06-May-2026

UTZ Brands, Inc. (UTZ)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

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William J. Kelley
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OTHER PARTICIPANTS

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Luke Maloney
Analyst, Piper Sandler & Co.

Scott Marks
Analyst, Jefferies LLC

Robert Dickerson
Analyst, BTIG LLC

Jim Salera
Analyst, Stephens Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Kate, and I will be your conference operator today. At this time, I would like to welcome everyone to the Utz Brands, Inc. First Quarter 2026 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to turn the call over to Trevor Martin, Senior Vice President, Head of Corporate Finance. Please go ahead.

Trevor Martin
Senior Vice President & Head of Corporate Finance, UTZ Brands, Inc.

Thank you, operator. And good morning, everyone. Thank you for joining us today for our live Q&A session of our first quarter 2026 earnings results. With me today 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 our presentation, all of which are available on our Investor Relations website.

Before we begin our Q&A session, I just had 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 with non-GAAP financial measures and other associated disclosures are contained in our earnings materials listed on our website.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first 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. Good morning, guys. Thanks for taking the questions. Howard, maybe to start, just – you had some commentary on the second quarter in your prepared remarks kind of addressing some of the softness to start 2Q, particularly in April. So I was hoping maybe you could expand a little bit just on that point, as well as whether or not you think April represents kind of the bottom within the quarter and then we should see improvement in May and June. So, maybe I'll start there and let you kind of elaborate on your commentary.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. Thanks for the question, Pete. So, a couple of things. Look, I think first of all, we always expected that April was going to be sort of it was – it would be a more difficult lap for a couple of reasons. Beyond sort of the Easter shift, we have year-over-year programming that we've done in the prior year. Specifically, you see it on Boulder Canyon, and you can see it on the cheese business. We also had some lapse in some larger customers where there's some merchandising that, timing that actually shifted.

So, as you look at the year-over-year, we expected the quarter to start out a little bit softer than the run rate had been. I think if you look at the food channel overall, 50% of our business, I think it's a pretty good indicator of our underlying strength, which continues to be positive. And as we progress through the second quarter, you'll actually see some incremental activations coming. Boulder Canyon has some activity behind tallow. You'll see new product innovations start to hit, and, obviously, California will continue to grow. So, I think we're off to where we expected to be in the second quarter and largely through the – through Q1 as well.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Great. Thanks. Thanks for that. And, BK, just maybe as a follow up, you left the guidance unchanged for the year actually reiterated all elements of it. I think there was a bit of concern out there in the market that just given maybe less of a scaled DSD platform, things like freight, resins, might hit you a bit sooner. So maybe you can just talk a little bit about the hedging program and kind of how you're locked on freight and go forward for the rest of the year. Thanks very much, guys.

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

A

Yeah. Thanks, Pete. Thanks for the question. So, first of all, I would say, we're covered from most of the year on fuel, ags, and freight. Our productivity program that we've touted a bit here at approximately 4% is going well. And we'll continue to build on those plans in H2, and that'll help us offset any incremental inflation, which we think comes from primarily a small impact from fuel for us, but mostly packaging driven by the resin impact.

We'll continue to maximize the other levels – levers that we have, the RGM tools around price pack architecture and, we'll be using AI to improve our promo effectiveness, and we'll continue to improve our sales mix. The net impact for us is that, you'll have many levers to address potential inflation, but we are mostly covered on the fuel ags and freight pieces, to your point.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Great.

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

Luke Maloney
Analyst, Piper Sandler & Co.

Q

Hi, guys. Good morning. This is Luke on for Michael. Thanks for taking our question. I just wanted to ask on marketing spend. You increased marketing spend by 35% in the first quarter, and I believe your long-term target is for 3% to 4% sales. How close will you get to that target this year and in 2027? And then also, where do you see the biggest opportunities for return on marketing spend?

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Thanks for the question. Well, I think what we've said, we're largely in line with what we would have expected on the marketing investment for the year. We'll expect to have [indiscernible] (00:05:49) about 40% year-over-year, and we continue to have conviction that that's the right place to be. We're still many – probably a couple of years out from being able to get to that 3% to 4% longer-term target, because as you can imagine, when we start to think about the available resources we have and the opportunities we have to grow, whether it's with westward expansion, continuing to drive capabilities, as well as marketing innovation, there is a reasonable competition for those dollars.

I would tell you that we feel great about the innovation this year, and I think it's probably the strongest lineup we've certainly had in the – in my time here. I think in terms of where we see ongoing investment, I think there are a couple of places. One is obviously supporting our Power Four Brands, Utz, Boulder Canyon, Zapp's and On The Border. Boulder Canyon has new advertising that will be out this year to support the momentum on that brand, which continues to grow very quickly. Second is in our expansion markets where we're introducing the brand. In California, we'll obviously get investment as we continue to scale that area, and then the last is in supporting our tour, where it's a little bit more traditional competitive dynamics for us within the category. So, I think over time, you'll continue to see us grow our advertising and consumer spend and we'll remain focused and disciplined on how we deploy those resources.

Luke Maloney
Analyst, Piper Sandler & Co.

Q

Okay. That's great. Thank you. And your household penetration increased just over a point. What's working there, and what opportunities are ahead?

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. So, look, I think part of our household penetration – we feel very good about the household penetration trend we've been on. I think equally important to us is that the loyalty rates continue to grow, because, obviously, as you grow penetration, you're introducing yourself to newer users, and they may not repeat quite as much. And what we're seeing is very strong loyalty rates as well, which I think is a testament to the quality of our products and the variety of items that we offer.

I think that the major drivers, again, are going to be – partially it's going to be about expansion geographies, which, obviously, for the Utz Brands, is as we're moving westward and for the remaining Power Three, it's also bringing it into – us as core geography. So we're introducing new households in both places.

Second, our innovation is introducing products into households that they may not have had before, we feel very good about the early start on tallow, and then lastly is just driving incremental advertising, which is also doing a good job of being both effective and efficient, but also driving our brand story. So, I think we're kind of hitting on most of the cylinders right now and, lots left to do.

Luke Maloney
Analyst, Piper Sandler & Co.

Q

Great. Thank you.

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 our questions. First thing I wanted to ask about, in your prepared remarks, you made a comment about not seeing any need to change commercial plans because of competitor activity. Wondering if you can expand on that a little bit and just help us understand what you're seeing out there from a competitive perspective and how some of the recent changes within the category may or may not have impacted your own business.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. Thanks for the question, Scott. Well, I think, overall, we feel like we're where we expected to be at this point in the year and that our commercial plans are holding. And a lot of the innovation, expansion, and investment in marketing consumer, I think, is going to deliver on the goals that we've had for the year. I think with respect to what we're seeing competitively, I tell you what we've observed is obviously the Bell Mark prices or the unpacked price has come down, and we have seen some sharper promotional price points with some customers in some of the sub-cats. And this isn't wildly different than what we had seen in Q4 as we were going through that – observing the early testing, and we do believe that, at this point, it will continue to be a targeted and focused activity from the competition.

From our perspective, we feel pretty good. I think if you look at the first two major merchandising windows of the year, Super Bowl and Easter, we were able to take dollar share. We grew our distribution 7% on TVTs, and we increased marketing to the – as we said, to 35%, while also being mindful of where our price gaps need to be to remain competitive.

So, I think we feel confident in our drivers for the year. I think we feel confident that California will continue to build and that we've invested in our revenue management capabilities to make sure that we are able to compete. And the nice thing about our company is we can be thoroughly agile. And with productivity giving us more resources potentially to deploy if we had to, we feel like we can compete in a variety of contexts.

Scott Marks
Analyst, Jefferies LLC

Q

I appreciate the thoughts there. And then just a follow up for me, a lot of comments in today's remarks about that bonus bags. Hate to bring up the term again, but, obviously, it's in there. You obviously help us – give us a little bit of context in terms of what the numbers look like, excluding bonus packs. Wondering if you can break that down between core markets versus expansion markets? What would the impact have been if we exclude the bonus bags, just in terms of price versus volume and kind of where that growth has come from? Thanks.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. So, a couple of things. I think I know we haven't broken it out between core and expansion geographies. It's kind of more difficult for us to do, just given the nature of the fact that bonus bags were actually a – the same UPC. So we'd have to do quite some additional work to be able to offer that.

I think what you can say [indiscernible] (00:11:47) that bonus bags broadly were a – mostly in the core geography, [indiscernible] (00:11:52) that's where the majority of our distribution is with respect to things like us and On The Border, which is where it was. But, we tried to give you a perspective of on a two-year basis, we're holding up quite well competitively, and at both volume mix and price are being similar contributors to our overall growth rate, which I think really is kind of the point we wanted to make sure we got across.

Scott Marks
Analyst, Jefferies LLC

Q

Appreciate it. Thanks.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Thanks, Scott.

Operator: Your next question comes from the line of Rob Dickerson with BTIG. Your line is open.

Robert Dickerson
Analyst, BTIG LLC

Q

Great. Thanks a lot.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Hey, Rob.

Robert Dickerson
Analyst, BTIG LLC

Q

Hello, people. Hey, how are you? Good to hear for you.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

[indiscernible] (00:12:36) thank you.

Robert Dickerson
Analyst, BTIG LLC

Q

I'm great. Yeah, just a quick question on the category, I realize you're using retail dollars, and the quarter category is not flat, right? It was up, I think over 2% based off of what you spoke to. The guidance that you've been talking for a while of kind of expecting kind of flat for the year. Is it just kind of, obviously, the market is very dynamic right now, kind of we're still in the early or at least first half of the year. So there's no need to say, oh, we actually think, the category could be more than flat this year and may well be in line with the category. I'm just trying to gauge a sense of kind of where your head is right now, sitting in early May with respect to the category and maybe its potential for the year, and then kind of how you could maybe operate vis-a-vis that category growth. Thanks.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah, I think, first – I think when you think about this at the beginning of the year, we have continued to suggest a more flattish category, just given how early it has been in the year, and there is a very – it's certainly been noisy in the first three, four months of the year.

So I think at this point we're just continuing to take a conservative view on the category. I think what we would expect is that as the year continues and as the category sort of starts to demonstrate more consistency than we would – we'll relook at that and look at our assumptions. But from our perspective, obviously, we've never been solely dependent on the category for our growth. The expansion geographies remain a significant area of white space for us and our increases in innovation in AMC, we believe puts us in a position to make sure that we are delivering against the guidance that we've provided as we go forward. And obviously, if the category continues to improve, then we'll take a different decision as we continue to navigate the year.

Robert Dickerson
Analyst, BTIG LLC

Q

All right. Super. And then, I guess just on the innovation front, and I think you mentioned you were saying like beef tallow going for $0.20 on auction, and I know you have flavored tortillas coming and there's proteins, there's protein SKUs, there are a few other competitors that might have some healthier options coming in as well. But just as, we think about kind of consumer reengagement, right, in a category like Boulder is clearly doing very well, engaging well with the consumer, again, kind of coming back, I guess, to us, but then also to the category, it just feels like the – there's clearly action in motion that would support kind of category improvement potentially as we get through the year, but especially just within consumer reengagement. I don't know if that makes sense to your comments.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah, it does. We think that there are kind of three areas where consumer engagement really kind of matters to us. I think the first, to your point, is around Better-For-You, and we're certainly seeing many people entering into Better-For-You category, larger scale competitors and smaller guys. We feel really good about Boulder Canyon's ability to compete. Tallow has gotten off to a great start. It was a new one for me to go on to an auction site and see the products there.

But, really, around Better-For-You attributes and non-seed oil, and that business continues to grow in both the natural and conventional. [indiscernible] (00:16:05) I think we've also seen that it's actually able to stretch with, to your point, with both unflavored and now flavored tortilla chips, which we feel very good about the authorizations and early consumption trends on that business is strong. I think protein in Utz is introducing that brand into what we call an elevated performance, not necessarily all the way to the Boulder Canyon side, but the presence is positive, we think is a big territory for consumers who are looking to incorporate more protein in and we'll continue to try and work on the Better-For-You attributes across we have snacking made simple on our Utz brand is our sort of our organizing idea, which highlights the simple ingredients that are in our core products.

The next two areas really are on flavor and then – and value. And those two areas also are places where I think consumers have always engaged in this category and will continue to do so as we go forward. So, I do think you're going to see more effort by everybody to continue to introduce presence of positives. I think it's a consumer trend, but I also think flavor and value, you'll also see.

Robert Dickerson
Analyst, BTIG LLC
Q

All right. And then just maybe a quick one for me, too, for BK, just on the free cash flow front, is there anything to call out, as we get, as we're now in early May for the year, and I'm really just kind of speaking to that, expected kind of sequential improvement free cash flow this year then kind of that ability to hit that larger target longer term? That's all. Thanks a lot.

William J. Kelley
Executive Vice President & Chief Financial Officer, UTZ Brands, Inc.
A

Yeah. I think the – thanks for the question. You know, our confirmation of our guidance included the $60 million, $80 million of free cash flow that we were chasing this year. The, Q1 for us is always going to be a quarter where we burn cash as we build, for the seasons. I think the improvement in our leverage year-on-year is something that is indicative of the improvement we're making in our processes and capabilities in this area. We continue to think that that will build over the year, and we'll be on track for the free cash flow that we expect to generate, as well as the leverage targets that we set.

Robert Dickerson
Analyst, BTIG LLC
Q

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

Operator: [Operator Instructions] Your next question comes from the line of Jim Salera with Stephens. Your line is open.

Jim Salera
Analyst, Stephens Inc.
Q

Hey, Howard, and BK. Good morning. Thanks for taking my question.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Hey, Jim.

Jim Salera
Analyst, Stephens Inc.

Q

I wanted to circle back on the pricing actions you mentioned by large competitors and kind of the limited impact on the commercial plan. From some of the work that we've done, it seems like those pricing actions are most pronounced in mass, particularly the largest mass retailer. I wonder if you could share how you're thinking about your pricing, maybe on a kind of channel basis relative to peers, and if we should see maybe a more strategic opportunity for you to differentiate yourself in channels outside of mass?

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. Thanks for the question. Certainly, we've seen similar performance in the mass channel, which is not that much of a surprise to us. I think you've seen that. We've seen that historically, which kind of goes back to the original point of it. Nothing that we're doing – we've seen so far has been all of that surprising to us. And if you think about how our commercial strategy kind of unfolds, we have got a wide range of competitive dynamics across the price ladder. So, we continue to grow very nicely in the natural channel, we've been making good progress in club, behind some of our premium brands, notably Boulder, our expansion geographies, and frankly, the food channel overall continues to perform for us with the larger national grocers, as well as the regional players. And so, we will compete there. Obviously, our revenue and capability really comes through in the food channel because that's where promotional effectiveness and timing can really kick in.

And then, I think, more broadly, as you think about sort of the rest – the remainder of mass channel, we are feeling very good about the performance of our business there. We've seen distribution gains. So, overall, we are – it is a subcat-by-subcat, channel-by-channel kind of game for us, and that's, again, I think we have a lot of different ways to get to our goals and our objectives, and I think that's kind of what you're seeing in the first quarter.

Jim Salera
Analyst, Stephens Inc.

Q

Great. And then if I can shift gears and ask you a quick one on California. You mentioned in your prepared remarks, California was up high-single digits, it might be too early, but I want to ask if do you have any sense for the repeat rates in California, given your brand is going to be new to a lot of folks out there? Curious to see kind of the initial loyalty response.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Yeah. It's early for us to see. We have to get through a couple of purchase cycles before we really be able to give you a better sense of loyalty. What I can tell you is, if you look at our overall marketing metrics nationally, which, of course, our expansion geographies are a significant portion of our growth, you continue to see loyalty and repeat rates actually fairly consistent across. So I think that that gives us quite a bit of confidence that even with a lower relative brand awareness on a brand like us, that the product once in consumers' hands and pantries, will have a – will earn its right to stay there.

I think beyond that, remember that Boulder Canyon and Hawaiian are also brands that exist in that marketplace today, and so that – it's also the opportunity for us to expand distribution of those items, which are more familiar to the California market. So, it will be a full suite of our Power Four Brands and some of our targeted brands as we kind of ensure that geography over time. But like I said, high-single digits, a couple of weeks in, let's call it, five, six weeks into it, we feel pretty good about where we are in California, lots to do, but we're excited about it.

Jim Salera
Analyst, Stephens Inc.

Q

Great. I appreciate the thoughts, so I'll hop back in the queue.

Howard A. Friedman
Chief Executive Officer & Director, UTZ Brands, Inc.

A

Thanks, Jim.

Operator: Ladies and gentlemen, that concludes today's call. Thank you, all, for joining. You may now disconnect.