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NEWS RELEASE

Winpak Reports 2023 First Quarter Results

Winnipeg, Manitoba, April 25, 2023 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the first quarter of 2023, which ended on April 2, 2023.

	Quarter Ended (1)	
	April 2 2023	March 27 2022
(thousands of US dollars, except per share amounts)		
Revenue	304,516	275,982
Net income	38,736	33,929
Income tax expense	13,448	11,701
Net finance (income) expense	(3,634)	283
Depreciation and amortization	12,096	11,909
EBITDA (2)	60,646	57,822
Net income attributable to equity holders of the Company	39,287	33,870
Net (loss) income attributable to non-controlling interests	(551)	59
Net income	38,736	33,929
Basic and diluted earnings per share (cents)	60	52

Winpak Ltd. manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications.

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[1] The 2023 fiscal year comprises 53 weeks and the 2022 fiscal year comprised 52 weeks. Each quarter of 2023 and 2022 comprises 13 weeks with the exception of the first quarter of 2023, which comprised 14 weeks.

[2] EBITDA is not a recognized measure under International Financial Reporting Standards (IFRS). Management believes that in addition to net income, this measure provides useful supplemental information to investors including an indication of cash available for distribution prior to debt service, capital expenditures, payment of lease liabilities and income taxes. Investors should be cautioned, however, that this measure should not be construed as an alternative to net income, determined in accordance with IFRS, as an indicator of the Company's performance. The Company's method of calculating this measure may differ from other companies and, accordingly, the results may not be comparable.

Management's Discussion and Analysis (presented in US dollars)

Forward-looking statements: Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent Winpak's current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Factors that could cause results to differ from those expected include, but are not limited to: the terms, availability and costs of acquiring raw materials and the ability to pass on price increases to customers; ability to negotiate contracts with new customers or renew existing customer contracts with less favorable terms; timely response to changes in customer product needs and market acceptance of our products; the potential loss of business or increased costs due to customer or vendor consolidation; competitive pressures, including new product development; industry capacity, and changes in competitors' pricing; ability to maintain or increase productivity levels; ability to contain or reduce costs; foreign currency exchange rate fluctuations; changes in governmental regulations, including environmental, health and safety; changes in Canadian and foreign income tax rates, income tax laws and regulations. Unless otherwise required by applicable securities law, Winpak disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

Financial Performance

Net income attributable to equity holders of the Company for the first quarter of 2023 of $39.3 million or 60 cents in earnings per share (EPS) exceeded the $33.9 million or 52 cents per share recorded in the corresponding quarter of 2022, an increase of 16.0 percent. This represented the highest first quarter earnings achievement for the Company. Organic volume growth elevated EPS by 4.5 cents. Net finance income and foreign exchange augmented EPS by 4.0 cents and 1.5 cents, respectively. The level of income attributable to non-controlling interests added a further 1.0 cent. Conversely, higher operating expenses lowered EPS by 2.0 cents. In addition, gross profit led to a contraction in EPS of 1.0 cent.

The fiscal year of the Company ends on the last Sunday of the calendar year and is usually 52 weeks in duration. However, the 2023 fiscal year consists of 53 weeks, with the first quarter comprising 14 weeks, one more week than the prior year. The additional week included in the 2023 first quarter was essentially the last week of the 2022 calendar year which contained several statutory holidays. Consequently, it is estimated that this additional week contributed 6.0 percent to first quarter 2023 sales volumes and net income results.

Operating Segments and Product Groups

The Company provides three distinct types of packaging technologies: a) flexible packaging, b) rigid packaging and flexible lidding and c) packaging machinery. Each is deemed to be a separate operating segment.

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. Modified atmosphere packaging extends the shelf life of perishable foods, while at the same time maintains or improves the quality of the product. The packaging is used for a wide range of markets and applications, including fresh and processed meats, poultry, cheese, medical device packaging, high performance pouch applications and high-barrier films for converting applications. Specialty films include a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating and bag making, including shrink bags. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and is ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

The rigid packaging and flexible lidding segment includes the rigid containers, lidding and specialized printed packaging product groups. Rigid containers include portion control and single-serve containers, as well as plastic sheet, custom and retort trays, which are used for applications such as food, pet food, beverage, dairy, industrial and healthcare. Lidding products are available in die-cut, daisy chain and rollstock formats and are used for applications such as food, dairy, beverage, pet food, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

Revenue

Revenue in the first quarter of 2023 was $304.5 million, $28.5 million or 10.3 percent greater than the first quarter of 2022. Volume growth of 8.7 percent was achieved compared to the initial quarter of 2022. After taking into account the additional week in the current quarter, volume growth was approximately 3 percent. Within the flexible packaging operating segment, volume growth of 1 percent was realized. For the modified atmosphere packaging group, healthy volume growth reflected enhanced demand and business gains relating primarily to protein packaging. Biaxially oriented nylon product group volumes declined significantly as several core customers continue to unwind the excessive inventory levels that accumulated during the recent period of heightened supply chain challenges. In addition, specialty film volumes decreased mainly on account of customer loss. The rigid packaging and flexible lidding operating segment posted volume growth of 8 percent. For the lidding product group, volumes rebounded by 20 percent. In the first quarter of 2022, volumes were constrained by the inability to procure sufficient levels of aluminum foil. Furthermore, improvements in productive capacity have been realized over the past 12 months. Rigid container volumes fell slightly as gains in retort pet food packaging were eclipsed by lower condiment container activity. Packaging machinery volumes advanced by 6 percent. Selling price and mix changes had a modest positive effect on revenue of 2.4 percent. Foreign exchange had a minor negative influence on revenue.

Gross Profit Margins

Gross profit margins narrowed to 28.8 percent of revenue in the first quarter of 2023 from the 29.5 percent recorded in the same quarter of 2022. Consequently, EPS was adversely impacted by 1.0 cent. The level of selling price increases moderately outpaced the corresponding rise in raw material costs, generating an increase in EPS of 6.5 cents. The Company benefitted from the notable drop in raw material costs that took place in the fourth quarter of 2022 and the temporary delay in passing these along to customers with formal price indexing arrangements. The impact of inflation on both consumables and personnel expenses, coupled with the incurrence of outside warehousing expenses to support the higher balance of inventories, dampened EPS by 7.5 cents.

In the first quarter of the year, the raw material purchase price index receded by 3 percent compared to the fourth quarter of 2022. In the past 12 months, the index declined by 8 percent. During the first quarter, nylon resin had the most sizeable decrease of 17 percent while polypropylene resin experienced an increase of 13 percent.

Expenses and Other

Operating expenses in the current quarter, adjusted for foreign exchange, progressed at a rate of 13.3 percent which exceeded the growth in sales volumes, resulting in a reduction in EPS of 2.0 cents. Higher personnel costs were the main contributing factor. Foreign exchange raised EPS by 1.5 cents in the quarter largely a result of the weakened value of the Canadian dollar that was in effect to translate transactions in that currency into US dollars. Net finance income added 4.0 cents to EPS as the cash invested in short-term deposits and money market accounts was at much higher rates of interest than a year earlier. A lower proportion of earnings attributable to non-controlling interests augmented EPS by 1.0 cent.

Capital Resources, Cash Flow and Liquidity

The Company's cash and cash equivalents balance ended the first quarter of 2023 at $420.5 million, an increase of $21.8 million from the end of the prior year. Winpak continued to generate strong cash flow from operating activities before changes in working capital of $60.0 million. Cash was consumed by net working capital additions of $4.2 million. Inventories decreased by $6.6 million mainly a result of the drop in raw material costs. Due to the timing of supplier payments, trade payables and other liabilities declined by $10.6 million. Cash was utilized for income tax payments of $25.5 million, property, plant and equipment expenditures of $9.4 million, dividend payments of $1.4 million and other items totaling $1.3 million. Net finance income provided incremental cash of $3.6 million.

Summary of Quarterly Results

Thousands of US dollars, except per share amounts (US cents)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	304,516	292,365	302,532	310,254	275,982	279,053	254,166	243,969
Net income attributable to equity holders of the Company	39,287	31,235	29,567	33,671	33,870	30,031	20,762	28,520
EPS	60	48	45	52	52	46	32	44

Looking Forward

The first quarter provided solid revenue and earnings performance and for the full year, Winpak is on pace to realize all-time highs for each of these financial metrics.

Monetary policies implemented in the US and Canada have been successful in lowering the rate of inflation and improving the availability of labor. Throughout the remainder of 2023, it is projected that the trend of disinflation will continue and may eventually lead to deflation next year. Economic growth in North America has slowed with a mild recession forecasted for the second half of 2023. The recent stresses in the US financial system appear to have stabilized, however, further turmoil could have a material impact on both economic growth and inflation.

On a normalized basis, the year started with sales volumes advancing modestly with varying results across the Company's product groups. The overall trend of customers lowering the abnormally high level of inventories will continue but is expected to subside by the middle of 2023. Additionally, with production capacity coming on stream later in 2023, new business opportunities will be cultivated by the modified atmosphere packaging and rigid container product groups. Furthermore, the timing of order fulfillment within the rigid container and lidding product groups should have a positive impact on sales volumes. Conversely, the weakening economy may somewhat limit the Company's growth aspirations. Winpak remains optimistic that sales volume growth for the remainder of 2023 will be in the range of 3 to 5 percent.

In aggregate, raw material costs decreased by 12 percent over the past six months. The pass-through of these reductions to customers with formal price indexing arrangements will be implemented, on average, after a time lag of four months. For the balance of 2023, market expectations are that overall resin prices will be relatively stable with some materials projected to increase while others may decrease. Although the long-term outlook for inflation is positive, the current rate remains well above historical norms and key components of the Company's cost structure are directly impacted. The challenges experienced in attracting and retaining personnel and the resulting impact on compensation are also hampering profitability. With several competitors experiencing a much higher than normal magnitude of unsold capacity, the ability to implement selling price increases in 2023 has been extremely limited. Based on the preceding factors, gross profit margins for the rest of 2023 should be comparable to the level achieved in the first quarter of the year.

Capital expenditures for 2023 are forecast to be between $90 million and $100 million. During the first quarter of 2023, the Board of Directors approved a significant expansion of the Winnipeg, Manitoba modified atmosphere packaging facility, which includes the acquisition of additional cast co-extrusion capacity and related ancillary equipment. The building expansion of approximately 200,000 square feet should be completed towards the end of 2024 and the new extrusion line will be available in early 2025, providing the foundation for sizeable volume growth. Longer term, the building expansion has the capability of housing two additional cast co-extrusion lines. Contributing to the Company's more immediate growth targets, new co-extrusion modified atmosphere packaging and injection molded rigid container capacity will be commercialized in the second half of 2023. Concurrently, acquisition candidates will be considered and evaluated when they align strategically with the Company's strengths in sophisticated packaging for food, beverage and healthcare applications and provide a satisfactory economic return for shareholders. It is expected that the recent rise in the cost of capital will limit the number of potential bidders for acquisition opportunities that are of interest to Winpak.

Accounting Changes - Accounting Standards Implemented in 2023

(a) Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction:
In May 2021, the IASB issued "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)", which introduces an exception to the initial recognition exemption for deferred tax on transactions such as leases and decommissioning obligations. Applying this exception, a company does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments were implemented with retrospective application, effective December 26, 2022. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

Accounting Changes - Future Changes to Accounting Standards

(a) Lease Liability in a Sale and Leaseback:
In September 2022, the IASB issued "Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)", that requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2024.

Controls and Procedures

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of April 2, 2023 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management's design of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed as of April 2, 2023 to provide reasonable assurance that the financial information being reported is materially accurate. During the first quarter ended April 2, 2023, there have been no changes to the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Winpak Ltd.
Interim Condensed Consolidated Financial Statements
First Quarter Ended: April 2, 2023

These interim condensed consolidated financial statements have not been audited or reviewed by the Company's independent external auditors, KPMG LLP.

Winpak Ltd.
Condensed Consolidated Balance Sheets
(thousands of US dollars) (unaudited)

	Note	April 2 2023	December 25 2022
Assets			
Current assets:			
Cash and cash equivalents		420,470	398,673
Trade and other receivables	14	200,438	204,040
Income taxes receivable		3,677	3,573
Inventories	8	281,547	288,118
Prepaid expenses		8,049	5,602
Derivative financial instruments		396	-
		914,577	900,006
Non-current assets:			
Property, plant and equipment	9	516,341	518,590
Intangible assets and goodwill		32,889	33,110
Employee benefit plan assets		11,322	10,783
		560,552	562,483
Total assets		1,475,129	1,462,489
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		91,955	102,382
Contract liabilities		1,289	2,621
Income taxes payable		6,602	18,393
Derivative financial instruments		740	1,328
		100,586	124,724
Non-current liabilities:			
Employee benefit plan liabilities		8,624	8,334
Deferred income		17,915	17,946
Provisions and other long-term liabilities		11,839	12,062
Deferred tax liabilities		59,300	60,648
		97,678	98,990
Total liabilities		198,264	223,714
Equity:			
Share capital		29,195	29,195
Reserves		(175)	(972)
Retained earnings		1,212,395	1,174,551
Total equity attributable to equity holders of the Company		1,241,415	1,202,774
Non-controlling interests		35,450	36,001
Total equity		1,276,865	1,238,775
Total equity and liabilities		1,475,129	1,462,489

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Income
(thousands of US dollars, except per share amounts) (unaudited)

		Quarter Ended (Note 2)	
	Note	April 2 2023	March 27 2022
Revenue	6	304,516	275,982
Cost of sales		(216,666)	(194,452)
Gross profit		87,850	81,530
Sales, marketing and distribution expenses		(25,394)	(22,790)
General and administrative expenses		(10,516)	(8,751)
Research and technical expenses		(4,278)	(4,265)
Pre-production expenses		-	(402)
Other income	7	888	591
Income from operations		48,550	45,913
Finance income		4,992	273
Finance expense		(1,358)	(556)
Income before income taxes		52,184	45,630
Income tax expense		(13,448)	(11,701)
Net income for the period		38,736	33,929
Attributable to:			
Equity holders of the Company		39,287	33,870
Non-controlling interests		(551)	59
		38,736	33,929
Basic and diluted earnings per share - cents	12	60	52

Condensed Consolidated Statements of Comprehensive Income
(thousands of US dollars) (unaudited)

		Quarter Ended (Note 2)	
	Note	April 2 2023	March 27 2022
Net income for the period		38,736	33,929
Items that will not be reclassified to the statements of income:			
Cash flow hedge gains recognized		288	-
		288	-
Items that are or may be reclassified subsequently to the statements of income:			
Cash flow hedge gains recognized		410	844
Cash flow hedge losses transferred to the statements of income	7	286	100
Income tax effect		(187)	(252)
		509	692
Other comprehensive income for the period - net of income tax		797	692
Comprehensive income for the period		39,533	34,621
Attributable to:			
Equity holders of the Company		40,084	34,562
Non-controlling interests		(551)	59
		39,533	34,621

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Changes in Equity
(thousands of US dollars) (unaudited)

		Attributable to equity holders of the Company					
	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at December 27, 2021		29,195	(524)	1,050,949	1,079,620	36,119	1,115,739
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	619	-	619	-	619
Cash flow hedge losses transferred to the statements of income, net of tax		-	73	-	73	-	73
Other comprehensive income		-	692	-	692	-	692
Net income for the period		-	-	33,870	33,870	59	33,929
Comprehensive income for the period		-	692	33,870	34,562	59	34,621
Dividends	11	-	-	(1,563)	(1,563)	-	(1,563)
Balance at March 27, 2022		29,195	168	1,083,256	1,112,619	36,178	1,148,797
Balance at December 26, 2022		29,195	(972)	1,174,551	1,202,774	36,001	1,238,775
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	588	-	588	-	588
Cash flow hedge losses transferred to the statements of income, net of tax		-	209	-	209	-	209
Other comprehensive income		-	797	-	797	-	797
Net income (loss) for the period		-	-	39,287	39,287	(551)	38,736
Comprehensive income (loss) for the period		-	797	39,287	40,084	(551)	39,533
Dividends	11	-	-	(1,443)	(1,443)	-	(1,443)
Balance at April 2, 2023		29,195	(175)	1,212,395	1,241,415	35,450	1,276,865

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Cash Flows
(thousands of US dollars) (unaudited)

	Note	Quarter Ended (Note 2) April 2 2023	March 27 2022
Cash provided by (used in):			
Operating activities:			
Net income for the period		38,736	33,929
Items not involving cash:			
Depreciation		12,087	11,917
Amortization - deferred income		(418)	(426)
Amortization - intangible assets		427	418
Employee defined benefit plan expenses		751	1,084
Net finance (income) expense		(3,634)	283
Income tax expense		13,448	11,701
Other		(1,400)	(2,851)
Cash flow from operating activities before the following		59,997	56,055
Change in working capital:			
Trade and other receivables		3,602	(12,818)
Inventories		6,571	(24,006)
Prepaid expenses		(2,447)	(3,058)
Trade payables and other liabilities		(10,589)	16,556
Contract liabilities		(1,332)	(880)
Employee defined benefit plan contributions		(757)	(1,494)
Income tax paid		(25,517)	(6,529)
Interest received		4,941	167
Interest paid		(1,369)	(496)
Net cash from operating activities		33,100	23,497
Investing activities:			
Acquisition of property, plant and equipment - net		(9,443)	(11,936)
Acquisition of intangible assets		(207)	(175)
		(9,650)	(12,111)
Financing activities:			
Payment of lease liabilities		(219)	(208)
Dividends paid	11	(1,434)	(1,522)
		(1,653)	(1,730)
Change in cash and cash equivalents		21,797	9,656
Cash and cash equivalents, beginning of period		398,673	377,461
Cash and cash equivalents, end of period		420,470	387,117

See accompanying notes to condensed consolidated financial statements.

1. General

Winpak Ltd. (the "Company" or "Winpak") is incorporated under the Canada Business Corporations Act. The Company manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications. The address of the Company's registered office is 100 Saulteaux Crescent, Winnipeg, Manitoba, Canada R3J 3T3.

2. Basis of Presentation

Statement of compliance
The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 25, 2022, which are included in the Company's 2022 Annual Report.

The fiscal year of the Company ends on the last Sunday of the calendar year. As a result, the Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. The 2023 fiscal year comprises 53 weeks and the 2022 fiscal year comprised 52 weeks. Each quarter of 2023 and 2022 comprises 13 weeks with the exception of the first quarter of 2023, which comprised 14 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on April 24, 2023.

3. Accounting Standards Implemented in 2023

The following accounting standards came into effect commencing in the Company's 2023 fiscal year:

(a) Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction:
In May 2021, the IASB issued "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)", which introduces an exception to the initial recognition exemption for deferred tax on transactions such as leases and decommissioning obligations. Applying this exception, a company does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments were implemented with retrospective application, effective December 26, 2022. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

4. Future Accounting Standards

(a) Lease Liability in a Sale and Leaseback:
In September 2022, the IASB issued "Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)", that requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2024.

5. Segment Reporting

Operating segments and product groups
The Company provides three distinct types of packaging technologies: a) flexible packaging, b) rigid packaging and flexible lidding and c) packaging machinery. Each is deemed to be a separate operating segment.

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. Modified atmosphere packaging extends the shelf life of perishable foods, while at the same time maintains or improves the quality of the product. The packaging is used for a wide range of markets and applications, including fresh and processed meats, poultry, cheese, medical device packaging, high performance pouch applications and high-barrier films for converting applications. Specialty films include a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating and bag making, including shrink bags. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and is ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

The rigid packaging and flexible lidding segment includes the rigid containers, lidding and specialized printed packaging product groups. Rigid containers include portion control and single-serve containers, as well as plastic sheet, custom and retort trays, which are used for applications such as food, pet food, beverage, dairy, industrial and healthcare. Lidding products are available in die-cut, daisy chain and rollstock formats and are used for applications such as food, dairy, beverage, pet food, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

Due to similar economic characteristics, including long-term sales volume growth and long-term average gross profit margins, and having similar products, production processes, types of customers and distribution methods, the flexible packaging and rigid packaging and flexible lidding operating segments have been aggregated as one reportable segment. In addition, the packaging machinery operating segment has been aggregated with these two segments as the segment's revenue and assets represents less than 4 percent of total Company revenue and assets.

The Company operates principally in Canada and the United States. See note 6 for a breakdown of revenue by operating and geographic segment. The following summary presents property, plant and equipment, intangible assets and goodwill information by geographic segment:

	April 2 2023	December 25 2022
United States	247,806	249,075
Canada	282,953	284,019
Mexico	18,471	18,606
	549,230	551,700

6. Revenue

Most of the Company's contracts have a single performance obligation as the promise to transfer the individual goods. Revenue for each of the three operating segments is recognized at a point in time when the customer obtains control of a product, which typically takes place when legal title and physical possession of the product is transferred to the customer. These conditions are usually fulfilled upon shipment, however, in some instances, upon delivery. Invoices are generated when control has transferred and are usually payable within 30 to 60 days.

Disaggregation of Revenue

	Quarter Ended	
	April 2 2023	March 27 2022
Operating segment		
Flexible packaging	164,000	146,860
Rigid packaging and flexible lidding	130,049	120,007
Packaging machinery	10,467	9,115
	304,516	275,982
Geographic segment		
United States	244,796	223,924
Canada	38,960	34,484
Mexico and other	20,760	17,574
	304,516	275,982

The Company's products are primarily used for the packaging of perishable foods and beverages, which accounted for more than 90 percent of sales during both the first quarter of 2023 and 2022. Other markets include medical, pharmaceutical, nutraceutical, personal care, industrial and other consumer goods.

7. Other Income

	Quarter Ended	
Amounts shown on a net basis	April 2 2023	March 27 2022
Foreign exchange gains	1,174	691
Cash flow hedge losses transferred from other comprehensive income	(286)	(100)
	888	591

8. Inventories

	April 2 2023	December 25 2022
Raw materials	113,634	128,371
Work-in-process	44,533	46,022
Finished goods	106,394	97,163
Spare parts	16,986	16,562
	281,547	288,118

During the first quarter of 2023, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $2,828 (2022 - $1,950) and reversals of previously written-down items of $2,306 (2022 - $1,055).

9. Property, Plant and Equipment

At April 2, 2023, the Company has commitments to purchase plant and equipment of $30,138 (December 25, 2022 - $31,061). No impairment losses or impairment reversals were recognized in the first quarter of 2023 or 2022.

10. Leases

Extension Options

Some leases of office and manufacturing facilities contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. At April 2, 2023, potential future lease payments not included in lease liabilities totalled $4,597 on a discounted basis.

11. Dividends

During the first quarter of 2023, dividends in Canadian dollars of 3 cents per common share were declared (2022 - 3 cents).

12. Earnings Per Share

	Quarter Ended	
	April 2 2023	March 27 2022
Net income attributable to equity holders of the Company	39,287	33,870
Weighted average shares outstanding (000's)	65,000	65,000
Basic and diluted earnings per share - cents	60	52

13. Financial Instruments

The Company measures assets and liabilities under the following fair value hierarchy in accordance with IFRS. The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement, are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - inputs that are not based on observable market data.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

The fair value of cash and cash equivalents, trade and other receivables, including trade and other receivables subject to factoring arrangements and classified as measured at fair value through other comprehensive income (FVOCI), trade payables and other liabilities approximate their carrying value because of the short-term maturity of these instruments. The fair value of foreign currency forward contracts, designated as cash flow hedges, has been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the reporting date.

The following table presents the classification of financial instruments within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
At April 2, 2023				
Foreign currency forward contracts - net	-	(344)	-	(344)
At December 25, 2022				
Foreign currency forward contracts - net	-	(1,328)	-	(1,328)

When the Company has a legally enforceable right to set off supplier rebates accounts receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within 'Trade payables and other liabilities' on the consolidated balance sheet. At April 2, 2023, the supplier rebate receivable balance that was offset was $6,940 (December 25, 2022 - $7,002).

14. Financial Risk Management

In the normal course of business, the Company has risk exposures consisting primarily of foreign exchange risk, interest rate risk, commodity price risk, liquidity risk, and credit risk. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

Financial risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

Foreign Exchange Risk

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in other income. As a result of the Company's CDN dollar net asset monetary position as at April 2, 2023, a one-cent change in the period-end foreign exchange rate from 0.7399 to 0.7299 (CDN to US dollars) would have decreased net income by $185 for the first quarter of 2023. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7399 to 0.7499 (CDN to US dollars) would have increased net income by $185 for the first quarter of 2023.

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash and cash equivalents and forward or zero-cost option foreign currency contracts. The Company may also enter into foreign currency forward contracts for special dividend payments made in CDN dollars and when equipment purchases will be settled in other foreign currencies such as the Euro dollar. Transactions are only conducted with certain approved 'AA' rated or higher Schedule 1 CDN financial institutions. All foreign currency contracts are designated as cash flow hedges of the highly probable CDN dollar expenditures. These derivatives meet the hedge effectiveness criteria as a result of the following factors:

a) An economic relationship exists between the hedged item and the hedging instrument as notional amounts match and both the hedged item and hedging instrument fair values move in response to the same risk - foreign exchange rates. There are no significant reasons or causes for the designated hedged item and hedging instrument to be mismatched since the hedging instrument matures during the same month as the expected hedged expenditures are incurred. The correlation between the foreign exchange rate of the hedged item and the hedging instrument should be highly correlated and closely aligned as the maturity and the notional amount are the same.

b) The hedge ratio is one to one for this hedging relationship as the hedged item is foreign currency risk that is hedged with a foreign currency hedging instrument.

c) Credit risk is not material in the fair value of the hedging instrument.

The Company has identified two sources of potential ineffectiveness: a) the timing of cash flow differences between the expenditure and the related derivative and b) the inclusion of credit risk in the fair value of the derivative not replicated in the hedged item. The Company expects the impact of these sources of hedge ineffectiveness to be minimal. The timing of hedge settlements and incurred expenditures are closely aligned as they are expected to occur within 30 days of each other. Credit risk is not a material component of the fair value of the Company's hedging instruments as all counterparties are 'AA' rated or higher Schedule 1 CDN financial institutions.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

Certain foreign currency contracts matured during the first quarter of 2023 and the Company realized pre-tax foreign exchange losses of $286 which were recorded in other income. During the first quarter of 2022, the Company realized pre-tax foreign exchange losses of $100 which were recorded in other income.

As at April 2, 2023, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $59.5 million at an average exchange rate of 1.3408 maturing between April 2023 and February 2024. The fair value of these financial instruments was negative $344 US and the corresponding unrealized loss has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments in the first quarter of 2023 or 2022.

Interest Rate Risk

The Company's interest rate risk arises from interest rate fluctuations on the finance income that it earns on its cash invested in money market accounts and short-term deposits. The Company developed and implemented an investment policy, which was approved by the Company's Board of Directors, with the primary objective to preserve capital, minimize risk and provide liquidity. Regarding the April 2, 2023 cash and cash equivalents balance of $420.5 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $4,205 annually.

Commodity Price Risk

The Company's manufacturing costs are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are reflected in selling price adjustments but there is a slight time lag. For the quarter ended April 2, 2023, 75 percent of revenue was generated from customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible, as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

Liquidity Risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come due. Management believes that the liquidity risk is low due to the strong financial condition of the Company. This risk assessment is based on the following: (a) cash and cash equivalents amounts of $420.5 million, (b) no outstanding bank loans, (c) unused credit facilities comprised of unsecured operating lines of $38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures, payment of lease liabilities and dividend payments in the next twelve months. The Company's trade payables and other liabilities and derivative financial instrument liabilities are all due within twelve months.

Credit Risk

The Company is exposed to credit risk from its cash and cash equivalents held with banks and financial institutions, derivative financial instruments (foreign currency forward contracts), as well as credit exposure to customers, including outstanding trade and other receivable balances.

The following table details the maximum exposure to the Company's counterparty credit risk which represents the carrying value of the financial asset:

	April 2 2023	December 25 2022
Cash and cash equivalents	420,470	398,673
Trade and other receivables	200,438	204,040
	620,908	602,713

Credit risk on cash and cash equivalents and other financial instruments arises in the event of non-performance by the counterparties when the Company is entitled to receive payment from the counterparty who fails to perform. The Company has established an investment policy to manage its cash. The policy requires that the Company manage its risk by investing its excess cash on hand on a short-term basis, up to a maximum of six months, with several financial institutions and/or governmental bodies that must be rated 'AA' or higher for CDN financial institutions and 'A-1' or higher for US financial institutions by recognized international credit rating agencies or insured 100 percent by the US government or a 'AAA' rated CDN federal or provincial government. The Company manages its counterparty risk on its financial instruments by only dealing with 'AA' rated or higher Schedule 1 CDN financial institutions.

In the normal course of business, the Company is exposed to credit risk on its trade and other receivables from customers. To mitigate such risk, the Company performs ongoing customer credit evaluations and assesses their credit quality by taking into account their financial position, past experience and other pertinent factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases insures trade and other receivables against credit losses.

During the first quarter of 2023, the Company incurred costs on the sale of trade receivables of $1,355 (2022 - $465). Of these costs, $1,261 was recorded in finance expense (2022 - $375) and $94 was recorded in general and administrative expenses (2022 - $90).

(thousands of US dollars, unless otherwise indicated) (Unaudited)

As at April 2, 2023, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 97 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse to a third party and d) 23 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 42 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance for expected credit losses and the amount of the loss is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. During the first quarter of 2023, the Company recorded impairment losses on trade and other receivables of $28 (2022 - $31).

The following table sets out the aging details of the Company's trade and other receivables balances outstanding based on when the receivable was due and payable and related allowance for expected credit losses:

	April 2 2023	December 25 2022
Current (not past due)	173,847	176,720
1 - 30 days past due	21,991	22,119
31 - 60 days past due	2,208	3,145
More than 60 days past due	4,156	3,573
	202,202	205,557
Less: Allowance for expected credit losses	(1,764)	(1,517)
Total trade and other receivables, net	200,438	204,040

15. Seasonality

The Company experiences seasonal variation in revenue, with revenue typically being the highest in the second and fourth quarters, and lowest in the first quarter.