



QUARTERLY REPORT

FOR THE 13-WEEK
PERIOD ENDED
JANUARY 27, 2024

CONFIDENTIAL

Dear Members,

Here are the financial highlights for the first quarter of fiscal 2024:

- Sales were \$2.0 billion;
- Earnings from operations (EBITDA) were up \$3.8 million (3.1%) to \$128.2 million;
- The average cheese price in the US decreased by 23.0% compared with 2023;
- Ingredient prices rose on international markets;
- Net earnings were down \$4.5 million (11.0%) to \$36.7 million, excluding the extraordinary gain on disposal, net of income taxes, in 2023;
- \$12.5 million in patronage returns were distributed in cash.

Financial overview

Results:

First quarter sales totalled \$2.0 billion, a decrease of \$135.5 million (6.4%) compared with 2023. Sales were up in Canada, due in part to the milk price increase in February 2023. Higher volume in the fresh products, cheese and ingredients categories also contributed to the increase. In the US, sales were down 13.7% due to the lower average cheese price and the sale of the La Crosse operations in December 2022.

Earnings before interest, income taxes, depreciation and amortization and other non-recurring costs (EBITDA or earnings from operations) increased by \$3.8 million (3.1%) to \$128.2 million. On a comparable basis, excluding the operations of the La Crosse plant, the increase would have been 5.5%. Our business optimization initiatives continued to yield positive results. Our efforts to reduce costs, particularly in logistics, are enabling us to improve our profitability. Price increases during 2023 have certainly helped to cover the effect of inflation, but it remains higher than normal. With respect to markets, the relationship between the price of cheese in the US and the cost of milk was unfavourable to us compared with the same period of 2023. International markets for ingredients were more favourable than in the first quarter of last year. The Cooperative therefore recorded an increase in earnings from operations for the first quarter.

First quarter net earnings were \$36.7 million, a decrease of \$4.5 million compared with 2023, excluding the extraordinary gain on disposal, net of income taxes. A \$4.9 million increase in the depreciation and amortization expense, due in large part to the charge related to our new Little Chute plant, was the most significant factor in the decrease.

Cash flows:

Operating activities generated \$118.2 million for the first quarter of 2024.

An amount, of \$118.8 million was used for non-cash items and lease obligations. Main factors explaining this variation are essentially a decrease in milk payable and an increase in inventory.

In addition, \$61.0 million was invested in multiple plant and technology projects during the quarter. The Cooperative continues rolling out its new cloud-based integrated management system across its Canadian and American plants. Two more plants were successfully migrated to the new platform during the first quarter of 2024. Several other deployments are planned for the coming year.

With respect to financing activities, \$22.4 million was used to pay financial expenses.

In addition, \$12.5 million was also used to pay the cash patronage returns declared in 2023.

Consequently, a \$71.5 million was drawn down from our credit lines to meet our cash requirements. At 2.47x EBITDA, our debt leverage ratio is in line with our projections.

In conclusion, earnings from operations continue to grow and we continue to reap the benefits of our initiatives to streamline and optimize operational activities. The Cooperative must pursue its efforts to improve profitability in order to remain competitive and face the challenges that lie ahead. The postponement of the milk price increase from February 2024 to May 2024 in Canada is a compelling example of the challenges we will have to face, which will certainly have a significant impact on our earnings over the coming months. We are striving to improve efficiencies wherever possible, but this will not be enough to fully offset the impact of inflation. To be better equipped to face external events and remain competitive, the Cooperative must accelerate its organizational and operational transformation.

Émile Cordeau
Chief Executive Officer

Stéphane Tremblay
Senior Vice-President
and Chief Financial Officer

CONSOLIDATED EARNINGS		13 weeks	
(IN THOUSANDS OF CANADIAN DOLLARS)		2024	2023
Sales		1,977,956	2,113,478
Operating expenses excluding depreciation and amortization		1,849,758	1,989,092
Earnings before interest, income taxes, depreciation, amortization and other non-recurring costs (earnings from operations)		128,198	124,386
Depreciation and amortization		57,720	52,848
Restructuring costs, integration and other non-recurring costs		5,279	3,731
Cloud systems implementation costs		3,777	2,753
Net financial expenses		18,242	16,510
Income taxes of subsidiaries		6,111	6,341
Other		356	973
Earnings before patronage returns, the Cooperative's income taxes and extraordinary gain on disposal of assets, net of income taxes		36,713	41,230
Extraordinary gain on disposal of assets, net of income taxes		-	20,087
Earnings before patronage returns and the Cooperative's income taxes¹		36,713	61,317

1. Patronage returns and income taxes on the Cooperative's earnings on the current earnings are recognized only after patronage returns are declared at year end.

CONSOLIDATED CASH FLOWS		13 weeks	
(IN THOUSANDS OF CANADIAN DOLLARS)		2024	2023
Operating activities			
Operations		118,234	116,507
Change in non-cash items and lease obligations		(118,789)	(129,732)
		(555)	(13,225)
Financing and share capital activities			
Long-term debt		71,539	(96,075)
Financial expenses paid		(22,432)	(19,526)
Patronage returns paid		(12,454)	(10,023)
Redemptions of members' shares and debt instruments, net of issuances		(192)	(201)
		36,461	(125,825)
Investing activities and disposals			
Property, plant and equipment and intangible assets		(60,974)	(83,379)
Proceeds from disposals, net of costs and other		289	233 659
		(60,685)	150,280
Effect of exchange rate fluctuations on cash position		188	366
Net change in cash position over the period		(24,591)	11,596

CONSOLIDATED BALANCE SHEETS		January 27, 2024	October 28, 2023
(IN THOUSANDS OF CANADIAN DOLLARS)			
Assets			
Current assets		1,305,469	1,291,089
Property, plant and equipment and other long-term assets		3,158,908	3,236,649
		4,464,377	4,527,738
Liabilities			
Current liabilities		903,739	1,002,201
Long-term debt (including the current portion)		1,159,008	1,104,188
Other long-term liabilities		281,291	287,925
		2,344,038	2,394,314
Members' equity			
Members' capital		847,351	847,543
Reserve and others		1,272,988	1,285,881
		2,120,339	2,133,424
		4,464,377	4,527,738