Lassonde

Lassonde Industries Inc.

Interim Management's Discussion & Analysis – First quarter ended April 3, 2021

The following Management's Discussion and Analysis ("MD&A") presents the results, financial position, and cash flows of Lassonde Industries Inc. (the "Company") and should be read in conjunction with its unaudited interim condensed consolidated financial statements ("interim consolidated financial statements") and accompanying notes. In addition to containing an analysis of the first quarter ended April 3, 2021, this MD&A reports on items deemed significant that have taken place from April 3, 2021 up to and including May 7, 2021, which is the date on which this MD&A was approved by the Company's Board of Directors.

The financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information, including the Annual Information Form and certifications of filings for the first quarter of 2021, is available on the SEDAR website at www.sedar.com. Unless otherwise indicated, the reporting currency for figures in this document is the Canadian dollar.

Forward-Looking Statements and Use of Estimates

Any statement contained in this report that does not constitute a historical fact may be deemed a forward-looking statement. Verbs such as "believe," "expect," "estimate" and other similar expressions, in addition to the negative forms of these terms or any variations thereof, appearing in this report generally indicate forward-looking statements. 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 and 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 annual MD&A for the year ended December 31, 2020.

In preparing interim consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of the assets, liabilities, revenues and expenses reported and on the contingent liability and contingent asset information provided.

The main assumptions and estimates used by management are as follows:

- Measurements of revenues from product sales;
- Measurements of the quarterly effective tax rate;
- Measurements of right-of-use assets and lease liabilities;
- Measurements of defined benefit assets and liabilities;
- Measurements of non-financial assets;
- Purchase price allocations of businesses acquired as part of business combinations; and
- Fair value measurements of financial instruments classified in Level 3.

Because the use of assumptions and estimates is inherent to the financial reporting process, the actual results of items subject to assumptions and estimates may differ from these assumptions and estimates.

Corporate Profile

Lassonde Industries Inc. develops, manufactures and markets 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 Company 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 Company develops, manufactures and markets specialty food products such as fondue broths and sauces as well as pasta 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.

The Company's principal operating subsidiaries are A. Lassonde Inc.; Apple & Eve, LLC; Arista Wines Inc.; Lassonde Pappas and Company, Inc. ("LPC"); Lassonde Specialties Inc.; and Old Orchard Brands, LLC ("OOB"). The Company produces superior quality products through the expertise of more than 2,700 people working in 17 plants across Canada and the United States. The shares of Lassonde Industries Inc. are listed on the Toronto Stock Exchange.

The Company is active in two market segments: the retail segment and the food service segment. Retail sales accounted for approximately 91% of total sales in 2020 and consist of (i) sales to food retailers and wholesalers such as supermarket chains, independent grocers, superstores, warehouse clubs, major pharmacy chains and (ii) online sales. Food service sales accounted for approximately 9% of total sales in 2020 and consist of sales to restaurants, hotels, hospitals, schools and wholesalers serving these institutions.

The Company's national brands are sold in various packages under several proprietary trademarks, including Antico, Apple & Eve, Arte Nova, Canton, Double Vie, Dublin's Pub, Everfresh, Fairlee, Fruité, Grown Right, Kiju, Mont-Rouge, Northland, Oasis, Old Orchard, Orange Maison, Rougemont, Ruby Kist, Sun-Rype, The Switch, Tropical Grove, as well as under trademarks for which the Company is a licensed user such as Allen's, Arizona, Del Monte, Graves, Nature's Best, and Tetley. On an annual basis, the Company's sales are geographically broken down as follows: 58.0% of the Company's sales are made in the United States, 41.7% in Canada and 0.3% in other countries.

In the normal course of operations, the Company is involved in apple and cranberry processing. These processing activities take place mainly from August to November. Processing the harvested fruit crops generally increases inventory levels during the last quarter of the year.

Overall Performance

For the first quarter of 2021, the Company's sales totalled $466.8 million, down $5.6 million or 1.2% from $472.4 million in the same quarter of 2020. Excluding a $16.0 million unfavourable foreign exchange impact, the Company's first-quarter sales were up $10.4 million or 2.2% year over year. This increase was largely due to an increase in sales of private label products and a favourable change in the sales mix of national brands, partly offset by a decrease in Canada in the sales volume of national brands. It is important to remember that sales for March 2020 benefited from an unusual increase in volume resulting from the accumulation of food reserves related to the pandemic.

The Company's operating profit for the first quarter of 2021 totalled $31.4 million, up $1.1 million from $30.3 million in the same quarter last year. This increase came from an increased profitability from the Canadian operations, mainly due to (i) a higher gross margin, explained by a favourable change in the sales mix and an improvement in the production rate at one of the Company's plants, which had been slowed in 2020 by investment-related activities, and to (ii) lower selling and marketing expenses, partly offset by higher warehousing costs. As for the U.S. operations, the profitability is down essentially due to higher transportation and warehousing costs, partly offset by a higher gross margin attributable to a favourable change in the sales mix.

The Company's financial expenses went from $5.0 million in the first quarter of 2020 to $3.0 million in the first quarter of 2021. This decrease was essentially due to a decrease in the interest expense on long-term debt resulting from a lower debt level.

"Other (gains) losses" went from a $3.4 million gain in the first quarter of 2020 to a $0.5 million loss in the first quarter of 2021. This 2021 first-quarter loss was essentially due to a $0.4 million loss resulting from a change in the fair value of financial instruments, whereas the 2020 first-quarter gain was mainly due to $3.1 million in foreign exchange gains resulting from the impact of a strong appreciation at quarter-end of the U.S. dollar against the Canadian dollar.

Profit before income taxes stood at $27.7 million in the first quarter of 2021, down $0.8 million from $28.5 million in the first quarter of 2020.

Income tax expense went from $4.7 million in the first quarter of 2020 to $7.3 million in the first quarter of 2021. At 26.2%, the 2021 first-quarter effective income tax rate is significantly higher than the 16.7% rate in the same quarter of 2020. The 2020 first-quarter effective income tax rate reflected the impact of incentive measures adopted by the U.S. government to help businesses deal with the COVID-19 crisis. Excluding this item, the 2021 first-quarter effective income tax rate remains slightly higher than the adjusted rate in the same quarter of 2020 and mainly reflects a decrease in the deductible amounts on the Company's interest expense.

The 2021 first-quarter profit totalled $20.5 million, down $3.2 million from $23.7 million in the first quarter of 2020.

Profit attributable to the Company's shareholders was $20.1 million, resulting in basic and diluted earnings per share of $2.90 for the first quarter of 2021. In the first quarter of 2020, profit attributable to the Company's shareholders had totalled $22.9 million, resulting in basic and diluted earnings per share of $3.31.

The Company's operating activities generated $4.4 million in cash during the first quarter of 2021, while they had generated $24.9 million in cash during the same quarter last year. Financing activities generated $3.1 million in cash during the first quarter of 2021, while they had generated $110.3 million in the same quarter of 2020. During the first quarter of 2020, the cash inflows related to the financing of the acquisition of Sun-Rype Products Ltd. and of two of its affiliates ("Sun-Rype") were $89.3 million, leaving a difference of $17.9 million on a comparable basis. Investing activities used $12.6 million in cash during the first quarter of 2021 compared to $93.2 million used in the same quarter of 2020. Excluding the $82.8 million in cash flows related to the Sun-Rype acquisition in 2020, investing activities used $2.2 million more cash than during the first quarter of 2020. At the end of the first quarter of fiscal 2021, the Company reported a cash and cash equivalents balance of $2.8 million and the bank overdraft balance was $1.2 million, whereas, at the end of the first quarter of 2020, the cash and cash equivalents balance was $31.7 million and the Company reported no bank overdraft.

Quarterly Financial Information

Consolidated Income Data

	First quarters ended	
(in thousands of dollars, unless otherwise indicated)	**April 3, 2021**	**March 28, 2020**
	$	$
Sales	**466,794**	472,446
Cost of sales	**335,197**	348,334
Selling and administrative expenses	**100,224**	93,788
(Gains) losses on capital assets	**(9)**	(24)
	435,412	442,098
Operating profit	**31,382**	30,348
Share in the profit or (loss) of an associate	**(126)**	(252)
Financial expenses	**3,025**	5,049
Other (gains) losses	**509**	(3,429)
Profit before income taxes	**27,722**	28,476
Income tax expense	**7,268**	4,742
Profit	**20,454**	23,734
Attributable to:		
Company's shareholders	**20,090**	22,947
Non-controlling interest	**364**	787
	20,454	23,734
Basic and diluted earnings per share *(in $)*	**2.90**	3.31
Weighted average number of shares outstanding *(in thousands)*	**6,934**	6,934

In the first quarter of 2021, sales totalled $466.8 million, down $5.6 million (1.2%) from $472.4 million in the first quarter of 2020. This decrease in sales was essentially due to the combined impact of the following items: (i) a $17.9 million increase in sales of private label products; (ii) a $16.0 million unfavourable foreign exchange impact; (iii) a $14.2 million decrease in the sales volume of national brands, mainly in Canada; (iv) a favourable change in the sales mix of national brands resulting in a $5.7 million increase in sales; (v) a favourable impact of a $1.1 million decrease in slotting fees; and (vi) selling price adjustments that had a $0.1 million unfavourable impact on national brand sales.

Cost of sales went from $348.3 million in the first quarter of 2020 to $335.2 million in the first quarter of 2021, down $13.1 million (3.8%). When compared to the 1.2% decrease in sales, this 3.8% decrease in cost of sales essentially reflects a favourable change in the sales mix and the positive impacts on labour costs and manufacturing overhead costs of an improvement in the production rate at one of the Company's plants.

Selling and administrative expenses went from $93.8 million in the first quarter of 2020 to $100.2 million in the first quarter of 2021, up $6.4 million. This increase came mainly from an increase in warehousing costs, higher transportation costs in the United States and an increase in salary expenses, partly offset by lower selling and marketing expenses in Canada.

The Company's operating profit for the first quarter of 2021 totalled $31.4 million, up $1.1 million from $30.3 million in the same quarter last year.

The Company's financial expenses went from $5.0 million in the first quarter of 2020 to $3.0 million in the first quarter of 2021. This decrease was essentially due to a decrease in the interest expense on long-term debt resulting from a lower debt level.

"Other (gains) losses" went from a $3.4 million gain in the first quarter of 2020 to a $0.5 million loss in the first quarter of 2021. This 2021 first-quarter loss was essentially due to a $0.4 million loss resulting from a change in the fair value of financial instruments, whereas the 2020 first-quarter gain was mainly due to $3.1 million in foreign exchange gains resulting from the impact of a strong appreciation at quarter-end of the U.S. dollar against the Canadian dollar.

Profit before income taxes stood at $27.7 million in the first quarter of 2021, down $0.8 million from $28.5 million in the first quarter of 2020.

Income tax expense went from $4.7 million in the first quarter of 2020 to $7.3 million in the first quarter of 2021. At 26.2%, the 2021 first-quarter effective income tax rate is significantly higher than the 16.7% rate in the same quarter of 2020. The 2020 first-quarter effective income tax rate reflected the impact of incentive measures adopted by the U.S. government to help businesses deal with the COVID-19 crisis. Excluding this item, the 2021 first-quarter effective income tax rate remains sligthly higher than the adjusted rate in the same quarter of 2020 and mainly reflects a decrease in the deductible amounts on the Company's interest expense.

The 2021 first-quarter profit totalled $20.5 million, down $3.2 million from $23.7 million in the first quarter of 2020.

Profit attributable to the Company's shareholders was $20.1 million, resulting in basic and diluted earnings per share of $2.90 for the first quarter of 2021. In the first quarter of 2020, profit attributable to the Company's shareholders had totalled $22.9 million, resulting in basic and diluted earnings per share of $3.31.

Interim Results

(in thousands of dollars, unless otherwise indicated)	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Q4 2019**	**Q3 2019**	**Q2 2019**
	$	$	$	$	$	$	$	$
Sales	**466,794**	515,065	495,207	498,207	472,446	432,127	422,882	419,746
Operating profit	**31,382**	38,907	40,018	42,658	30,348	24,964	24,952	27,549
Profit attributable to the Company's shareholders	**20,090**	23,538	25,333	25,998	22,947	28,466	15,345	15,600
Basic and diluted earnings per share *(in $)*	**2.90**	3.39	3.65	3.75	3.31	4.10	2.21	2.25
Adjusted EBITDA [i)]	**46,609**	56,837	55,966	58,521	45,802	39,250	39,268	41,727

i) For the definition, see the "Financial Measures Not in Accordance with IFRS" section of this MD&A.

Second Quarter of 2019

For the second quarter of 2019, the Company's sales totalled $419.7 million, up $28.8 million or 7.4% from $390.9 million in the second quarter of 2018. Sales from OOB stood at $31.7 million in the second quarter of 2019. OOB's sales had reached $12.4 million for the period of May 31, 2018 (the date when OOB began its operating activities under the Company's control) to June 30, 2018. Excluding OOB's sales and an $8.1 million favourable foreign exchange impact, the Company's second-quarter sales were up $1.4 million (0.4%) year over year. This increase was mainly due to an increase in sales of private label products, partly offset by a decrease in sales of national brand products.

The Company's operating profit for the second quarter of 2019 totalled $27.5 million, down $0.5 million from $28.0 million in the same quarter of 2018. OOB's operating profit was $4.1 million during the second quarter of 2019. For the period of May 31, 2018 to June 30, 2018, OOB had generated $0.2 million in operating profit, and, during the second quarter of 2018, the Company had incurred $1.5 million in expenses related to the OOB acquisition. Excluding the impact of the OOB acquisition, the Company's

2019 second-quarter operating profit was down $5.9 million year over year. This decrease was due to a lower gross margin from the Company's U.S. operations largely resulting from higher input costs, particularly affecting apple concentrate. As for the Canadian operations, the 2019 second-quarter gross margin was higher than that of the same quarter of 2018, mostly due to selling price adjustments, partly offset by an unfavourable foreign exchange impact, higher input costs, and the impact of a slower rate of production resulting from investment-related work in one of the Company's plants. The decrease in the Company's operating profit was also due to higher selling and administrative expenses explained by an unfavourable change in transportation costs and by an increase in marketing expenses aimed at intensifying the promotion of new products, partly offset by lower performance-related salary expenses. It should be noted that the adoption of IFRS 16 on January 1, 2019 had a $0.2 million favourable impact on the 2019 second-quarter operating profit.

The 2019 second-quarter profit attributable to the Company's shareholders was $15.6 million, resulting in basic and diluted earnings per share of $2.25. In the second quarter of 2018, profit attributable to the Company's shareholders had totalled $18.1 million, resulting in basic and diluted earnings per share of $2.59. Excluding the impact of the OOB acquisition, the 2019 second-quarter profit attributable to the Company's shareholders was down $3.7 million year over year.

Third Quarter of 2019

For the third quarter of 2019, the Company's sales totalled $422.9 million, up $4.3 million or 1.0% from $418.6 million in the third quarter of 2018. It should be noted that, during the third quarter of 2018, the Company had benefited from a favourable decision by a U.S. administrative tribunal on product classification and that reduced the customs duties paid in previous years by $2.6 million. Excluding this item and a $2.7 million favourable foreign exchange impact, the Company's third-quarter sales were up $4.2 million year over year. This increase was largely due to an increase in sales of private label products, partly offset by a decrease in sales of national brand products.

The Company's operating profit for the third quarter of 2019 totalled $25.0 million, down $4.1 million from $29.1 million in the same quarter of 2018. Excluding the favourable impact in 2018 of the $2.6 million reduction to customs duties paid in previous years, the Company's 2019 third-quarter operating profit was down $1.5 million year over year. This decrease was due to a lower gross margin from the Company's U.S. operations largely resulting from higher manufacturing overhead costs and lower sales volume, partly offset by selling price adjustments and a decrease in the cost of certain inputs. As for the Canadian operations, the 2019 third-quarter gross margin was higher than that of the same quarter of 2018, mostly due to selling price adjustments and a decrease in the cost of certain inputs. These items were partly offset by an unfavourable foreign exchange impact and the impact of a slower rate of production resulting from investment-related work at one of the Company's plants. It should be noted that the adoption of IFRS 16 on January 1, 2019 had a $0.1 million favourable impact on the 2019 third-quarter operating profit.

Profit attributable to the Company's shareholders was $15.3 million, resulting in basic and diluted earnings per share of $2.21 for the third quarter of 2019. In the third quarter of 2018, profit attributable to the Company's shareholders had totalled $18.0 million, resulting in basic and diluted earnings per share of $2.57. Excluding the favourable impact, net of tax, in 2018 of a reduction to customs duties paid in previous years, the 2019 third-quarter profit attributable to the Company's shareholders was down $0.8 million year over year.

Fourth Quarter of 2019

For the fourth quarter of 2019, the Company's sales totalled $432.1 million, up $5.3 million or 1.2% from $426.8 million in the fourth quarter of 2018. Excluding a $0.5 million favourable foreign exchange impact, the Company's fourth-quarter sales were up $4.8 million (1.1%) year over year. This increase was mainly due to a favourable impact of selling price adjustments while sales volume remained stable for national brands as well as for private label products.

The Company's operating profit for the fourth quarter of 2019 totalled $25.0 million, down $0.7 million from $25.7 million in the same quarter of 2018. Excluding $1.5 million in expenses related to the Sun-Rype acquisition, the Company's 2019 fourth-quarter operating profit was up $0.8 million year over year on a comparable basis. The increase came from improved contribution margins realized by the Company's U.S. operations, partly offset by a $5.3 million increase in obsolete inventory costs. It should be noted that the adoption of IFRS 16 on January 1, 2019 had a $0.1 million favourable impact on the 2019 fourth-quarter operating profit.

"Other (gains) losses" went from a $0.8 million loss in the fourth quarter of 2018 to a $20.9 million gain in the fourth quarter of 2019. This 2019 fourth-quarter gain was mainly due to a $20.8 million gain realized following the settlement of an insurance claim directly related to the OOB acquisition price. The claim involved seller representations that no longer reflected the economic reality of OOB at the transaction closing date.

Profit attributable to the Company's shareholders for the fourth quarter of 2019 was $28.5 million, resulting in basic and diluted earnings per share of $4.10. In the fourth quarter of 2018, profit attributable to the Company's shareholders had totalled $15.8 million, resulting in basic and diluted earnings per share of $2.26. Excluding the net-of-tax impact of a gain realized upon settlement of the aforementioned insurance claim and of the Sun-Rype acquisition-related costs, the 2019 fourth-quarter profit attributable to the Company's shareholders was similar to the 2018 fourth-quarter profit attributable to the Company's shareholders.

First Quarter of 2020

For the first quarter of 2020, the Company's sales totalled $472.4 million, up $68.9 million or 17.1% from $403.5 million in the same quarter of 2019. Sales from Sun-Rype added $44.1 million to the Company's first-quarter sales. Excluding Sun-Rype's sales and a $2.6 million favourable foreign exchange impact, the Company's first-quarter sales were up $22.2 million year over year. This increase was largely due to an increase in sales of private label products. The Company believes that a notable portion of this increase could be due to consumer accumulation of food reserves given their uncertainty surrounding the COVID-19 pandemic.

The Company's operating profit for the first quarter of 2020 totalled $30.3 million, up $6.9 million from $23.4 million in the first quarter of 2019. As for Sun-Rype, it posted $0.7 million in operating profit. Excluding the impact of the Sun-Rype acquisition, the Company's first-quarter operating profit was up $6.2 million year over year. This increase was due to a higher gross margin from the Company's U.S. and Canadian operations resulting mainly from an increase in sales volume and a decrease in the cost of raw materials. These items were partly offset by higher performance-related salary expenses.

Profit attributable to the Company's shareholders was $22.9 million, resulting in basic and diluted earnings per share of $3.31 for the first quarter of 2020. In the first quarter of 2019, profit attributable to the Company's shareholders had totalled $12.6 million, resulting in basic and diluted earnings per share of $1.80. Excluding the impacts of the Sun-Rype acquisition, the 2020 first-quarter profit attributable to the Company's shareholders was up $10.2 million year over year.

Second Quarter of 2020

For the second quarter of 2020, the Company's sales totalled $498.2 million, up $78.5 million or 18.7% from $419.7 million in the same quarter of 2019. Sales from Sun-Rype added $35.8 million to the Company's second-quarter sales. Excluding Sun-Rype's sales and an $11.1 million favourable foreign exchange impact, the Company's second-quarter sales were up $31.6 million or 7.5% year over year. This increase was largely due to an increase in sales of private label products, mainly in the United States. The Company believes that a significant portion of this increase could be due to changes in food habits related to the impacts of COVID-19, as industry sales volumes have also benefited from a notable increase.

The Company's operating profit for the second quarter of 2020 totalled $42.7 million, up $15.2 million from $27.5 million in the same quarter of 2019. As for Sun-Rype, it posted $3.3 million in operating profit. Excluding the impact of the Sun-Rype acquisition, the Company's second-quarter operating profit was up $11.9 million year over year. This increase was explained by higher gross margins from the Company's U.S. and Canadian operations, mainly due to an increase in U.S. sales volume and to a decrease in the cost of certain raw materials, partly offset by additional production costs related to the pandemic. The operating profit was also affected by higher performance-related salary expenses, partly offset by lower selling and marketing expenses.

Profit attributable to the Company's shareholders was $26.0 million, resulting in basic and diluted earnings per share of $3.75 for the second quarter of 2020. In the second quarter of 2019, profit attributable to the Company's shareholders had totalled $15.6 million, resulting in basic and diluted earnings per share of $2.25. Excluding the impacts of the Sun-Rype acquisition, the 2020 second-quarter profit attributable to the Company's shareholders was up $8.8 million year over year.

Third Quarter of 2020

For the third quarter of 2020, the Company's sales totalled $495.2 million, up $72.3 million or 17.1% from $422.9 million in the same quarter of 2019. Sales from Sun-Rype added $47.3 million to the Company's third-quarter sales. Excluding Sun-Rype's sales and a $2.6 million favourable foreign exchange impact, the Company's third-quarter sales were up $22.4 million or 5.3% year over year. This increase was largely due to an increase in sales of private label products. The Company believes that a significant portion of this increase could be due to changes in food habits related to the impacts of COVID-19, as industry sales volumes have also benefited from a notable increase.

The Company's operating profit for the third quarter of 2020 totalled $40.0 million, up $15.0 million from $25.0 million in the same quarter of 2019. As for Sun-Rype, it posted $2.5 million in operating profit. Excluding the impact of the Sun-Rype acquisition, the Company's third-quarter operating profit was up $12.5 million year over year. This increase was explained by higher gross margins from the Company's U.S. and Canadian operations, mainly due to an increase in sales volume, to a decrease in the cost of certain raw materials, and to an improvement in the production rate at one of the Company's plants, which had been slowed in 2019 by investment-related activities. The operating profit was also affected by higher performance-related salary expenses.

Profit attributable to the Company's shareholders was $25.3 million, resulting in basic and diluted earnings per share of $3.65 for the third quarter of 2020. In the third quarter of 2019, profit attributable to the Company's shareholders had totalled $15.3 million, resulting in basic and diluted earnings per share of $2.21. Excluding the impacts of the Sun-Rype acquisition, the 2020 third-quarter profit attributable to the Company's shareholders was up $8.5 million year over year.

Fourth Quarter of 2020

For the fourth quarter of 2020, the Company's sales totalled $515.1 million, up $83.0 million or 19.2% from $432.1 million in the fourth quarter of 2019. Sun-Rype's fourth-quarter sales totalled $48.1 million, leaving a $34.9 million favourable variance on a comparable basis.

This increase was mainly due to an increase in sales of private label products and to the favourable impact of selling price adjustments on national brand sales.

The Company's operating profit for the fourth quarter of 2020 totalled $38.9 million, up $13.9 million from $25.0 million in the same quarter of 2019. During the fourth quarter of 2020, Sun-Rype posted $1.7 million in operating profit whereas in 2019, the Company had incurred $1.5 million in expenses related to the Sun-Rype acquisition. Excluding these items, the Company's operating profit was up $10.7 million year over year. The increase came from higher gross margin from the Company's Canadian operations, mainly due to selling price adjustments, partly offset by higher performance-related salary expenses and by an increase in marketing expenses in Canada.

Profit attributable to the Company's shareholders was $23.5 million, resulting in basic and diluted earnings per share of $3.39 for the fourth quarter of 2020. In the fourth quarter of 2019, profit attributable to the Company's shareholders had totalled $28.5 million, resulting in basic and diluted earnings per share of $4.10. Excluding the impacts of the Sun-Rype acquisition and of the gain realized in 2019 following the settlement of an insurance claim, the 2020 fourth-quarter profit attributable to the Company's shareholders was up $6.8 million year over year.

Cash and Financial Position

Financial Position Data

(in thousands of dollars, unless otherwise indicated)	**As at April 3, 2021**	**As at Dec. 31, 2020**
	$	$
Total assets	**1,394,681**	1,381,634
Shareholders' equity	**812,820**	795,733
Shareholders' equity / total assets *(in %)*	**58.3**	57.6
Total debt [i]	**221,014**	215,486

[i] Including long-term debt and its current portion.

When comparing Condensed Consolidated Statement of Financial Position items, readers must consider the conversion rate applicable to closing balances denominated in U.S. dollars, which went from $1.2732 CAD per USD as at December 31, 2020 to $1.2565 CAD per USD as at April 3, 2021. The following table presents the Condensed Consolidated Statement of Financial Position items that are significantly affected by the movement in exchange rates.

			Increase (decrease)	
(in millions of dollars)	**As at April 3, 2021**	**As at Dec. 31, 2020**	**Foreign exchange impact**	**Variance, excluding foreign exchange impact**
	$	$	$	$
Accounts receivable	**160.0**	147.9	(1.2)	13.3
Inventories	**264.9**	260.6	(1.8)	6.1
Property, plant and equipment	**386.7**	390.5	(2.1)	(1.7)
Intangible assets	**216.3**	223.0	(2.6)	(4.1)
Goodwill	**305.8**	309.6	(3.8)	-
Accounts payable and accrued liabilities	**252.8**	260.2	(1.8)	(5.6)
Long-term debt, including the current portion	**221.0**	215.5	(2.3)	7.8
Deferred tax liabilities	**88.8**	84.3	(0.6)	5.1

As at April 3, 2021, the Company had total assets of $1,394.7 million versus $1,381.6 million as at December 31, 2020, a 0.9% increase arising mainly from an increase in accounts receivable and in the net defined benefit asset, partly offset by a lower conversion rate as at April 3, 2021. At the end of the first quarter of 2021, the Company's working capital stood at $174.7 million, for a ratio of 1.63:1 compared to $150.4 million and a ratio of 1.52:1 as at December 31, 2020.

As at April 3, 2021, current assets totalled $452.6 million versus $440.6 million as at December 31, 2020. Cash and cash equivalents stood at $2.8 million as at April 3, 2021 compared to $6.8 million as at December 31, 2020.

Accounts receivable totalled $160.0 million as at April 3, 2021 compared to $147.9 million as at December 31, 2020. Excluding the foreign exchange impact, accounts receivable were up $13.3 million, due to a $14.1 million increase in trade accounts receivable resulting mainly from an increase of the collection period in Canada and to a $0.5 million increase in discounts receivable from suppliers, partly offset by a $1.3 million decrease in other receivables.

Inventories went from $260.6 million as at December 31, 2020 to $264.9 million as at April 3, 2021. Excluding the foreign exchange impact, inventories increased by $6.1 million. This increase came from an $11.8 million increase in finished goods inventories, mainly due to a partial return to historical levels, partly offset by a $5.7 million decrease in raw materials and supplies inventories, especially in apple concentrate and packaging, mainly due to the current crisis affecting the global supply chain.

Other current assets went from $16.5 million as at December 31, 2020 to $16.6 million as at April 3, 2021. This $0.1 million increase was due to a $0.6 million increase in sales tax receivable and to a $0.1 million increase in tax credits receivable, partly offset by a $0.6 million decrease in prepaid expenses.

The investment in an associate went from $7.3 million as at December 31, 2020 to $7.1 million as at April 3, 2021. The change is explained by the share attributable to the Company in the profit or loss of the associate.

Property, plant and equipment went from $390.5 million as at December 31, 2020 to $386.7 million as at April 3, 2021. Excluding the foreign exchange impact, property, plant and equipment decreased by $1.7 million. Depreciation expense stood at $9.0 million, whereas the Company purchased $7.3 million in property, plant and equipment.

Intangible assets went from $223.0 million as at December 31, 2020 to $216.3 million as at April 3, 2021. Excluding the foreign exchange impact, intangible assets decreased by $4.1 million, due to an amortization expense of $6.2 million, whereas intangible asset purchases were $2.1 million.

The net defined benefit asset went from $9.4 million as at December 31, 2020 to $25.0 million as at April 3, 2021, a $15.6 million increase due to a $10.1 million actuarial gain and $6.6 million in funding to the defined benefit pension plans, partly offset by $1.1 million in plan-related expenses.

Current liabilities stood at $277.9 million as at April 3, 2021 compared to $290.2 million at the end of 2020. Bank overdraft was $1.2 million as at April 3, 2021, whereas the Company reported no bank overdraft as at December 31, 2020.

Accounts payable and accrued liabilities went from $260.2 million as at December 31, 2020 to $252.8 million as at April 3, 2021. Excluding the foreign exchange impact, accounts payable and accrued liabilities decreased by $5.6 million. This decrease was mainly due to: (i) a $15.6 million decrease in the “Salaries and accrued vacation payable” item, essentially due to the payment of the 2020 performance-related salary expenses; (ii) a $4.3 million increase in trade payables and accrued expenses, and (iii) a $5.4 million increase in trade marketing costs payable.

As at April 3, 2021, the fair value of derivative instruments recorded as current liabilities was $8.3 million compared to $7.2 million as at December 31, 2020. This Statement of Financial Position item essentially reflects the unfavourable variances between the rates on the foreign exchange forward contracts held by the Company to cover its foreign currency requirements for up to 12 months following its reporting date and the exchange rates on that date. It also reflects the unfavourable variances between the rates of certain interest rate swaps held by the Company to cover interest rate fluctuations and the interest rate in effect on that date and the unfavourable variances of the fair value as at April 3, 2021 of the derivative instruments held by the Company to cover frozen concentrated orange juice price fluctuations.

Long-term debt, including the current portion, was $221.0 million as at April 3, 2021 compared to $215.5 million as at December 31, 2020. Excluding the foreign exchange impact, long-term debt increased by $7.8 million. This increase was mainly due to a $14.1 million draw on the Canadian revolving credit and a $0.2 million draw on the U.S. revolving operating credit. However, the Company repaid $3.8 million on LPC’s term loan and $1.5 million on its Canadian term debts. Regarding the Company’s lease liabilities, they decreased by $1.4 million explained by repayments of an equivalent amount. It should also be noted that the Company amortized $0.2 million in financial expenses.

Deferred tax liabilities went from $84.3 million as at December 31, 2020 to $88.8 million as at April 3, 2021. Excluding the foreign exchange impact, deferred tax liabilities increased by $5.1 million. This increase stems mainly from the tax impact of recognizing, in comprehensive income, an actuarial gain and from the tax amortization of goodwill.

Equity attributable to the Company’s shareholders was $757.1 million as at April 3, 2021, up $17.5 million from $739.6 million as at December 31, 2020. Accumulated other reserves decreased by $5.8 million, attributable to an $6.6 million decrease in the foreign currency translation reserve resulting mainly from a lower year-over-year conversion rate applicable to closing balances denominated in U.S. dollars, partly offset by a $0.8 million decrease in the debit balance of the hedging reserve. Retained earnings increased by $23.3 million to total $662.1 million at the end of the first quarter of 2021. This increase essentially reflects $20.1 million in profit attributable to the Company’s shareholders for the first quarter of 2021 and the recognition of a $7.7 million actuarial gain, net of tax, in other comprehensive income, less $4.5 million in dividends paid.

Non-controlling interest went from $56.1 million as at December 31, 2020 to $55.7 million as at April 3, 2021. The non-controlling interest represents a minority interest's share in the equity of the Company's U.S. entities.

Analysis of the Consolidated Cash Flows

	First quarters ended	
(in thousands of dollars)	**April 3, 2021**	**March 28, 2020**
	$	$
Operating activities	**4,386**	24,922
Financing activities	**3,055**	110,276
Investing activities	**(12,641)**	(93,242)
Increase (decrease) in cash and cash equivalents	**(5,200)**	41,956
Cash and cash equivalents at beginning	**6,803**	(10,590)
Impact of exchange rate changes on cash and cash equivalents	**40**	344
Cash and cash equivalents at end	**1,643**	31,710

For the first quarter of 2021, cash flows generated by operating activities totalled $4.4 million, down $20.5 million from the same period in 2020. This downward change is explained, among others, by a change in non-cash operating working capital items that used $22.7 million in cash during the first quarter of 2021 compared to $13.1 million in cash used in the same period last year, for a $9.6 million increase in cash outflows. This fluctuation in the change in working capital was due to the combined impact of the following items: (a) a decrease in accounts payable and accrued liabilities that used $2.6 million during the first quarter of 2021 compared to $33.0 million generated during the first quarter of 2020, (b) an increase in accounts receivable that used $13.4 million during the first quarter of 2021, whereas they had used $40.9 million during the same quarter of 2020, (c) a change in other current assets and liabilities that used $0.6 million during the first quarter of 2021 compared to $3.0 million generated in the first quarter of 2020, and (d) an increase in inventories that used $6.1 million during the first quarter of 2021 compared to $8.2 million used in the same quarter of 2020. The following items also contributed to the downward change in operating cash flows: (i) an $8.7 million increase in income tax paid mainly explained by the payment of a residual amount owed by a Canadian subsidiary and related to its 2020 results, (ii) a $3.4 million decrease in income tax received, and (iii) a $3.1 million decrease in earnings before interest, taxes, depreciation and amortization (including an unfavourable change in other (gains) losses of $3.9 million). The downward change in operating cash flows was limited by the following items: (i) a $2.5 million decrease in the funding of the defined benefit pension plans, and (ii) a $2.3 million increase in non-cash expenses recognized in profit or loss and related to changes in the fair value of financial instruments.

For the first quarter of 2021, financing activities generated $3.1 million, whereas these activities had generated $110.3 million in the same quarter last year. During the first quarter of 2020, the Sun-Rype acquisition generated $89.3 million in cash, leaving a difference of $17.9 million on a comparable basis. This decrease in cash inflows was mainly due to (i) a $14.3 million inflow of revolving operating credit in the first quarter of 2021 compared to a $28.5 million inflow of revolving operating credit in the first quarter of 2020, (ii) a $3.3 million increase in long-term debt repayments, and (iii) a 0.4 million increase in dividends paid on Class A and B shares.

For the first quarter of 2021, investing activities used $12.6 million in cash compared to $93.2 million used in the same quarter of 2020. During the first quarter of 2020, cash flows used for the Sun-Rype acquisition, net of acquired cash on hand, were $82.8 million, leaving a difference of $2.2 million on a comparable basis. This upward change came mainly from a $1.4 million increase in cash outflows to acquire intangible assets and from a $0.8 million increase in cash outflows to acquire property, plant and equipment.

Financial Measures Not in Accordance With IFRS

Non-IFRS financial measures have no standardized meaning prescribed under IFRS. They are therefore unlikely to be comparable with measures of the same type presented by other issuers.

Working Capital and Working Capital Ratio

The Company uses working capital as a financial measure to assess whether it has sufficient current assets to cover current liabilities. Working capital is equal to current assets minus current liabilities, whereas the working capital ratio is obtained by dividing current assets by current liabilities.

(in thousands of dollars, except the working capital ratio)	**As at April 3, 2021**	**As at Dec. 31, 2020**
	$	$
Current assets	**452,582**	440,649
Current liabilities	**277,885**	290,229
Working capital	**174,697**	150,420
Working capital ratio	**1.63:1**	1.52:1

Shareholders' Equity to Total Assets

The Company uses the shareholders' equity to total assets financial measure to determine the shareholders' investment as a proportion of the Company's total assets. To calculate the shareholders' equity to total assets ratio, the shareholders' equity presented on the Condensed Consolidated Statement of Financial Position is divided by total assets.

(in thousands of dollars, unless otherwise indicated)	**As at April 3, 2021**	**As at Dec. 31, 2020**
	$	$
Shareholders' equity	**812,820**	795,733
Total assets	**1,394,681**	1,381,634
Shareholders' equity / total assets ratio *(in %)*	**58.3**	57.6

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a financial measure used by the Company and investors to assess its capacity to generate future cash flows from operating activities and pay financial expenses. Adjusted EBITDA consists of operating profit, "Depreciation of property, plant and equipment and amortization of intangible assets" shown in the Condensed Consolidated Statements of Cash Flows, and "(Gains) losses on capital assets," if applicable.

	First quarters ended	
(in thousands of dollars)	**April 3, 2021**	**March 28, 2020**
	$	$
Operating profit	**31,382**	30,348
Depreciation of property, plant and equipment and amortization of intangible assets	**15,236**	15,478
(Gains) losses on capital assets	**(9)**	(24)
Adjusted EBITDA	**46,609**	45,802

Depreciation and amortization expense went from $15.5 million in the first quarter of 2020 to $15.2 million in the same quarter of 2021. Excluding a $0.5 million favourable foreign exchange impact, the depreciation and amortization expense increased by $0.2 million explained by the acquisition of property, plant and equipment and of intangible assets realized in 2020.

Adoption of IFRS Standards

Interest Rate Benchmark Reform

On January 1, 2021, as part of the interest rate benchmark reform project, the Company adopted amended versions of the standards IFRS 9 "Financial Instruments," IAS 39 "Financial Instruments: Recognition and Measurement," IFRS 7 "Financial Instruments: Disclosures," IFRS 4 "Insurance Contracts" and IFRS 16 "Leases." All of these standards apply to fiscal years beginning on or after January 1, 2021.

The impacts of this reform on the Company's consolidated financial statements will be dependent on the facts and circumstances of all future changes in financial instruments and all future changes in interest rate benchmarks, referenced by such financial instruments. As at April 3, 2021, no financial instruments have been amended as part of the interest rate benchmark reform project.

Accounting Policies and Future Accounting Changes

The interim consolidated financial statements were prepared using the same accounting policies as those described in Note 2 to the consolidated financial statements for the year ended December 31, 2020. The future accounting changes are presented in Note 5 to the consolidated financial statements for the year ended December 31, 2020. The interim consolidated financial statements do not include all of the notes required in the annual consolidated financial statements.

Disclosure Controls and Procedures ("DC&P")

The Company's Chief Executive Officer and the Chief Financial Officer are responsible for setting and maintaining disclosure controls and procedures, as set out in National Instrument 52-109 issued by the Canadian Securities Administrators. Assisting them in this responsibility is the Disclosure Committee, which consists of key management personnel. The Disclosure Committee must be kept fully informed of any significant information relating to the Company so that it can evaluate said information, determine its importance, and decide on timely disclosure of a press release, where applicable. Management regularly reviews disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

The Company's Chief Executive Officer and the Chief Financial Officer have concluded that the design of the disclosure controls and procedures as at April 3, 2021 provides reasonable assurance that significant information relevant to the Company, including that of its consolidated subsidiaries, is reported to them during the preparation of disclosure documents.

Internal Control Over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over financial reporting in order to provide reasonable assurance as to the reliability of the financial information and reasonable assurance that the financial statements were prepared, for financial reporting purposes, in accordance with IFRS. All internal control systems have inherent limitations and therefore internal controls over financial reporting can only provide reasonable assurance and may not prevent or detect misstatements due to error or fraud.

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, the Company has conducted an evaluation of the design of the Company's internal control over financial reporting as at April 3, 2021, based on the framework issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission.

During the first quarter of 2021, there have been no changes to the internal control over financial reporting that would have significantly affected or been likely to have significantly affected the Company's internal control over financial reporting.

Off-Consolidated-Statement-of-Financial-Position Arrangements

As at April 3, 2021, the Company had letters of credit outstanding totalling $1.3 million.

Commitments are presented in Note 29 to the audited consolidated financial statements for the year ended December 31, 2020.

Event After the Reporting Period

As of May 7, 2021, there was no subsequent event to report.

Outlook

For the three-month period ended April 3, 2021, the Company noted a slight decrease in industry sales volumes in the U.S. and Canadian fruit juice and drinks markets. It recalls that sales for March 2020 benefited from an unusual increase in volume resulting from the accumulation of food reserves related to the pandemic. Excluding foreign exchange impacts, the Company's sales were up 2.2% in the first quarter of 2021 compared to the same period last year. Barring any significant external shocks, including foreign exchange impacts and the impacts of the evolution of COVID-19 and the speed at which the restrictions will be lifted, the Company expects that, for 2021, it will be able to maintain a sales level similar to 2020. However, the uncertainty surrounding such a forecast is higher than it is under normal circumstances, as the arrival of new variants could postpone the return to complete deconfinement. In addition, the level of food services activity could be affected by a higher proportion of teleworking than historically, even once the pandemic becomes a thing of the past.

The Company observed a reduction in the profitability of its U.S. operations during the first quarter of 2021 due to a sharp increase in transportation and warehousing costs, among other factors. The transportation challenges are attributable to an increase in demand exacerbated by a lack of truckers and equipment. The Company believes that this situation is likely to continue, at least until the end of 2021. Moreover, the combined impact of the current pandemic and the beginning of economic recovery following a gradual reduction in lockdown measures in the United States are creating strong pressures on the availability of workers and inflationary pressures affecting certain raw materials, such as PET resin. To offset these inflationary pressures, the Company believes it will be able to gradually adjust its sales prices in the second and third quarters, however the full effect of these price increases will not be felt before the third quarter due to the time required for them to come into effect.

The price of orange concentrate remains slightly higher than before the COVID-19 crisis. Furthermore, the current crisis affecting the global supply chain has an impact on the supply and on the transportation costs of raw materials. In addition, the delivered price of apple concentrate is impacted by a worldwide scarcity affecting the availability of containers. The Company expects a gradual improvement in productivity in the last two quarters of 2021. Finally, the conversion rate applicable to purchases made by Canadian subsidiaries in U.S. dollars should have an unfavourable impact of approximately $1 million on the pre-tax profit of the last nine months of 2021 compared to the same period in 2020. Foreign exchange forward contracts, the hedging period of which generally does not exceed 12 months, are used to partly stabilize the effects of currency fluctuations on the Company's results during this period.

Additional Information

As at April 3, 2021, the issued and outstanding capital stock of the Company consisted of 3,180,900 Class A subordinate voting shares and 3,752,620 Class B multiple voting shares.

This Management's Discussion and Analysis was prepared as of May 7, 2021 and is available on the Lassonde Industries Inc. website. Readers will also find this MD&A, the Annual Information Form, additional documents, press releases, and more information about the Company on the SEDAR website at www.sedar.com.

Dividends

In accordance with its dividend policy, the Company's Board of Directors today declared a quarterly dividend of $0.88 per share, payable on June 15, 2021 to all registered holders of Class A and Class B shares on May 19, 2021. On an annualized basis, this dividend represents approximately 25% of the 2020 profit attributable to the Company's shareholders. This dividend is an eligible dividend.

May 7, 2021