



**HIGH LINER FOODS**

**2023  
SHAREHOLDER  
LETTER**

Rod Hepponstall,  
President and Chief Executive Officer



# Delivering on Our Commitment to You

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Dear Fellow Shareholders,

Fiscal 2023 marks the fifth year I will have the privilege of serving as your President and CEO.

In many respects, it feels like I am leading a dramatically different organization than the one I joined in the summer of 2018. Back then, the company was divided across the border into separate U.S. and Canadian businesses with a complex product portfolio, a supply chain in need of modernization, and declining Adjusted EBITDA. To turnaround and transform our business, we executed against a series of critical initiatives designed to integrate High Liner Foods into one North American organization and simplify and optimize our diversified supply chain and portfolio. This foundational work set us on a path for commercial success, organic growth and branded and value-added leadership across North America.

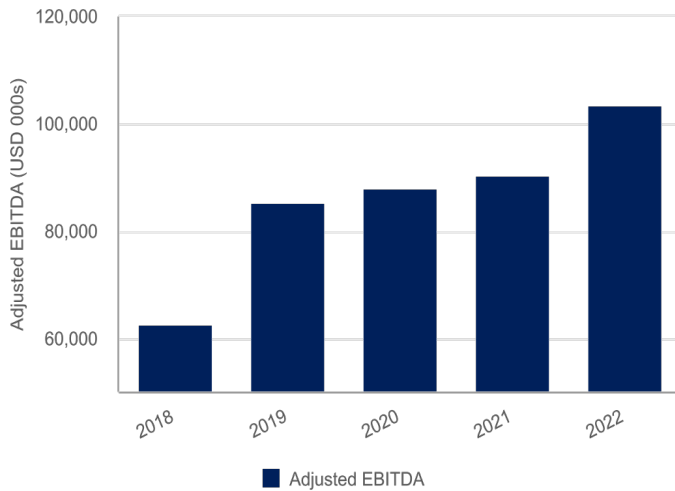
Fast forward to February 2023 and I am thrilled to announce that we have just wrapped up our fourth year of consecutive Adjusted EBITDA growth, including seven consecutive quarters of Adjusted EBITDA growth, and delivered record sales and gross profit.

Over the past four years, we delivered a total shareholder return of 17.6% and increased annual Adjusted EBITDA by 66% or \$41 million. We are proud to have delivered on our commitment to create value for our shareholders as we repositioned High Liner Foods for long-term sustainable growth and North American leadership in branded and value-added seafood.

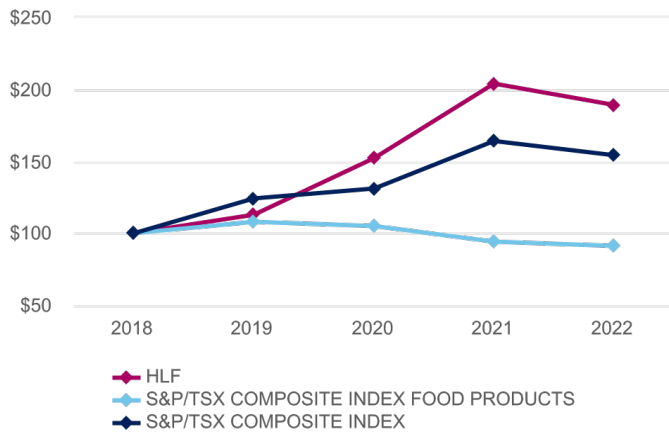
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## 2022 Highlights

4-YEAR ADJUSTED EBITDA



4-YEAR CUMULATIVE TOTAL RETURN ON CAD\$100 INVESTMENT



*\*assuming dividends are reinvested.*

While our success has been cumulative over the past four years, we made significant leaps forward in our commercial success during 2022. We gained market share and outperformed the category on both sides of the border and in both of our foodservice and retail businesses. We also successfully expanded the reach of our most successful product offerings into new channels and markets.

Overall, the team delivered a tremendous performance which, when coupled with ongoing business improvements, efficiencies and appropriate action on pricing in an inflationary environment, allowed us to generate a year-over-year increase in Adjusted EBITDA

of \$13.4 million, with total Adjusted EBITDA for the year at \$103.9 million. Additional financial highlights as of 2022 (as compared to Fiscal 2021) include:

- Sales volume was higher by 17.2 million lbs or 7.4%.
- Sales increased by \$194.3 million, or 22.2%, to \$1,069.7 million compared to \$875.4 million.
- Gross profit increased by \$31.4 million, or 15.8%, to \$229.9 million compared to \$198.5 million and gross profit as a percentage of sales decreased to 21.5% compared to 22.7%.
- Fiscal 2022 Adjusted EBITDA of \$103.9 million was \$13.4 million above the prior year

## Working with Purpose and a Focus on Sustainability

The commitment and dedication of our talented global team is the true driver of our continued success. Our team continues to rise to the challenge and go the extra mile for our customers and each other – and it shows in our financial performance and our operating momentum.

Our strong performance and ability to consistently make a positive impact on our customers has in turn invigorated and energized our culture. At every level of the organization, from our production facilities in Newport News, Portsmouth and Lunenburg, to our various corporate locations and hybrid work environments, we are united in our commitment to continuous improvement, high performance and, most importantly, a strong sense of shared purpose – reimagining seafood to nourish life.

Last year, as global supply chain delays and port congestion impacted the availability and reliability of consumer goods, including food, we realized our purpose by working collaboratively and creatively to ensure a steady supply of seafood to families across North America.

**As part of our broader environmental, social and governance (ESG) initiatives, we have committed to reduce our greenhouse gas emissions by 30% by 2030.**

I am particularly proud to report that even in a supply constrained environment, our procurement and purchasing processes remained fully aligned with our commitment to responsible and sustainable harvesting practices.

However, as proud as we are of our long legacy of sustainable business practices, the urgency with which the world needs to address climate change requires more action from us all. As part of our broader environmental, social and governance (ESG) initiatives, we have committed to reduce our greenhouse gas emissions by 30% by 2030. Last year we worked with partners across our supply chain to raise the bar on waste reduction and energy efficiency and I am confident that we will continue

to make the changes required across our organization to reach and surpass our emissions goal. As we have done for more than 120 years, we will continue to invest in ESG to align with global best practices and ensure that sustainable business practices continue to guide all that we do, from day-to-day business decisions to our strategies for growth.

## Investing in Relationships to Gain Share and Outperform the Category

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2022 was a year of contrasting pandemic and post-pandemic conditions, not to mention rising prices, interest rates and limited supply. As a result, the needs and preferences of consumers and operators varied quite dramatically during the year. We worked to stay one step ahead and focused on delivering value-add to make a meaningful difference to customers and consumers alike. In U.S. foodservice, the key themes of the year were innovation and convenience. Our portfolio of branded and value-added solutions offers operators both.

We had some significant wins in our strategic growth channels of quick service restaurants (QSR) and casual dining. For example, our team delivered a home run with a limited time offer involving a major QSR brand that led to over two million pounds of profitable sales, but more importantly, the development of a key relationship and proven case study of the potential for our value-added products to be used in multiple creative ways on drive-thru menus across North America.

Our innovations are helping to demonstrate the potential of seafood within the QSR and casual dining channels and we are very excited about the prospects for growth.





While our solutions to foodservice operators may not always be branded, they are value-added – in more ways than one. Operators tell us that they appreciate the ability to use our value-added seafood products to feature multiple menu items with one product and that our solutions enable their kitchens to run efficiently with fewer staff. Undoubtedly back of-house efficiencies will continue to be a priority for our foodservice customers in 2023 as the industry weathers a potential economic downturn. Our ability to help our customers run a more efficient kitchen, coupled with innovative, creative and streamlined menu items, is a strong point of competitive differentiation.

low ends of the pricing spectrum, which typically are the strongest performers in tough economic climates, will also help us to navigate any pressure from economic headwinds in the year ahead.

For consumers who want to choose convenience and an elevated dining experience at home, our chef-inspired Sea Cuisine line continues to satisfy a demand in the market for easy to prepare, restaurant-quality seafood. During 2022, we expanded the distribution of this premium-branded, value-added line across the U.S. and took the first step to introduce this line to the Canadian market. We will build on this success in 2023



In the highly inflationary retail environment of 2022 consumers sought out maximum flexibility and choice. And we delivered through our portfolio and through expanded distribution. For example, we expanded our retail presence into the fast-growing value retail channel. Today, our partnership with a leading value retailer spans over 10,000 stores across the United States, which offers more consumers the ability to choose the quality and convenience of our Fisher Boy products at an affordable price point.

Consumer choice is central to our retail offering, and we remain well positioned to support consumers with choice and quality across a variety of price points. We believe that the strength of our offering at the high and

by continuing to expand our premium offering.

Fortunately, we were able to offer our foodservice and retail customers and consumers the greatest value-add of all during 2022 – reliability of supply. To achieve this, we drew on the strength of our diversified global supply chain, as well as our supplier relationships, to secure a steady supply of seafood despite significant challenges in the global supply chain.

Our efforts to diversify our supply chain and shore up our balance sheet served us well and enabled us to make the necessary investments in inventory. While these necessary investments in supply inevitably impacted our cash flow it played a critical role in our success and market share gains.

# Inspiring Seafood Consumption and Category Growth

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For all the financial and operational success that we achieved in 2022, we feel like we are just getting started. This may be hard to imagine, given our legacy of over a century of leadership in the North American seafood industry, but we truly believe the greatest opportunities for our industry and our business are still to come. Seafood as a category remains underdeveloped across North America. Yet consumers are increasingly seeking healthy, affordable and sustainable sources of quality protein.

Over the past 60 years, protein consumption across North America has exploded, and while seafood consumption has grown as part of this trend, it has not done so at nearly the same rate as other proteins. Poultry consumption, for example, has jumped by over 200%, while seafood is up around 80%. There is clearly room for growth, especially given how well the health and sustainable attributes of seafood compare to other proteins and align well with growing consumer priorities. This leaves us feeling excited about the growth potential

**“We are confident that reimagining how seafood can nourish life will help inspire consumers to consume more seafood and open up the category to new and exciting ways to procure, prepare and enjoy seafood”**

associated with inspiring more seafood consumption, and this market opportunity will drive our approach to growth in the short, medium and longer term.

We are pursuing two parallel paths to inspire more seafood consumption, grow our business, build the category and position High Liner Foods to optimize value creation for all stakeholders – 1. Organic growth 2. Potential transformational initiatives.

## Multiple Paths to Value Creation

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### 2023 Organic Growth Plans

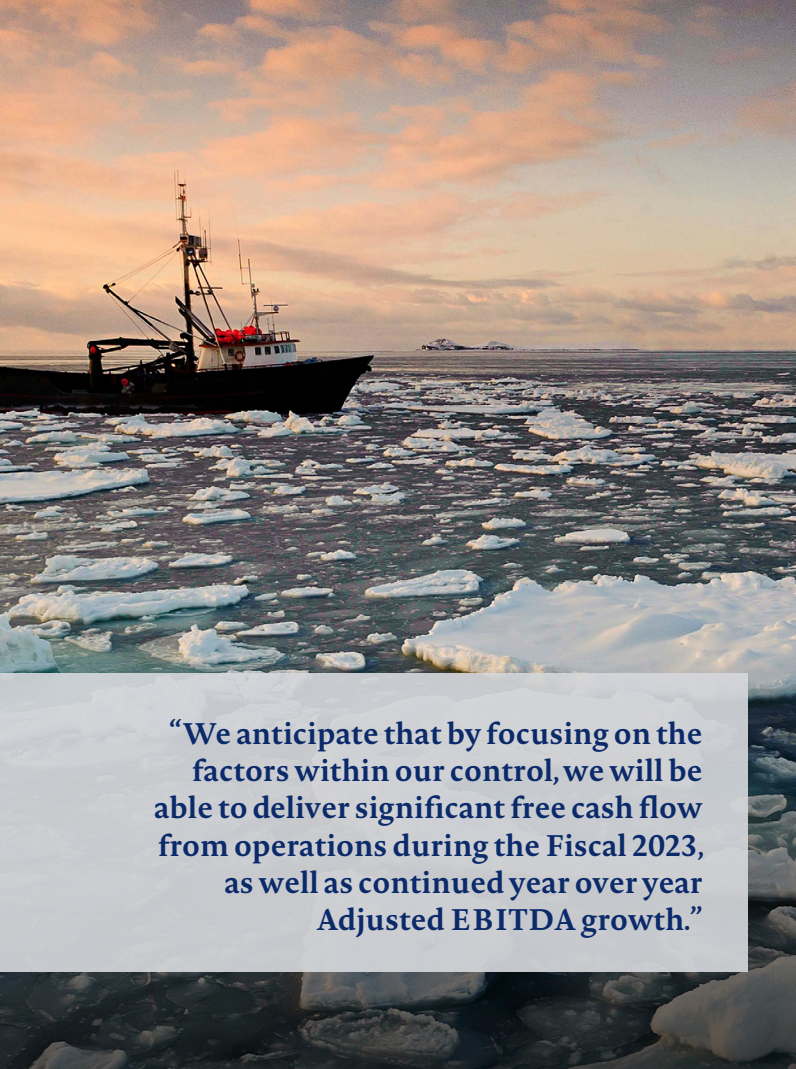
We will pursue growth by continuing to execute against our North American branded and value-added leadership strategy by working to expand where we lead today and to grow our market share in underdeveloped, high-potential channels and species.

We will also inspire more seafood consumption by showcasing versatility and potential to operators, health and convenience to consumers, and sustainable business practices across the board. In the upcoming year, we plan to develop and launch innovative and delicious new products tailored to growth species and categories and expand our reach through targeted distribution.

In so doing, we will make life easier for our operators with back-of-house efficiencies, menu simplification and innovations to succeed in a challenging environment. We will offer North Americans the benefit of our products to nourish and add value to their lives, maximizing the availability of our products wherever they choose to shop. By focusing on the needs of our customers and consumers, we are confident that we can continue to generate top-line growth and maintain the gains of 2022 even as we head into what we anticipate will be a more challenging economic environment.

We anticipate that by focusing on the factors within our





**“We anticipate that by focusing on the factors within our control, we will be able to deliver significant free cash flow from operations during the Fiscal 2023, as well as continued year over year Adjusted EBITDA growth.”**

control, we will be able to deliver significant free cash flow from operations during the Fiscal 2023, as well as continued year over year Adjusted EBITDA growth. We look forward to returning to a stronger cash flow position following the 2022 period of higher investment in inventory and intend to direct excess cash flow to multiple paths to long-term value creation for our shareholders.

We expect that the ongoing successful execution of our strategy will position us to return capital to shareholders via the dividend and continue to invest in growth. We remain committed to returning capital to our shareholders through the dividend which has increased 46% over the past four years and is a capital allocation priority for the Board. 2022 was no exception, as the Board’s confidence in the prospects of our business led to the decision to increase the dividend by 30%. We anticipate that as our cash flow increases in the years ahead, our ability to support future dividend adjustments will also increase, while also enabling us to continue to invest in growth.

## Long-Term Opportunities

We are also exploring a second parallel path for growth, potential transformational initiatives. Here we are strategizing on the best way to grow the category and to expand the upside for our business. We are casting a wide net and considering opportunities related to the future procurement, consumption and marketing of seafood.

There are no assurances that a potentially transformative initiative will emerge from this process, and we will only proceed if the value creation potential is superior to the status quo.

We believe we have a lot to offer as a potential partner or acquirer and are well positioned to be patient to find the right fit for us. We will proceed with a strong sense of financial discipline and will direct the appropriate time and resources to the strategic considerations that will shape High Liner Foods for future generations.

Overall, I am very proud of the progress we have made to be able to chart our own course for the future and reward shareholders with the stability of strong and stable dividends, supported by upside from a proven organic growth strategy.

On behalf of the Board of Directors of High Liner Foods, I would like to thank all our stakeholders for their ongoing support, and I look forward to executing against our purpose-driven value creation strategy in the year ahead and reporting back to you at our Annual Meeting of Shareholders in May as well as in my annual letter next year.

Sincerely,



**Rod Hepponstall,**  
President and Chief Executive Officer  
High Liner Foods