

LASSONDE INDUSTRIES INC.



Interim Report

FIRST QUARTER ENDED
APRIL 2, 2022



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Interim Condensed Consolidated Statements of Income

(in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

	Notes	First quarters ended	
		April 2, 2022	April 3, 2021
		\$	\$
Sales		509,047	466,794
Cost of sales		373,464	335,197
Selling and administrative expenses		113,166	100,224
(Gains) losses on capital assets		(2)	(9)
		486,628	435,412
Operating profit		22,419	31,382
Share in the profit or (loss) of an associate		354	(126)
Financial expenses	4	2,170	3,025
Other (gains) losses	5	387	509
Profit before income taxes		20,216	27,722
Income tax expense	6	5,201	7,268
Profit		15,015	20,454
Attributable to:			
Corporation's shareholders		14,789	20,090
Non-controlling interest		226	364
		15,015	20,454
Basic and diluted earnings per share (in \$)		2.14	2.90
Weighted average number of shares outstanding (in thousands)		6,924	6,934

Interim Condensed Consolidated Statements of Comprehensive Income*(in thousands of Canadian dollars)
(unaudited)*

	First quarters ended	
	April 2, 2022	April 3, 2021
	\$	\$
Profit	15,015	20,454
Other comprehensive income:		
To be reclassified subsequently to profit or loss:		
Net change in the cash flow hedge of financial assets and liabilities:		
Gains (losses) on financial instruments designated as hedges	741	141
Reclassification of (gains) losses on financial instruments designated as hedges	290	621
Income tax expense	(267)	(193)
	764	569
Translation difference:		
Exchange difference on translating foreign operations	(7,514)	(7,379)
	(6,750)	(6,810)
Not to be reclassified subsequently to profit or loss:		
Net change in the cash flow hedge of non-financial assets:		
Gains (losses) on financial instruments designated as hedges	(782)	(2,434)
Income tax expense	209	642
	(573)	(1,792)
Benefit cost of the defined benefit plans:		
Remeasurements of the net defined benefit asset or liability	8,579	10,420
Income tax expense	(2,290)	(2,719)
	6,289	7,701
	5,716	5,909
Total other comprehensive income (loss)	(1,034)	(901)
Comprehensive income	13,981	19,553
Attributable to:		
Corporation's shareholders	14,442	19,901
Non-controlling interest	(461)	(348)
	13,981	19,553


Interim Condensed Consolidated Statements of Financial Position*(in thousands of Canadian dollars)
(unaudited)*

	Notes	As at April 2, 2022 \$	As at Dec. 31, 2021 \$
Assets			
Current			
Cash and cash equivalents		314	305
Accounts receivable		179,384	154,369
Income tax recoverable		6,210	4,587
Inventories		338,124	309,748
Derivative instruments		1,863	1,657
Other current assets		20,075	19,083
		545,970	489,749
Derivative instruments		416	578
Investment in an associate		8,707	8,353
Property, plant and equipment		380,808	384,389
Intangible assets		197,372	203,983
Net defined benefit asset		30,591	22,990
Other long-term assets		1,094	1,182
Goodwill		304,578	308,371
		1,469,536	1,419,595
Liabilities			
Current			
Bank overdraft		5,374	5,028
Accounts payable and accrued liabilities		277,921	269,115
Income tax payable		–	5,638
Derivative instruments		1,001	1,102
Other current liabilities		5,516	5,068
Current portion of long-term debt		83,955	84,387
		373,767	370,338
Derivative instruments		145	16
Long-term debt		130,911	91,045
Long-term incentive plan liabilities		1,247	852
Pension plan liabilities		391	413
Deferred tax liabilities		94,290	91,424
		600,751	554,088
Shareholders' equity			
Share capital		47,785	48,136
Contributed surplus		1,371	1,375
Accumulated other reserves	9	48,456	55,760
Retained earnings		714,559	703,144
Non-controlling interest		56,614	57,092
		868,785	865,507
		1,469,536	1,419,595

Approved by the Board of Directors



Pierre-Paul Lassonde
Director



Chantal Bélanger
Director

Interim Condensed Consolidated Statements of Shareholders' Equity*(in thousands of Canadian dollars)**(unaudited)*

	Attributable to the Corporation's shareholders				Non-controlling interest	Total shareholders' equity
	Share capital	Contributed surplus	Accumulated other reserves ⁱ⁾	Retained earnings		
	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2021	48,136	1,375	55,760	703,144	57,092	865,507
Profit	–	–	–	14,789	226	15,015
Other comprehensive income (loss)	–	–	(6,636)	6,289	(687)	(1,034)
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	(668)	–	(17)	(685)
Dividends	–	–	–	(6,093)	–	(6,093)
Repurchase of Class A shares ⁱⁱ⁾	(351)	(4)	–	(3,570)	–	(3,925)
Balance as at April 2, 2022	47,785	1,371	48,456	714,559	56,614	868,785
Balance as at December 31, 2020	48,143	1,375	51,322	638,797	56,096	795,733
Profit	–	–	–	20,090	364	20,454
Other comprehensive income (loss)	–	–	(7,870)	7,681	(712)	(901)
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	2,059	–	(18)	2,041
Dividends	–	–	–	(4,507)	–	(4,507)
Balance as at April 3, 2021	48,143	1,375	45,511	662,061	55,730	812,820

i) Includes the hedging reserve and the foreign currency translation reserve, as presented in Note 9.

ii) Information about the repurchase of Class A shares is presented in Note 8.3.

Additional information on shareholders' equity is presented in Note 8.

Interim Condensed Consolidated Statements of Cash Flows*(in thousands of Canadian dollars)**(unaudited)*

	Notes	First quarters ended	
		April 2, 2022	April 3, 2021
		\$	\$
Operating activities			
Profit		15,015	20,454
Adjustments for:			
Income tax expense	6	5,201	7,268
Interest expense	4	2,005	2,832
Depreciation of property, plant and equipment and amortization of intangible assets		14,916	15,236
Change in fair value of financial instruments		(937)	561
Cost of the long-term incentive plan		947	296
Cost of pension plans recognized in profit or loss, net of contributions		956	(5,294)
Share in the (profit) or loss of an associate		(354)	126
(Gains) losses on capital assets		(2)	(9)
Unrealized foreign exchange (gains) losses		(859)	(467)
Other		65	(16)
		36,953	40,987
Change in non-cash operating working capital items	10	(43,892)	(22,704)
Income tax received		23	4
Income tax paid		(11,167)	(10,933)
Interest received		3	3
Interest paid		(2,228)	(2,507)
Settlements of derivative instruments		(277)	(464)
		(20,585)	4,386
Financing activities			
Change in revolving operating credit, net of transaction costs		41,531	14,315
Repayment of long-term debt		(2,159)	(6,753)
Dividends paid on Class A shares		(2,791)	(2,068)
Dividends paid on Class B shares		(3,302)	(2,439)
Repurchase of Class A shares	8	(3,925)	–
		29,354	3,055
Investing activities			
Acquisition of property, plant and equipment		(7,632)	(10,318)
Acquisition of intangible assets		(1,414)	(2,325)
Net proceeds from the disposal of property, plant and equipment		2	2
Acquisition of other long-term assets		(62)	–
		(9,106)	(12,641)
Increase (decrease) in cash and cash equivalents		(337)	(5,200)
Cash and cash equivalents at beginning		(4,723)	6,803
Impact of exchange rate changes on cash and cash equivalents		–	40
Cash and cash equivalents at end	10	(5,060)	1,643

Additional cash flow information is presented in Note 10.

Notes to the Interim Condensed Consolidated Financial Statements

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Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

Note 1. Description of the Business

Lassonde Industries Inc. is incorporated under the Canada Business Corporations Act and is listed on the Toronto Stock Exchange. The head office is located at 755 Principale Street in Rougemont, Québec, Canada.

Lassonde Industries Inc. and its subsidiaries (collectively, “the Corporation”) develop, manufacture and market a wide range of ready-to-drink juices and drinks, fruit-based snacks in the form of bars and bites as well as frozen juice concentrates in North America. The Corporation is the largest producer of fruit juices and drinks in Canada and one of the two largest producers of store brand shelf-stable fruit juices and drinks in the United States. It is also a major producer of cranberry sauces. Furthermore, the Corporation develops, manufactures and markets specialty food products such as pasta sauces, soups as well as fondue broths and sauces. In addition, it produces apple cider and cider-based beverages and imports selected wines from several countries of origin for packaging and marketing purposes.

Note 2. Statement of Compliance

The Corporation’s interim condensed consolidated financial statements have been prepared in compliance with IAS 34 *Interim Financial Reporting* and using the same accounting policies as those described in the Corporation’s annual consolidated financial statements for the year ended December 31, 2021. The Corporation’s annual consolidated financial statements for the year ended December 31, 2021 were prepared in compliance with International Financial Reporting Standards (“IFRS”).

These interim condensed consolidated financial statements do not include all of the information required under IFRS for complete financial statements, and they should therefore be read in conjunction with the Corporation’s annual consolidated financial statements for the year ended December 31, 2021. The Corporation’s interim condensed consolidated financial statements and annual consolidated financial statements are available on the SEDAR website at www.sedar.com and on the Corporation’s website at www.lassonde.com.

The Board of Directors approved these interim condensed consolidated financial statements on May 13, 2022.

Note 3. Adoption of IFRS Standards

3.1 IAS 16 Property, Plant and Equipment

On January 1, 2022, the Corporation adopted the amended version of IAS 16 *Property, Plant and Equipment*, which applies to fiscal years beginning on or after January 1, 2022.

The adoption of this amended standard had no impact on the Corporation’s consolidated financial statements.

Note 4. Financial Expenses

	First quarters ended	
	April 2, 2022	April 3, 2021
	\$	\$
Interest on long-term debt	1,222	1,981
Interest on lease liabilities	462	494
Amortization of transaction costs directly attributable to arranging financing	271	351
Other interest, net of interest income	50	6
Interest expense	2,005	2,832
Bank expenses	165	193
	2,170	3,025

Notes to the Interim Condensed Consolidated Financial Statements

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Note 5. Other (Gains) Losses

	First quarters ended	
	April 2, 2022	April 3, 2021
	\$	\$
Exchange (gains) losses	203	72
Change in fair value of derivative financial instruments	184	437
	387	509

Note 6. Income Tax Expense

	First quarters ended	
	April 2, 2022	April 3, 2021
	\$	\$
Current tax	3,818	5,108
Deferred tax	1,383	2,160
	5,201	7,268

The tax rate for the quarter is based on the geographic distribution of profit before income taxes, the exchange rates applicable to profit before income taxes in foreign currencies, non-deductible expenses, and non-taxable income.

Note 7. Financial Instruments**7.1 Fair value**

The carrying value of all of the Corporation's financial instruments approximates their fair value, except for the following:

	As at April 2, 2022		As at December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt ⁱ⁾	214,866	213,960	175,432	177,156

i) Includes the current portion of long-term debt.

During the first quarters ended April 2, 2022 and April 3, 2021, all of the Corporation's financial instruments, including derivative financial instruments, were classified as Level 2, and no financial instruments were transferred between levels 1, 2 and 3.

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

7.2 Classification

	As at April 2, 2022	As at Dec. 31, 2021
	\$	\$
Financial assets		
Amortized cost		
Cash and cash equivalents	314	305
Accounts receivable	179,384	154,369
Fair value through profit or loss		
Derivative instruments ⁱ⁾	690	550
Fair value through other comprehensive income		
Derivative instruments ⁱ⁾	1,589	1,685
Financial liabilities		
Amortized cost		
Bank overdraft	5,374	5,028
Accounts payable and accrued liabilities	277,921	269,115
Long-term debt ⁱⁱ⁾	214,866	175,432
Fair value through profit or loss		
Derivative instruments ⁱ⁾	195	863
Fair value through other comprehensive income		
Derivative instruments ⁱ⁾	951	255

i) Includes current and long-term derivative instruments.

ii) Includes the current portion of long-term debt.

Note 8. Shareholders' Equity

8.1 Dividend per share

During the first quarter of 2022, the Corporation declared and paid a dividend of \$0.88 per share (\$0.65 per share during the first quarter of 2021) to the holders of Class A and B shares.

8.2 Dividends paid to related parties

	First quarters ended	
	April 2, 2022	April 3, 2021
	\$	\$
3346625 Canada Inc.	3,314	2,448
Key management personnel	21	18
	3,335	2,466

Notes to the Interim Condensed Consolidated Financial Statements

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8.3 Share repurchase

During the first quarter of 2022, the Corporation repurchased for cancellation 26,500 Class A subordinate voting shares, at an average price of \$148.11 per share for a cash consideration of \$3,925,000, of which \$351,000 was applied against capital stock, \$3,570,000 against retained earnings, and \$4,000 against contributed surplus.

Since the end of the first quarter of 2022 and until May 10, 2022, the Corporation repurchased 17,500 Class A subordinate voting shares for a consideration of \$2,429,000.

Note 9. Accumulated Other Reserves

	Hedging reserve	Foreign currency translation reserve	Total
	\$	\$	\$
Balance as at December 31, 2021	988	54,772	55,760
Other comprehensive income (loss)	125	(6,761)	(6,636)
Transfer of cash flow hedge (gains) losses to non-financial assets	(668)	–	(668)
Balance as at April 2, 2022	445	48,011	48,456
Balance as at December 31, 2020	(5,406)	56,728	51,322
Other comprehensive income (loss)	(1,231)	(6,639)	(7,870)
Transfer of cash flow hedge (gains) losses to non-financial assets	2,059	–	2,059
Balance as at April 3, 2021	(4,578)	50,089	45,511

Note 10. Additional Cash Flow Information

10.1 Change in non-cash operating working capital items

	First quarters ended	
	April 2, 2022	April 3, 2021
	\$	\$
Accounts receivable	(26,368)	(13,405)
Inventories	(30,392)	(6,073)
Other current assets	(1,063)	(146)
Accounts payable and accrued liabilities	13,463	(2,613)
Other current liabilities	468	(467)
	(43,892)	(22,704)

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

10.2 Cash and cash equivalents

In the Condensed Consolidated Statements of Cash Flows, cash and cash equivalents include the following items:

	As at April 2, 2022	As at Dec. 31, 2021	As at April 3, 2021
	\$	\$	\$
Cash	314	299	2,229
Cash equivalents ⁱ⁾	–	6	608
Bank overdraft	(5,374)	(5,028)	(1,194)
	(5,060)	(4,723)	1,643

i) Cash equivalents consist of a guarantee deposited with the issuer of certain derivative instruments to cover their fair value when in a liability position.

10.3 Non-cash transactions

The following table presents the transactions that had no cash impact on financing and investing activities:

	First quarters ended	
	April 2, 2022	April 3, 2021
	\$	\$
Unpaid acquisitions of property, plant and equipment at the beginning of the period	3,424	5,023
Unpaid acquisitions of property, plant and equipment at the end of the period	1,580	2,052
Unpaid acquisitions of intangible assets at the beginning of the period	379	318
Unpaid acquisitions of intangible assets at the end of the period	288	114
Depreciation of a right-of-use asset incorporated into the cost of an intangible asset	4	4
Net increase in right-of-use assets	1,959	18
Net increase in lease liabilities	1,959	6

Note 11. Additional Lease Information

The following tables present certain additional information about leases:

	As at April 2, 2022	As at Dec. 31, 2021
	\$	\$
Right-of-use assets	39,174	38,919
Lease liabilities	41,734	41,336

	First quarters ended	
	April 2, 2022	April 3, 2021
	\$	\$
Depreciation of right-of-use assets	1,487	1,625
Lease liability payments:		
Interest	462	494
Principal	1,331	1,435

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

Note 12. Contingencies

12.1 Proceedings and claims

In the ordinary course of business, the Corporation is exposed to various proceedings and claims. The Corporation assesses the validity of these proceedings and claims. Provisions are made whenever a penalty seems probable and the amount can be reliably estimated. Management believes that any settlement arising from these claims will not have a significant effect on the Corporation's current consolidated financial position or profit or loss. Therefore, no provision for proceedings and claims has been recognized in the Corporation's interim condensed consolidated financial statements.

Note 13. Segment Information

The Corporation has determined that it has only one reportable operating segment, i.e., the development, manufacturing and marketing of a wide range of ready-to-drink juices and drinks, fruit-based snacks, frozen juice concentrates and specialty food products. This single operating segment generates revenues from the sale of these products and from rendering services related to the sale of these products.

Sales are attributed to the geographic segment based on the location where the Corporation has transferred control of the goods to the customer. The geographic segment of long-term assets and goodwill is based on the locations of the assets.

13.1 Sales by geographic segment

	First quarters ended	
	April 2, 2022	April 3, 2021
	\$	\$
Canada	225,654	201,038
United States	282,087	264,688
Other	1,306	1,068
	509,047	466,794

13.2 Certain long-term assets and goodwill by geographic segment

	As at April 2, 2022		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	225,128	155,680	380,808
Intangible assets	25,636	171,736	197,372
Goodwill	18,637	285,941	304,578

	As at December 31, 2021		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	226,940	157,449	384,389
Intangible assets	24,728	179,255	203,983
Goodwill	18,637	289,734	308,371

Note 14. Event After the Reporting Period

In May 2022, the U.S. credit facilities were amended to extend the term loan maturity date by seven months to December 2022.