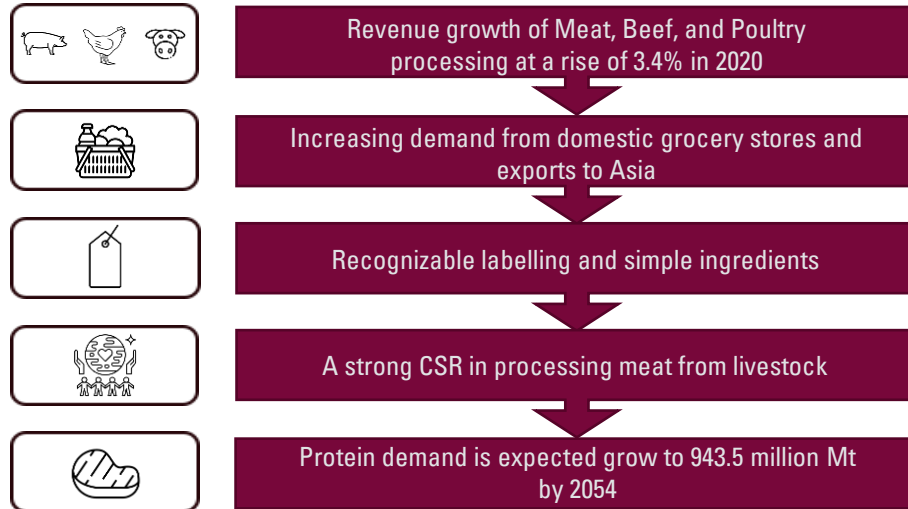


Relatively Stable Share Price Fluctuations Indicate Operational Stability and Investor Confidence

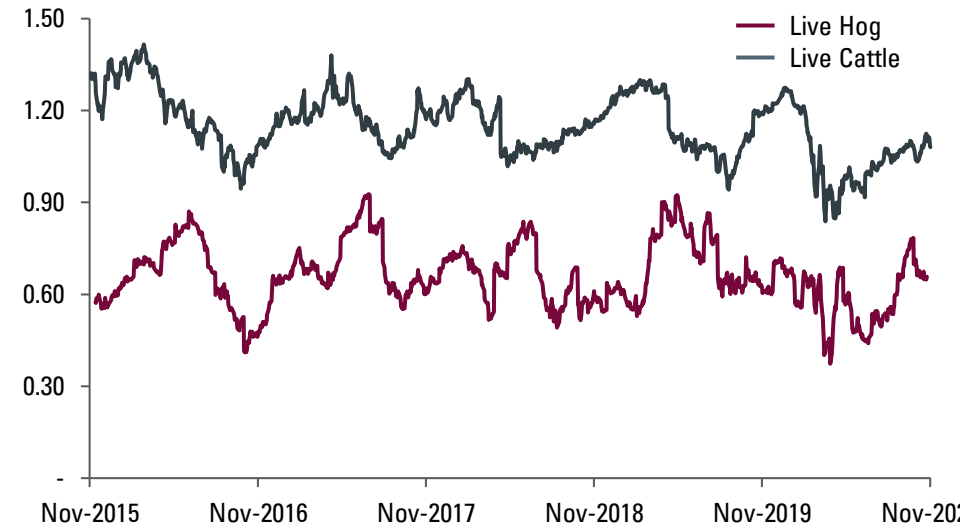
Industry Overview – Meat Protein

What is the Meat Protein Industry looking like?

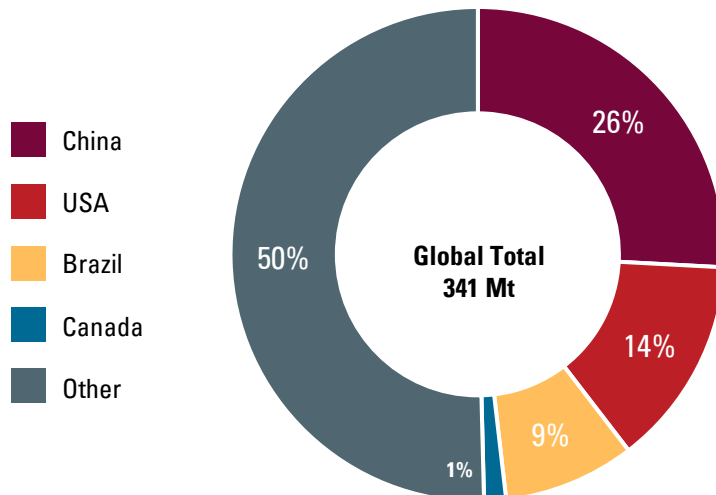
Trends








Prices for Meat Protein Inputs (\$/lb)



Geographic Production of Meat



Players by Industry

Company	Description	Market Cap
	Marketer and processor of Chicken, Beef, & Pork	\$17.9B USD
	Poultry producer and processor in Mississippi	\$2.9B USD
	Beef processor with operations in Canada	\$10.2B USD
	Marketing and distribution of foods	\$34.9B USD
	Meat packaging and processing company	\$2.4B USD

Large Mature Market With Expectations to Grow Over the Next 25 Years

Industry Overview – Plant Protein

What is the Plant-Based Protein Industry looking like?

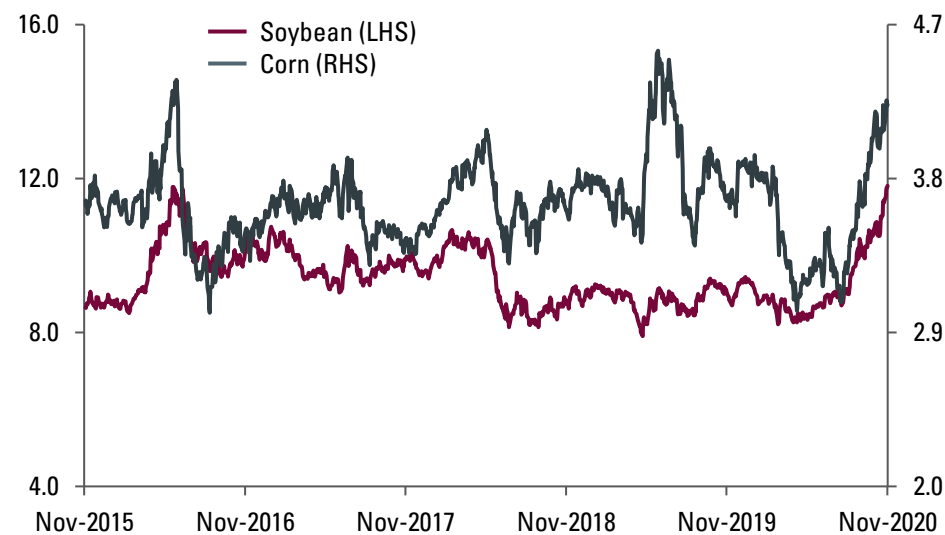
Trends








Industry Funding



Prices for Plant Protein Inputs (\$/bu)



Players by Industry

Company	Description	Market Cap
 BEYOND MEAT	Plant-based protein producer in Los Angeles	\$8B USD
 Burcon <small>A New World in Protein</small>	Plant-based food technology developer	\$172M USD
 else	Sells plant-based children's foods	\$167M USD
 VERY GOOD BUTCHERS	Develops new plant-based protein products	\$213M USD
 MAPLE LEAF	Plant-based meat packager and processor	\$2.4B USD

Emerging Market With Significant Projected Growth is Attracting Funding From Different Sources

Investment Thesis 1

Strategic Plant-Based Protein Investment, Innovation & Network Optimization to Drive & Support Profitable Growth



Attractive Plant Protein Market

Overview

- The Plant-Based Protein market is comprised of food sources which come from plants including tofu, soya, tempeh, seitan, peas and other non-meat goods
- Consumer awareness has surged** over the last 5 years for this category of food as consumer preferences for healthy, organic, plant-based, cruelty free products increases

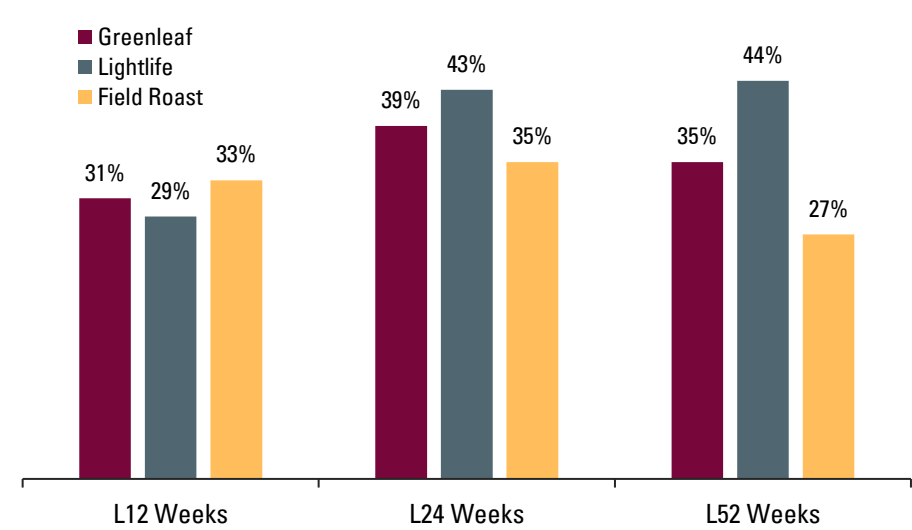
Expected Growth

- The global plant-based protein market size is projected to grow from USD \$10.3 billion in 2020 to USD \$14.5 billion in 2025 – **CAGR of 7.1%**
- Maple Leaf Foods is committed to a business model driving **30% growth in plant-based protein**
- COVID-19 Pandemic ignited growth

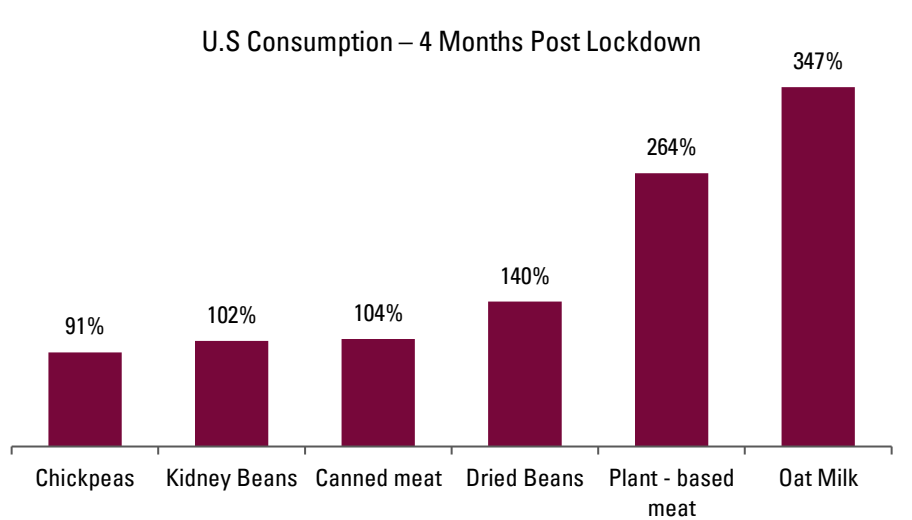
Brand Recognition

- Maple Leaf Foods is growing plant-based brands through strategic investment that result in higher awareness and accessibility
- Lightlife, Greenleaf and Field Roast are **quickly gaining market share** as marketing and innovation grow

Delivering High Growth (Consumption of MFI Plant Protein Products)



COVID-19 Acts As Catalyst for Plant Based Protein Alternatives



Maple Leaf Foods Plant Protein Strategic Growth Initiatives

Initiative	Description
1	\$310M investment in a plant-based protein facility – Largest and most advanced in North America – Automation and Versatility
2	Deliver gradually improving gross margins to approximately 30% over the long term
3	Investment in accessibility and awareness of products, projecting 30% growth in plant-based protein sales
4	Completed the most extensive consumer research initiative in the history of U.S plant-based protein
5	Continued spend on R&D to develop top-quality products that cater to the needs of customers
6	Marketing initiatives to reposition Lightlife and Field Roast products

Plant-Based Protein Market Growth Driven by Customer Awareness, Changing Consumer Preferences and COVID Catalyst

Source: Refinitiv, Maple Leaf Foods Financial Statements and Investor Deck, Bloomberg.
Note: Consumption Growth is based on Maple Leaf Foods three current plant-based protein brands.

Investment Thesis 2

New Poultry Facility to Provide Future Growth Opportunities

Promising Poultry Shift Expected to Continue

Growth in Chicken Consumption

- Chicken consumption in Canada has grown steadily each year since 2013, seeing a **2.22% CAGR in annual consumption**.
- Other major proteins have not kept pace, as **pork remained stagnant at a 0.83% CAGR** in annual consumption while **beef declined at a -1.03% CAGR**.

London Poultry Facility

- \$660M Investment** largest in the history of Ontario's agriculture sector.
- Primary goal of **increasing margins** while ramping up poultry production to meet growing demand.
- Consolidates 3 Ontario plants into one facility among the most **technologically advanced** poultry plants worldwide.

Enhanced Value-Added Product Mix

- Air-chilled, tray packed, boneless and ground products will face **fewer capacity restraints**.
- Greater production of these products **supports growth in retail business** where market shares are high.
- Supply of high quality fresh chicken will **support secondary processing and prepared meats requirements**.

Construction of London Poultry Facility

Scale, technology and complexity reduction to drive lower costs

Overhead and distribution costs reduced over 30% by 2022

Environmental footprint reduced 50% by 2025

\$660M

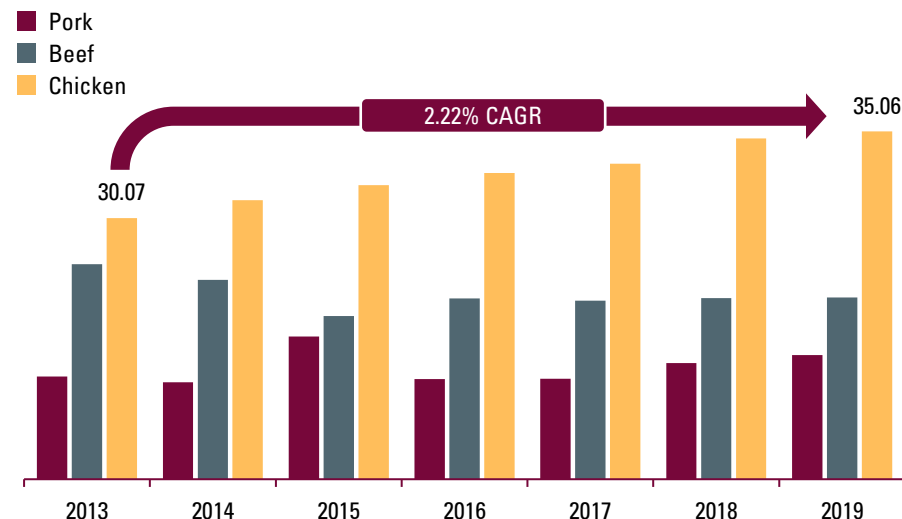
One-time start-up and restructuring costs end by 2022

14-16% Adjusted EBITDA Margin vs. current operations at 9-11%

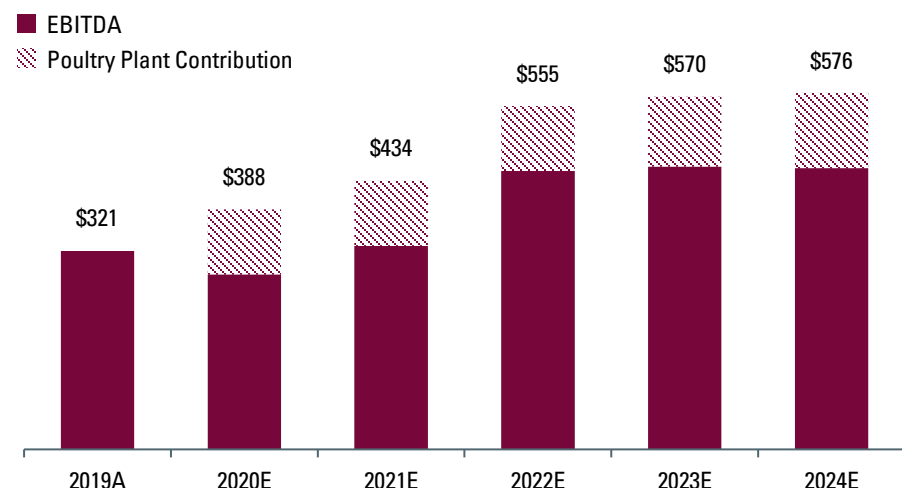
Annual EBITDA benefits of \$105M through completion

Expectation of \$150M annual EBITDA benefits by Year 10 (2028)

Annual kg Protein Consumption Per Capita – Canada



Poultry Plant EBITDA Contribution



Operating Improvements in Poultry Production During a Period of Strong Demand Growth Will Strengthen Company Margins Over the Long Term

Source: Government of Canada, Maple Leaf Foods Media Centre.

Note: Poultry Plant Contribution grown at 7.39% CAGR after 2022; Poultry Plant EBITDA Contribution Chart in C\$ millions.

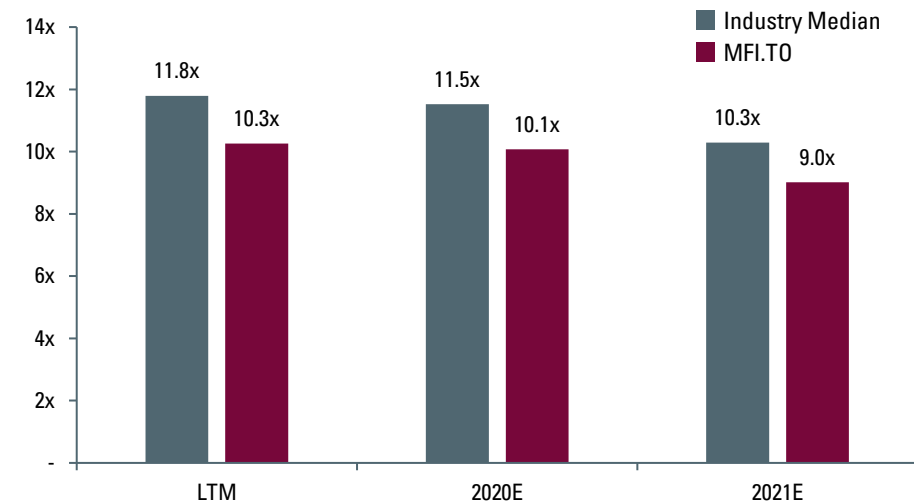
Comparable Analysis

Strong Signs of Undervaluation Relative to Peers

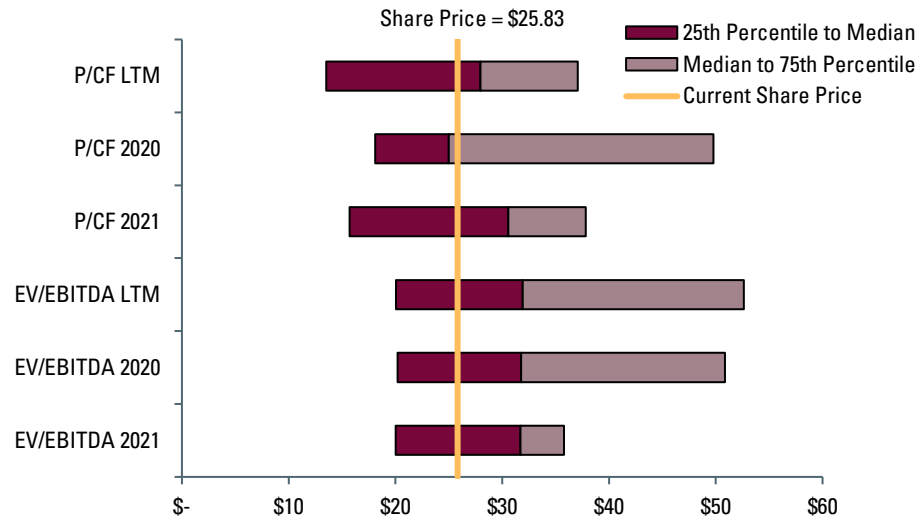
Public Comparable Companies

Company Name	Ticker	Equity Value	Enterprise Value	Revenue		Revenue Growth		EBITDA		EV / EBITDA		EBITDA Margin		FCF Yield	Net Debt / EBITDA	Dividend Yield
				2020	2021	2020	2021	2020	2021	2020	2021	2020	2021			
Premium Brands Holdings	PBH.TO	4.0	5.4	4.1	4.6	11.8%	12.3%	\$307	\$401	17.6x	13.5x	7.5%	8.8%	3.7%	3.3x	2.3%
Saputo Inc.	SAP.TO	13.3	17.2	14.9	15.5	1.6%	4.4%	\$1,491	\$1,670	11.5x	10.3x	10.0%	10.7%	2.6%	2.5x	2.1%
Lassonde Industries	LAS-A.TO	1.1	1.4	2.0	1.9	16.3%	-1.0%	\$204	\$210	6.6x	7.0x	10.8%	10.3%	16.3%	1.3x	0.7%
Sanderson Farms Inc.	SAFM	2.9	2.9	3.5	3.8	-0.4%	7.4%	\$101	\$259	28.4x	11.1x	2.9%	6.9%	-1.5%	0.7x	1.4%
Conagra Brands Inc.	CAG	17.6	26.8	11.1	10.9	15.9%	-1.5%	\$2,210	\$2,343	12.1x	11.5x	20.0%	21.5%	8.4%	4.2x	3.0%
Tyson Foods	TSN	20.9	31.7	42.8	44.2	0.9%	3.4%	\$4,045	\$4,342	7.8x	7.3x	9.5%	9.8%	7.6%	2.6x	2.4%
Pilgrim's Pride Corp.	PPC	4.1	6.4	12.2	12.6	6.7%	3.6%	\$728	\$1,061	8.8x	6.0x	6.0%	8.4%	6.5%	2.6x	0.0%
Mean				12.9	13.4	7.5%	4.6%	\$1,299	\$1,468	13.3x	9.5x	9.5%	10.9%	6.2%	2.5x	1.7%
Median				11.1	10.9	6.7%	3.6%	\$728	\$1,061	11.5x	10.3x	9.5%	9.8%	6.5%	2.6x	2.1%
Maple Leaf Foods Inc.	MFI.TO	3.1	3.9	4.2	4.5	7.4%	5.3%	\$388	\$434	10.1x	9.0x	9.2%	9.7%	-3.5%	1.4x	2.5%

EV / EBITDA vs. Industry



Football Field Chart



Strong Earnings Growth Will Enhance the Position of Maple Leaf Foods as a Solid Value Investment Within the Industry

DCF Valuation



Conservative Assumptions Suggest Promising Intrinsic Value

Discounted Cash Flows

	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	Exit
EBITDA	380.9	344.0	321.0	387.5	433.6	554.4	570.2	575.5	575.5
Less: D&A	(142.1)	(128.7)	(175.9)	(189.3)	(190.3)	(199.0)	(207.9)	(217.1)	
EBIT	238.9	215.3	145.1	198.2	243.3	356.4	362.2	358.3	
Less: Tax	(49.2)	(32.0)	(26.0)	(31.0)	(35.1)	(64.3)	(65.5)	(64.7)	
NOPAT	189.7	183.3	119.1	167.2	208.2	292.1	296.8	293.7	
Add: D&A	142.1	128.7	175.9	189.3	190.3	199.0	207.9	217.1	
Less: CAPEX	(142.2)	(162.3)	(270.7)	(398.2)	(362.8)	(176.9)	(182.2)	(184.1)	
Less: NWC Changes	(92.0)	(105.0)	(87.1)	(68.6)	(66.7)	(103.1)	(84.1)	(86.6)	
Unlevered FCF	97.5	44.7	(63.2)	(110.4)	(31.0)	211.1	238.4	240.1	5,754.6
Discount Rate				0.12	0.91	0.86	0.82	0.78	0.75
PV of UFCF				(13.2)	(28.1)	182.4	196.1	188.1	4,294.2

Target Price

Exit Multiple		Gordon Growth	
WACC	5%	WACC	5%
Final Year EBITDA	575.5	Final Year UFCF	240.1
EBITDA Multiple	10.0x	LT Growth Rate	1.25%
Terminal Value	5,754.6	Discount Rate	0.75
Discount Rate	0.75	Terminal Value	5,774.1
PV of Terminal Value	4,294.2	PV of Terminal Value	4,259.8
PV of Cash Flow	525.3	PV of Cash Flow	525.3
Add: Cash	178.2	Add: Cash	178.2
Less: Debt	713.1	Less: Debt	713.1
Equity Value	4,284.6	Equity Value	4,250.2
Shares Outstanding	123.9M	Shares Outstanding	123.9M
Target Share Price	\$34.57	Target Share Price	\$34.29

Equity Value Per Share - Sensitivity Analysis

		Terminal Year EBITDA Multiple						
		8.5x	9.0x	9.5x	10.0x	10.5x	11.0x	11.5x
WACC	3%	\$32.88	\$34.82	\$36.76	\$38.71	\$40.65	\$42.60	\$44.54
	4%	\$30.84	\$32.68	\$34.51	\$36.34	\$38.18	\$40.01	\$41.85
	5%	\$28.94	\$30.67	\$32.40	\$34.57	\$35.86	\$37.60	\$39.33
	6%	\$27.15	\$28.79	\$30.42	\$32.06	\$33.70	\$35.33	\$36.97
	7%	\$24.98	\$26.52	\$28.07	\$29.62	\$31.16	\$32.71	\$34.26

Based on our DCF Valuation We Derived a Price Objective of \$34.50, Implying a 34% Discount to Intrinsic Value

Catalysts & Risks

What are the opportunities and risks that need to be dealt with?

Catalysts

	Higher Adoption of Plant Based Protein	The plant based protein market is estimated to grow to around 1-13% of the GLOBAL domestic product by 2050, 40% of Canadians are already considering and trying to incorporate plant based proteins into their daily purchases and diet
	Increase in demand for ESG and CSR	25% of all investment in the United States now goes into ESG companies and more than half of all asset owners consider purchasing ESG and CSR committed companies. This trend has only increased in recent years with a more informed consumer base
	Growth within the US Foodservice Industry	The foodservice industry within the US has grown substantially in recent years. It is predicted to grow at a CAGR of around 3% until 2023 to approximately \$800 billion USD. As Maple Leaf Foods operates within the US, It may stand to benefit from this growth

Risks

	Supply Chain Management Issues	During the COVID-19 pandemic many companies have experienced continued supply chain issues. These issues include: inventory level management, availability of stock/raw materials, delivery delays, and a lack of human resources
	Tariffs and Political Barriers	Uncertainty in politics within the US is at an all time high as there is a new president in power. With an already substantial tariff on Canadian meat products many industry players are worried that they will have to pay more due to changes in policy
	Foreign Exchange	If the value of a Canadian dollar goes down, Canadian firms will have less strength in foreign markets. Another risk with foreign exchange is the increase in value of any foreign currency compared to CAD especially the USD as the US is a major trading partner

Mitigating Factors

Partnerships	Favourable Future Trade Policies	USD Value
Maple Leaf Foods just recently announced an agreement with Purple Carrot, a plant-based meal delivery company. This agreement will allow for the firm to deliver plant-based products straight to the doorstep of its customers. This mitigates risk of COVID-19 lockdown implications.	While President Trump's tariff policies were harsh and individualistic. Biden is considering a multilateral and collaborative approach. This implies that Maple Leaf Foods can grow their 11% market share in the United States with greater ease and profitability.	Recently, due to the pandemic the US dollar has been doing very poorly in terms of value (as compared to the Canadian dollar). If this continues to be a trend, many Canadian firms that operate within the US will benefit substantially in upcoming years.

Positive Catalysts and Management's Ability to Mitigate Risk Implies Successful Future Operations

Environment Social Governance

Environmental

- On November 7, 2019 Maple Leaf Foods announced they were the **first major food company to be carbon neutral**. Utilized intermodal transport to account for **83%** of its cross-country resupply

Social

- Donated more than **\$5.3 million** of healthful products by 2019 and contributed over \$8 million to food-security initiatives. Achieved a Total Recordable Incident Rate (TRIR) of 0.60 and a Days Away, Restricted or Transferred (DART) of 0.21 in 2019

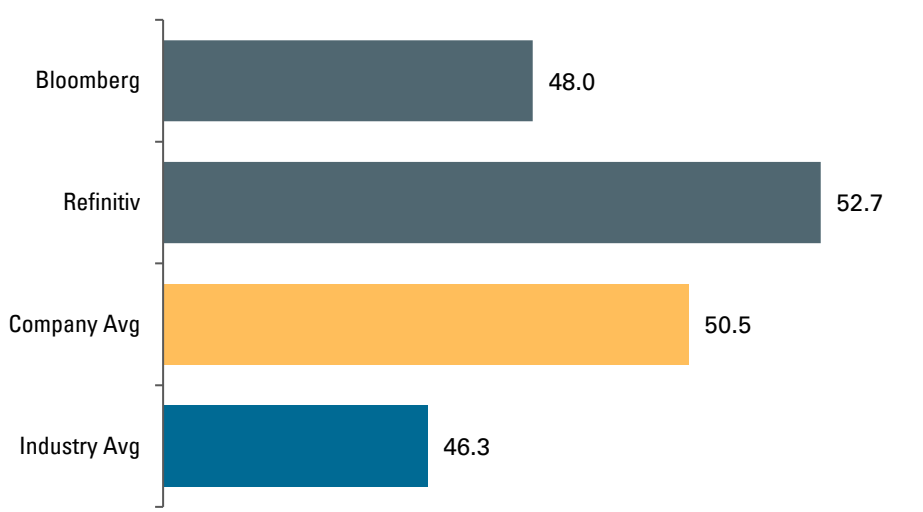
Governance

- Strong foundation of **sustainable practices** within organization, including monthly reports to Senior team, 3x reporting to Safety & Sustainability Committee of Company Board as well as ongoing customer and stakeholder meetings and communication

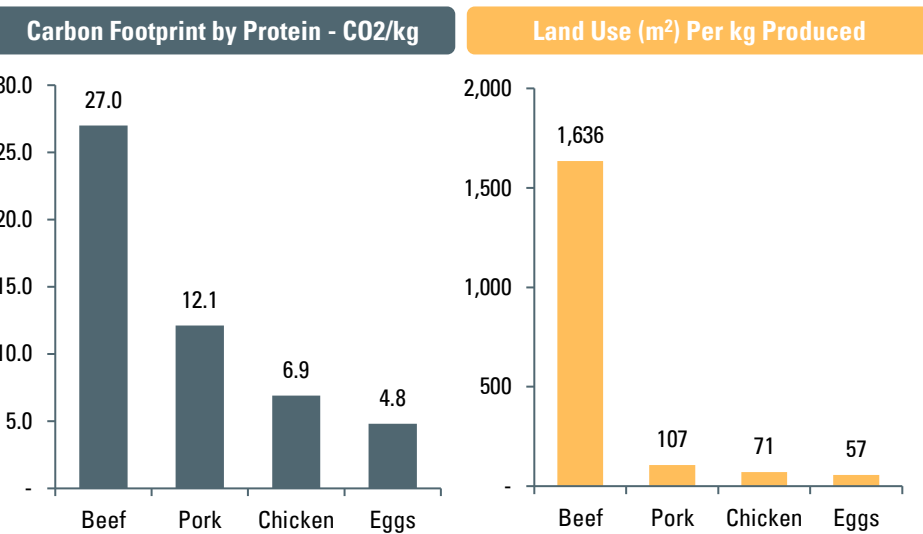
Key Initiatives

				
Activity	Better Food	Better Care	Better Communities	Better Planet
Scale	Ensure food suppliers have Global Food Safety Initiative certification	Implement selected enrichments in 100% of sow barns	50% leadership roles held by women	Environmental footprint reduction
Timeline	Aim to achieve this by 2020	Aim to achieve this by 2020	Aim to achieve this by 2022	Aim for 50% reduction by 2025

MFI:TO ESG Scores



Carbon Footprint & Land Usage



Maple Leaf Foods Is Working Towards A Variety Of Sustainable Initiatives, Outperforming Industry Competitors on ESG Metrics

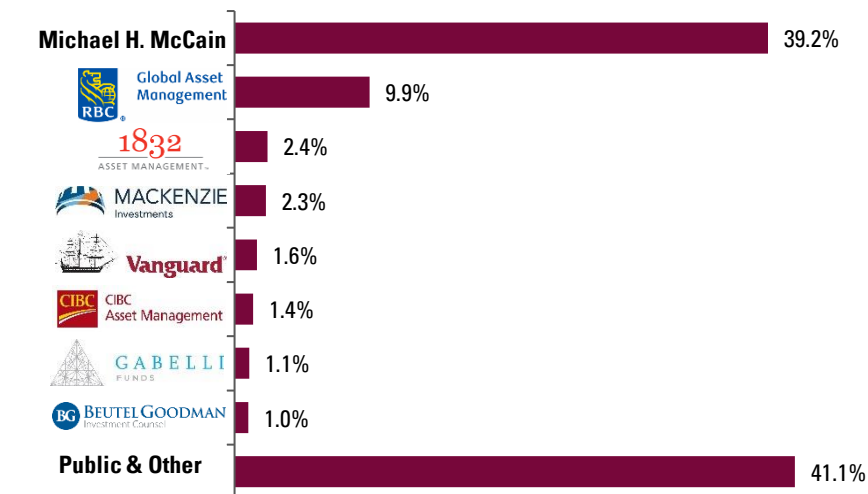
Conclusion

What Equity Research Analysts Say About This Company

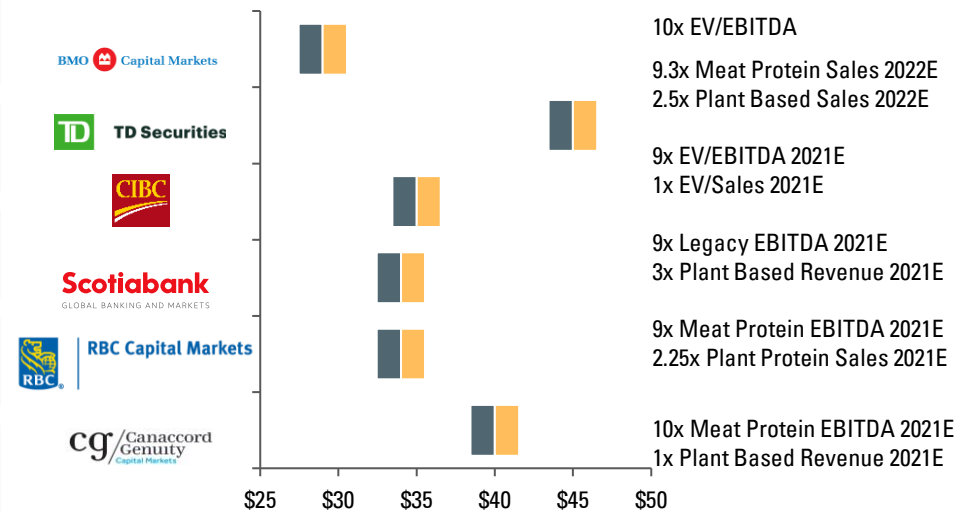
Investment Summary

✓ Plant-Based Market Growth	Increasing demand driving Plant-Based protein industry positions Maple Leaf Foods ideally for organic growth
✓ Brand Awareness	Maple Leaf Foods leading Plant-Based protein research, marking efforts and R&D. Increasing market share successfully during early stages of the industry
✓ Poultry Expansion	New facilities allows for growth of output without diminishing ESG and sustainability measures
✓ Increasing Market Presence	Growing market presence and awareness in U.S and Canadian markets
✓ Fundamentals & Management	Revenue growth, future cost reductions, and supply chain management have showcased the management's ability to navigate highly competitive and changing markets

Shareholder Breakdown



Consensus Price Objectives



Equity Research Views

Firm	Rating	Perspective
BMO Capital Markets	Buy • \$29	"Construction of projects highlights prudent and effective capital allocation"
TD Securities	Buy • \$45	"MFI's supply advantage and brand-building expertise make it a leader in NA"
CIBC	Buy • \$35	"Q3 was the second most profitable Q in MPG history, despite China shut out"
Scotiabank	Buy • \$34	"We expect PPG margin volumes to supersede the margin recovery in segment"
RBC Capital Markets	Buy • \$34	"Valuation that remains below seven-year average presents attractive entry point"
cg/Canaccord Genuity	Buy • \$40	"PPG sector expects sequential revenue and margin improvement"

Considering All Factors Notes Throughout This Presentation, Maple Leaf Foods is a Solid Buy With A Target Price of \$33 (28% Upside)