

# Dear fellow shareholders,

## Our strong and committed team

2020 was a year of hard work, collaboration and effort at High Liner Foods. The High Liner Foods team worked with a greater sense of purpose than ever before. Our employees rallied together to support our customers and ensure a steady flow of frozen seafood across North America. As consumers drew comfort in stocking their freezers amidst the pandemic, our team stepped up to the plate. Together, we quickly adjusted to new ways of working and pivoted to make bold decisions with our customers' and consumers' needs front of mind.

During this time, as in the normal course of business, health and safety was our top priority. Under the guidance of our Director of Environmental, Health & Safety and with counsel from health authorities and other experts in the field, we made significant additional investments in health and safety to ensure our production facilities, warehouses and offices were set up to help reduce the spread of COVID-19 and protect our teams. As you will read on pages 8-11 in this annual report, our investments of time and resources were significant and extended beyond processes, protocol and equipment to the very core of our culture and how we work together.

This is especially true with regard to our 786 employees working in our production facilities and warehouses. During a time of heightened anxiety, our frontline employees worked with care and consideration for each other and the resilience of our operations. Their hard work and tenacity made all the difference to our business in 2020. This annual report is dedicated, with enormous gratitude, to our frontline employees and their families — we appreciate each and every one of you. Thank you.

## Our robust supply chain was the linchpin of our success

In addition to the incredible employee effort, we were fortunate to enter the crisis with the majority of the heavy lifting needed to strengthen the foundation of our business already completed. Of particular note, the supply chain optimization completed in 2019 as part of our critical initiatives allowed us to be extremely responsive to the ever-changing needs of our customers.

Throughout the year, we had a laser focus on solving our customers' pain points and ensuring an agile and meaningful response. For our foodservice customers, we acted quickly to help food operators pivot to takeout options. We also seized the opportunity to tailor our value-added products, already a success in the retail space, to help operators save time and resources as they adapted to COVID-19 realities.

In our retail business, the reliability of food supply was the number one customer concern. We set the supply chain up for success with a focused portfolio of priority products and carefully managed capacity across our production facilities. This led to high order fill rates, very limited business disruption, deeper customer relationships and new business wins, all of which contributed to us delivering year-over-year improved financial performance.

## Year-over-year EBITDA growth

I am proud to report that we ended the year delivering year-over-year Adjusted EBITDA<sup>(1)</sup> growth of \$2.7 million, to \$88.0 million, and we delivered record Adjusted EBITDA as a percentage of sales of 10.6%. We did so in spite of the pressures facing our foodservice business as a result of restaurant shutdowns.

Among the financial highlights of 2020 (as compared to Fiscal 2019):

- Gross Profit as a percentage of sales increased 180 basis points to 21.5%;
- Standardized Free Cash Flow<sup>(1)</sup> increased by \$49.0 million to an inflow of \$94.0 million reflecting favourable cash flows from operating activities; and
- Our Net Debt<sup>(1)</sup> to Adjusted EBITDA ratio improved significantly, achieving our long-term target of 3x compared to 4.1x.

Together with the Board, we were particularly pleased to be able to increase the dividend by 40% to reflect our improving free cash flow. Our ability to increase the return of capital to shareholders indicates how far we have come as a business. Based on our improving performance, we can comfortably support the dividend increase while simultaneously investing in our business to fuel growth and continuing to reduce debt.

*(1) Please refer to the Non-IFRS Measures section of High Liner Foods' MD&A for the fifty-three weeks ended January 2, 2021 for definitions of the non-IFRS financial measures used by the Company, including "Adjusted EBITDA", "Net Debt", and "Standardized Free Cash Flow".*

## Opportunity ahead

Market conditions are ripe for growth for High Liner Foods. More than half a million new consumers have entered the frozen seafood category since the onset of the pandemic in March, at a time when our new product innovations are prominently displayed in the frozen food aisles of leading retailers across North America. Even with this growth, frozen seafood remains significantly underconsumed compared to other proteins, giving us a significant opportunity to grow — and disrupt — the market with our branded value-added seafood innovations and be ready to capitalize on the re-emergence of the foodservice industry.

As consumers increasingly search for healthy, versatile proteins that can nourish their lives, our products, at a range of price points, not only deliver but showcase the potential to enjoy seafood at home. We intend to reimagine seafood for the market. In 2021, with the heavy lifting to strengthen the foundation of our business behind us, we are well positioned to go to market more aggressively supported by significant investments in marketing and the advancement of our people.

I am confident that even as we navigate an uncertain, challenging and evolving market in Fiscal 2021, we will be able to advance our strategy to generate top-line growth, supported by continued Adjusted EBITDA gains. As you will read on pages 6-7, our large unprocessed seafood business gives us a significant competitive advantage, and we intend to leverage this scale to grow our branded value-added seafood business.

## Moving forward with purpose

As we shift to ‘playing offence’ in the market, we will do so grounded in a strong sense of our wider purpose in society and with employee, environmental, social and governance (EESG) issues front of mind. We embark on 2021 with a new purpose statement “to reimagine seafood to nourish life” which accurately captures the work of the organization over the past year and our potential for the future. As we live our purpose, we will invest in an inclusive, equitable and diverse workplace that creates rewarding career opportunities for our people and ensures we continue to have the right people in the right roles to drive our business forward. We will continue to advance our sustainability goals, support our local communities and hold ourselves to the highest standards of governance. These are all attributes we hold true. Sustainability, responsibility, flexibility and resilience have been hallmarks of High Liner Foods for over 120 years. I am committed to ensuring that in Fiscal 2021, just as in the past fiscal year, we continue to reflect these values as we create long-term value for you, our shareholders.

I am grateful for your ongoing support.

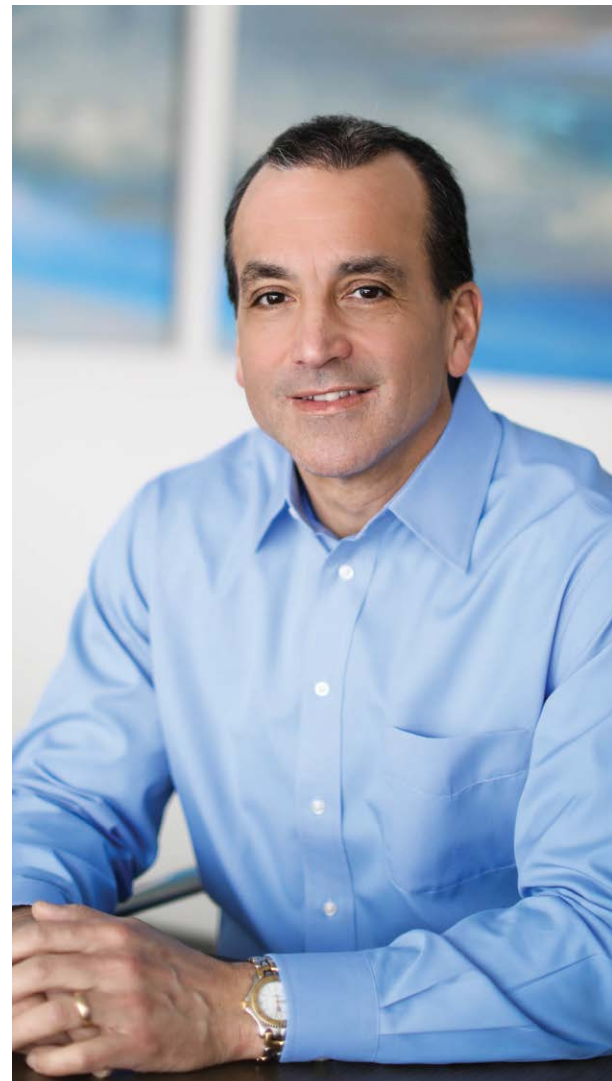
Sincerely,

**Rod Hepponstall**

President and CEO



*Alaska Wild Wings™/Fish Wings™ are an innovative, versatile meal and snacking option.*



*Rod Hepponstall,  
President & Chief Executive Officer*