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# UTZ Brands, Inc. (UTZ)

Q3 2025 Earnings Call - Q&A Session

## CORPORATE PARTICIPANTS

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

**William J. Kelley**

*Executive Vice President & Chief Financial Officer, UTZ Brands, Inc.*

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## OTHER PARTICIPANTS

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**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

**Scott Marks**

*Analyst, Jefferies LLC*

**Robert Moskow**

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**John Baumgartner**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by. My name is Colby, and I'll be your conference operator today. At this time, I'd like to welcome you to the Utz Brands, Inc. Third Quarter 2025 Earnings Conference Call Question-and-Answer Session. All lines have been placed on mute to prevent any background noise, and there will be a question-and-answer session. [Operator Instructions]

I will now turn the call over to Trevor Martin, Senior President (sic) [Senior Vice President] (00:00:39) of Investor Relations.

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**Trevor Martin**

*Senior Vice President-Investor Relations, UTZ Brands, Inc.*

Thank you, operator, and good morning, everyone. Thank you for joining us today for our live Q&A session of our third quarter 2025 results. With me on today's call are Howard Friedman, CEO; and BK Kelley, CFO. I hope everyone has had a chance to read our prepared remarks and your presentation, all of which are available on our Investor Relations website.

Before we begin our Q&A session, I just have a few administrative items to review. Please note that some of our comments today will contain forward-looking statements based on our current view of the business and that actual future results may differ materially. Please see our recent SEC filings, which identify the principal risks and uncertainties that could affect future performance.

Today, we will discuss certain adjusted or non-GAAP financial measures, which are described in more detail in this morning's earnings material. Reconciliations of non-GAAP financial measures and other associated disclosures are contained in our earnings material posted on our website.

Now, operator, we are ready to open the line for questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Andrew Lazar from Barclays. Your line is open.

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Thanks so much. Good morning, Howard and Bill.

Q

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Hey, Andrew. How are you?

A

**William J. Kelley**

*Executive Vice President & Chief Financial Officer, UTZ Brands, Inc.*

Good morning.

A

**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Thanks. Good. Maybe to start off, at your Investor Day a couple years ago, I know you laid out a three-year financial plan, and obviously, the sales and consumer environment has changed dramatically since then with Utz though continuing to obviously outperform the category pretty meaningfully. And the company has maintained its expectation for EBITDA margins of around 16% in 2026 or about 100 basis points of expansion each year. You've delivered that, right, the last three years. In the prepared remarks, I know you made some comments around maybe some incremental investments in 2026, particularly to support the California expansion for the acquisition announced today, which is exciting. I'm just curious if, like in terms of thinking through expectations for next year, if perhaps that EBITDA margin expansion could be a bit less significant just in an effort to maintain the strong top line momentum that you've been able to deliver over the last couple of quarters.

Q

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Yeah. Andrew, I'll start and I'll hand it over to BK to continue. Look, I think if you went back to Investor Day, there were a few things that we had laid out. One obviously was that we had a meaningful top line, bottom line, and gross margin opportunity that we wanted to progressively address and that we believe that we could drive accelerated top line growth above the category as we were able to hold our core geographies and expand eventually getting coast to coast, and funding that through a productivity program that would deliver meaningful gross margin expansion and obviously fall through to EBITDA.

A

I think if you look at over the last couple of years, we're pretty pleased with our progress around -all of those objectives. And one of the things that I think that has been important to our story has been the ability for us to drive expansion market top line growth and enter into new geographies, which we have at this point a pretty solid proven playbook. And as you look at something like Florida, where we had entered a couple of years ago and you were actually able to see progression where we made incremental investments to build out that business and start to accelerate our top line, we look at that as a good example of kind of what we are looking at in California, although obviously California is a much greater scale.

So, as you look at our building blocks in 2025 turning into 2026, I think we feel very good about the top line momentum that we have and the opportunity to further accelerate it as we get into California in a more meaningful way in 2026. We've said 200 basis points to 300 basis points ahead of the category. And obviously, by entering into California and making some incremental investments there, we believe we should be at the higher end of that range.

I'll hand it over to BK for the rest of the question.

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**William J. Kelley**

*Executive Vice President & Chief Financial Officer, UTZ Brands, Inc.*

A

Yeah. Thanks, Andrew, and thanks, Howard. Good morning, everyone. The first thing I would say is there's nothing structural preventing us from getting to 16% EBITDA period. I think the building blocks that Howard talked about underlying our financials, strong productivity, the ability to have good revenue growth management tools in place, those all are really, really strong. In 2026, as I said in script, we will have – continue to have best-in-class productivity activity coming through as our supply chain transformation, that has been a heavy lift with potential Capex, it kind of steps down.

So, when I start talking about the cash flow, that's intended to be incremental and additive to our story. We are doing the things you expect us to do at this point in time, having come off our peak Capex and our peak transformation costs elements. And so, now, there's a focus that's sort of to not only are we able to expand margins to go our top line, we can also drive free cash flow.

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**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thank you for that. And then, I would like to dig in a little bit more on the California route acquisition, which is exciting. I guess, maybe you can get into a little more detail, Howard, on how sort of previous deals like this in other regions sort of have enabled us to just sort of step change the market penetration that we can look forward to in California or in other words, I guess, have allowed you to continue to sort of drive share in these expansion markets even after the initial launch into these markets, meaning in years two, three, and beyond?

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. I appreciate the – obviously, probably the most – the easiest example for us to give you is something like Florida, where it is a geography where we actually entered and then we have bought routes over time. Obviously, we bought a route system last year backing that with our National acquisition. But if you were to go all the way back to say like 2020 in Florida, we were about a 2.5% market share. And the first couple of years was really about getting into the market in a more focused way and sort of starting to mature it.

And then, really in 2022 was when we actually saw a meaningful – first meaningful step change, which is about a 70 basis point improvement relative to that 2020 range. And we've been able to add market share growth from there. So, call it from a 2.5% to 3.2% and latest 52 weeks in Florida, we're at about 4.2%.

And I think it's important to realize this actually does, to your point, grow gradually over time as we get into the market and get our execution up and running and actually make sure that our playbook is working the way we'd expect it to-. But where we go we say, and we have a high degree of confidence that this is the next step in continuing our accelerated top line growth.

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**Andrew Lazar**

*Analyst, Barclays Capital, Inc.*

Thanks so much.

Q

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Thank you.

A

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**Operator:** Your next question comes from the line of Michael Lavery from Piper Sandler. Your line is open.

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**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Thank you. Good morning.

Q

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Hey, Mike. How are you doing?

A

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**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

I just wanted to – yeah, good. Thanks. I wanted to unpack California maybe a little bit more. Can you give us a sense of does the acquired network cover the entire state? What is – what are those routes carrying now? Is there – how easily do you have room on the trucks for your products? What – is there a swap out? And maybe a little sense of, you mentioned it's included in guidance, I assume that means costs. What are some of the costs that are associated with it other than the acquisition price?

Q

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Yeah. So, let me start. Obviously, it's early days on the integration work that we have to do. I think what the route network allows us to do is actually look at the portfolio of products with an existing network and infrastructure and customer relationships and begin to introduce our products onto those routes call in the early 2026. So, there is going to be some work there to make sure that we have the right assortment and that we're working with our IO partners and the retailers to make sure that we're getting the distribution that we're expecting. So, a little early on the puts and takes of what will be there. But yes, we're confident that we can bring our products into those systems and start to drive the growth that we expect that we can get. I mean, for context, remember, we're only about 1.9% share of market in California, and it's about 10% of the Salty category in the total US. So, there's a big opportunity.

A

In terms of the size of the market, obviously, this is an entry. And so, they're about the same size as the National route system was. There's some routes in the Upper Midwest that we also got as part of this transaction where we already carry some of our product. But we'll be making some – we'll make continued investments to fully mature that market with our hybrid distribution model over time.

**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

Okay, thanks. And just on the volume/price mix split, very strong volume gains. Obviously, you have very slightly negative price. It would seem like that's probably helped or driven at least a bit by expansion markets where I think you tend to promote a bit more to drive trial. Can you unpack a little bit maybe just how to think about the runway there? Is price at the right level and is it mostly trial related? Obviously, you've got the strong volume momentum, would you expect price to be positive going forward or is it sort of similar to the splits in this quarter here?

**William J. Kelley**

*Executive Vice President & Chief Financial Officer, UTZ Brands, Inc.*

A

Sure. Let me answer that. Thank you for your question. On the pricing piece, what you saw in the quarter was about a 1% drag. A 1% drag is what we talked about, and it played out how we anticipated. To your point, we are price followers, but we also have very good revenue management, and our ability to compete in the best interest of both the consumers and the category. So, there are many variety of ways for us to price. We think we will always choose the one that makes most sense for us, and our surgical approach to pricing. But we also manage it through trade, through promotion, and to your point, managing expansion markets. And our goal is to be more effective more quickly and bring those expansion markets in line [indiscernible] (00:11:44).

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. And I'll just add, Mike. What we said in Q3 or in Q2 was that we expected a 1-point drag in Q3 and Q4. And so, the year is obviously quite the way we would have expected to. And I think as you go into next year, we'll kind of see where we are. But to BK's point, feel very good about what we're doing on the rev man side of things, and I think the quarter generally came in the way we would have envisioned when we started this.

**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

Okay. Great. Thanks so much.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Thank you.

**Operator:** Your next question comes from the line of Peter Galbo with Bank of America. Your line is open.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Hey, guys. Good morning. Howard, I just wanted to ask maybe a few more, I don't know, more technical questions about the California expansion. It's been two and a half years, I guess, since you last kind of acquired

and that was Kings Mountain. So, we've been going further back on routes. But – I mean, should we expect that this – like, are these independent operator or are they company owned? Are we going to have to go through an IO conversion cycle again? Should we be looking at things like pruning of that portfolio the way you would have on an RW Garcia? Like, I just want to understand some of the more technical components of what kind of will be factored in once – now the deal is kind of consummated.

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah, fair question. So, a couple things. First of all, I would offer you we bought a similar size business or a similar size route network in National last year in Florida. And I'd say that generally the IO conversion discussion that we've had has not been driven by routes that we acquire because you think about it as we were already paying a commission in some cases or we had – we didn't have a relationship and it was new business. And so, generally, when we bought back our distribution, it was actually a benefit of less commission to a mass distributor and they can put a commission to an independent operator. Where the IO conversion a couple years ago was different as we were actually transitioning from, we own the entire relationship on the revenue line to suddenly we had this commission that we were paying.

So, we don't anticipate mechanically that being a topic of conversation next year. I do feel like you're getting the greatest hits of my first year when we talked about private label SKU rationalization. We're also not anticipating that to be a significant part of the story. If you think about where we've been on partner brands over time, all of these – all of the things that are on this route would fall into the partner brand line within the P&L, and we would expect that, that will continue to decline modestly or continue to improve. The decline it will get will lessen, but it will still continue over some period of time as we actually continue to expand our business. So, I'm not sure – I don't think you should expect a whole lot of historical mechanics to actually have to come back into the story.

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**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Okay, cool. Helpful. And then, I don't know, free served to either Howard or Bill on this one, but I think part of the stock reaction today both is in response to maybe the commentary around the 2026 margin, and it seems like maybe there is a bit of backing off on that 16%. But also in the quarter itself, I think the EBITDA margins were okay, but the gross margins were a bit light. There were some discussion around a worse potato crop, I think, that maybe influenced and I know you buy from the East Coast, but there was like a record potato crop through most of the US this year. So, just trying to understand like what happened and how quickly can you pivot and there should be a lot of cheap potatoes floating around. So, just how quickly can you kind of recover that gross margin piece? Thanks very much.

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**William J. Kelley**

*Executive Vice President & Chief Financial Officer, UTZ Brands, Inc.*

A

Yeah. I'll start on potatoes and then, Howard can expand on it. Just to give a few facts, about four of our raw material basket is potatoes, and we source what we call chipping potatoes that are mostly from the Midwest and East Coast. This is very different than the crop that is used by folks that manufacture or make them sell and deliver French fries as an example. But the areas that we source from are very close to our primary facilities. And what we saw in the quarter was some weather-related crop issues. Obviously, we had a very cold wet spring in the east and then a – followed by a very dry – dry summer. So, what happens is that we build it and potatoes not meeting the quality specs and it required more potatoes for the same throughput. So, that was very different than a year ago.

I think the good news is that that was – that ended in the quarter. That's not something that is progressing. We've seen that the crowd come back and the tables are in good shape. So, we don't think we have a systemic issue here at all. We think it happened in the quarter, and it did add pressure to gross profit, but it is essentially behind us and isolated.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. And the only thing I'll add is obviously if you think about the overall gross margin, while the – some of the input costs were obviously a little bit higher, you also saw us address that with productivity in the distribution line. So, you saw distribution costs go down year-over-year, which doesn't show up in gross margin for us. So, I think if you look at total cost basket and kind of how we work as operators to make sure that we're keeping those things in balance, I think that the journey through the P&L was a little bit different, but I think we addressed cost with cost.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Okay. Thanks so much.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Thank you.

**Operator:** Your next question comes from the line of Scott Marks with Jefferies. Your line is open.

**Scott Marks**

*Analyst, Jefferies LLC*

Q

Hey. Good morning. Thanks so much for taking my questions.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Hey, Scott.

**Scott Marks**

*Analyst, Jefferies LLC*

Q

First thing I wanted to ask about is you called out in the prepared remarks some softness with On The Border and talked about how you've kind of isolated the issues and are actively addressing them. Just wondering if you can share some incremental color on what you're seeing with that brand and how you're thinking about those steps to correct the brand.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. I think so the first thing I would say and I appreciate the question. First thing I would say is, look, we don't believe that we have any sort of a structural issue with On The Border. I think it's a great brand for us. It's a business that we've been growing over time, and we have a great deal of confidence that the issues that we're having are relatively short term in nature. And it's a couple of things. One is, obviously, regionally, we're seeing

some greater consumer value-seeking behavior both up and down the price ladder. And so, we have some regional brands that have showed up that we are addressing – that we're addressing in the near term.

And then, we had a short-term issue that I don't really want to go too far into that we were able to identify early in Q3 that we had to – that we needed to address, and we are actively addressing an isolated issue and you should see correction beginning in Q4 and into next year. But I think, overall, we feel very good about the tortilla chip business, just some short-term noise.

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**Scott Marks**

*Analyst, Jefferies LLC*

Q

Understood. Thanks for that. Next question from me would be just on Boulder Canyon. It sounds like it was another strong quarter, and I think you noted some shelf space being awarded for 2026. Wondering if you can kind of help us understand, is that kind of in expansion geographies? Is that in core geographies with incremental products or categories? Just trying to get a better sense of how those wins are coming about.

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. So, appreciate the question. We feel very good about the momentum on Boulder Canyon, and obviously, it will – it continues to drive a lot of growth for us. And it's really driven by, obviously, the consumers looking for better-for-you credentials and great tasting products. [indiscernible] (00:20:08) over the last period, year-to-date we are – it is the number one potato chip brand in the natural channel, and we actually have the number one SKU in the channel over all time periods for 13 weeks, 26 weeks, and 52 weeks. So, that business is growing really nicely, and I expect it to continue.

If you look at the quarter, it is being driven by both velocity and distribution gains. Velocity is in the natural channel up at 35%, in the conventional channel up almost 200%. And you can – but you can also see the ACV where we are today is really only around 50%, 52% versus, say, a brand like us at a little over 80%.

So, as you look into next year, we expect to continue to enjoy broader-based distribution gains across channels and geographies. We have a great deal of confidence and visibility into those opportunities. It will be predominantly getting our actual assortment correct broadly and actually driving potato chips into those markets. And then, innovation, which we'll share a little bit more with you in February, will also follow because I think one of the things we're most pleased with is our partners in both natural and conventional are supporting this brand. And we're able to continue to sustain the momentum in both sides, which is obviously a little bit unusual, but an area that we take very seriously and making sure we're investing in growth.

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**Scott Marks**

*Analyst, Jefferies LLC*

Q

Appreciate it. I'll pass it on. Thank you.

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Thank you.

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**Operator:** Your next question comes from the line of Robert Moskow from TD Cowen. Your line is open.

**Robert Moskow**

*Analyst, TD Cowen*

Q

Hi. Thanks for the question. I wanted to ask Howard about how you viewed your biggest competitors' lineup of new products for next year. They're adding a new sub-brand that's natural colors. They're adding a protein chip line and a package redesign. Do you see this having an impact on the category next year? Is it a positive? And do you think in the fight for more shelf space does it influence what you're able to get in any way?

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. So, look, a couple of things. I think that, broadly speaking, any time the category leader is active in trying to grow the category, it's a net positive for all of us. I just – I think that what you look at this brand – at this category over time, it is an innovation and communication that has really kind of driven consumer interest and appeal. So, I think that regardless of who the competitor is, if they are able to bring more shoppers down the aisle, that is a net positive for us and for the category.

I think as you look at what does that mean for us, I think there are a few things that retailers like about our business. One is that we are generally incremental. Two is that we actually bring investment and support through a hybrid model that can get it through DSD or DTW. And third is that we all can see the same data sets now of what our products are doing in their stores. And so, I'm not concerned that we can't get the distribution gains that we have and certainly have not heard from any retailers that, that has been an issue because I think that they are – that our core offering and our partnership continues to grow and mature.

And I think that, that will – that should continue to yield the types of gains that we have been expecting that's allowed us to grow 200 basis points to 300 basis points faster than the category. So, I think, overall, I would view it as a net positive thing. Obviously, communication and innovation are always uncertain, and we'll see how the consumer responds to all of the offerings across all of the category participants next year.

**Robert Moskow**

*Analyst, TD Cowen*

Q

Okay. And I know you got asked this last quarter, but protein chips, there's clearly a significant pocket of demand for that type of product. And I want to know if you're thinking on that sub-category has evolved in any way and maybe just discuss that.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. I mean – look, I think that if you were to look at sort of the consumer trends right now that are out there, protein, non-seed oil, portion control, substantial snacking are all areas that we continue to understand the consumer is looking for and are seeking to try to address. I think when we get to February, we can show you how we think about addressing all of those sub-categories as we talk about our innovation lineup. But certainly, as a consumer marketing guy, I want to sell the products to consumers that they are most interested in and be able to sort of drive the trend, which is kind of what you're seeing right now in [indiscernible] (00:25:15) Boulder. So, more to come on innovation, but it is certainly an area that we are paying attention to.

**Robert Moskow**

*Analyst, TD Cowen*

Q

Great. All right. Thank you.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Thank you.

A

**Operator:** Your next question comes from John Baumgartner from Mizuho. Your line is open.

**John Baumgartner**

*Analyst, Mizuho Securities USA LLC*

Good morning. Thanks for the question.

Q

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Hey, John.

A

**John Baumgartner**

*Analyst, Mizuho Securities USA LLC*

I'd like – good morning. I'd like to ask about next-generation productivity. I guess, as savings migrate down to more normalized levels as a percent of COGS, maybe the dollar amount of savings moderates. But how should we think about the ROI from new productivity initiatives elsewhere, whether it's on sales growth, volumes, in-store execution? I mean – I'm guessing there's benefits outside of pure dollar savings from new technology. So, I'm curious your thoughts, your view on implications for the top line.

Q

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Yeah. So, I mean, I can start and then, offer to BK. Look, I think a lot of what we've done on the productivity line, to your point, has been really around getting the supply chain consolidation and modernization investments done. I think we still continue to have opportunities in our ways of working and equipping our independent operator partners with better information on how to execute sales and make our assortment and our display activity further impactful. I think it winds up – it should be a top line enabler over time.

A

And I would anticipate that, that's going to be part of the way that you'll see us continue to outperform the market as we continue, call it, a couple hundred basis points better than the category. I think in the near term what I would offer you is that we have a lot of work that we are completing, and you'll start to see that productivity step down to at or above world-class levels still at that 3% to 4% and the rest will kind of communicate as we understand it.

BK, anything?

**William J. Kelley**

*Executive Vice President & Chief Financial Officer, UTZ Brands, Inc.*

Yeah. Thanks for the question. Thanks, Howard. That's a great point for us, and I'll just build on Howard's points. It's what we kind of call our second wave of value capture. If you think about kind of within the supply chain and outside the rest of the company, there are still areas that we continue to grow. On the supply chain side, obviously, we have opportunities in the indirect procurement that we've done in direct procurement. We have opportunities in working capital and inventory management. If you think about the DSD network that we have and continue to optimize our transportation and logistics, that's helpful to us.

A

And then, within the four walls of manufacturing plant, I think the team will take the next step on OEE improvement, predictive maintenance, et cetera. And then, as you kind of expand outside the supply chain, parts of the business that others of us drive, you can think about automation and data leverage, whether it's RPAs and analytics and bots, the advanced demand thinking tools that are out there, self-serve analytics, digital twin modeling, I can go on and on. But there is a ton of opportunities for us to continue to drive productivity at very high levels.

**John Baumgartner**

*Analyst, Mizuho Securities USA LLC*

Thanks, BK. Thanks, Howard.

Q

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Thank you.

A

**Operator:** Your next question comes from the line of Jim Salera from Stephens. Your line is open.

**Jim Salera**

*Analyst, Stephens, Inc.*

Hey, Howard. Hey, BK. Good morning. Thanks for taking our question.

Q

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Hey, Jim.

A

**Jim Salera**

*Analyst, Stephens, Inc.*

Howard, I want to dig in a little bit on some of the market share dynamics because I've been impressed by the continued gain obviously in expansion, but maybe even more so in core where you guys have a lot more visibility and awareness. Can you just kind of walk through where you're seeing that incremental market share pick up in the core market? And is there may be an opportunity as we think about retailers really fine-tuning what they have on shelf to make sure they're capitalizing on any pockets of growth? Is there maybe opportunity to continue to see sustained share gains in the core market?

Q

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

Yeah. I mean – so a couple of things. I think, as you know, our strategy had been to hold the core and then grow through expansion markets. But obviously to your point, we are pleased with that we're actually taking share in our core markets as well. Not surprisingly when you look at our original strategy, we had said that really our core market is most significantly an Utz market, and that the opportunity was to continue to expand our assortment of our Power Four Brands into the core geography. And as you look at kind of this year, obviously, Boulder Canyon is a significant contributor to the core along with Utz pretzels and cheese. I think also continue to be areas where we're seeing some better performance. So, I think what you're seeing is just our portfolio shifting in the core a little bit and that the benefit of the breadth of our portfolio is actually coming through in that market share performance.

A

I think the other thing that is helping us is the convenience store channel continues to improve. We're by no means where we need to be yet. But as that becomes less negative, it actually also continues to help us as we look at overall market share. I think longer term, it is the one geography where we are most linked to the category. It's kind of really the only one. And so, I think what you'll expect to see us do is what will drive our share is innovation, communication, and assortment to drive it further. But I think we like the notion of over long term, if we can hold there and get our expansion markets growing faster, that you'll continue to see the performance that we're getting.

**Jim Salera**

*Analyst, Stephens, Inc.*

Q

Great. And then maybe as a follow-up, you guys called out Florida, Illinois, I think Colorado, and Missouri as expansion markets that are above four. You talked a little bit about Florida already, but maybe if you can just highlight are there any kind of idiosyncratic, whether it's brands or consumer kind of consumption patterns in those states that drive that share 100 basis points ahead of kind of the average expansion market share?

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Actually, not really. I mean, generally speaking, they tend to – those four markets obviously are some of our fastest growing. They're averaging about 6%, 6.4% growth across them. And what we wanted to highlight is that we're getting – after we get distribution gains in some of our older vintage expansion markets that we are continuing to show and sustain growth.

I do think in those markets what is true is we do have very strong relationships with the national retailers and our IOs in those markets. And so, we continue to see very good execution there. And I think that the nature of our relationship with those retailers is actually what you continue to see. They continue to reward us with space, and we continue to invest and make sure that we're participating in their category growth. And it's kind of working for everyone.

**Jim Salera**

*Analyst, Stephens, Inc.*

Q

Great. [indiscernible] (00:32:38). I'll hop back in the queue.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Thank you.

**Operator:** Your next question comes from the line of Rupesh Parikh from Oppenheimer. Your line is open.

**Rupesh Parikh**

*Analyst, Oppenheimer & Co., Inc.*

Q

Good morning, and thanks for taking my questions. So, I guess, just going back to the Salty Snacks Category, I know it's obviously still a challenge out there. But as you guys look forward, are there any green shoots or anything that gives you optimism as you look out in the coming quarters?

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. Look. I think I continue to believe and have been a salty bowl. I think that it's a great category and I think it's probably the best in food. And I continue to look at household penetration as the first place that I would look at is our consumers coming and participating in this category more this year than they did the year before and the year before that. And I think the answer to that continues to be yes. It's not immune to the dynamics of the market and the consumer environment. But on average, when consumers are choosing how to invest their money into an affordable indulgence, they continue to choose salty more than they did the year before. So, I think, in that regard, I remain very optimistic about where the category is.

I think second is, as you look at the category progressing, we did say that we thought that the category would get better, would progress through the course of the year, and become less negative. Obviously, we thought we'd be more flattish in the year. So, we're a little off of that. But you do see that the category has been improving through the course of the year, which I also think is a net positive.

And then, the last thing I'll say is that if you look at category participants, we have always been an innovation and communication brand-led category and that continues to be the case. The pricing environment remains rational. You're not seeing things that are – that don't make sense. And I think you're seeing some of the drivers that have always driven this category coming back more to the front. So, overall, I feel pretty good about where the category is going. Obviously, it's been an uneven category for the last couple of years. But I continue to be very, very optimistic about the future of this portfolio – this category and this portfolio.

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**Rupesh Parikh**

*Analyst, Oppenheimer & Co., Inc.*

Q

Great. And then, maybe just one follow-up question. You guys also talked about some of your marketing efforts and also noted I think you plan to increase your investments in retail media. So, just curious what you're seeing there in terms of effectiveness and returns on your efforts with retail media.

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. So, couple things. Obviously, we've committed at Investor Day to 40% marketing investment year-over-year-over-year. Last year, we delivered 68%. This year, year-to-date, we're right around 30%. And that is really being driven by the consumer pressure. Our strategy has always been that we'll build the business overnight in our brands over time and that will be flexible about where we make those investments in any given quarter.

And so, as we look at this quarter and we look at some of the distribution gains we had, some of the opportunities that we had to invest in retail media, they were the place that we prioritize. We, by no means, have a lack of investment opportunity – high ROI investment opportunities that we can make. But we will – we'll always be choiceful in what we're doing first. And this quarter, it made more – it made a lot of sense for us to invest in the retail pressure that we could get as consumers are in store and making choices. So, you'll continue to see us making investments in consumer media, and you'll continue to see that 40% kind of progressing into 2026.

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**Rupesh Parikh**

*Analyst, Oppenheimer & Co., Inc.*

Q

Great. Thank you.

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**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Thank you.

**Operator:** Your next question comes from the line of Peter Grom with UBS. Your line is open.

**Peter Grom**

*Analyst, UBS Securities LLC*

Q

Great. Thank you. Good morning, everyone. I wanted to ask maybe two related questions on the category. One more from an innovation perspective and maybe more just how you're seeing it going forward. So, more just kind of a follow-up to Rob's question, which I thought was a good one. You talked about this a little bit in your prepared remarks around highlighting your ingredients, removing artificial dyes, and kind of the protein dynamic that you alluded to earlier. I guess, my question is, do you think this innovation can actually move the needle and drive an improvement in category growth as we look out to 2026? And then, just related, you touched on kind of the sequential improvement, albeit maybe at a slower pace than you anticipated. Do you have any preliminary views on the category or industry as we look out to 2026? Thanks.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Yeah. So, look, I think – well, I'll start with the innovation question first. The short answer is yes. I do actually think that innovation can help move the category. I mean, it's – I think that what you really – when you look at innovation, what you're really trying to do is to drive consumer engagement in the category. And so, a consumer may buy a product and then pick up a normal bag of whatever their typical repertoire as if they haven't been down the aisle in a while. I think that that always helps with consumer interest and keeping the assortment fresh and keeping news coming through.

So, I do think that it can help drive the category. Obviously, the category is large and it has a lot of traditional portfolio of offerings, and those offerings also need to be healthy and growing. And part of that is, I think, what you're talking about in terms of ingredient simplification, artificial flavors, and colors. Those are frankly the need not only addressing what consumer interests are in, but also making sure that this category overall and obviously our products remain on trend and allow consumers engagement in potentially a modestly different way. I mean, a reminder, 80% of our portfolio already exists as no artificial flavors or colors. And so, we'll continue to highlight those credentials as we go forward across our range.

I think as you look at our future innovation path, there are opportunities to get new consumers into the portfolio potentially weren't there before. As we're entering into new geographies, I think innovation is a piece of the story, but our core assortment and its trial and repeat rates are very strong. And so, getting those products in front of the consumer also will be critically important to our top line growth. So, yes, I think it can help. I think the whole portfolio story has to continue in order for the category to grow significantly over time. And I feel pretty good that that's where we are taking steps to do.

**Peter Grom**

*Analyst, UBS Securities LLC*

Q

Great. Thank you so much. I'll pass it on.

**Howard A. Friedman**

*Chief Executive Officer & Director, UTZ Brands, Inc.*

A

Thank you.

**Operator:** [Operator Instructions] And with no further questions in queue, this is going to conclude our conference call. You may now disconnect.

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