



Lassonde

# LASSONDE INDUSTRIES INC.

## CORPORATE PRESENTATION

Financial Results for  
Fiscal 2018 and  
Second Quarter 2019

August 9, 2019



# FORWARD-LOOKING STATEMENTS

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## Caution regarding forward-looking statements

*Certain statements made in this presentation, including, but not limited to, statements regarding the prospects of the industry, plans, financial position, and business strategy of the Company may constitute forward-looking statements within the meaning of Canadian securities legislation and regulations. These forward-looking statements do not provide guarantees as to the future performance of Lassonde Industries Inc. and are subject to risks, both known and unknown, as well as uncertainties that may cause the outlook, profitability, or actual results of Lassonde Industries Inc. to differ significantly from the profitability or future results stated or implied by these statements. Detailed information on risks and uncertainties is provided in the “Uncertainties and Principal Risk Factors” section of the MD&A for the year ended December 31, 2018, available at [www.sedar.com](http://www.sedar.com) and at [www.lassonde.com](http://www.lassonde.com).*

*The forward-looking statements contained in this presentation reflect our expectations as at August 9, 2019 and, accordingly, are subject to change after this date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this presentation, whether as a result of new information, future events, or otherwise.*

*The terms “EBITDA,” “free cash flow,” and “Adjusted EPS” are non-GAAP financial measures and do not have any standardized meaning under IFRS. They are therefore unlikely to be comparable to similar measures presented by other issuers. Refer to the section “Financial Measures Not in Accordance with IFRS” in the MD&A of Lassonde Industries Inc. for the Second Quarter ended June 29, 2019.*

# HIGHLIGHTS – FISCAL 2018

## Earnings



In millions of \$ (except EPS)	Years ended December 31			% Δ	% Δ
	2018	2017	2016	18 vs 17	17 vs 16
<b>Sales</b>	<b>1,594.0</b>	1,526.1	1,509.5	<b>4.4%</b>	1.1%
<b>Operating profit</b>	<b>105.2</b>	133.3	126.2	<b>-21.1%</b>	5.6%
<i>Operating profit/Sales</i>	<b>6.6%</b>	8.7%	8.4%		
<b>Profit</b>	<b>68.0</b>	95.5	72.2	<b>-28.8%</b>	32.4%
<b>Profit attributable to shareholders</b>	<b>66.4</b>	89.9	68.2	<b>-26.2%</b>	32.0%
<b>EBITDA</b>	<b>154.0</b>	177.9	171.2	<b>-13.5%</b>	3.9%
<b>Earnings per share (EPS)</b>	<b>9.50</b>	12.87	9.75	<b>-26.2%</b>	32.0%

# HIGHLIGHTS – FISCAL 2018

## Earnings (cont'd)

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### **Sales of \$1,594.0M, ↑ \$67.9M (or 4.4%) vs \$1,526.1M in 2017:**

- Excluding Old Orchard Brands' (OOB) sales of \$66.9M and an unfavourable foreign exchange impact of \$1.0M, sales for 2018 were up \$2.0M, mainly due to:
  - \$10.3M increase in sales of private label products; and
  - \$8.0M decrease in sales of national brands.

### **Operating profit of \$105.2M, ↓ \$28.1M (or -21.1%) vs \$133.3M in 2017:**

- The net unfavourable impact of OOB on operating profit was \$1.1M in 2018. Fiscal 2017 had also benefited from a \$0.6M gain on disposal of capital assets;
- Excluding these items, operating profit is \$26.4M lower than last year due to lower operating profit in the Company's U.S. operations, while the Canadian operating profit was up slightly;
- The decrease in operating profit in 2018 reflects the following items:
  - A \$16.8M increase in transportation costs incurred to deliver the Company's products stemming from both regulatory changes in the U.S. and labor scarcity;
  - A \$12.9M increase in raw material costs resulting from increases in the prices of apple concentrate and PET resin, partly offset by a reduction in the cost of orange concentrates;
  - A favourable impact of a decrease in performance-related salary expenses.
- The Company has not been able to significantly increase its prices to offset the cost increases arising from a difficult competitive environment;
- The Canadian dollar conversion rate for LPC's results had a negligible impact when comparing the 2018 and 2017 operating profit.

# HIGHLIGHTS – FISCAL 2018

## Earnings (cont'd)

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### **Financial expenses of \$15.1M in 2018 vs \$12.2M in 2017, ↑ \$2.9M:**

- A \$5.6M increase in financial expenses resulting from the financing of the OOB acquisition; and
- A \$1.3M decrease in amortization of transaction costs and a \$1.0M decrease in interest expense.

### **“Other (gains) losses”: \$1.1M loss in 2018 vs \$0.3M gain in 2017:**

- The 2018 loss stems from an unfavourable change in the fair value of financial instruments;
- The 2017 gain came mainly from a foreign exchange gain.

### **The 2018 effective income tax rate was 23.5% versus 21.3% in 2017:**

- The effective rate for 2018 reflects the recurring positive effect of the U.S. tax reform;
- The effective rate for 2017 benefited from the favourable impact of an \$11.3M adjustment to deferred tax liabilities following the U.S. tax reform adopted in December 2017. Without this adjustment, the 2017 effective rate would have been 30.6%.

### **Profit attributable to shareholders of \$66.4M in 2018 vs \$89.9M in 2017 and EPS of \$9.50 vs \$12.87 in 2017:**

- Excluding the impact of the OOB acquisition in 2018 and the impacts in 2017 of the tax adjustment and the gain on disposal of capital assets, the 2018 profit attributable to shareholders would have been down \$7.2M year over year.

# HIGHLIGHTS – FISCAL 2018

## Consolidated Statements of Financial Position



In millions of \$	As at December 31			% Δ	% Δ
	2018	2017	2016	18 vs 17	17 vs 16
<b>Non-cash working capital</b>	<b>196.2</b>	145.0	169.5	<b>35.3%</b>	-14.5%
<b>Property, plant and equipment</b>	<b>305.6</b>	273.3	268.8	<b>11.8%</b>	1.7%
<b>Total assets</b>	<b>1,318.6</b>	1,055.7	1,103.6	<b>24.9%</b>	-4.3%
<b>Net Debt</b>				<b>\$ Δ</b>	
				<b>18 vs 17</b>	
Long-term debt	<b>297.2</b>	158.9	242.5	<b>138.3</b>	
Current portion of long-term debt	<b>24.6</b>	9.8	10.0	<b>14.8</b>	
Bank overdraft	<b>-</b>	5.0	6.4	<b>(5.0)</b>	
Minus: Cash and cash equivalents	<b>(4.6)</b>	(16.2)	(0.5)	<b>11.6</b>	
	<b>317.2</b>	157.5	258.4	<b>159.7</b>	
<b>Net debt/Total assets</b>	<b>24.1%</b>	14.9%	23.4%		

\* The indebtedness of our U.S. subsidiaries was US\$191.1 M as at December 31, 2018, whereas the Company had borrowed US\$481.7 M to carry out its three U.S. acquisitions.

# HIGHLIGHTS – FISCAL 2018

## Free Cash Flow Analysis



In millions of \$

	Years ended		Variance 2018-2017
	2018	2017	
<b>Free cash flow</b>			
<b>Profit</b>	<b>68.0</b>	95.5	(27.5)
<b>Adjustments</b>			
Amortization and Depreciation	<b>48.8</b>	45.2	3.6
Pension plans, income tax and other	<b>5.7</b>	(0.9)	6.6
Change in non-cash working capital	<b>(7.8)</b>	5.1	(12.9)
<b>Cash flows from operating activities</b>	<b>114.7</b>	144.9	(30.2)
Dividends paid	<b>(21.2)</b>	(17.4)	(3.8)
Acquisition of PP&E and intangibles	<b>(35.4)</b>	(38.0)	2.6
Net proceeds from the disposal of PP&E	<b>0.1</b>	2.2	(2.1)
	<b>58.1</b>	91.7	(33.6)
Business acquisitions	<b>(196.9)</b>	-	(196.9)
<b>Free cash flow</b>	<b>(138.8)</b>	91.7	(230.5)
<b>Used (Financed) as follows:</b>			
Decrease (increase) in net debt*	<b>(139.0)</b>	91.7	(230.7)
Non-controlling interest	<b>(2.6)</b>	-	(2.6)
Repurchase of shares	<b>2.8</b>	-	2.8
	<b>(138.8)</b>	91.7	(230.5)

\* Before currency translation effect



# HIGHLIGHTS – SECOND QUARTER 2019

## Earnings



In millions of \$  
(except EPS)

	Second Quarters ended				First Six Months ended			
	June 29	June 30	% Δ	\$ Δ	June 29	June 30	% Δ	\$ Δ
	2019	2018	19 vs 18	19 vs 18	2019	2018	19 vs 18	19 vs 18
<b>Sales</b>	<b>419.7</b>	<b>390.9</b>	<b>7.4%</b>	28.8	<b>823.3</b>	<b>748.6</b>	<b>10.0%</b>	74.7
<b>Operating profit</b>	<b>27.5</b>	<b>28.0</b>	<b>-1.8%</b>	(0.5)	<b>50.9</b>	<b>50.4</b>	<b>1.0%</b>	0.5
<i>Operating profit/Sales</i>	<i>6.6%</i>	<i>7.2%</i>			<i>6.2%</i>	<i>6.7%</i>		
<b>Profit attributable to shareholders</b>	<b>15.6</b>	<b>18.1</b>	<b>-13.8%</b>	(2.5)	<b>28.2</b>	<b>32.6</b>	<b>-13.7%</b>	(4.4)
<b>EBITDA</b>	<b>41.7</b>	<b>40.0</b>	<b>4.4%</b>	1.7	<b>79.2</b>	<b>73.3</b>	<b>8.1%</b>	5.9
<b>Earnings per share (EPS)</b>	<b>2.25</b>	<b>2.59</b>	<b>-13.1%</b>	(0.34)	<b>4.05</b>	<b>4.67</b>	<b>-13.3%</b>	(0.62)

	As at		
	June 29	Dec. 31	\$ Δ
	2019	2018	19 vs 18
<b>Net Debt</b>			
Long-term debt (including current)	<b>312.5</b>	321.8	<b>(9.3)</b>
Lease Liabilities (IFRS 16)	<b>27.4</b>	-	<b>27.4</b>
Bank overdraft	<b>8.6</b>	-	<b>8.6</b>
Minus: Cash and cash equivalents	<b>(1.0)</b>	(4.6)	<b>3.6</b>
	<b>347.5</b>	317.2	<b>30.3</b>



# HIGHLIGHTS – SECOND QUARTER 2019

## Earnings (cont'd)

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### **Sales of \$419.7M, ↑ \$28.8M from \$390.9M in 2018:**

- Excluding a favourable foreign exchange impact of \$8.1M, sales in 2019 were up \$20.7M (5.3%), mainly due to:
  - Increase in OOB's sales due to full quarter: + \$19.3M for the quarter;
  - Private label sales were up \$6.1M while lower national brand sales volume decreased sales by \$5.7M;
  - A \$0.9M favourable change in the sales mix of national brands.

### **Operating profit of \$27.5M, ↓ \$0.5M from \$28.0M in 2018:**

- Excluding OOB's acquisition impact of \$5.4M, operating profit was down \$5.9M. This decrease reflects the following items:
  - A lower gross margin reported by the Company's U.S. operations, largely resulting from higher apple concentrate and plant costs;
  - An increase in the gross margin from the Canadian operations resulting from higher selling prices, partly offset by an unfavourable foreign exchange impact and higher input costs;
  - An increase in selling and administration expenses due to an increase in transportation costs and higher marketing expenses, partly offset by lower performance-related salary expenses;
  - The adoption of IFRS 16 on January 1 2019, which had a \$0.2M favourable impact on the 2019 second-quarter operating profit.

# HIGHLIGHTS – SECOND QUARTER 2019

## Earnings (cont'd)

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### **Financial expenses of \$4.9M vs \$3.3M in 2018, ↑ \$1.6M:**

- A \$1.3M increase in interest expenses, primarily resulting from the financing of the OOB acquisition;
- A \$0.3M interest expense on lease liabilities resulting from the adoption of IFRS 16 on January 1, 2019.

### **“Other (gains) losses”: Loss of \$1.5M in 2019 vs less-than-\$0.1M gain in 2018:**

- The 2019 second-quarter loss was mostly attributable to an unfavourable change in the fair value of financial instruments contracted to cover frozen concentrated orange juice (FCOJ) price fluctuations, whereas the 2018 gain was mainly attributable to foreign exchange gains.

### **Effective income tax rate of 23.5% in Q2-2019 vs an effective income tax rate of 24.1% in Q2-2018.**

### **Profit attributable to shareholders of \$15.6M in 2019, ↓ \$2.5M vs \$18.1M in 2018 and EPS of \$2.25 vs \$2.59 in 2018:**

- Excluding the impact of the OOB acquisition, the 2019 second-quarter profit attributable to the Company's shareholders was down \$3.7M year over year.

# DIVIDENDS AND OUTLOOK

## Second quarter of fiscal 2019

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### **Dividend:**

- Quarterly dividend of \$0.595 per share (payable on September 13, 2019 for Q3);
- Down 26.5% from 2018;
- On an annualized basis, approximately 25% of 2018 profit attributable to shareholders.

### **Outlook:**

- The Company's sales were up 7.4% in the second quarter of 2019 when compared to the second quarter of 2018. Excluding foreign exchange impacts and the impact of the OOB acquisition, this adjusted sales increase was 0.4%. Barring any significant external shocks (and excluding foreign exchange impacts and the impact of OOB's sales to maintain a comparable basis), the Company expects that, for 2019, its consolidated annual sales growth rate will be slightly above that of 2018;
- The Company expects its use of investing cash flows to be higher in 2019 than the average of the past five years, as two major investment projects will be undertaken to provide the Company with additional capacity for fruit juice and drinks and specialty food products. The Company believes that its use of investing cash flows could reach between \$45M and \$55M in 2019;
  - These disbursements will have a limited impact on the Company's profit for 2019 and will primarily affect its cash flows.

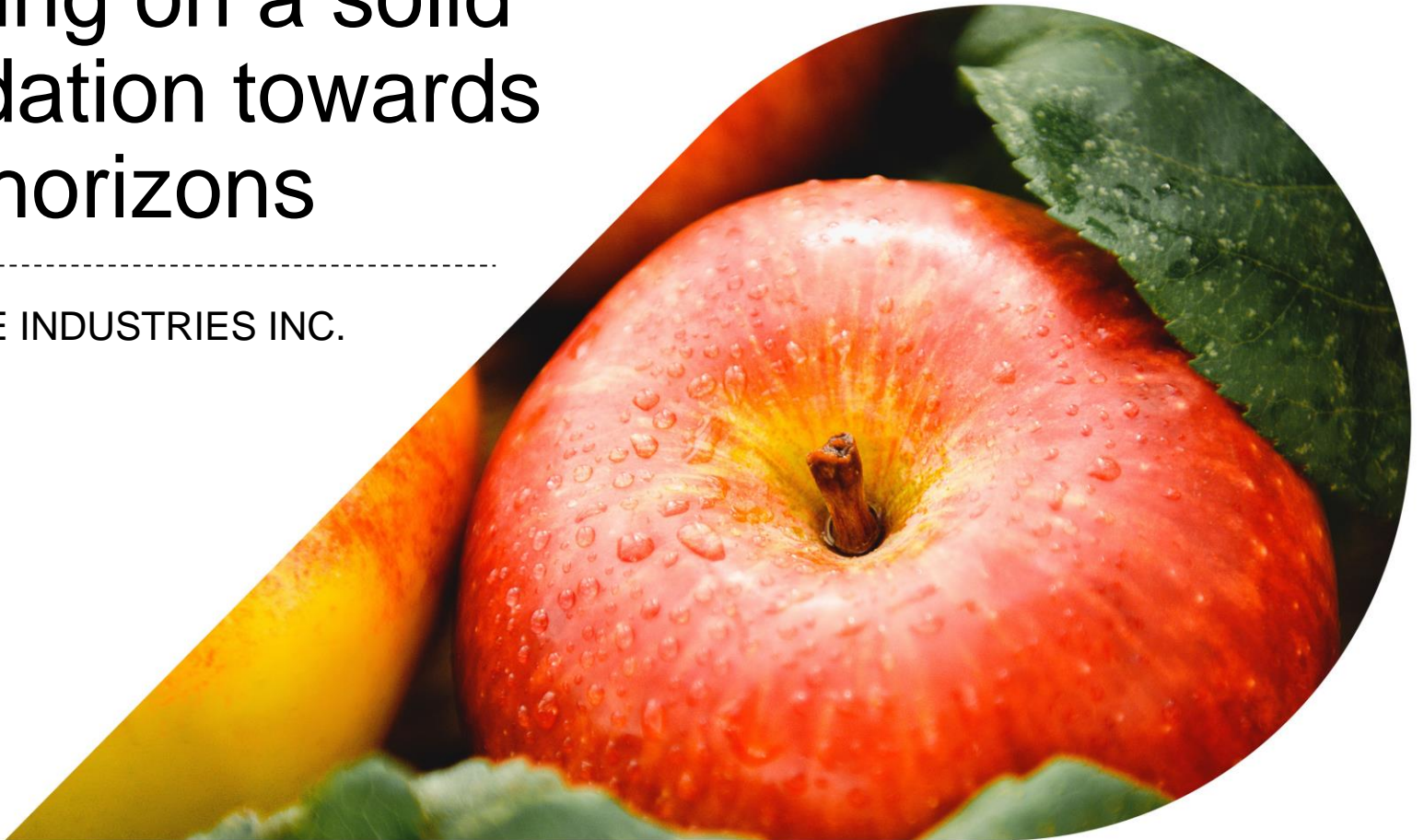


Lassonde

# Building on a solid foundation towards new horizons

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LASSONDE INDUSTRIES INC.



# OVERVIEW



2018 Sales:

**1,594.0 M\$**

Cash flows from operating activities:

**114.7 M\$**



## A. Lassonde

The Canadian leader in the development, manufacture, and marketing of fruit juices and drinks.

## Lassonde Specialties

Develops, manufactures, and markets specialty food products.

## Arista Wines

Imports and markets selected wines and manufactures apple ciders and cider-based beverages.

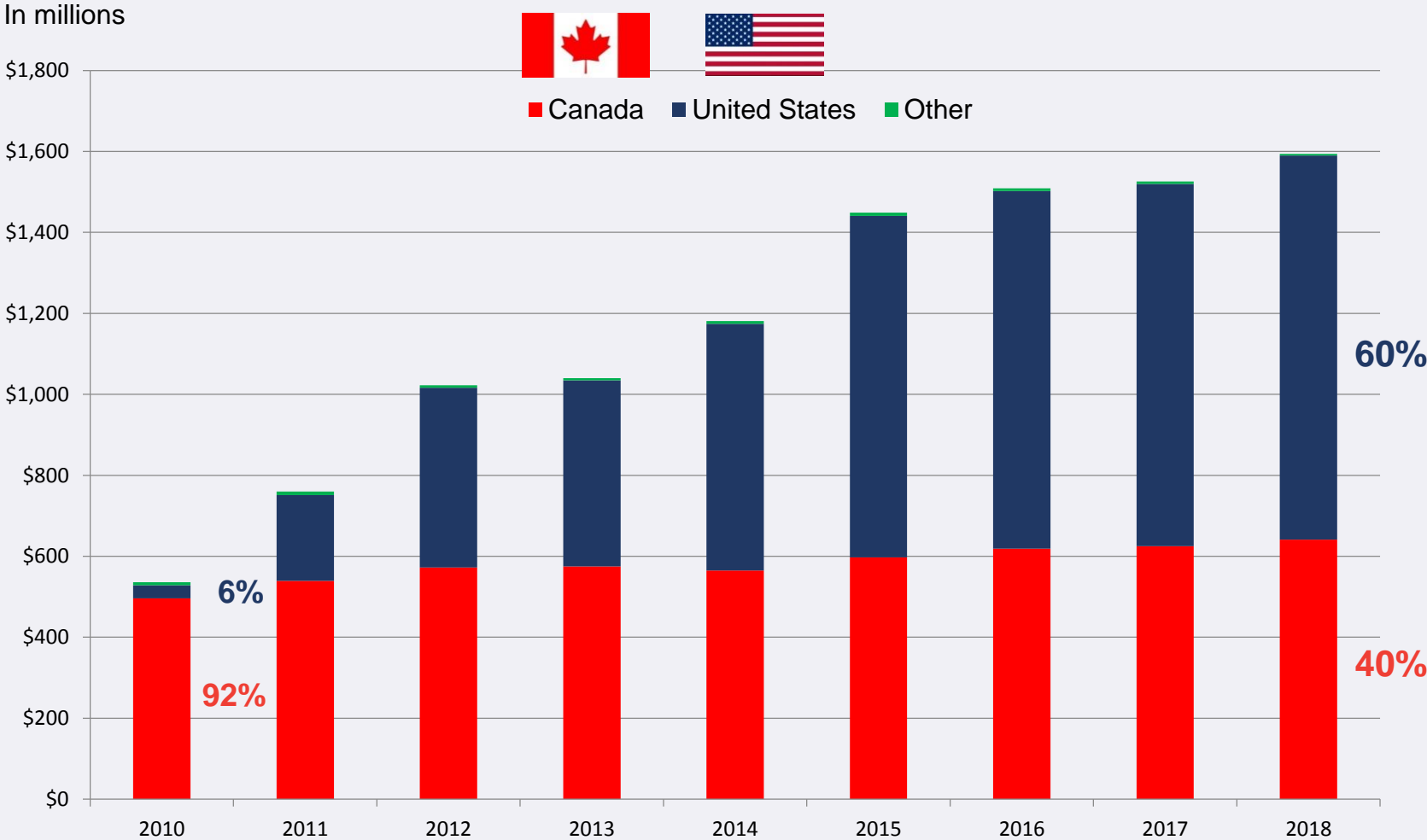
## Lassonde Pappas and Company



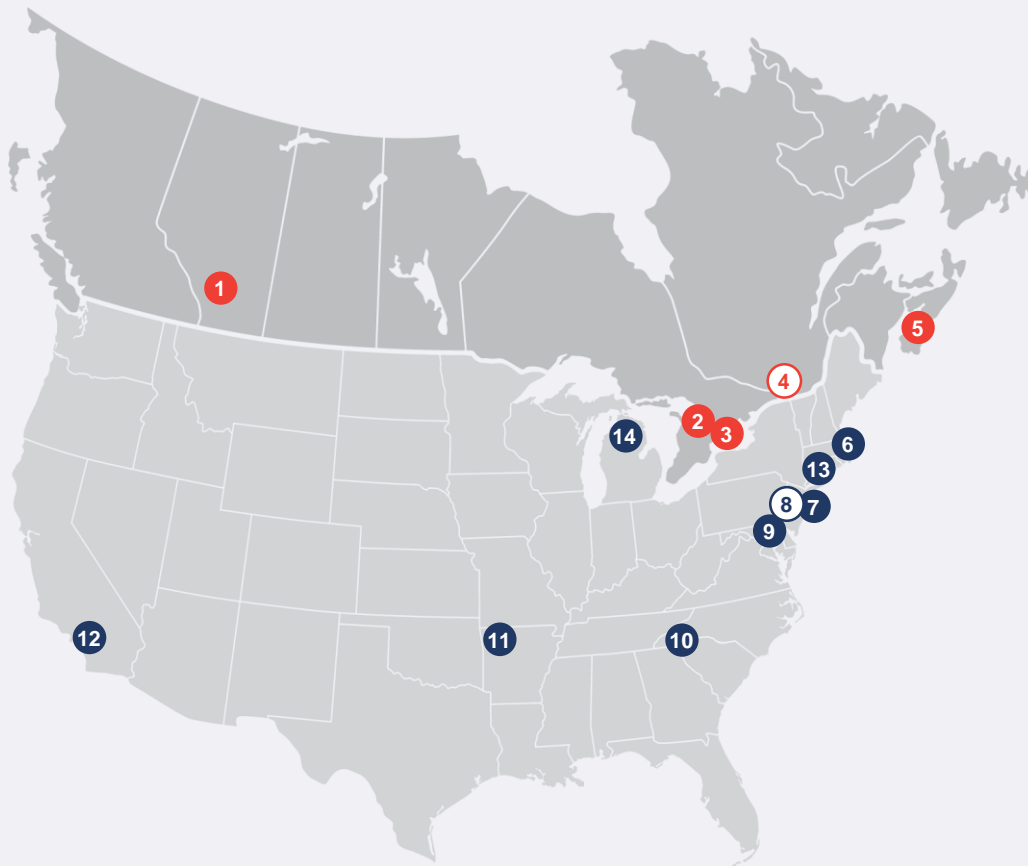
An American leader in the development, manufacture, and marketing of private label and national brand fruit juices and drinks.



# GEOGRAPHIC SALES DISTRIBUTION



# LASSONDE TODAY



- Canada
- United States
- Head office
- Head office

1. Calgary (AB)
  2. Thornbury (ON)
  3. Toronto (ON)
  4. Rougemont, Saint-Damase, Boisbriand (QC)  
head office and multiple facilities
  5. Port Williams (NS)
- 
6. Carver (MA)  
cranberry receiving station
  7. Seabrook (NJ)
  8. Carneys Point (NJ)  
LPC head office
  9. Baltimore (MD)
  10. Mountain Home (NC)
  11. Springdale (AR)
  12. Ontario (CA)
  13. Port Washington (NY)  
Apple & Eve
  14. Sparta (MI)  
Old Orchard Brands



# COMPETITIVE ENVIRONMENT

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## **Lassonde faced a difficult competitive environment in a context of significant cost increases in 2018:**

- In January 2018, a major European company acquired the bottling business of the Company's main US competitor, thereby changing the structure of the private label fruit juice and drinks offering in the United States;
- Input costs were up by approximately \$13M due to the increased costs of apple concentrate and the higher cost of PET resin;
- Freight and storage costs were up by approximately \$19M due to changes in regulations and a shortage of drivers;
- The cost of labour at two of the Company's main plants has also been subject to strong inflationary pressures because of the extremely low unemployment rate in New Jersey and North Carolina;
- The growth of online and discounted retail trade, as well as the reaction of traditional retailers to this increased competition, has the effect of limiting the Company's ability to increase its prices in this context of high inflation.

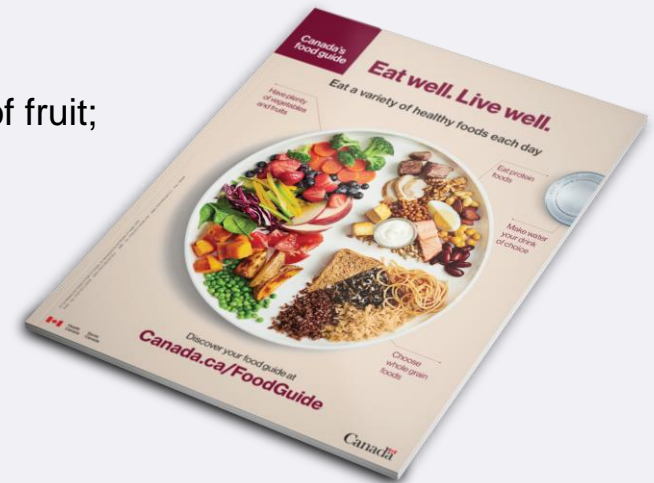
# CANADA FOOD GUIDE



The new Canada Food Guide was published in January 2019.

- **1977 to 2007:** 125 ml of 100% juice is equivalent to one serving of fruit;
- **2019:** 100% juice is considered a sweet drink to be consumed in moderation.

A Leger Marketing survey of **1,518 Canadians** in April 2019 revealed that:



## 76%

of respondents have a positive view of 100% juice and this figure is consistent with the results of surveys conducted over the years

## 79%

of respondents know that 100% juice contains only the natural sugar of the fruit

## 21%

have actually read the new version of Canada's Food Guide

## We know that:

- Juice is a minimally processed product and comes from fruits that do not meet the standards for the fresh fruit market;
- 100% juice is better than the fruit that is not consumed: **fruit and vegetable consumption is down 13% between 2004 and 2015 in Canada**<sup>1</sup>. In the United States, **only 12% of adults** consume the recommended daily portion of fruits;<sup>2</sup>
- People who drink 100% juice have a higher quality diet<sup>3</sup>, including greater consumption of whole fruits. 100% pure juice complements fruit consumption, rather than competing with it.

## 100% juice contains:

Water  
Protein  
Lipids  
Carbohydrates  
Fiber

Sugars (from fruit)  
Minerals  
Iron  
Magnesium  
Potassium  
Zinc

Vitamin C  
Vitamin B1  
Vitamin B2  
Vitamin B3  
Vitamin B6  
DFE Folate  
Vitamin A  
Vitamin E



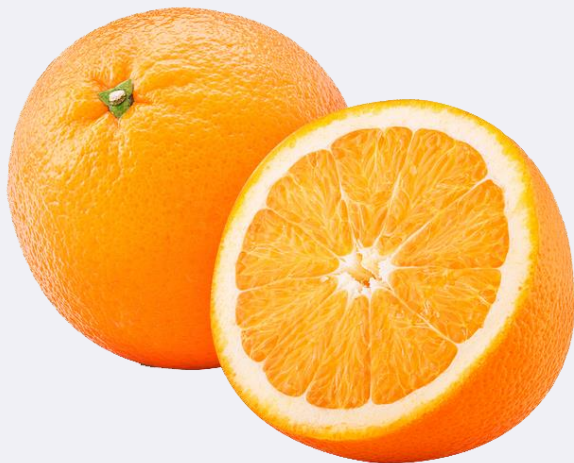
<sup>1</sup> Differences in the Quantity and Types of Foods and Beverages Consumed by Canadians between 2004 and 2015. *Nutrients* 2019.

<sup>2</sup> State Indicator Report on Fruits and Vegetables, *CDC* 2018.

<sup>3</sup> C.E. O'Neil et coll. Diet quality is positively associated with 100% fruit juice consumption in children and adults in the United States, 2011.

The molecular biodiversity of the juice is comparable to that of the fruit.

In terms of vitamins and minerals, there is nothing closer to a fruit than 100% juice.



Nutrient	Unit	Orange 100 g	Orange juice 100 g
<b>Proximate analysis</b>			
Water	g	86.75	87.22
Energy	kcal	47	49
Protein	g	0.94	0.68
Lipids	g	0.12	0.12
Carbohydrates	g	11.75	11.54
Fibre	g	2.4	0.3
Sugars (from fruit)	g	9.35	8.31
<b>Minerals</b>			
Iron	mg	0.10	0.13
Magnesium	mg	10	11
Potassium	mg	181	178
Zinc	mg	0.07	0.07
<b>Vitamins</b>			
Vitamin C	mg	53.2	33.6
Vitamin B1	mg	0.087	0.046
Vitamin B2	mg	0.04	0.039
Vitamin B3	mg	0.282	0.028
Vitamin B6	mg	0.060	0.076
Folate	µg	30	19
Vitamin A	IU	225	42
Vitamin E	mg	0.18	0.20

The molecular biodiversity of the juice is comparable to that of the fruit.

In terms of vitamins and minerals, there is nothing closer to a fruit than 100% juice.



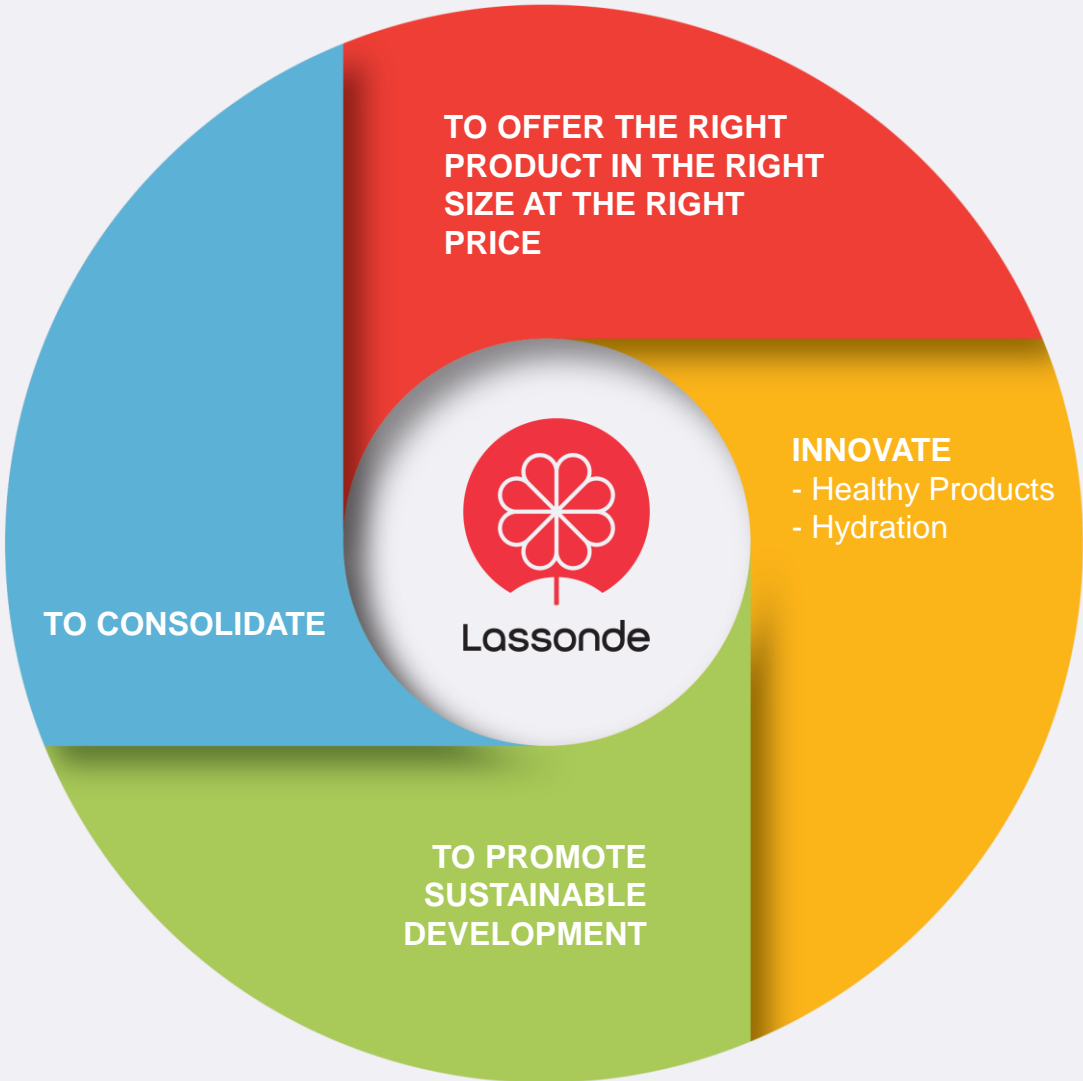
Nutrient	Unit	Apple 100 g	Apple juice 100 g
<b>Proximate analysis</b>			
Water	g	85.56	88.24
Energy	kcal	52	46
Protein	g	0.26	0.10
Lipids	g	0.17	0.13
Carbohydrates	g	13.81	11.3
Fibre	g	2.4	0.2
Sugars (from fruit)	g	10.39	9.62
<b>Minerals</b>			
Iron	mg	0.12	0.12
Magnesium	mg	5	5
Potassium	mg	107	101
Zinc	mg	0.04	0.02
<b>Vitamins</b>			
Vitamin C	mg	4.6	38.5
Vitamin B1	mg	0.017	0.021
Vitamin B2	mg	0.026	0.017
Vitamin B3	mg	0.091	0.073
Vitamin B6	mg	0.041	0.018
Folate	µg	3	0
Vitamin A	IU	54	1
Vitamin E	mg	0.18	0.01

## Our initiatives:

- Since 2014, our product development strategy has focused primarily on hydration and health;
- By 2025, we will have reduced the sugar content of our products by 20% compared to 2015 values;
- Communication campaigns are being developed to promote the benefits of 100% fruit juice:
  - Together with other juice companies, we founded the Canadian Fruit Juice Council and continue to participate in the work of the U.S. Juice Product Association.



# CORPORATE STRATEGY





# CONSOLIDATE



- To remain relevant to both our customers and our suppliers;

## Acquisition of Old Orchard Brands

- Improves the company's manufacturing footprint in the United States against a backdrop of rising transportation costs;
- Resulted in a contract with a major client;
- Provides access to the concentrate/frozen juice market, a solution with a smaller environmental footprint.



# RIGHT PRODUCT, RIGHT SIZE, RIGHT PRICE



## Increased production capacity at Lassonde Specialties:

- Average growth rate of sales over 5 years (CAGR): **14.2%**
- Average growth rate of EBITDA over 5 years: (CAGR): **28.7%**
- Total investment of nearly \$30.0M to double production capacity for low acidity products.



Additions to the Stefano Faita sauces



Investments at the Boisbriand plant

## Packaging – goals by 2025

- Commit to finding solutions to replace plastic straws;
- Aim for 20% post-consumer recycled content in our packaging;
- Use 100% recyclable packaging for our products;
- Work with governments, industry and associations to promote the collection of recyclables.





# SUSTAINABLE DEVELOPMENT

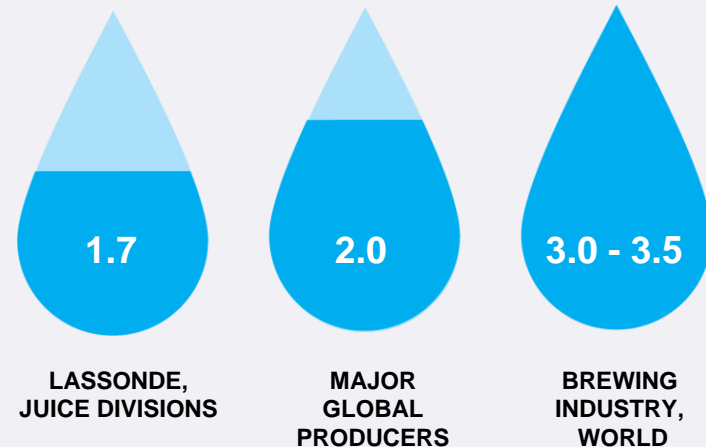


## Water

- Lassonde is a world leader in reducing the amount of water used to produce each liter of juice;
- Investments in our Boisbriand plant will enable us to reduce its water consumption by **67%**.



### AVERAGE WATER CONSUMED TO PRODUCE ONE LITRE OF FINISHED PRODUCT - 2018



## HEALTH

Promote healthy lifestyle habits by reducing the amount of sugar and calories in our products

# INNOVATE – HEALTHY PRODUCTS AND HYDRATION



**Innovate in our current market segments:  
fruit juices and drinks, iced tea, ready-to-drink infusions and smoothies**

- Accelerate innovation and pursue growth opportunities;
- Improve our operational efficiency to increase our profitability;
- Maximize existing industrial capacity.

**Enter adjacent segments to ensure long-term growth:  
flavoured water (regular and sparkling), sparkling juices,  
protein drinks**

- Sales growth;
- Industrial capacity development for some segments.



# INNOVATE – HEALTHY PRODUCTS AND HYDRATION



## We prioritize two segments in product development:

- Health and well-being;
- Hydration.

## Health and wellness: sugar reduction efforts between 2014 and 2018

- We have introduced many products with less sugar and fewer calories (Oasis Hydrafruit, Infusion, Fruit Drop) and with added benefits (Probiotics, Protein Smoothies).



2014

2015

2016

2017

2018

# INNOVATE – HEALTHY PRODUCTS AND HYDRATION



## New products in 2019: even more hydration solutions



**FRUIT DROP  
SPARKLING 1 L**



**OASIS MORNING  
SMOOTHIE 1.36 L**



**DEL MONTE PRUNE  
NECTAR 945 ML**



**OASIS INFUSION 1 L**



**DEL MONTE COCONUT  
WATER 1 L**



**ARIZONA 200 ML**



# INNOVATE – HEALTHY PRODUCTS AND HYDRATION



## MISSION:

- Provide naturally good, flavourful and specialized solutions that help people with unique dietary needs enjoy healthier and happier lives. True to our legacy as innovators, we can do that + more.

## VISION:

- Be a key player in selected hydration and nutrition solutions.



# ACTION PLAN: LASSONDE PAPPAS

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## **Sharpen LPC's competitive edge:**

- Disciplined management of the contribution margin required for the use of the Company's production capacity: gradual elimination of low margin customers;
- Selective increase in selling prices based on an optimization of the analysis of total cost per client (cost of sales, warehousing and transportation costs);
- Rigorous monitoring of price adjustments taking into account the current volatility of costs and the actions of the Company's main private label competitor;
- Reap the benefits of added sales volumes from a major customer (as of May 2019).

## **Investments in talent and capital:**

- Modify the organizational structure to promote greater accountability of the sales force in both national brands and private label;
- Promote the sharing of resources and knowledge among the various entities of the group;
- Add flexibility to existing production lines to allow alternate production of multi-serve and single-serve formats.

# ACTION PLAN: LASSONDE PAPPAS



## Production and supply chain:

- Optimize fixed production costs by conducting a detailed analysis of cost drivers and identifying activities that do not create added value for the Company;
- Assess the automation potential of certain production activities. Labour scarcity has the effect of accelerating the payback and return on investment of automation projects;
- Reinvestment in logistics management resources. The transportation market has become more complex and requires much more than just an online bidding system.

## Better brand positioning:

- Maximize the impact of marketing expenditures and promotional activities by focusing efforts on markets where Lassonde Pappas brands have a strong presence;
- Expand national brand sales volume by adding hydration products in categories adjacent to fruit juices and drinks.
- Increase penetration of private label products in convenience stores.



**Focus on the  
Northeastern United  
States**



**Focus on the  
Midwestern United  
States**



Premium

Mid-Price

Value

# FOLLOW-UP ON 2018 PRIORITIES



Finalize the Old Orchard Brands acquisition and start the integration process.

Acquisition completed on May 31, 2018



Raise the production capacity of Lassonde Specialties to meet the needs of the strong growth of this subsidiary. This \$23M investment program will begin in 2018 and be spent over a three-year period.

SLI investment program is progressing according to plans and budget



Reap the benefits of the added capacity from the new production line for family-sized plastic bottles in Canada. It has been operational since April 2018.

The new production line is fully operational and capacity utilization is already at 55%



Support organic growth through innovation (national brands) and by developing new solutions for customers (private brands).

Strong organic growth in Canada while U.S. sales were slightly down in a declining market



Maintain the profitability of our U.S. operations in a context of inflationary pressures and heightened competition.

Lassonde did not maintain the profitability of its US operations due to significant cost increases



Add a new production line for single-serve products in the United States to expand Lassonde's offering in this fast-growing segment. This investment program of approximately US\$30M is expected to be completed at the end of 2019.

Lassonde is exploring different types of packaging solution given the current competitive environment



Maintain the pace of debt repayment despite significant equipment investments aimed at raising capacity and producing new types of packaging in both Canada and the United States.

Free cash flow of \$58.1M in spite of a decline in the Company's earnings



# 2019 PRIORITIES



- 
- Restore the profitability of our U.S. operations through disciplined application of the minimum contribution margin for the use of the Company's production capacity.
  - Pursue the investment program of Lassonde Specialties to meet the needs stemming from strong growth of that subsidiary. The investment program of roughly \$30M extends over three years.
  - Encourage the Company's organic growth by adding low-calorie hydration products in both single-serve and family formats and by developing new solutions for our private label customers (single-serve isotonic products).
  - Step up Lassonde's presence in the wine market in Canada by participating actively in the development of the grocery store wine market in Ontario.
  - Continue integrating OOB in order to fully realize the synergies from this acquisition and take advantage of the logistical benefits of adding the Sparta plant to our manufacturing footprint.
  - Acquire the capacity to produce frozen juice concentrates in Canada.
  - Increase sales of "Health and Nutrition" products by developing solutions tailored to consumers with particular needs.
  - Maintain the pace of debt repayment despite major investments in equipment designed to increase capacity in both Canada and the U.S.





# Financial Performance

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LASSONDE INDUSTRIES INC.



# SELECTED FINANCIAL INFORMATION

## 5 years



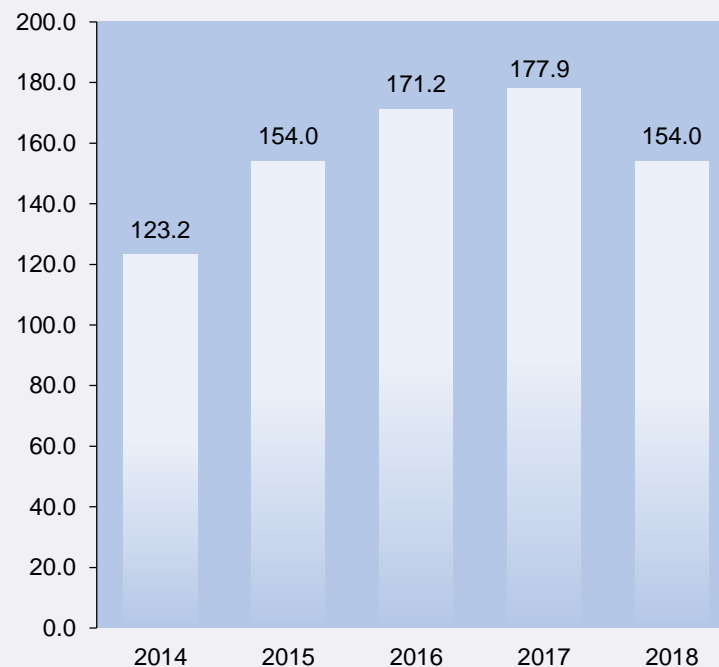
### Sales (in millions of \$)

**\*CAGR 5 years: 8.9%**



### EBITDA (in millions of \$)

**\*CAGR 5 years: 5.9%**



**Fruit Juices and Drinks CAGR 5 years:**  
**Canadian market = -1.0% U.S. market = -1.3%**

\* Compounded average growth rate



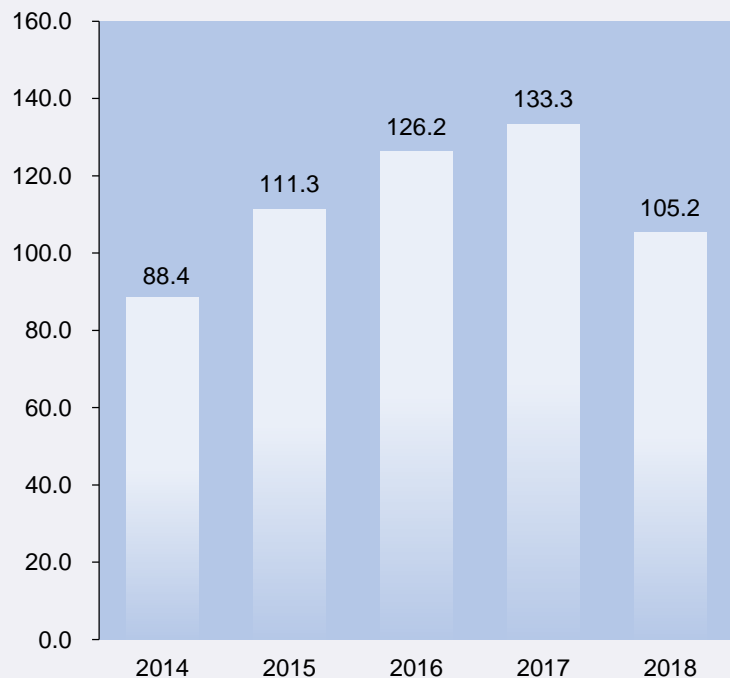
# SELECTED FINANCIAL INFORMATION

## 5 years (cont'd)



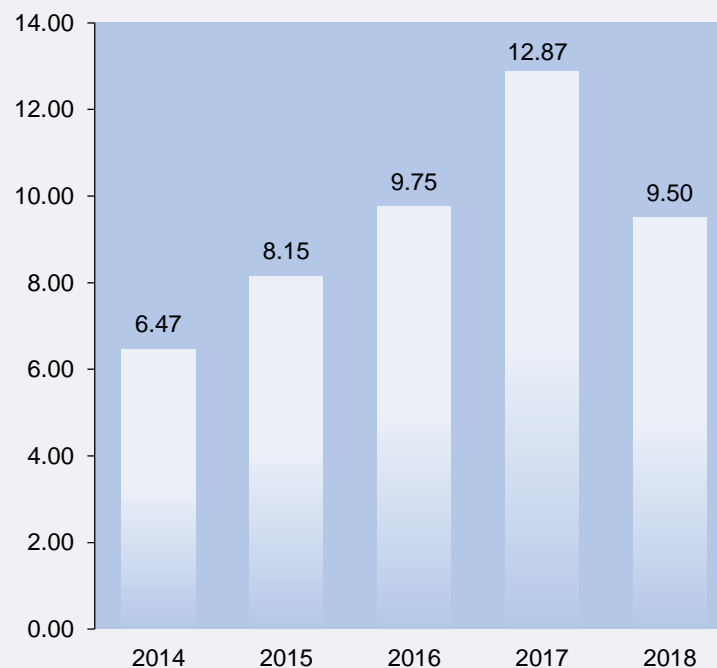
### EBIT (in millions of \$)

\*CAGR 5 years: 4.8%



### EPS (in \$)

\*CAGR 5 years: 8.1%



\* Compounded average growth rate



# Questions

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LASSONDE INDUSTRIES INC.





Lassonde

# LASSONDE INDUSTRIES INC.

## CORPORATE PRESENTATION

Financial Results for  
Fiscal 2018 and  
Second Quarter 2019

August 9, 2019

