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UTZ Brands, Inc. (UTZ)

Q4 2025 Earnings Call

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Scott Marks

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Michael S. Lavery

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Jordan, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the UTZ Brands Fourth Quarter and Full-Year 2025 Earnings Call. All lines have been placed on mute to prevent any background noise. There will be a question-and-answer session. [Operator Instructions]

I'd now like to turn the call over to Trevor Martin, Senior Vice President of Investor Relations. You may begin.

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 fourth quarter and full-year earnings 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 materials. Reconciliations of non-GAAP financial measures and other associated disclosures are contained in our earnings materials posted on our website.

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

QUESTION AND ANSWER SECTION

Operator: Your first question comes from the line of Andrew Lazar from Barclays. Your line is live.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Q

Great. Thanks so much. Good morning, everybody.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Hey, Andrew.

William J. Kelley

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

A

Good morning.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Q

Yeah. Maybe, I'm sure you'll get a number of questions along these lines, but figure we'll get this one kind of out of the way first. I know obviously we've all heard a lot more detail recently from a large salty competitor on a more front-footed approach this year in the category. And I guess, based on either what you've seen in market or hearing from customers and such, I guess, what are you expecting and how does all of this influence your guidance for the coming year in terms of needed investment spend and things of that nature?

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. Thanks for the question, Andrew. It's Howard. Look, I feel really good, and I have a lot of confidence in our commercial plan as we think about 2026. If you think about our building blocks of driving our geographic white space, continuing to enjoy distribution gains, investing in marketing and innovation, and competing in a rational promotional environment, I think it all feels to us as a pretty consistent with what we've heard historically and kind of what we've observed in the market.

Our guide to 200 basis points to 300 basis points contemplates a flat category. At the midpoint, it's 2.5% – basically 2.5% for the year, which we think is a prudent place to start and give us the flexibility that we need to compete, given the variety of unknowns that may be out there in front of us. But, overall, our confidence in our plan and our conviction in what we believe this business can deliver in 2026 has not changed.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Q

And that's helpful. And then, maybe even if we exclude the \$4 million to \$6 million planned investment spend in 2026 for the California expansion, it still seems like maybe guidance would have been short of the originally expected 100 basis points of EBITDA margin expansion this year, if I've kind of done the math right. I was hoping you could kind of get into that a little bit and what things are driving that, that outcome.

William J. Kelley

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

A

Yeah. Thanks, Andrew. It's BK. At the midpoint of our guide, we are expecting about 40 basis points to 50 basis points of margin expansion of EBITDA. I think, to your point, that accounts for the \$4 million to \$6 million of California investment. And to Howard's point, the environment is dynamic, and we want to have some flexibility. So, it's prudent for us to reflect in our midpoint of our guidance anticipation of things that may or – may have to overcome throughout the year. So, it's nothing more than being a bit more flexible and having some capacity to handle any challenges that come our way.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Q

Got it. That's helpful. And then, I'm going to throw in just one real quick one. Just with – with 2026 being sort of the final year of the initial sort of three-year plan, I guess, how do we start to think about what type of sort of organic top line and EBITDA growth could look like sort of beyond 2026 on a more sort of normalized basis? And maybe you're going to get into this more potentially at next week in Florida. So, if that's the case, we can wait till then. But thought I would just try and ask that and see what you're thinking about. Thank you.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. Thanks for the question. To your point, we are looking forward to seeing everybody in Florida next week, and we will actually go quite a bit further into our commercial plans for the next three years. And I think what you'll hear a lot from us is the commercial opportunity, while we have advanced it significantly over the last three years, largely remains intact. We still have a lot of geographic white space and top line to go get. We have the ability to fund that journey through margin expansion, through productivity and other means. And probably the thing that is most additive to our thinking will be a little bit more around cash, which is, I think, the next leg as we're rotating off of the heavy investment cycle we're in. But we'll get into quite a bit more of that next week when we see you all.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Q

Great. See you there. Thank you.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Thank you.

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

Peter T. Galbo

Analyst, BofA Securities, Inc.

Hey, good morning, guys. Thanks for...

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Hey, Pete.

A

Peter T. Galbo

Analyst, BofA Securities, Inc.

...taking the questions. Hey. Howard, maybe just to drill down a bit more on the price reinvestment commentary both for yourselves and obviously from the largest player in the category. Just was hoping maybe to understand how you're thinking about the interaction for both Utz brand and OTB. It would seem like those would be the more competitive parts of the portfolio. So, just again, it's kind of early days, but how you're thinking about maybe the interplay of price cuts in those segments specifically and how it might impact those two brands.

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Yeah. I appreciate the question. Look, Pete, it's a couple of things. I think, first, I feel very good about the investments that we've been making in revenue management capabilities over the last couple of years. I think we're much clearer on how the price ladder works for across our entire portfolio. Obviously, those two brands are large and significant to us. And I think as we – what you're starting to see from us is starting to deploy some of those capabilities. I'll remind everyone that in 2025 we continue to focus on affordability. And through most of the year, the first three quarters, we had a 1 percentage point investment in price along the way. And as we got out of the year, we had a little bit more positive price toward the end of the year. We'd expect as you go into next year that we'll obviously continue to play our role in the category and be prudent in how we invest. But that we'll play – we'll be up and down the price ladder and ultimately, I think we'll maintain the gaps we need to. But I do think that you're going to see a more equal – a more positive contribution in both volume and price across the portfolio as we go into 2026 because of some of the – the differences in our commercial strategy this year.

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Peter T. Galbo

Analyst, BofA Securities, Inc.

Okay. Thanks for that, Howard. And maybe just to piggyback on the EBITDA question that Andrew had asked around, if we kind of take the like-for-like, it's maybe a touch light. If I've done the math right on productivity, I think it's like a \$40 million COGS productivity number. It would imply – I know there's the California investment, but it would imply that between inflation and reinvestment, there's a pretty material headwind. So, maybe you can just bucket between the reinvestment and the inflation numbers, just kind of how you're thinking about those two within the gross margin cadence and ultimately the EBITDA guide. Thanks very much.

Q

William J. Kelley

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

Hi, Pete. It's BK. So, first of all, the productivity performance, we're very proud of that, and it's been very strong. Our first step with productivity obviously is to mitigate and manage through any inflation. We don't see abnormal inflation coming through. But there is a bit in some ingredients, some packaging, and a little labor for sure. We will continue to invest, as Howard said. But also just again, to the point and theme of being flexible and just being

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prudent in our guide, we want to make sure that we can manage through a variety of outcomes, no matter what could come our way. And given that perspective, that's how we come to the EBITDA guide that we have.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Okay. Thanks very much.

Q

Operator: Your next question comes from the line of Scott Marks from Jefferies. Your line is live.

Scott Marks

Analyst, Jefferies LLC

Hey, good morning. Thanks for taking our questions.

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Hey, Scott.

A

Scott Marks

Analyst, Jefferies LLC

First thing I wanted to ask about, in the prepared remarks, you called out the SNAP disruption from early November. But it sounded like some of your core geographies that Utz was hit maybe a little bit more than the category. So, wondering if you can shed some light on that and why that was the case.

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Yeah. Thanks for the question, Scott. A couple of things. We certainly, as you look at the disruption that we had in November, SNAP and the government shutdown were the two that we called out. And if you just look at our geographic dispersion and if you look at the kind of the core of our core, the core of our core is in that Maryland, Virginia, Washington, D.C. area, which winds up being a little bit more disproportionately impacted just given the nature of the population there. And so, that's what we were calling out specifically. And that area is about 20% of our overall core sales. And so, that's kind of what we passed through in the remarks.

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Scott Marks

Analyst, Jefferies LLC

Understood. Thanks for the clarity on that. And then, in the prepared remarks, you also called out some dynamics for this year on the volume front, you obviously called out in Q1 lapping in the bonus bag, but then, you also called out some innovations that you're expecting to launch with the protein pretzels and some of the new Boulder Canyon offerings. So, wondering if you can just kind of help us understand, maybe as we think about cadence throughout the year in terms of when these innovations are coming to market and how we should be thinking about some of the distribution wins because of that.

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Yeah. I'll start and make sure if BK has any color to add. A couple of things. First of all, I think we feel really good about the distribution gains that we are expecting to see through the year. They typically start shelving in February and March, and in fact, our California expansion, we start shelving – started actually putting product on

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shelves in the coming weeks. So, we would expect to start to see some distribution gains building it through the back half of this quarter. And then, innovation is – starts coming in Q2. So, you'll kind of see a more – a pretty consistent and deliberate similar to prior years, a back half of Q1 into Q2, as innovation rolls, planograms reset.

And then, typically in right around back-to-school, you'll see a second visibility in terms of additional gains that we may see in the back half of the year if that's actually still in front of us. So, I think you'll find a pretty consistent volume year. Obviously, Q1 and into April on the lap on bonus bags will be a little bit anomalous. It's a 3-point on price positive and a 3-point negative on volume through Q1 and into April, which is kind of the reciprocal of what you saw last year. So, you kind of put that together, it should help with the cadence.

William J. Kelley

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

A

Yeah, Howard, I think that's great. Only I would add to your point is, as we get into Q2, we will have started our California distribution. And so, we'll have a little bit of volume there coming through as well.

Scott Marks

Analyst, Jefferies LLC

Q

Appreciate the color. We'll pass it on.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Thanks, Scott.

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

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Thank you. Good morning.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Morning.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

A little bit more on the top line, your midpoint, and it's a range, obviously. But you called out as a flat category view. It was close to that, but slightly up. Do you expect a little deceleration or is that just some conservatism. And then, on the distribution piece, you've got the white space geographically especially. But can you also clarify if you're seeing pressure in existing stores or core markets on – can you gain there or are you losing any space? Can you hold it? How should we think about the distribution side?

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. I'll take the second question first, and I'll get into the [ph] other piece (00:13:12). Look, we expect to have positive distribution gains in 2026. It's consistent with the last couple of years. It's not just in expansion markets in California, but also within our core as we're bringing innovation and some of our Power Three brands continue to

gain distribution traction in our core markets. So, we would anticipate a positive distribution gain based on everything that we can see right now, and the wins that we know we have that you'll start to see materialize as we go into Q1 – into California through the course of the year.

I just lost your second – your first question, I apologize.

[indiscernible] (00:13:52)

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah, sorry. Look, I think over the last couple of years, obviously, much has been written about the category. I've always been bullish and believe it's a great category to be in and consumers want to be there. I think what you're seeing right now from a lot of category participants is a renewed commitment in trying to drive shoppers down the aisle through a combination of the things that have always made this category great, which is really around better brands, brand building, innovation, and a rational promotional environment, which is largely what we're seeing and largely what we continue to expect. And we do believe that consumers will respond.

Fourth quarter of this year, we saw a positive category – we saw positive category improvement, and it actually inflected positively, and then, obviously, the storms in January further drove some tailwind. But I just think it's a little premature to say that we expect the category to be positive in 2026. I think we're cautiously optimistic that all of the ingredients are there. But at this point, knowing what we know, we felt like a flat category was the most prudent call.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

No, that's very helpful. Great color. Just more little bit of a housekeeping clarification. On the below the line, I understand that the newer PP&E would have higher D&A. But maybe can you just make sure to help us reconcile the \$93 million to \$97 million, up \$13 million with the \$37 million full-year figure in your gross profit bridge. It looks like the higher figure kind of aligns with the cash flow statement, but I want to make sure to understand how to translate that into the income statement side and the gross profit bridge just to get those moving parts straight.

William J. Kelley

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

A

Yeah. Maybe we can take that one offline. It's a bit of a modeling question. [ph] Let me try to (00:15:40) understand exactly what lines you're looking at there as I'm not exactly certain to your point. But just in terms of the pressure on EPS, if I can just come back to that point, as you noted D&A does add about \$0.08 to us year-on-year in terms of a drag given the depreciation and amortization just quoted. I think that's the first time we've been so direct about that number. We want to give that transparency. As I said in the script, prepared remarks, that does go back to our kind of historical view of what we saw in D&A. We have a little bit of a drag coming in on interest as well, as we replaced a swap there during our risk management and then there's a bit – about a penny on tax. So, we can come back to the specifics on which rows of depreciation you're focused on in the modeling questions, but that is the EPS kind of year-on-year performance.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Okay. Thanks so much.

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

Robert Moskow

Analyst, TD Cowen

Q

Hi. I was – I wanted to ask BK about the leverage ratio target. Were you originally expecting leverage to be below 3 times by the end of 2026? The guidance this year is 3 times to 3.2 times. Did something change?

William J. Kelley

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

A

Hi, Rob. Thanks for your question. Yeah, so to your point, in our guide, we quoted the leverage range of 3.0 times, 3.2 times. No matter what numbers I would focus on our leverage, I would have ranged them at some point. We finished at 3.4 times in 2025, Rob, as you saw. We thought we did some really solid work from Q3 to Q4 last year, dropping from 3.9 times to 3.4 times. We felt 3.4 times was approaching the 3 times, but probably a bit at the higher end of where you expect it. So, there is a little bit of a higher start there to begin with.

But in the prepared remarks, we talked about that over time we think we will delever 0.3 times to 0.4 times a year, and we also quoted a free cash flow goal of \$100 million. And so, our long-term approach is to get to 2.5 times to 3 times is still our goal. So, nothing changed there other than just we had a bit of a higher starting point, given how we finished the end of the year with a little bit of less [ph] inventory (00:18:10) out there as well.

Robert Moskow

Analyst, TD Cowen

Q

Okay. And I wanted to ask a little more about affordability. Howard, you said that the category is doing the things that it always has done to generate growth, and you talked about innovation and rational promotion. There's a lot of talk about how affordability needs to improve in order to really get volume to bounce back. But you yourself said, pricing's only down 1% in 2025. Why is that sufficient – why is minus 1%? It's not just you, it's the whole category. Why is that sufficient to improve the affordability equation?

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. Rob, I appreciate the question. Look, first of all, I would say that if you kind of look at our company through its history, obviously long before me, affordability has always been part of who we are and how we compete. I think we offer an affordable indulgence. We hit the right price points from an opening price point all the way to a premium price point with Boulder Canyon. We have a price-pack architecture that allows consumers to opt in depending on where they are. And I think if you were to go – if you were to kind of look at our pricing evolution over time, even if you went back to inflation, we took our last price advance in the latter half of 2022 and had not done anything – had not changed our pricing from there. So, I feel like we're in. We have maintained a pretty good price position in the marketplace.

I do think that consumers as they are looking for affordability and value, it really kind of depends on an individual's expectations. We do think that there is going to be – that the competitive environment is rational based on what we saw in the back half of Q4 and what we've seen or at least early into Q1 of 2026. And I think that price has always been just a piece of the equation. I think consumers will pay what they deem a fair price for the innovation and for the products that they love. And when that equation gets out of whack, then it becomes a little bit of a problem. But I do think that where we are today and kind of where I think the category is headed is a good step to move consumers back into the category of walking down the aisle and ultimately should yield results. It's kind of how we've thought about in terms of competition for the last several years.

Robert Moskow

Analyst, TD Cowen

Okay. Great. Thank you for that.

Q

Operator: Your next question comes from the line of Jim Salera from Stephens Inc. Your line is live.

Jim Salera

Analyst, Stephens, Inc.

Hey, Howard and BK, good morning. Thanks for...

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Hey, Jim.

A

Jim Salera

Analyst, Stephens, Inc.

...taking the question.

Q

William J. Kelley

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

Good morning, Jim.

A

Jim Salera

Analyst, Stephens, Inc.

I wanted to ask a little bit around the progression in both households and buy rates as we think about against a flat category. That kind of implies that your growth is going to come from either expanding households in markets where you don't have them or obviously capturing households in markets where you already do have decent penetration. Can you just walk us through maybe the growth drivers there and how we should think about the mix of expanding in California and the expansion markets to households there versus maybe some incremental placements for Boulder in picking up new households in the core market?

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Yeah. If I – I want to make sure I understand the question. If you're asking like contribution in terms of how do we think about distribution versus marketing support versus something else helping to support our top line? Is that...

A

Jim Salera

Analyst, Stephens, Inc.

Yeah. That's correct. Yeah.

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Okay. Yeah. Look, I think there are a couple of things. I think if you look at our expansion geographies, our expansion geographies are 45% of our business and growing significantly above both our business and the category. And we would expect to continue to see that type of outperformance as we go forward. If you were to

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look at Florida or Illinois or Missouri, you see a older – some of our – some of the markets where that we have entered and have been there for several years, still growing at a nice 5.8% top line growth. So, that is a combination of distribution gains as well as continuing to drive marketing support.

California is a largely untapped market for us. We're at 1.9% share today and we will be moving – we'll be setting shelves and moving into that market very shortly, which we would expect to both contribute top line sales as well as incremental households. Now, when you look at our household acquisition and the loyalty that we see, our repeat rates are very strong. So, when we get into a home, consumers tend to repeat at pretty high levels. So, we would expect that the distribution gains in California will obviously be a significant driver, as well as we still have a significant amount of white space through the middle of the country and even in our core markets with some of our Power Brands.

I think you're also going to see consumer acquisition driven by both protein and the Boulder Canyon tallow offering that we'll be coming out with, that are incremental occasions and incremental items to our assortment, which we also believe will be driving new trial of different users, which we'd also expect. And then, our advertising consumer spend will be up similar on a percentage basis to what we were – what we did this year, and we are very happy with kind of how consumers have responded to the marketing both in-store and in social and digital to driving trial in our business. So, I still think you're going to see a distribution-led story in terms of how we grow, and then, it is reinforced and built further by the innovation and marketing spend that we have.

Jim Salera

Analyst, Stephens, Inc.

Q

Great. And then, if I can ask a follow-up on some of the innovation. I think we've seen across the industry more focus on healthy oils and beef tallow is the first. I'm excited to try that when I hit shelf. But all of these ingredients, I imagine, are significantly higher cost than vegetable oil, but also on the back of a premium product. Can you just give us an idea of how that impacts the mix as we see a brand like Boulder taking more and more position in the portfolio? And is there any supply limits that we should think about on things like beef tallow, avocado oil, olive oil, these kind of alternative oils that are outside the traditional vegetable oil market, which is obviously much larger?

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. I'll start and then, if BK has some color to add on top. I think in terms of supply, look, we've been investing in integrated business planning capabilities to really try to understand our volume expectations. And also, we've spent a lot of time collaborating with our customer base to make sure we know what they're interested in and what they're seeing in the market. So, I think from a supply perspective, we feel very good with the availability that we have at our ingredient suppliers and our oil suppliers have been tremendous partners, as Boulder has really jumped significantly over the last couple of years. And so, we don't anticipate a problem in terms of availability of the oils or really any of the other ingredients that we would be pursuing. I think it's kind of standard work for us. I'm pretty proud of our teams and what they're able to do.

I think, in terms of how do we think about the margin mix and how do we think about the contribution of innovation to our overall portfolio, look, our expectation when we launch a new item is that it's margin accretive, that the value that we're offering to a consumer, that there is a propensity to be willing to pay for those premium ingredients, whether it's protein in the Utz pretzels and puffs or the beef tallow for Boulder Canyon or avocado oil or really anything else that we do. So, we would anticipate it being a net positive on the margin line and obviously on the higher-priced items. As they grow more, you'll also see a positive price benefit to the P&L.

I don't know, BK, if you have anything else to offer.

William J. Kelley

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

No, I think that's well-said, Howard. Thanks.

A

Jim Salera

Analyst, Stephens, Inc.

Great. I appreciate the color, guys. I'll hop back in the queue.

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Thanks, Jim.

A

Operator: Your next question comes from the line of Peter Grom from UBS. Your line is live.

Peter Grom

Analyst, UBS Securities LLC

Great. Thank you. Good morning, everyone. So...

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Hey, Peter.

A

Peter Grom

Analyst, UBS Securities LLC

...I wanted to just ask – hey, Howard. I guess, it's on the organic sales outlook, and I understand you mentioned in the prepared remarks that you're trying to be conservative. But as I take a step back, right, you just delivered 2.4% growth this year. The category was down 50 basis points, and there was a headwind related to the kind of the non-branded, non-salty portion of the portfolio. But so, as I look out to next year, you're expecting a better category backdrop, albeit maybe not growth. It sounds like there's going to be less of a headwind from non-branded to non-salty. You're getting a benefit from California, yet, the guidance at the midpoint is kind of similar to what you just delivered. So, is there something happening beneath the surface as to why it wouldn't be stronger or are you just simply taking a conservative approach to start the year?

Q

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

Yeah. Look, I think, so I appreciate the question. I think, first and foremost, I want to reiterate that we feel very good about our commercial plans. I think we have a strong lineup, and I feel like we are gaining the just the response from consumers in the marketplace. That said, it's February and the environment is going to continue to be dynamic, and we're trying to make sure that we are prepared for a variety of outcomes. Obviously, if you were to think about our business over the last couple of years, making sure that we are prepared with appropriate contingencies to deliver against our promises continues to be an area of focus for us. And so, I just want to make sure that as we're starting out in February that we're giving ourselves the appropriate training so that we are prepared for a variety of outcomes that we have the flexibility to respond as we need to.

A

Peter Grom

Analyst, UBS Securities LLC

Q

Got it. That makes sense. And then, I guess, just to follow-up on the commentary around distribution and shelf space specifically. I mean, obviously, a large competitor talked about growing space in the double-digit range with the upcoming resets. Howard, I think you mentioned you still expect to gain space through innovation in core markets. So, can you just help us understand what's happening around shelf space with the upcoming resets? Thanks.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. So, obviously, we have been – we've been working with our retailers over the last couple of years, and we have enjoyed a great partnership where we've been able to not only get entry into some new banners and new geographies. But once we get in, we wind up seeing an expansion in the average items that are carried in those stores. You saw that play out in Florida. You saw that play out in Missouri. You've seen it consistently over the course of our history. We get in with a reasonable set of assortment, and then we sort of build from there. And there are a lot of geographies where we're in that sort of build from there step.

So, we do have good visibility to what we expect to gain in terms of both our core markets and our core brands as well as our – more significantly our expansion geographies and as we continue to fully develop the channels in those markets. So, I expect – we anticipate and can see positive distribution gains for us in the beginning of the year. I think you'll see that and we can talk a lot more about it when we get to the end of Q1 where we sort of get into that normal distribution cycle. But I think, overall, we feel really good about where our distribution driver is for the year and anticipate another strong year of growth.

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

Thanks, Pete.

Operator: Your next question comes from the line of Nik Modi from RBC. Your line is live.

Nik Modi

Analyst, RBC Capital Markets LLC

Q

Thank you. Good morning, everyone.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Hey, Nik.

Nik Modi

Analyst, RBC Capital Markets LLC

Q

Just – hey, Howard. So, just on your comment about the dynamic consumer environment, I mean, it strikes me, as we started the year, things actually got worse and then we had that winter storm that might have helped just some pantry loading. But just kind of I know with the guide and a lot of questions about kind of are you being conservative or not. But maybe you can just give us your kind of 50,000 foot view on like what you're seeing. And there's so many moving pieces, like tax refunds are coming, but for higher income consumers and then you still, I don't know, the ICE situation is still causing some traffic issues and some of the up and down the street retailers. So, if you just kind of like give us your quick take on that, and it seems like some of the headlines coming out that the middle income consumer is now coming under increasing duress versus just being a lower income consumer issue a year ago. So, any thoughts on that would be helpful.

And then, the kind of the bigger picture question is just on the portfolio construction. Obviously, things are shifting in the food landscape, focus on protein, also fiber. As you think about your portfolio longer term and maybe you'll address this at CAGNY, so forgive me if I'm jumping the gun here. But just wanted to get your thoughts on like how you think about the portfolio longer term in terms of some of these kind of emerging areas of growth. Thanks.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. So, I'll start with the consumer and then, I'll kind of give you a portfolio thought. And obviously, we can certainly talk more about it. I think we'll give you a sense. I do feel really good about our brand lineup and their ability to stretch, which will – we'll talk about. Look, a couple of things on the consumer, and I want to kind of start where I typically start in these conversations. The nice thing about our business and the thing that I think we are most excited about is that we have some growth drivers that are not solely dependent on a market or a state or a geography. There's a lot of white space in our commercial operating plans that give us the opportunity to overcome some of the headwinds that some of our more mature competitors may not be able to do as simply or easily.

If you think about geographic white space and the investments that we're doing in marketing and an innovation lineup that is and capability is ramping and becoming bigger ideas and more on-trend consumer thoughts, all of those things, I think, help us to be able to overcome some of the consumer dynamics that you see in the marketplace. If we were fully developed, we'd have to have a different response for. So, I think that we feel good that the underlying consumer situation obviously is something that we're paying attention to. But it's not going to override the ability for us to grow.

I do think that if you look at kind of where the consumer is right now, we continue to see them shopping up and down the ladder and looking for value. You talked about the storms and obviously that did certainly drove a – some pantry loading, but the category was improving before then. And the consumer trends in the fourth quarter transitioning into the first quarter, a lot of those things have persisted, and we would expect that it'll be an environment where we need to be flexible as we go. We have offerings up and down the price ladder from premium to opening price points. We have brands and packages that allow for the consumer to opt into our portfolio, and I feel like we're going to do – we'll do our job to make sure that consumers stay there and engage. Obviously, our marketing spend will also help.

I think, in terms of the portfolio, I'll just offer you a couple of things. I think, first, when you think about protein and fiber and flavors and portion control, a lot of those behaviors are sort of transcendent. They've been in the industry for a very long time. And I feel like if you look at our Power Four Brands, we identified them as our growth drivers because of their ability to meet the near-term consumer need, but also to be able to expand and stretch into other occasions. You see us expanding into protein this year 8 grams to 10 grams of protein for the puffs and

pretzels. It'll be at an affordable price point that makes sense for that consumer and allows us to get into a fast-growing segment for consumers who are looking for it.

And as you think about Boulder Canyon, not only has it been able to stretch into incremental non-seed oil, but also into sub-categories. So, I do feel like we have the right portfolio, and we have a few hidden – we have a few gems in the rest of our targeted branded portfolio that have opportunities to grow as well, brands like Hawaiian. So, I feel like our portfolio is pretty strong, and our ability to engage with consumers is there and expect that you'll see more of that as we get into CAGNY.

Nik Modi

Analyst, RBC Capital Markets LLC

Q

Super helpful. Can you just maybe comment on are you still seeing some of depressed activity in some of the up and down the street retailers just because of the immigration issues and ICE raids and things like that?

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

I think what we saw in the fourth quarter was that our up and down the street business was improving and certainly C-store was getting better, which is the kind of the places where we would look. I think January, with the snowstorms, gets a little bit harder for us to see just given what happens when everybody stays home. But I do think that from – as we look at our business, given that we do tend to overindex to the larger classes of trade, it's a little bit harder for us to see a lot of noise there.

Nik Modi

Analyst, RBC Capital Markets LLC

Q

Got it. Thanks so much.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Thank you.

Operator: Your final question comes from the line of John Baumgartner from Mizuho Securities. Your line is live.

John Baumgartner

Analyst, Mizuho Securities USA LLC

Q

Good morning. Thanks for the question.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Hey, John.

John Baumgartner

Analyst, Mizuho Securities USA LLC

Q

Hey, I'd like to ask about some of the incremental consumption occasions as a number of your snacking peers are sort of ramping their presence during events and seasons to, I guess, augment the weakness in the everyday business. Howard, you seem comfortable with distribution and shelf presence this year, but can you speak a bit to that competitive programming noise, the increased activity? Does it require you to invest more in marketing or

pricing? Does it require a different approach to innovation? Just how do you sort of rise above or I guess, at least capture your fair share in that heightened programming environment?

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. I appreciate the question. Look, I think there are a couple of things. I feel very pleased with what our marketers have been able to do over the last few years in terms of seasons, whether it is variety packs at Halloween on Zapp's or our Hoops Mix right now. So, we have always had a pretty strong lineup of limited time offers. It's something that we're very proud of, and several of them have been rotated into our core assortment, things like Mike's Hot Honey. So, I think we have a pretty good lineup. I mean, we tend to pick our spots. We can't – we were not going to engage in every season where it doesn't – where we don't really feel like we have something to say or something meaningful to offer. So, we do tend to pick our spots, and I think we'll continue to do that.

I don't think it requires a different marketing or promotional strategy per se. I think what it requires is for us to be able to continue to make sure that our products are present in those occasions at the right price points, at the right points of disruption in the store, which our IO partners do a great job of. So, we'll invest there where we feel like we should. But I think the heightened environment, if it drives more consumer interest into the category over those occasions, we would expect that we would get our fair share of that activity as well.

John Baumgartner

Analyst, Mizuho Securities USA LLC

Q

Yeah. Thanks, Howard.

Howard A. Friedman

Chief Executive Officer & Director, UTZ Brands, Inc.

A

Thanks, John.

Operator: That concludes today's question-and-answer session. Thank you for joining today's conference call. You may disconnect.

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