From Producer to the World

AGT FOOD AND INGREDIENTS INC.

P.O. Box 30029
Regina, SK CANADA S4N 7K9
www.agtfoods.com

Phone: (306) 525-4490
Fax: (306) 525-4463

AGT Food and Ingredients Inc.
First Quarter 2015 Financial Results Conference Call Transcript

Date: Wednesday, May 13, 2015

Time: 1:30 PM ET / 12:30 PM CT / 10:30 AM PT

Speakers:

Murad Al-Katib
President and Chief Executive Officer

Lori Ireland
Chief Financial Officer

Gaetan Bourassa
Chief Operating Officer

Omer Al-Katib
Director, Corporate Affairs and Investor Relations

OPERATOR:
At this time, I would like to turn the conference over to Omer Al-Katib, Director, Corporate Affairs and Investor Relations. Please go ahead, sir.

OMER AL-KATIB:
Thank you. Good afternoon and thank you for joining AGT on our First Quarter 2015 Conference Call. On the line with us today, we have Murad Al-Katib, President and CEO of AGT Food and Ingredients; Lori Ireland, our Chief Financial Officer and Gaetan Bourassa, our Chief Operating Officer.

Before we get started, I would like to remind everybody that today's call may include forward-looking statements. Such forward-looking statements are given as of the date of this call and involve certain risks and uncertainties. A number of factors and assumptions were applied in the formulation of such statements and actual results could differ materially. This call may also include references to certain non-IFRS financial measures.

For additional information with respect to forward-looking statements, factors and assumptions, as well as reconciliation to IFRS measures, we direct you to our news release, our website, as well as our recent filings on SEDAR.

With that, I'd like to turn things over to Murad for some comments and then we'll go to questions. Murad?

MURAD AL-KATIB:
Thanks Omer, welcome to everyone on the call.

This quarter continues to demonstrate the foundation for growth we've established for AGT; a foundation we're very proud of. We have reported positive results that we feel leverage our unique global assets and the Management expertise and initiatives with regards to our business, to grow it, diversify it and make it operate more efficiently as customer and sales demand for our pulses, ingredients and other products grows.

Our legacy business of pulses and grains has again reported good results and we're seeing the measured and positive advancement of our food ingredient platform, as well as growth in our retail packaged foods business. We see positive growth in margins and significant tonnes move through our system globally. We have a number of expansions and production process enhancements underway and some expected to be completed and starting to contribute to our business later in 2015 and into 2016. As well, we have some exciting new acquisitions in loading and transportation that we expect to create opportunity for our AGT operations in Canada.

I'd like to go over some of these opportunities that we are excited about in our business as well as take some questions, but first I'm going to ask Lori Ireland, our CFO to discuss some of the highlights from the quarter. Lori.

LORI IRELAND:
Thanks Murad. Hello. AGT reported Adjusted EBITDA of $22.6 million for the quarter ended March 31, 2015, a 33% increase from $17.1 million for the same quarter in 2014. Trailing twelve month Adjusted EBITDA was $92.5 million, an increase of 46% when comparing to $63.5 million for the trailing twelve months ended March 31, 2014.

AGT's adjusted gross profit and Adjusted EBITDA per tonne improved when comparing the three months ended March 31, 2014 to the three months ended March 31, 2015, from $79.89 and $44.17 per tonne, up to $90.46 and $53.28 per tonne.

Pulses and grains processing and food ingredients and packaged foods continue to be focus areas for AGT. These two segments both demonstrated adjusted gross profit and Adjusted EBITDA per tonne improvements in the quarter ended March 31, 2015 compared to the same quarter last year.

Pulses and grain processing contributed adjusted gross profit and Adjusted EBITDA per tonne of $76.03 and $56.28 for the quarter ended March 31, 2015. This was an improvement from the same period in 2014; however, we're slightly lower from the quarter ended December 31, 2014 due to sales of 2014 crop with quality issues and resulting lower margins that trailed into the first quarter.

Food ingredients and packaged foods contributed adjusted gross profit and Adjusted EBITDA per tonne of $189.92 and $116.88 for the quarter ended March 31, 2015 compared to $159.71 and $105.01 for the quarter ended March 31, 2014. This is due to increased volumes as well as stronger margins on sales.

Accounts receivable days outstanding decreased from the same quarter last year, down to 44 days from 48 days last year. Inventory days outstanding increased due to higher average inventory levels relating to pre-sold stocks for the United Nations and food aid programs being held in Turkey, as well as ramp up of core products at our AGT CLIC facility. The total accounts receivable and inventory days outstanding for the quarter ended March 31, 2015 was 132 days.

Non-cash foreign exchange includes a snapshot of outstanding foreign denominated accounts receivable and accounts payable, as well as outstanding foreign exchange contracts, and includes the contract relating to high yield bonds. Note this is a non-cash item and will fluctuate depending on the strength or weakness of foreign currencies when compared to the Canadian dollar. This amounted to an expense of $8.2 million for three months ended March 31, 2015, which has been excluded from Adjusted EBITDA and adjusted earnings per share calculations.

AGT has a treasury processes in place to ensure the need to purchase foreign currencies to settle debt will be minimized if it will result in cash losses on foreign exchange.

General and Administrative and Marketing, Sales and Distribution expenses for the three months ended March 31, 2015 increased over the prior year but decreased compared to the three months ended December 31, 2014. This is due largely to one-time adjustments such as severance obligations, legal fees and other one-time costs that were included in the three months ended December 31, 2014 but did not affect the quarter ended March 31, 2015. As a percentage of revenue, however, this number is slightly lower for the three months ended March 31, 2015 compared to the same period in the prior year as well as in the prior quarter.

Finance expense increased over the prior quarter due mainly to a couple of factors. First, the prior quarter included a reduction to the fair value adjustment of AGT's derivative liabilities which made that quarter lower in comparison. Secondly, the current quarter includes costs associated with the cross-currency swap on the high yield bond interest. These amounts are recorded in both unrealized foreign exchange and in finance expense throughout the life of the contract. As a result, the total has no impact on Adjusted EBITDA. In addition, AGT utilizes various trade finance instruments and the costs associated with these instruments are also recorded in finance expense. On a normalized basis, finance expense is in the range of $6.5 million to $7.5 million per quarter when considering interest on bank indebtedness, long term debt, bond interest and the various trade finance instruments.

AGT tracks adjusted earnings per share as it is reported exclusive of the non-cash foreign exchange effects of our global business, whether that means a gain or a loss because Management feels that inclusion of both gains and losses that result from snapshot non-cash IFRS effects do not accurately reflect the cash flow generating ability of our business. Adjusted earnings per share improved to $0.43 and $0.42 fully diluted for the three months ended March 31, 2015 compared to $0.16 and $0.16 fully diluted for the same period last year. Thank you.

MURAD AL-KATIB:
Thanks Lori.

As is usual this time of year, global pulses markets look forward to seeding of what may be a significant crop in North America based on reported seeding intentions from producers and statistics agencies. Farmers are out in the field and reports are that seeding progress is moving well. Of course seeding intentions can change right up to the last minute before farmers get out of the field, but we are optimistic that farmers have again chosen pulses to be a very significant part of their growing rotation.

There are certainly things that can happen with regard to production throughout the growing season, but with normal conditions, we expect stocks produced to be well positioned in the post-harvest period for shipment, both within our legacy segment for milling and value-added processing in our North American facilities, as well as to supply raw materials to our operations in Turkey, India and our customers around the globe. As well, these stocks would supply our ingredient business with raw materials to be milled for protein, fibre and flours and starch.

Production of pulses at the levels being reported are important for AGT's business, as reported export statistics show that Canada has exported a lot of pulses in late 2014 and in the first quarter of 2015, reducing stock levels to minimal amounts. To maintain these programs and exports at similar levels, product is needed as importers appear to have returned to buying in traditional periods.

We expect this shortfall to be very short term in duration, very short term in impact and certainly rectified with what we project could be an early harvest. We expect import levels to key consumption regions like Turkey, Middle East, North Africa and India and the India subcontinent to continue, as harvest of domestic products in these key consumption and distribution markets appears low or average at best due to a variety of reasons, including weather and production decreases. This is a positive indicator on the future performance of AGT's legacy segment.

Before discussing opportunities that we expect to benefit our pulses and grains segment, I would like to talk a bit about food ingredients and packaged foods. This segment is certainly performing as we would expect with steady and measured growth. We are pleased with the selection of our commercialization partners, both Ingredion in the global human food ingredient sector and Cargill in the North American protein to pet food and feed ingredient sector.

Customers are continuing their reaction which is positive to our products as their own application research programs are completed. We're seeing test quantities being converted to sales quantities, and this is a trend that we expect to continue.

As a result of this, volumes and margins are increasing as we expect, and this certainly was the driver for the expansions we announced in Q4 for Minot with de-flavouring and treatment process as well as the infrastructure to give us additional expansion options as the business unit grows in the manner that we forecasted. It has been part of our strategy from the beginning of AGT to test the waters first, something we did in a big way with our ingredients platform, giving ourselves the options for expansion as we seize success and growth in the business. A very staged and managed approach.

Expansions and installations of the enhancement lines are moving as planned, and we expect them to be completed with commercial production in 2015. The availability of added capacity in ingredients is an important point to customers when we speak with them. These are new ingredients for them in some cases, they need assurance that they are not going to have supply chain issues should they embrace the ingredient. They need to count on the supply. AGT's scope and scale certainty is a point of differentiation and comfort for them as they see that we have options to expand and guarantee supply for their programs.

Our retail packaged foods business unit globally is gaining some momentum as we are seeing the synergy between our origination and production, packaging and distribution systems for packaged and canned pulses, pasta and other retail packaged foods. AGT is certainly making inroads into global retailers as they look for diversified vendors who can manage a global supply chain for a number of products – packaged and ready for sale for retail, to and from markets around the globe.

Pasta expansions in Turkey are underway: we're adding vermicelli nest and lasagna line, and we're expecting that to be operational by the end of the second quarter of 2015. This continues to give us abilities to expand and complement the current lines of Arbella pasta and will continue to be looking at a mix of both our branded sales as well as co-packing for retailers as we expand our presence with global retailers around the world. We expect both of these units within this segment, food ingredients and package foods, to continue to grow and increase in terms of contribution to our earnings.

I would like to speak a bit on AGT's offer to purchase the assets of West Central Road & Rail and Prairie Processing that includes five producer and bulk loading sites and a processing facility in Eston, Saskatchewan. This is a tuck-in acquisition that is the key part of the growth plan for both our pulses business in Canada, Turkey and India as well as for our durum wheat for our pasta business in Turkey.

As lentil production has decreased in Turkey and regional supply opportunities have increased, supply of raw material from Canada to Turkey has become an important part of our business. Currently, capacity from our value-added facilities is being used for these bulk loading programs, capacity we feel may be better utilized in their intended use: that being bagged, value-added and containerized products for shipment.

The ability to originate and load bulk quantities of lentils and durum wheat, as well other grains and products, and then use available and efficient modes of transportation, is an important advantage for AGT. This allows the best use of available transportation options, including a multi-modal transport strategy including rail, intermodal, truck, containers, and bulk vessels and other modes in an efficient manner to ensure we are able to move our products to markets.

Turkey is a big destination for lentils. India is a big destination for lentils. India, number one, Turkey number two. This fits very well into the strategy of AGT. Currently Turkey is

Canada's fifth largest destination for durum wheat. This also plays well into our strategy. AGT has origination strength in Canada and the ability to extend our origination options to supply both lentils and durum wheat to ourselves and also to other customers in Turkey and India. This allows us to capitalize on sales opportunities as well as boost the capacity in our facilities in Canada and Turkey as we move forward.

We expect pulse production in Canada to continue at the levels we are currently seeing and even expand. This turnkey acquisition provides an efficient way to augment our capacity and deal with capacity constraints that we're facing in peak shipping windows. Assuming completion of the transaction, we expect this acquisition to play an important role in our post-harvest 2015 programs. With shipments that positively affect our pulses and grains segment and our pasta business unit in the coming periods.

Before we go to questions, there are a lot of positive things happening at AGT's business; positives we expect to continue as our business matures, our business strengthens—and I do credit this to a very focused, strategic and managed initiative over the past periods. We defined a strategy, we stayed the course in difficult periods. We are now starting to see the benefits of that strategy.

We have a significant and unique global asset base that allows us the opportunity to develop our strengths in origination, processing and distribution to maximize the opportunities ahead of us. Our new business lines such as our food ingredients and our retail packaged foods are expected to support these initiatives and provide diversification for our business as well. Our legacy segment is performing well. Viewed in a complete picture, we are pleased with how our strategy is being implemented by our Management Team and we feel it will continue to deliver earnings growth to our shareholders as opportunity and value for our stakeholders and our employees.

I thank you for your interest in AGT Foods. Omer, I'll open it up for some Q&A.

OMER AL-KATIB:
Thanks Murad. Operator, we'll go to the first question.

OPERATOR:
Our first question comes from Marc Robinson of Cormark Securities. Please go ahead.

MARC ROBINSON:
Thanks. Good afternoon. Could you give us a sense of how much incremental fixed costs or SG&A are required for line three and then for four and five?

MURAD AL-KATIB:
You know Mark, certainly I think what we are going to see is, we're going see an opportunity as we ramp up line three and then go into line four and five as we continue to ramp this thing up in '15-'16. The incremental fixed costs are very, very minimal, so you will have a very strong contribution to earnings. So when we look at that differential of adjusted gross profit, Lori what was the figure, 189 or something in the segment, food ingredients?

LORI IRELAND:
Yes.

MARC ROBINSON:
189.

MURAD AL-KATIB:
And then a conversion to 117, you know, with that fixed cost being significantly lower in the third and fourth and fifth lines, we should see an ability, Marc to have a better conversion of adjusted gross profit to EBITDA per tonne.

MARC ROBINSON:
Okay, great.

MURAD AL-KATIB:
I think we will see certainly a margin improvement, but this is literally economies of scale. We don't have a whole new lab. We would have additional scientists. We don't have a whole new operating system, you may just be heating a larger building or you'll add an incremental shift—or people to a shift, not a whole new production shift. So with that I think the ramp up of costs is certainly going to be much lower and we hope that the earnings will substantially outpace that. I think there will be an earnings improvement story as we ramp up capacity.

MARC ROBINSON:
And then just shifting gears to legacy. Some talk in the news over the past few days around the El Niño weather event. I'm wondering if you have any thoughts on how that could impact the supply-demand picture as we move into the new crop season?

MURAD AL-KATIB:
We are certainly seeing continued abnormal weather patterns, in particular in the Indian subcontinent region, Australia—actually, the El Niño pattern have kind of led to probably good seasonal rains. In fact, areas where flooding in other areas have been excessive moisture, but I think in general, Marc, what we're going to be seeing is production in the Middle East, North Africa region is actually average to below average. So we are seeing dryness, in particular in the wheat sector, pulses as well. You‘re not going to have a huge crop there and regional consumption is going higher as a result of refugee crisis in Syria, Iraq, and regional instability. Indian subcontinent: I really do believe that production is down dramatically over last year, quality was affected, and with a big crop going in in Canada and an early crop going in in Canada, we may have the opportunity to exceed what was last year a record export pace. So every year we exceed the export pace of the year prior because supply was available. Now what we are seeing right now is with tight supplies, this is a function of success. Let's not forget that we were sitting a year and a half ago or two years ago with 5 to 800,000 tonnes of carryout stock. Margins under pressure as a result of overstocking. Today we are not at that position. I think the El Niño weather effects and that volatility and unpredictability are the change in pattern. It's going to bode well for demand going forward.

MARC ROBINSON:
Okay, thanks. That's it for me.

OPERATOR:
Our next question is coming from John Chu of AltaCorp Capital. Please go ahead.

JOHN CHU:
Hi, good afternoon guys.

MURAD AL-KATIB:
Hi, John.

JOHN CHU:

Couple of questions here. Just wondering on line four and five, is it similar to when you are looking at expanding two and three that you want to see about a third of the production volumes being committed before moving forward or what brings you to looking at those lines?

MURAD AL-KATIB:

I mean, the first step is we have to build the building, so we are just in the process now of final design. So line three went through all the commercial testing at the end of the first quarter. We are into commercial production now on line three. John, what I would expect is that if we follow a similar pattern of five to seven months of time to ramp up that line, that will take us towards the end of this year, which is around the construction end period. As you start to get this momentum of ramping a line and adding the next line and ramping that, you get a lot more confidence on your ability to build the next one, because a lot of what is driving the additional demand will be incremental or expansion of business with existing clients. So when a client adopts an ingredient and they launch a product or launch a suite of products, it is sales growth that drives that volume. So I can't necessarily say that the same decision pattern will take place. It might actually be easier to decide on line four and five because I think that momentum will be moving in the right direction. We will have much more clear visibility because clients would have not only tested but adopted their buying quantities, and they're expanding. So it gives you a lot more confidence that, that's what I would call sticky revenue, or more sticky earnings. It's not here today, gone tomorrow.

So our focus right now is get line three ramped right up. Build that de-flavouring line. Get the buildings in place, and then it gives us an ability with 90 days or 120 days to ramp the next lines. That's where we're focused.

JOHN CHU:

And then just on line three. I was under the impression that previously it was Q3/Q4 where we would be fully ramped up. Now it seems to be late calendar 2015. Is it just a function of waiting for demand to be there to ramp up or—

MURAD AL-KATIB:

I think you probably just made an assumption on Q3/Q4. We always said that every line case has been five to six months to get it ramped up, so it was operational pretty much end of March to early April, so we take five to six months out we are into third and fourth quarter, that's pretty much what I just said.

JOHN CHU:
And then just lastly, what is the West Central acquisition? There is some talk in one of the local papers about eventually the Company buying a pasta facility. Can you just clarify what the long-term view is for something like that?

MURAD AL-KATIB:
We are a value-added durum wheat miller. We are becoming a major pasta exporter in the world. The major source of durum wheat is in Canada; right now we are focused on originating that durum, supplying our Turkish plants. When those plants are at full utilization, as we built a new semolina plant three years ago that still is only about 50% utilized, we will look at additional capacity in pasta production potentially in a region not in Turkey and it would be logical that we could look at a North American build. That being said John, to be very absolutely clear, that is not imminently coming. We have a long way to go to ramp up the utilization of the new line we just installed. We have capacity to add another 10-12 tonnes per hour, and so if we look at that on an annual scale, if we take 11 tonnes per hour, multiplied by the number of days of our production, we have another almost 80,000 mt of pasta capacity we can add in Turkey before we get to full utilization. That's a lot of retail packages. So I've got about 175 million packages to sell before I worry about Canada.

JOHN CHU:
Okay, that's great. That's very helpful. Thank you.

OPERATOR:
Our next question is coming from Anoop Prihar of GMP Securities. Please go ahead.

ANOOP PRIHAR:
Good afternoon. Three quick ones. First of all, what was capacity utilization on the processing side on Q1?

LORI IRELAND:

About 75%.

MURAD AL-KATIB:
Yes, running, about globally 75-76%, Anoop, probably 85-86% in Canada. So the Canadian utilization again continues to be high. Seasonally, Australia started to ramp up because their crop came in the first part of the year and so that would be about where we were running. So we were down a bit from last quarter as you see the total tonnes were down a bit, but the Canadian utilization continued to run quite high.

ANOOP PRIHAR:
For Q1, what was utilization on lines one and two at Minot?

MURAD AL-KATIB:
We would have been getting—that would be the incremental tonnes you saw, Anoop, on the tonnes in the food ingredients segment is incremental ramp up of the second line, so I would consider, with that full utilization and we started even producing test for commercial quantities on line three in the end of the first quarter. So you could consider those lines running at utilization now, first line one and two.

SPEAKER:
So full utilization on both those.

MURAD AL-KATIB:
Yes.

ANOOP PRIHAR:
Lastly, could you give us a bit of detail on Prairie Processing. What sort of capacity do they have and what sort of capabilities do they have?

MURAD AL-KATIB:
So Prairie Processing is a facility that was built in 2011. It is a canary seed processing factory and it's actually set up, I would say, one of the best-designed canary seed factories in the world. It actually can clean right to 99.9% purity. And it's very important as we look at phytosanitary rules in particular in Mexico and South America, Anoop. We are excited about that area because three main crops in that area are durum wheat, lentils and canary seed. So when you couple that plant with our other efforts, what we

are planning to do with West Central in general is take business that was already being done—some of the business already being done and some of our processing plants—move it into the new infrastructure, then it gives us an opportunity to resell higher quality and good opportunity business in the world through our fine processing plants. We had a volume of canary seed going out of some of our plants, and that started when we were trying to fill back when capacity utilization was very low, back in 2011 and 2012. Well now it is still good business, Anoop, just not as good as some of the other business we do. We now will have a dedicated canary seed processing plant year round. I think it’s going to be a very good opportunity for us.

ANOOP PRIHAR:
I understand how you—

MURAD AL-KATIB:
Capacity would be probably in the range of around say 40,000 tonnes of capacity.

ANOOP PRIHAR:
I understand how West Central fits into your strategic plant, I mean, this is the first time I've ever heard you talk about buying a dedicated canary seed facility—I mean, it really isn’t part of your core business.

MURAD AL-KATIB:
It was packaged Anoop. It's owned by common shareholders, so they’re all located in one spot. They're all run out of the same staff, the same origination, so don't considered as to acquisitions. It was two transactions because of the difference in some of the shareholders, but it was all a packaged deal with the West Central deal. In fact, the transactions were actually linked as concurrent transactions in the asset purchase agreement.

ANOOP PRIHAR:
Thank you.

OPERATOR:
Our next question today comes from Shawn Pratt of the Western Producer. Please go ahead.

SHAWN PRATT:
Hi Murad. Previously you had talked about Regina being the next location for the food ingredient side of the business. What happened? Why is Minot getting the next plant and not Regina?

MURAD AL-KATIB:
Well, Shawn, you know what, Regina we are looking at expansions and we are looking at opportunities related to our pulses and our package food and food ingredient business still. The decision was just made that with the infrastructure that was already developed in Minot, that if we were doing the same processing, which was really more potential protein starch and fiber extraction, that it made sense to do it in the same spot, so it's kind of related to the question that Marc Robinson from Cormark asked earlier. The incremental fixed cost of adding a line four and five in Minot was judged to be significantly lower than that of a greenfield build here. But certainly Saskatchewan producers can be assured that Regina remains a major processing location for us. We have two plants here now and we are looking at both presence expansions in terms of our head office presence, but also additional processing infrastructure here related to our pulses platform. So it's not getting left out. It's likely going to be focusing a bit more on our packaged food business. So canning, retail packing and expansions of our chickpea and bean business.

OPERATOR:
The next question is coming from Stephen Aldrich, a private investor. Please go ahead.

MURAD AL-KATIB:
Yes, Stephen.

STEPHEN ALDRICH:
Quick question, are you making or do you have other people making from your product any pasta made from lentil flour?

MURAD AL-KATIB:
Yes, Stephen, there are certainly a number of products that have been launched out in both the U.S. and Canada that are using lentil flour now. So there actually is—I believe there's a product that is now in Loblaw's under the President's Choice brand that is a

red lentil pasta, and then I believe that General Mills has also launched a new pasta and I believe it’s available in Canada, but it’s available in the U.S. for sure. It's also a gluten-free red lentil pasta. And in addition, Barilla, the largest pasta company in the world, has a brand called Barilla Plus, which is made with lentil flour and pea and chickpea flour as well as flaxseed and other types of products. So the pasta market is certainly one where we see very strong opportunity for both gluten-free pasta, but also pasta in combination with durum wheat into what we would call a complete amino acid profile, high-protein, high-fibre pasta that tastes good. So it is certainly an initiative thats our laboratory in Saskatoon is working on. We actually have in our lab in Saskatoon, a pilot semolina production and pilot pasta extrusion, so our scientists are working quite hard on looking at pulse inclusion in pasta as one of the futures for AGT.

STEPHEN ALDRICH:
Okay, good. One other thing, you said that Turkey, your pasta production facilities only 75% used.

MURAD AL-KATIB:
No, I actually said our global assets. Our pasta platform was 98% utilized last quarter.

STEPHEN ALDRICH:
Okay. I misunderstood that.

MURAD AL-KATIB:
That was our global platform of all the assets in the world, but the Turkish pasta is running at full utilization.

OPERATOR:
The next question is coming from Steve Hansen of Raymond James. Please go ahead.

DAN SHIFF:
Hi, guys it's actually Dan Shiff filling in for Steve today. Just a quick question. Just wondering what the split between human food and pet food is currently on the ingredients business? Just wondering how you expect that mix to shift as you guys ramp production on lines three, four, and five?

MURAD AL-KATIB:

Yes Dan, I don't think I have an exact figure for you, but it's probably around 65/35 and certainly I would expect as we go to line four and line five that that will go to probably 60/40 on the balance on the human food. So that's our goal as we continue to ramp up the platform. Human food will certainly take a larger part of this business as we continue to ramp up the human food platform.

DAN SHIFF:
That's helpful, thank you. And then just maybe more just quickly on the balance sheet. Just wondering if you guys might be able to give us a sense for your current debt targets and how much debt you might expect to repay during the balance of the year? I know there's a lot of moving parts here with the proposed acquisition and expansions in Minot, but any additional color would be very helpful. Thank you.

MURAD AL-KATIB:
I think if you look at the net debt to EBITDA side, we are down around that 3.5 or something now. If you look at the leverage profile a year ago, we were probably at 5.5 so it's funny obviously—not funny, but positive what really good strong earnings will do to your leverage profile. We expect that earnings will continue to ramp up. We'll use a bit of debt to conclude the West Central Road and Rail transaction. So the capital program that will be deployed will also generate earnings, so I think what we will see is probably fairly consistent leverage profile. Probably our target would be to get that ramped down to that 3 to 1 are slightly below.

LORI IRELAND:
I see we might see a blip up a little in quarter two due to that acquisition and then start leveling off a little again and decreasing.

MURAD AL-KATIB:
So we're taking free cash, we're going to pay aour dividend, going to maintain our CapEx. We're going to a do a little bit of managed growth CapEx and we're going to reduce debt. That's where we will continue to as we ramp this earnings profile up over that $100 million in the future and keep on rolling along.

DAN SHIFF:
That's great. Thank you.

OPERATOR:
We have a follow-up question from John Chu of AltaCorp Capital. Please go ahead.

JOHN CHU:
Quickly on the West Central acquisition, how long were you looking for that? Did they approach you or your approached them and is the capability they have, is that sufficient to do what you think you can do or do you think you might need to add more similar assets to that?

MURAD AL-KATIB:
In terms of the time discussions, been going on for number of weeks, and for us John, we wanted to make sure that our assets in Canada were going to be running at that consistent utilization for multiple months, and that we felt—there again, there was this concept of clear visibility on utilization sales. It's what we are all about, we're not going to build it and then figure out or buy it and figure it out how to fill it later. I think the one attractive part of West Central is they have a very large book of business that they did themselves. So if you look at their public disclosures, because they were—they're a reporting issuer because they have 1800 or so farmers that own the shares of that company. They did roughly around 300,000 tonnes last year through their system. So that was attractive to us. Solid farmer support in the region, good infrastructure, relatively new infrastructure. And a very capable and competent staff base. This is a turnkey. We use the word turnkey in our disclosures. That was the attractive side of this. Our focus will be just like on everything else now John: ramp this up before we start looking for the next asset. So certainly there is a lot of room to grow this West Central platform into something much bigger than it is today.

OMER AL-KATIB:
Thank you, Murad. That brings us to the end of our questions in this session. I would like to thank you all for joining us on our conference call. I'd also like to remind everyone still on the call that if you have any follow-up questions, you can feel free to contact us at our Regina head office and we'd be more than happy to follow up with you. Again, thank you for attending our conference call and I wish you all a good day.