

High Liner Foods Reports Operating Results for the First Quarter of 2017

- The Company is pleased to announce the proposed acquisition of U.S. retail shrimp supplier, Rubicon Resources, LLC, for \$107.0 million -

LUNENBURG, NS, May 10, 2017 /CNW/ - High Liner Foods Incorporated (TSX: HLF) ("High Liner Foods", "High Liner" or "the Company"), the leading North American value-added frozen seafood company, today reported financial results for the thirteen weeks ended April 1, 2017 and the acquisition of Rubicon Resources, LLC.

The Company reports its financial results in USD and all amounts are reported in U.S. dollars ("USD") unless otherwise noted. High Liner Foods' common shares trade on the Toronto Stock Exchange (TSX: HLF) and are quoted in Canadian dollars ("CAD"). HLF shares closed yesterday at CAD\$18.03¹.

Today, the Board of Directors of the Company approved a quarterly dividend of CAD\$0.14 per share on the Company's common shares payable on June 15, 2017 to holders of record on June 1, 2017.

"As a result of a late Lent in 2017, a portion of the sales benefit associated with the Lenten period was shifted to April compared to the full benefit being realized in the first quarter last year. With stronger sales and earnings in April of this year compared to the same month last year, and improved plant efficiency, we expect year-over-year sales volume and earnings trends in the second quarter of 2017 will be greatly improved from those experienced in the first quarter," explained Keith Decker, President and CEO of High Liner Foods.

Mr. Decker continued, "Sales volume in the first quarter of 2017 was lower than expected due to production challenges that prevented our manufacturing facilities from fully serving surge demand in March related to a late Lent. The \$8.0 million decrease in Adjusted EBITDA for the first quarter of 2017 compared to the same period last year reflects lower sales volume and the impact of these production challenges, along with more than \$2.0 million of foreign exchange gains realized in the first quarter of 2016 that did not reoccur in 2017 and \$0.7 million of estimated cost related to a product recall in April 2017 that were recorded in the first quarter."

The Company also announced it signed a definitive agreement earlier today to acquire 100% of the outstanding equity of Rubicon Resources, LLC ("Rubicon"). Rubicon is a privately held U.S. based corporation engaged principally in the import and distribution of sustainably sourced frozen shrimp products in the private-label U.S. retail market. The Company believes this acquisition will provide it with a strong platform for growth in this key species.

"I am pleased to announce that High Liner Foods signed a definitive agreement to acquire Rubicon Resources, LLC, a significant player in the U.S. shrimp market," shared Mr. Decker. "Rubicon is an ideal acquisition for High Liner that will provide sales and earnings growth, and expedite diversification of our product portfolio to aquaculture species, like shrimp, that are experiencing stronger growth rates in North America."

"Rubicon's business is built on a commitment to bringing U.S. consumers high-quality sustainable seafood products, and at the heart of our success are the long-term strategic partnerships we've built with our trusted suppliers," explained Brian Wynn, President and Founder of Rubicon Resources, LLC. "We've focused on making seafood simple for our customers through innovation, collaboration and creativity, which aligns perfectly with High Liner Foods' mission to drive seafood consumption through innovative solutions that make it easy for North Americans to enjoy delicious and healthy seafood."

Rubicon's annual sales in 2016 were approximately \$234.0 million with pro forma EBITDA of \$16.0 million. The anticipated purchase price for Rubicon is \$107.0 million prior to transaction fees, which will be settled 70% in cash and 30% in High Liner Foods common shares, with the share consideration subject to a three year stand-still agreement during which time the sellers are not permitted to sell the shares (except in limited circumstances). The definitive agreement includes a five-year supply agreement with Rubicon's supply partners based on mutually acceptable terms and a three-year employment contract with Brian Wynn to continue as Rubicon's President.

The Company does not anticipate it will realize material synergies from this business but it will be immediately accretive in 2017, after considering the impact of incremental interest costs related to financing the acquisition, and excluding the impact of one-time costs associated with the acquisition which will be expensed in the period they are incurred. The acquisition will be financed using the Company's existing credit facilities and is subject to approval from the Company's lenders and the Toronto Stock Exchange. RBC Capital Markets acted as financial advisor to High Liner Foods. American Discovery Capital, LLC acted as financial advisor to Rubicon. The Company expects this transaction will close in the second quarter of 2017.

¹ Source: TSX May 9, 2017.

Financial and operational highlights for the first quarter of 2017 include (unless otherwise noted, all comparisons are relative to the first quarter of 2016):

- Sales as reported decreased by \$15.7 million, or 5.4%, to \$275.7 million compared to \$291.4 million;
- Sales in domestic currency decreased by \$17.2 million, or 5.5%, to \$296.1 million in the first quarter of 2017 compared to \$313.3 million;
- Gross profit decreased by \$9.9 million, or 15.1%, to \$55.5 million compared to \$65.4 million;
- Adjusted EBITDA² decreased by \$8.0 million, or 26.4%, to \$22.3 million compared to \$30.3 million;
- Adjusted EBITDA in domestic currency decreased by \$9.3 million, or 28.7%, to \$23.1 million compared to \$32.4 million;
- Reported net income decreased by \$3.5 million, or 24.6%, to \$10.7 million compared to \$14.2 million and diluted earnings per share ("EPS") decreased by \$0.11 to \$0.34 compared to \$0.45;
- Adjusted Net Income² decreased by \$5.0 million, or 31.6%, to \$10.8 million compared to \$15.8 million and Adjusted Diluted EPS² decreased by \$0.16 to \$0.35 compared to \$0.51;
- CAD-Equivalent Adjusted Diluted EPS² decreased by CAD\$0.24 to CAD\$0.46 compared to CAD\$0.70; and
- Net interest-bearing debt² to Adjusted EBITDA, calculated on a rolling twelve-month basis, increased to 3.7x at the end of the first quarter of 2017 compared to 3.1x at the end of Fiscal 2016.

² Please refer to High Liner Foods' MD&A for the thirteen weeks ended April 1, 2017 for definitions of the non-IFRS financial measures used by the Company, including "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Diluted EPS", "CAD-Equivalent Adjusted Diluted EPS" and "Net Interest-Bearing Debt".

The sale of our New Bedford scallop business on September 7, 2016 had the impact of lowering sales volume by 0.7 million pounds, sales as reported by \$9.0 million and a nominal impact on Adjusted EBITDA in the first quarter of 2017 compared to the first quarter of 2016.

The Board of Directors of the Company also announced its intention to appoint Joan Chow to replace retiring Board member Derek Buntain following the Company's Annual and Special General Meeting to be held later today at 10:30 a.m. (Eastern Time) in Halifax, N.S. Ms. Chow is recently retired from ConAgra Foods where she served as Chief Marketing Officer. She currently serves on the board of Welbilt Inc., a leading foodservice equipment manufacturer. The Company wishes to extend its gratitude to Mr. Buntain for his many years of dedicated service.

Financial Results

For the purpose of presenting the Consolidated Financial Statements in USD, CAD-denominated assets and liabilities in the Parent's operations are converted using the exchange rate at the reporting date, and revenue and expenses are converted at the average exchange rate of the month in which the transaction occurs. As such, foreign currency fluctuations affect the reported values of individual lines on our balance sheet and income statement. When the USD strengthens (weakening CAD), the reported USD values of the Parent's CAD-denominated items decrease in the Consolidated Financial Statements, and the

opposite occurs when the USD weakens (strengthening CAD). The average USD/CAD exchange rates for the thirteen weeks ended April 1, 2017 was 1.3238 (1.3721 for the thirteen weeks ended April 2, 2016).

Investors are reminded for purposes of calculating financial ratios, including dividend payout and share price-to-earnings ratios, to take into consideration that the Company's share price and dividend rate are reported in CAD and its earnings and financial position are reported in USD.

The financial results for the thirteen weeks ended April 1, 2017 and April 2, 2016³ are summarized in the following table:

(Amounts in 000s, except per share amounts, unless otherwise noted)	Thirteen weeks ended	
	April 1, 2017	April 2, 2016
Sales volume (millions of lbs)	83.2	88.2
Sales in domestic currency	\$ 296,107	\$ 313,303
Foreign exchange impact on sales	\$ (20,372)	\$ (21,864)
Sales in USD	\$ 275,735	\$ 291,439
Gross profit	\$ 55,508	\$ 65,429
Gross profit as a percentage of sales	20.1%	22.5%
Adjusted EBITDA in domestic currency	\$ 23,062	\$ 32,351
Foreign exchange impact on Adjusted EBITDA	\$ (725)	\$ (2,043)
Adjusted EBITDA	\$ 22,337	\$ 30,308
Adjusted EBITDA as a percentage of sales	8.1%	10.4%
Net income	\$ 10,742	\$ 14,180
Diluted EPS	\$ 0.34	\$ 0.45
Adjusted Net Income	\$ 10,815	\$ 15,831
Adjusted Diluted EPS	\$ 0.35	\$ 0.51
Diluted weighted average number of shares outstanding	31,138	31,208

³ The operating results for the thirteen weeks ended April 2, 2016 contain certain corrections of errors identified in previously reported amounts. Please refer to High Liner Foods' Unaudited Condensed Interim Consolidated Financial Statements for the thirteen weeks ended April 1, 2017 for further discussion.

Sales volume decreased in the first quarter of 2017 by 5.0 million pounds, or 5.7%, to 83.2 million pounds, compared to 88.2 million pounds in same period in 2016 due primarily to lower sales volume in our U.S. retail and foodservice businesses reflecting the following:

- The continued impact of lower demand for traditional breaded and battered frozen seafood products which we were unable to offset with sales from our new frozen seafood products;
- A later Easter in 2017 (April 16, 2017) compared to 2016 (March 27, 2016) shifted a portion of the benefit associated with this period into the second quarter of this year compared to the full benefit being realized in the first quarter of 2016;
- Residual manufacturing challenges associated with production transferred from our previously-owned New Bedford facility that resulted in an inability to meet heightened demand in March related to a late Lent; and
- Lower scallop sales as a result of the sale of the New Bedford facility in the third quarter of 2016.

Sales decreased in the first quarter of 2017 by \$15.7 million, or 5.4%, to \$275.7 million compared to \$291.4 million in the same period in 2016. Approximately 72% of the Company's operations, including sales, are denominated in USD. The slightly stronger Canadian dollar in the first quarter of 2017 compared to the first quarter of 2016 increased the value of USD sales from the Company's CAD-denominated operations by approximately \$2.0 million relative to the conversion impact last year.

In domestic currency, sales decreased in the first quarter of 2017 by \$17.2 million, or 5.5%, to \$296.1 million compared to \$313.3 million in the same period in 2016 due to the lower U.S. sales volume and changes to product mix, including lower demand for traditional breaded and battered frozen seafood products, which we were unable to offset with sales from our new frozen seafood products.

Gross profit decreased in the first quarter of 2017 by \$9.9 million, or 15.1%, to \$55.5 million compared to \$65.4 million in the same period in 2016 reflecting lower sales volumes and a decrease in gross profit as a percentage of sales. As a percentage of sales, gross profit decreased by 240 basis points to 20.1% compared to 22.5% due to: the impact of product mix changes and plant inefficiencies; the recognition of foreign exchange gains in 2016, partially related to favourable hedging activities in our Canadian operations, that did not reoccur in 2017; and \$0.7 million in estimated costs associated with a voluntary product recall in Canada that occurred after the reporting period. On April 14, 2017 and April 21, 2017, the Company issued a voluntary product recall of certain brands of breaded fish and seafood products sold in Canada that may contain a Milk allergen that was not declared on the ingredient label and allergen statement. Although the Company did not learn of the undeclared allergen until subsequent to period end, in accordance with IFRS, this cost is required to be recorded in the Consolidated Financial Statements as it related to a condition that existed at the balance sheet date of April 1, 2017.

Adjusted EBITDA decreased in the first quarter of 2017 by \$8.0 million, or 26.4%, to \$22.3 million compared to \$30.3 million in the same period in 2016. The impact of converting our CAD-denominated operations and corporate activities to our USD presentation currency decreased the value of reported Adjusted EBITDA in USD by \$0.7 million in the first quarter of 2017 compared to \$2.0 million in the same period in 2016.

In domestic currency, Adjusted EBITDA decreased in the first quarter of 2017 by \$9.3 million, or 28.7%, to \$23.1 million (7.8% of sales) compared to \$32.4 million (10.3% of sales) in the same period in 2016. The decrease in Adjusted EBITDA reflects the lower gross profit, partially offset by a reduction in distribution and U.S. marketing expenses.

Net income decreased in the first quarter of 2017 by \$3.5 million, or 24.6%, to \$10.7 million (diluted EPS of \$0.34) compared to \$14.2 million (diluted EPS of \$0.45) in the same period in 2016. The decrease in net income reflects the decrease in Adjusted EBITDA as explained above, partially offset by lower income tax expense.

Net income included "business acquisition, integration and other expenses" and other non-cash expenses. Excluding the impact of these non-routine or non-cash expenses, Adjusted Net Income decreased in the first quarter of 2017 by \$5.0 million, or 31.6%, to \$10.8 million (Adjusted Diluted EPS of \$0.35) compared to \$15.8 million (Adjusted Diluted EPS of \$0.51) in the same period in 2016.

Net cash flows (used in) provided by operating activities decreased in the first quarter of 2017 by \$42.1 million to an outflow of \$12.3 million compared to an inflow of \$29.8 million in the same period in 2016, due to less favourable results from operations and less favourable changes in inventories and accounts receivable related to a later end to Lent in 2017 as mentioned previously.

Net interest-bearing debt to Adjusted EBITDA, calculated on a rolling twelve-month basis, increased to 3.7x at the end of the first quarter of 2017 compared to

3.1x at the end of Fiscal 2016, reflecting the combined impact of: net interest-bearing debt increasing by \$20.4 million to \$272.5 million at the end of the first quarter of 2017 compared to \$252.1 million at the end of Fiscal 2016; and Adjusted EBITDA, calculated on a twelve-month rolling basis, decreasing by \$8.0 million to \$73.4 million at the end of the first quarter of 2017 compared to \$81.4 million at the end of Fiscal 2016. In the absence of any major acquisitions or strategic initiatives requiring capital expenditures in 2017 beyond the proposed acquisition of Rubicon Resources, LLC, the Company expects this ratio to approximate 3.0x by the end of 2017.

The Company expects leverage at the end of 2017 to return to similar levels at the end of Fiscal 2016.

Outlook

Mr. Decker concluded, "Our primary focus in 2017 continues to be on returning to organic sales volume and earnings growth. Our innovation efforts and new products in 2017 focus on driving seafood consumption through improving our core product offerings and introducing new products to the market that align with emerging consumer trends and preferences. We expect the trend of lower demand for frozen breaded and battered seafood products will continue in 2017, but are optimistic that sales from new and improved product offerings can offset this decline by the end of this year. This improvement in sales trend and a return to typical plant production levels are expected to return the Company to year-over-year earnings growth in the second half of 2017."

Conference Call

The Company's Consolidated Financial Statements and MD&A as at and for the thirteen weeks ended April 1, 2017 were filed concurrently on SEDAR with this news release and are also available at www.highlinerfoods.com.

The Company will host a conference call on Wednesday, May 10, 2017, at 2:00 p.m. ET (3:00 p.m. AT) during which Keith Decker, President and CEO and Paul Jewer, Executive Vice President and CFO will discuss the financial results for the first quarter of 2017. To access the conference call by telephone, dial 647-427-7450 or 1-888-231-8191. Please connect approximately 10 minutes prior to the beginning of the call to ensure participation. The conference call will be archived for replay by telephone until Wednesday, May 17, 2017 at midnight (ET). To access the archived conference call, dial 1-855-859-2056 and enter the reservation number 7511318.

A live audio webcast of the conference call will be available at www.highlinerfoods.com. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. The webcast will be archived at the above website for one year.

About High Liner Foods Incorporated

High Liner Foods Incorporated is the leading North American processor and marketer of value-added frozen seafood. High Liner Foods' retail branded products are sold throughout the United States, Canada and Mexico under the **High Liner**, **Fisher Boy**, **Mirabel**, **Sea Cuisine** and **C. Wirthly** labels, and are available in most grocery and club stores. The Company also sells branded products to restaurants and institutions under the **High Liner**, **Icelandic Seafood** and **FPI** labels and is the major supplier of private label value-added seafood products to North American food retailers and foodservice distributors. High Liner Foods is a publicly traded Canadian company, trading under the symbol HLF on the Toronto Stock Exchange.

About Rubicon Resources, LLC

Rubicon Resources, LLC is a privately owned seafood company based in Culver City, California and a leading importer of sustainable seafood into the U.S. market. It specializes in frozen shrimp responsibly sourced from Southeast Asia and sold under the private labels of major U.S. grocery retailers. Rubicon's commitment to sourcing seafood from sustainable, ethical and responsible resources ensures only the highest quality product reaches the consumer.

This document contains forward-looking statements. Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "estimate", "will", "believe", "plan", "expect", "goal", "remain" or "continue", or the negative of these terms or variations of them or words and expressions of similar nature. Specific forward-looking statements in this document include, but are not limited to expectations with respect to: anticipated financial performance including earning trends and growth; changes to sales volume, margins and input costs, including raw material prices; achievement, and timing of achievement, of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce our operating and supply chain costs including, without limitation, related to the cessation of value-added fish processing operations at our New Bedford facility and the related one-time costs and balance sheet implications of same; the expected timing and amount of costs associated with product recalls; our ability to close and successfully integrate the proposed acquisition of Rubicon Resources, LLC; our ability to develop new and innovative products that result in increased sales and market share; expected leverage levels and expected net interest-bearing debt to Adjusted EBITDA; and statements under the "outlook" heading including expected demand, sales of new product and plant production. These statements are based on a number of factors and assumptions including, but not limited to: seafood availability, demand and pricing; product pricing, including the cost of raw materials, energy and supplies; operating costs; plant performance; the condition of the Canadian and U.S. economies; our ability to attract and retain customers; required level of bank loans and interest rates; income tax rates; and our ability to attract and retain experienced and skilled employees. The statements are not a guarantee of future performance. By their nature, forward-looking statements involve uncertainties and risks that could result in the forecasts and targets not being achieved. Readers are cautioned not to place undue reliance on forward-looking statements, as actual results may differ materially from those expressed in such forward-looking statements. We include in publicly available documents filed from time to time with securities commissions and The Toronto Stock Exchange, a discussion of the risk factors that can cause anticipated outcomes to differ from actual outcomes. Except as required under applicable securities legislation, we do not undertake to update forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, whether as a result of new information, future events or otherwise.

The Company reports its financial results in accordance with International Financial Reporting Standards ("IFRS"). Included in this media release are certain non-IFRS financial measures as supplemental indicators of operating performance. These non-IFRS measures are Adjusted EBITDA, Adjusted Net Income, Adjusted Diluted EPS, CAD-Equivalent Adjusted Diluted EPS, and Net Interest-Bearing Debt. Please refer to the Company's MD&A for the thirteen weeks ended April 1, 2017 for definitions of non-IFRS financial measures used by the Company and reconciliation of these non-IFRS measures to measures that are found in our consolidated financial statements.

The Company believes these non-IFRS financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS.

For further information about the Company, please visit our website at www.highlinerfoods.com or send an e-mail to investor@highlinerfoods.com.

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