

# Management's Report

For the 53-week period ended  
November 2, 2024

Dear Members,

Here are the financial highlights of fiscal 2024:

- Sales were up \$556.0 million (6.8%) year-over-year to \$8.8 billion;
- Earnings from operations (EBITDA) were up \$63.6 million (11.7%) to \$609.6 million;
- The sale of the St. John's plant in Newfoundland and Labrador, Canada on November 2, 2024 resulted in an accounting gain of \$19.3 million;
- Earnings before patronage returns and the Cooperative's income taxes increased \$36.7 million (18.3%) to \$237.0 million;
- Improvement of the debt leverage ratio to 2.0x EBITDA as at November 2, 2024;
- The Board of Directors declared patronage returns of \$60.0 million to be paid in December 2024 (\$15.0 million or 25% payable in cash and 75% in Class A investment shares);
- Decision to proceed with the redemption, next February, of \$45.0 million of Class A investment shares and debt instruments issued in 2010;
- Decision to proceed with a special additional \$10.0 million capital redemption, also payable in February 2025.

The Cooperative ended fiscal 2024 with improved results. Despite persistent inflation, a highly volatile US cheese market and a competitive environment, Agropur managed to hold its own. Our efforts to better manage the factors under our control and the accelerated transformation of our operations had positive impacts on our results. Our debt leverage ratio also improved during the year, from 2.4x EBITDA at the end of 2023 to 2.0x at the end of 2024.

Lastly, we closed the sale of our fluid milk plant in St. John's, Newfoundland and Labrador to the new Newfoundland and Labrador Dairy Co-operative on November 2, 2024.

## Financial overview

### Results

The Cooperative's consolidated sales increased by \$556.0 million (6.8%) to \$8.8 billion due to the impact of the 53rd week, higher sales volumes for certain products, higher selling prices and high whey protein prices on international markets. Cheese prices in the US had a negative impact on sales.

Consolidated EBITDA amounted to \$609.6 million, a \$63.6 million (11.7%) increase. The additional week in fiscal 2024 boosted consolidated EBITDA by \$18.2 million. Canadian and US operations both contributed to this strong performance. In Canada, EBITDA was up 7.4%. Although lower than the previous year, inflation was still present and continued to affect wages, energy and packaging costs. The three-month postponement of the milk price increase by the Canadian Dairy Commission negatively impacted results, delaying by three months our ability to increase the selling price of our products to offset in part the effects of inflation. Most product categories contributed to the improvement in EBITDA through higher volumes or a more profitable product mix. Lastly, our efficiency initiatives, particularly in logistics and distribution, yielded positive results. In the US, earnings from operations increased 16.3% as a result of higher cheese volumes and higher whey protein prices on international markets. However, the unfavourable relationship between the price of cheese and the cost of milk negatively impacted EBITDA in the US.

Among other expenses making up the net earnings, the depreciation and amortization expense increased by \$5.8 million to \$238.4 million. Restructuring costs, integration and other non-recurring costs, which include operational restructuring costs and certain one-time events that have affected our operations, amounted to \$23.5 million. Cloud-based system implementation costs totalled \$23.2 million in 2024. Under accounting standards, a portion of the costs incurred for this project cannot be capitalized as intangible assets and must therefore be expensed. Financial expenses decreased by \$1.7 million to \$72.5 million. Finally, a \$19.3 million accounting gain on disposal of assets was recorded on the sale of the St. John's plant.

Earnings before patronage returns and the Cooperative's income taxes therefore totalled \$237.0 million, an increase of \$36.7 million compared to 2023. As previously mentioned, and in light of the Cooperative's annual earnings and financial position, the Board of Directors approved patronage returns of \$60.0 million.

The Cooperative generated net earnings of \$157.7 million in 2024, an increase of \$23.8 million (17.8%).

### Cash flows

Operating activities generated cash flows of \$395.0 million. Operations provided \$556.4 million and \$161.4 million was used for changes in non-cash items and payment of lease obligations. This variance is mainly due to higher inventories and accounts receivable caused in part by the increase in cheese and ingredient prices late in the year. It should also be noted that an amount in connection with the sale of the St. John's plant was considered receivable as of November 2, 2024 and therefore does not appear in the cash flow in 2024. The amount was deposited on the first business day of fiscal 2025.

With respect to financing and capital activities, \$63.9 million was distributed to members in patronage returns and redemption of members' shares and debt instruments. Financial expenses totalled \$78.8 million.

Capital expenditures and investments for the year amounted to \$233.0 million. Major projects during the year included the rollout of our cloud-based integrated management system. As of November 2, 2024, this system's implementation was successfully completed at all cheese and ingredients plants in Canada and the US. In Canada, work began on the addition of lactose-free product capacity at our Don Mills, Ontario plant, which will support the growth of this product segment in Canada. In the United States, installation of a nanofiltration system at the Lake Norden, South Dakota plant will equip us to produce a value-added whey powder.

In conclusion, we have ended fiscal 2024 with improved results. Our cost management efforts and review of our operations positively impacted earnings. The improved results and lower debt leverage ratio position us to face contingencies beyond our control. Our financial position allows us to invest in growth, improvement of our asset base and new technologies in order to contend with increasingly competitive market dynamics and secure the Cooperative's future. We are therefore maintaining the pace of the transformation we have undertaken. We believe in the Cooperative's potential and strength and will continue the work we have begun with optimism and determination.

**Émile Cordeau**  
Chief Executive Officer

**Stéphane Tremblay**  
Senior Vice-President and Chief Financial Officer

**CONSOLIDATED EARNINGS**

(IN THOUSANDS OF CANADIAN DOLLARS)	2024 (53 weeks)	2023 (52 weeks)
Sales	8,767,341	8,211,350
Operating expenses excluding depreciation and amortization	8,157,720	7,665,346
Earnings before interest, income taxes, depreciation, amortization and impairment of assets and other non-recurring costs (earnings from operations)	609,621	546,004
Depreciation, amortization and impairment of assets	238,415	232,629
Restructuring costs, integration and other non-recurring costs	23,455	28,050
Cloud systems implementation costs	23,187	16,298
Net financial expenses	72,495	74,169
Gains on disposal of assets	(19,471)	(27,615)
Income taxes of subsidiaries	30,724	19,790
Share of net loss from associated companies	3,828	2,434
<b>Earnings before patronage returns and the Cooperative's income taxes</b>	<b>236,988</b>	<b>200,249</b>
Patronage returns	60,011	50,002
Cooperative's income taxes	19,242	16,305
<b>Net earnings</b>	<b>157,735</b>	<b>133,942</b>

**CONSOLIDATED CASH FLOWS**

(IN THOUSANDS OF CANADIAN DOLLARS)	2024 (53 weeks)	2023 (52 weeks)
<b>Operating activities</b>		
Operations	556,368	497,045
Change in non-cash items and lease obligations	(161,410)	(7,761)
	394,958	489,284
<b>Financing and share capital activities</b>		
Long-term debt	(12,036)	(316,676)
Financial expenses paid	(78,838)	(68,649)
Patronage returns paid	(12,454)	(10,023)
Redemptions of members' shares and debt instruments, net of issuances	(51,466)	(31,208)
	(154,794)	(426,556)
<b>Investing activities and disposals</b>		
Property, plant and equipment, intangible assets and investment	(232,979)	(296,085)
Proceeds from disposals, net of costs and other	378	239,951
	(232,601)	(56,134)
Effect of exchange rate fluctuations on cash position	(346)	(1,509)
<b>Net change in cash position</b>	<b>7,217</b>	<b>5,085</b>

**CONSOLIDATED BALANCE SHEETS**

(IN THOUSANDS OF CANADIAN DOLLARS)	November 2 2024	October 28 2023
<b>Assets</b>		
Current assets	1,519,421	1,287,013
Property, plant and equipment and other long-term assets	3,224,050	3,240,725
	4,743,471	4,527,738
<b>Liabilities</b>		
Current liabilities	1,029,560	1,002,201
Long-term debt (including the current portion)	1,099,766	1,104,188
Other long-term liabilities	318,753	287,925
	2,448,079	2,394,314
<b>Members' Equity</b>		
Members' capital	836,560	847,543
Reserve and others	1,458,832	1,285,881
	2,295,392	2,133,424
	4,743,471	4,527,738