

LASSONDE INDUSTRIES INC.



Interim Report

SECOND QUARTER ENDED
JULY 2, 2022



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Interim Condensed Consolidated Statements of Income

(in thousands of Canadian dollars unless otherwise indicated)

(unaudited)

	Notes	Second quarters ended		First six months ended	
		July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
		\$	\$	\$	\$
Sales		529,544	469,292	1,038,591	936,086
Cost of sales		390,853	339,205	764,317	674,402
Gross profit		138,691	130,087	274,274	261,684
Selling and administrative expenses		116,435	100,183	229,601	200,407
(Gains) losses on capital assets		(39)	(28)	(41)	(37)
Operating profit		22,295	29,932	44,714	61,314
Share in the profit or (loss) of an associate		(629)	(304)	(275)	(430)
Financial expenses	4	2,536	2,823	4,706	5,848
Other (gains) losses	5	(103)	966	284	1,475
Profit before income taxes		19,233	25,839	39,449	53,561
Income tax expense	6	5,227	6,816	10,428	14,084
Profit		14,006	19,023	29,021	39,477
Attributable to:					
Corporation's shareholders		14,179	18,764	28,968	38,854
Non-controlling interest		(173)	259	53	623
		14,006	19,023	29,021	39,477
Basic and diluted earnings per share (in \$)		2.06	2.71	4.19	5.60
Weighted average number of shares outstanding (in thousands)		6,897	6,934	6,906	6,934

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

(unaudited)

	Second quarters ended		First six months ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
	\$	\$	\$	\$
Profit	14,006	19,023	29,021	39,477
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	476	42	1,217	183
Reclassification of (gains) losses on financial instruments designated as hedges	6	587	296	1,208
Income tax expense	(123)	(162)	(390)	(355)
	359	467	1,123	1,036
Translation difference:				
Exchange difference on translating foreign operations	16,903	(9,305)	9,389	(16,684)
	17,262	(8,838)	10,512	(15,648)
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	4,313	(1,946)	3,531	(4,380)
Income tax expense	(1,127)	509	(918)	1,151
	3,186	(1,437)	2,613	(3,229)
Benefit cost of the defined benefit plans:				
Remeasurements of the net defined benefit asset or liability	6,281	825	14,860	11,245
Income tax expense	(1,678)	(216)	(3,968)	(2,935)
	4,603	609	10,892	8,310
	7,789	(828)	13,505	5,081
Total other comprehensive income (loss)	25,051	(9,666)	24,017	(10,567)
Comprehensive income	39,057	9,357	53,038	28,910
Attributable to:				
Corporation's shareholders	37,492	9,962	51,934	29,863
Non-controlling interest	1,565	(605)	1,104	(953)
	39,057	9,357	53,038	28,910

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

	Notes	As at July 2, 2022 \$	As at Dec. 31, 2021 \$
Assets			
Current			
Cash and cash equivalents		338	305
Accounts receivable		172,933	154,369
Income tax recoverable		9,253	4,587
Inventories		371,226	309,748
Derivative instruments		5,461	1,657
Other current assets		23,856	19,083
		583,067	489,749
Derivative instruments		162	578
Investment in an associate		8,078	8,353
Property, plant and equipment		382,993	384,389
Intangible assets		198,467	203,983
Net defined benefit asset		36,717	22,990
Other long-term assets		1,015	1,182
Goodwill		313,125	308,371
		1,523,624	1,419,595
Liabilities			
Current			
Bank overdraft		7,762	5,028
Accounts payable and accrued liabilities		267,392	269,115
Income tax payable		-	5,638
Derivative instruments		394	1,102
Other current liabilities		6,202	5,068
Current portion of long-term debt		86,709	84,387
		368,459	370,338
Derivative instruments		136	16
Long-term debt		156,251	91,045
Long-term incentive plan liabilities		1,232	852
Pension plan liabilities		415	413
Deferred tax liabilities		99,762	91,424
		626,255	554,088
Shareholders' equity			
Share capital		47,311	48,136
Contributed surplus		1,366	1,375
Accumulated other reserves	10	66,232	55,760
Retained earnings		724,315	703,144
Non-controlling interest		58,145	57,092
		897,369	865,507
		1,523,624	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	–	–	–	28,968	53	29,021
Other comprehensive income (loss)	–	–	12,074	10,892	1,051	24,017
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	(1,602)	–	(51)	(1,653)
Dividends	–	–	–	(10,912)	–	(10,912)
Repurchase of Class A shares ⁱⁱ⁾	(825)	(9)	–	(7,777)	–	(8,611)
Balance as at July 2, 2022	47,311	1,366	66,232	724,315	58,145	897,369
Balance as at December 31, 2020	48,143	1,375	51,322	638,797	56,096	795,733
Profit	–	–	–	38,854	623	39,477
Other comprehensive income (loss)	–	–	(17,291)	8,300	(1,576)	(10,567)
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	4,846	–	(26)	4,820
Dividends	–	–	–	(10,608)	–	(10,608)
Balance as at July 3, 2021	48,143	1,375	38,877	675,343	55,117	818,855

i) Includes the hedging reserve and the foreign currency translation reserve, as presented in Note 10.

ii) Information about the repurchase of Class A shares is presented in Note 9.3.

Additional information on shareholders' equity is presented in Note 9.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

(unaudited)

	Notes	First six months ended	
		July 2, 2022	July 3, 2021
		\$	\$
Operating activities			
Profit		29,021	39,477
Adjustments for:			
Income tax expense	6	10,428	14,084
Interest expense	4	4,188	5,426
Depreciation of property, plant and equipment and amortization of intangible assets		29,852	30,176
Change in fair value of financial instruments		(1,249)	1,452
Cost of the long-term incentive plan		1,776	514
Cost of pension plans recognized in profit or loss, net of contributions		1,135	(4,036)
Share in the (profit) or loss of an associate		275	430
(Gains) losses on capital assets		(41)	(37)
Unrealized foreign exchange (gains) losses		1,008	(1,080)
Other		126	(31)
		76,519	86,375
Change in non-cash operating working capital items	11	(80,671)	(13,284)
Income tax received		208	4,188
Income tax paid		(17,989)	(20,902)
Interest received		21	159
Interest paid		(4,149)	(4,867)
Settlements of derivative instruments		(1,003)	(373)
		(27,064)	51,296
Financing activities			
Change in revolving operating credit, net of transaction costs		66,607	(3,802)
Repayment of long-term debt		(4,224)	(25,495)
Dividends paid on Class A shares		(4,983)	(4,867)
Dividends paid on Class B shares		(5,929)	(5,741)
Repurchase of Class A shares	9	(8,611)	–
		42,860	(39,905)
Investing activities			
Acquisition of property, plant and equipment		(14,684)	(16,306)
Acquisition of intangible assets		(3,336)	(3,413)
Net proceeds from the disposal of property, plant and equipment		2	4
Acquisition of other long-term assets		(124)	(1,002)
		(18,142)	(20,717)
Increase (decrease) in cash and cash equivalents		(2,346)	(9,326)
Cash and cash equivalents at beginning		(4,723)	6,803
Impact of exchange rate changes on cash and cash equivalents		(355)	134
Cash and cash equivalents at end		(7,424)	(2,389)

Additional cash flow information is presented in Note 11.

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 August 12, 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

	Second quarters ended		First six months ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
	\$	\$	\$	\$
Interest on long-term debt	1,440	1,828	2,662	3,809
Interest on lease liabilities	452	474	914	968
Amortization of transaction costs directly attributable to arranging financing	209	436	480	787
Other interest, net of interest income	82	(144)	132	(138)
Interest expense	2,183	2,594	4,188	5,426
Bank expenses	353	229	518	422
	2,536	2,823	4,706	5,848

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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Note 5. Other (Gains) Losses

	Second quarters ended		First six months ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
	\$	\$	\$	\$
Exchange (gains) losses	(130)	14	73	86
Change in fair value of derivative financial instruments	73	952	257	1,389
Other (gains) losses	(46)	–	(46)	–
	(103)	966	284	1,475

Note 6. Income Tax Expense

	Second quarters ended		First six months ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
	\$	\$	\$	\$
Current tax	3,768	4,688	7,586	9,796
Deferred tax	1,459	2,128	2,842	4,288
	5,227	6,816	10,428	14,084

The tax rate for the quarter is based on the geographic distribution of profit or loss before income taxes, the exchange rates applicable to profit or loss 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 July 2, 2022		As at December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt ⁱ⁾	242,960	240,788	175,432	177,156

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

During the first six months ended July 2, 2022 and July 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 July 2, 2022	As at Dec. 31, 2021
	\$	\$
Financial assets		
Amortized cost		
Cash and cash equivalents	338	305
Accounts receivable	172,933	154,369
Fair value through profit or loss		
Derivative instruments ⁱ⁾	1,024	550
Fair value through other comprehensive income		
Derivative instruments ⁱ⁾	4,599	1,685
Financial liabilities		
Amortized cost		
Bank overdraft	7,762	5,028
Accounts payable and accrued liabilities	267,392	269,115
Long-term debt ⁱⁱ⁾	242,960	175,432
Fair value through profit or loss		
Derivative instruments ⁱ⁾	209	863
Fair value through other comprehensive income		
Derivative instruments ⁱ⁾	321	255

i) Includes current and long-term derivative instruments.

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

Note 8. Long-Term Debt

8.1 U.S. credit facilities

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

Note 9. Shareholders' Equity

9.1 Dividend per share

During the first six months of 2022, the Corporation declared and paid dividends totalling \$1.58 per share (\$1.53 per share during the first six months of 2021) to the holders of Class A and B shares.

Notes to the Interim Condensed Consolidated Financial Statements

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

9.2 Dividends paid to related parties

	First six months ended	
	July 2, 2022	July 3, 2021
	\$	\$
3346625 Canada Inc.	5,950	5,762
Key management personnel	38	42
	5,988	5,804

9.3 Share repurchase

During the second quarter of 2022, the Corporation repurchased for cancellation 35,800 Class A subordinate voting shares at an average price of \$130.90 per share for a cash consideration of \$4,686,000, of which \$474,000 was applied against share capital, \$4,207,000 against retained earnings, and \$5,000 against contributed surplus.

During the first six months of 2022, the Corporation repurchased for cancellation 62,300 Class A subordinate voting shares at an average price of \$138.22 per share for a cash consideration of \$8,611,000, of which \$825,000 was applied against share capital, \$7,777,000 against retained earnings, and \$9,000 against contributed surplus.

Since the end of the second quarter of 2022 and until August 9, 2022, the Corporation repurchased 11,500 Class A subordinate voting shares for a consideration of \$1,312,000.

Note 10. 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)	3,625	8,449	12,074
Transfer of cash flow hedge (gains) losses to non-financial assets	(1,602)	–	(1,602)
Balance as at July 2, 2022	3,011	63,221	66,232
Balance as at December 31, 2020	(5,406)	56,728	51,322
Other comprehensive income (loss)	(2,279)	(15,012)	(17,291)
Transfer of cash flow hedge (gains) losses to non-financial assets	4,846	–	4,846
Balance as at July 3, 2021	(2,839)	41,716	38,877

Notes to the Interim Condensed Consolidated Financial Statements

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

Note 11. Additional Cash Flow Information

11.1 Change in non-cash operating working capital items

	First six months ended	
	July 2, 2022	July 3, 2021
	\$	\$
Accounts receivable	(16,941)	(11,710)
Inventories	(58,721)	(14,179)
Other current assets	(4,706)	1,103
Accounts payable and accrued liabilities	(1,414)	11,315
Other current liabilities	1,111	187
	(80,671)	(13,284)

11.2 Non-cash transactions

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

	First six months ended	
	July 2, 2022	July 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	1,249	1,586
Unpaid acquisitions of intangible assets at the beginning of the period	379	318
Unpaid acquisitions of intangible assets at the end of the period	93	224
Depreciation of a right-of-use asset incorporated into the cost of an intangible asset	7	7
Net increase in right-of-use assets	2,082	349
Net increase in lease liabilities	1,984	306

Note 12. Additional Lease Information

The following tables present certain additional information about leases:

	As at July 2, 2022	As at Dec. 31, 2021
	\$	\$
Right-of-use assets	38,269	38,919
Lease liabilities	41,028	41,336

	First six months ended	
	July 2, 2022	July 3, 2021
	\$	\$
Depreciation of right-of-use assets	2,979	3,198
Lease liability payments:		
Interest	914	968
Principal	2,568	2,799

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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Note 13. Contingencies

13.1 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 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 14. 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 location of the assets.

14.1 Sales by geographic segment

	Second quarters ended		First six months ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
	\$	\$	\$	\$
Canada	237,562	220,360	463,216	421,398
United States	291,160	247,060	573,247	511,748
Other	822	1,872	2,128	2,940
	529,544	469,292	1,038,591	936,086

14.2 Certain long-term assets and goodwill by geographic segment

	As at July 2, 2022		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	224,698	158,295	382,993
Intangible assets	26,923	171,544	198,467
Goodwill	18,637	294,488	313,125

	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