



Interim Report

SECOND QUARTER ENDED JULY 1, 2023



Lassonde
Industries Inc.



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Interim Condensed Consolidated Statements of Income

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

	Note	Second quarters ended		First six months ended	
		July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
		\$	\$	\$	\$
Sales		579,435	529,544	1,126,746	1,038,591
Cost of sales		427,118	390,853	837,804	764,317
Gross profit		152,317	138,691	288,942	274,274
Selling and administrative expenses		110,968	116,396	221,350	229,560
Operating profit		41,349	22,295	67,592	44,714
Share in the profit or (loss) of an associate		(872)	(629)	(1,131)	(275)
Financial expenses	4	4,761	2,536	8,780	4,706
Other (gains) losses	5	269	(103)	(1,857)	284
Profit before income taxes		35,447	19,233	59,538	39,449
Income tax expense	6	9,702	5,227	16,148	10,428
Profit		25,745	14,006	43,390	29,021
Attributable to:					
Corporation's shareholders		25,090	14,179	42,199	28,968
Non-controlling interest		655	(173)	1,191	53
		25,745	14,006	43,390	29,021
Basic and diluted earnings per share (in \$)		3.68	2.06	6.19	4.19
Weighted average number of shares outstanding (in thousands)		6,822	6,897	6,822	6,906

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

(unaudited)

	Second quarters ended		First six months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	\$	\$	\$	\$
Profit	25,745	14,006	43,390	29,021
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	622	476	627	1,217
Reclassification of (gains) losses on financial instruments designated as hedges	–	6	(833)	296
Income tax expense	(158)	(123)	55	(390)
	464	359	(151)	1,123
Exchange difference on translating foreign operations	(13,293)	16,903	(13,848)	9,389
	(12,829)	17,262	(13,999)	10,512
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	(3,331)	4,313	(2,855)	3,531
Income tax expense	874	(1,127)	756	(918)
	(2,457)	3,186	(2,099)	2,613
Benefit cost of the defined benefit plans:				
Remeasurements of the net defined benefit asset or liability	86	6,281	(822)	14,860
Income tax expense	(23)	(1,678)	219	(3,968)
	63	4,603	(603)	10,892
	(2,394)	7,789	(2,702)	13,505
Total other comprehensive income (loss)	(15,223)	25,051	(16,701)	24,017
Comprehensive income	10,522	39,057	26,689	53,038
Attributable to:				
Corporation's shareholders	11,159	37,492	26,835	51,934
Non-controlling interest	(637)	1,565	(146)	1,104
	10,522	39,057	26,689	53,038


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

	Note	As at July 1, 2023	As at Dec. 31, 2022
		\$	\$
Assets			
Current			
Cash and cash equivalents		8,133	2,678
Accounts receivable		188,584	173,654
Income tax recoverable		9,883	12,206
Inventories		434,849	414,043
Derivative instruments		337	7,417
Other current assets		26,604	28,765
		668,390	638,763
Derivative instruments		637	279
Investment in an associate		6,308	7,439
Property, plant and equipment		423,324	399,969
Intangible assets		186,693	198,394
Net defined benefit asset		30,170	30,855
Other non-current assets		1,134	854
Goodwill		321,215	328,162
		1,637,871	1,604,715
Liabilities			
Current			
Bank overdraft		6,066	4,388
Accounts payable and accrued liabilities		331,776	307,037
Derivative instruments		3,287	673
Other current liabilities		7,335	5,632
Current portion of long-term debt		7,559	100,821
		356,023	418,551
Derivative instruments		193	–
Long-term debt		228,891	148,574
Long-term incentive plan liabilities		1,723	1,442
Pension plan liabilities		565	523
Deferred tax liabilities		97,741	98,058
		685,136	667,148
Shareholders' equity			
Share capital		46,660	46,660
Contributed surplus		1,360	1,360
Accumulated other reserves	9	76,034	94,102
Retained earnings		768,459	735,044
Non-controlling interest		60,222	60,401
		952,735	937,567
		1,637,871	1,604,715

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, 2022	46,660	1,360	94,102	735,044	60,401	937,567
Profit	–	–	–	42,199	1,191	43,390
Other comprehensive income (loss)	–	–	(14,761)	(603)	(1,337)	(16,701)
Cash flow hedge ⁱⁱ⁾	–	–	(3,307)	–	(33)	(3,340)
Dividends	–	–	–	(8,181)	–	(8,181)
Balance as at July 1, 2023	46,660	1,360	76,034	768,459	60,222	952,735
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
Cash flow hedge ⁱⁱ⁾	–	–	(1,602)	–	(51)	(1,653)
Dividends	–	–	–	(10,912)	–	(10,912)
Repurchase of Class A shares ⁱⁱⁱ⁾	(825)	(9)	–	(7,777)	–	(8,611)
Balance as at July 2, 2022	47,311	1,366	66,232	724,315	58,145	897,369

i) Includes the hedging reserve and the foreign currency translation reserve, which are presented in Note 9.4.

ii) Transfer of cash flow hedge (gains) losses to non-financial assets.

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

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

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

	Note	First six months ended	
		July 1, 2023	July 2, 2022
		\$	\$
Operating activities			
Profit		43,390	29,021
Adjustments for:			
Income tax expense	6	16,148	10,428
Net interest expense	4	8,338	4,188
Depreciation of property, plant and equipment and amortization of intangible assets		30,481	29,852
Change in fair value of financial instruments		(55)	(1,249)
Cost of the long-term incentive plan		1,442	1,776
Cost of pension plans recognized in profit or loss, net of contributions		(95)	1,135
Share in the (profit) or loss of an associate		1,131	275
Unrealized foreign exchange (gains) losses		(1,330)	1,008
Other		459	85
		99,909	76,519
Change in non-cash operating working capital items	10	(11,576)	(80,671)
Net income tax paid		(10,892)	(17,781)
Net interest paid		(5,959)	(4,128)
Settlements of derivative instruments		(386)	(1,003)
		71,096	(27,064)
Financing activities			
Change in revolving operating credit, net of transaction costs		(13,183)	66,607
Repayment of long-term debt		(4,298)	(4,224)
Dividends paid on Class A shares		(3,678)	(4,983)
Dividends paid on Class B shares		(4,503)	(5,929)
Repurchase of Class A shares	9	-	(8,611)
		(25,662)	42,860
Investing activities			
Net acquisition of property, plant and equipment		(37,336)	(14,682)
Acquisition of intangible assets		(4,222)	(3,336)
Acquisition of other non-current assets		-	(124)
		(41,558)	(18,142)
Change in cash and cash equivalents		3,876	(2,346)
Cash and cash equivalents at beginning		(1,710)	(4,723)
Effect of exchange rate changes on cash and cash equivalents		(99)	(355)
Cash and cash equivalents at end		2,067	(7,424)

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*. Its Class A subordinate voting shares are listed on the Toronto Stock Exchange under the ticker symbol LAS.A. The head office is located at 755 Principale Street in Rougemont, Québec, Canada.

Lassonde Industries Inc. and its subsidiaries (collectively, “the Corporation”) is a leader in the food and beverage industry in North America. The Corporation develops, manufactures, and markets a wide range of private label and national brand products, including ready-to-drink beverages, fruit-based snacks as well as frozen juice concentrates. The Corporation is also a leading producer of cranberry sauces and specialty food products such as pasta sauces, soups and fondue broths and sauces. The Corporation also imports and markets selected wines from several countries of origin and produces apple cider and cider-based drinks.

The Corporation’s national brands are sold in various packages under several proprietary trademarks as well as under trademarks for which the Corporation is a licensed user. The Corporation also manufactures private label products for the vast majority of major retailers and wholesalers in North America.

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, 2022. The Corporation’s annual consolidated financial statements for the year ended December 31, 2022 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, 2022. The Corporation’s interim condensed consolidated financial statements and annual consolidated financial statements are available on the SEDAR website at www.sedarplus.ca and on the Corporation’s website at www.lassonde.com.

The Board of Directors approved these interim condensed consolidated financial statements on August 10, 2023.

Note 3. Adoption of IFRS Standards

3.1 IAS 12 Income Taxes

In May 2023, the International Accounting Standards Board (“IASB”) amended IAS 12 *Income Taxes* to provide temporary exceptions to the recognition and disclosure of deferred tax assets and liabilities under Pillar 2 tax rules of the OECD model. The Corporation has adopted the amended version of the standard, which applies to fiscal years beginning on or after January 1, 2023.

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

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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Note 4. Financial Expenses

	Second quarters ended		First six months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	\$	\$	\$	\$
Interest on long-term debt	3,986	1,440	7,009	2,662
Interest on lease liabilities	404	452	776	914
Amortization of transaction costs	135	209	507	480
Other interest, net of interest income	(9)	82	46	132
Net interest expense	4,516	2,183	8,338	4,188
Bank expenses	245	353	442	518
	4,761	2,536	8,780	4,706

Note 5. Other (Gains) Losses

	Second quarters ended		First six months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	\$	\$	\$	\$
Exchange (gains) losses	276	(130)	222	73
Change in the fair value of derivative instruments	(7)	73	18	257
Other ⁱ⁾	–	(46)	(2,097)	(46)
	269	(103)	(1,857)	284

i) During the first six months ended July 1, 2023, the amount of \$2,097,000 is a gain related to the preliminary settlement of an insurance claim resulting from property damage to a building in the United States.

Note 6. Income Tax Expense

	Second quarters ended		First six months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	\$	\$	\$	\$
Current tax	8,195	3,768	13,166	7,586
Deferred tax	1,507	1,459	2,982	2,842
	9,702	5,227	16,148	10,428

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.

Notes to the Interim Condensed Consolidated Financial Statements

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Note 7. Financial Instruments

7.1 Fair value

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

	As at July 1, 2023		As at December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt ⁱ⁾	236,450	233,331	249,395	246,631

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

During the first six months ended July 1, 2023 and July 2, 2022, all of the Corporation's financial instruments, including derivative instruments, were classified as Level 2, and no financial instruments were transferred between levels 1, 2 and 3.

7.2 Classification

	As at July 1, 2023	As at Dec. 31, 2022
	\$	\$
Financial assets		
Amortized cost:		
Cash and cash equivalents	8,133	2,678
Accounts receivable	188,584	173,654
Fair value through profit or loss:		
Derivative instruments ⁱ⁾	129	421
Fair value through other comprehensive income:		
Derivative instruments ⁱ⁾	845	7,275
Financial liabilities		
Amortized cost:		
Bank overdraft	6,066	4,388
Accounts payable and accrued liabilities	331,776	307,037
Long-term debt ⁱⁱ⁾	236,450	249,395
Fair value through profit or loss:		
Derivative instruments ⁱ⁾	3,068	558
Fair value through other comprehensive income:		
Derivative instruments ⁱ⁾	412	115

i) Includes current and non-current derivative instruments.

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

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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Note 8. Long-Term Debt

8.1 U.S. credit facilities

On January 6, 2023, the Corporation entered into an agreement to amend the U.S. credit facilities to include the various requests for amendments accepted between May 31, 2018 and January 5, 2023, to extend the expiry date by two years and seven months, and to raise the authorized amount of the revolving operating credit ("U.S. revolving credit") by US\$60,000,000. As a result of this agreement, the credit facilities comprise a U.S. revolving credit committed for a period of three years for an authorized amount of US\$160,000,000.

The credit facilities bear interest at the base rate plus 0.25% to 1.00% and/or at the Secured Overnight Financing Rate ("SOFR") plus 1.25% to 2.00%. Interest margins vary based on a prescribed financial ratio.

The credit facilities contain certain conditions and restrictive covenants, including an obligation to maintain certain prescribed financial ratios.

Note 9. Shareholders' Equity

9.1 Dividend per share

During the first six months of 2023, the Corporation declared and paid dividends totalling \$1.20 per share (\$1.58 per share during the first six months of 2022) to the holders of Class A and B shares.

9.2 Dividends paid to related parties

	First six months ended	
	July 1, 2023	July 2, 2022
	\$	\$
3346625 Canada Inc.	4,519	5,950
Key management personnel	28	38
	4,547	5,988

9.3 Share repurchase

During the second quarter of 2022, the Corporation had 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.

During the first six months of 2022, the Corporation had 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.

The Corporation did not renew its normal course issuer bid program that ended on December 22, 2022.

Notes to the Interim Condensed Consolidated Financial Statements

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

9.4 Accumulated Other Reserves

	Hedging reserve	Foreign currency translation reserve	Total
	\$	\$	\$
Balance as at December 31, 2022	4,305	89,797	94,102
Other comprehensive income (loss)	(2,300)	(12,461)	(14,761)
Cash flow hedge ⁱ⁾	(3,307)	–	(3,307)
Balance as at July 1, 2023	(1,302)	77,336	76,034
Balance as at December 31, 2021	988	54,772	55,760
Other comprehensive income (loss)	3,625	8,449	12,074
Cash flow hedge ⁱ⁾	(1,602)	–	(1,602)
Balance as at July 2, 2022	3,011	63,221	66,232

i) Transfer of cash flow hedge (gains) losses to non-financial assets.

Note 10. Additional Cash Flow Information

10.1 Change in non-cash operating working capital items

	First six months ended	
	July 1, 2023	July 2, 2022
	\$	\$
Accounts receivable	(17,760)	(16,941)
Inventories	(25,587)	(58,721)
Other current assets	1,733	(4,706)
Accounts payable and accrued liabilities	28,748	(1,414)
Other current liabilities	1,290	1,111
	(11,576)	(80,671)

10.2 Non-cash transactions

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

	First six months ended	
	July 1, 2023	July 2, 2022
	\$	\$
Unpaid acquisitions of property, plant and equipment at the beginning of the period	5,270	3,424
Unpaid acquisitions of property, plant and equipment at the end of the period	5,552	1,249
Unpaid acquisitions of intangible assets at the beginning of the period	470	379
Unpaid acquisitions of intangible assets at the end of the period	143	93
Net increase in right-of-use assets	7,456	2,082
Net increase in lease liabilities	8,561	1,984

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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Note 11. Additional Lease Information

The following tables present additional information about leases:

	As at July 1, 2023	As at Dec. 31, 2022
	\$	\$
Right-of-use assets	37,125	32,561
Lease liabilities	41,044	35,014

	First six months ended	
	July 1, 2023	July 2, 2022
	\$	\$
Depreciation of right-of-use assets	2,628	2,979
Lease liability payments:		
Interest	776	914
Principal	2,234	2,568

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 impact on the Corporation's current consolidated financial position or profit or loss.

Note 13. Segment Information

The Corporation has determined that it has only one reportable operating segment. This single operating segment generates revenues from the sale of a wide range of products, including ready-to-drink beverages, fruit-based snacks, frozen juice concentrates and specialty food products as well as 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 non-current assets and goodwill is based on the locations of the assets.

13.1 Sales by geographic segment

	Second quarters ended		First six months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	\$	\$	\$	\$
Canada	269,520	237,562	512,100	463,216
United States	308,819	291,160	613,060	573,247
Other	1,096	822	1,586	2,128
	579,435	529,544	1,126,746	1,038,591

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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13.2 Certain non-current assets and goodwill by geographic segment

	As at July 1, 2023		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	231,181	192,143	423,324
Intangible assets	32,060	154,633	186,693
Goodwill	18,637	302,578	321,215

	As at December 31, 2022		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	230,139	169,830	399,969
Intangible assets	29,093	169,301	198,394
Goodwill	18,637	309,525	328,162

Note 14. Future Accounting Changes

14.1 Supplier finance arrangements

In May 2023, the IASB amended IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* in order to add disclosure requirements and clarify existing disclosure requirements requiring qualitative and quantitative information to be provided on supplier finance arrangements.

The amendments apply to fiscal years beginning on or after January 1, 2024.

The Corporation is currently assessing the impact of these amendments on its consolidated financial statements.