

THE J.M. SMUCKER Co

Fiscal Year 2027 Second Quarter Earnings
Prepared Management Remarks

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CORPORATE PARTICIPANTS

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Mark Smucker, Chief Executive Officer, President and Chair of the Board

Tucker Marshall, Chief Financial Officer | Executive Vice President, Frozen Handheld and Spreads and Sweet Baked Snacks

CRYSTAL BEITING, VICE PRESIDENT, INVESTOR RELATIONS & FP&A

Good morning. This is Crystal Beiting, Vice President, Investor Relations and Financial Planning and Analysis for The J. M. Smucker Company. Thank you for listening to our prepared remarks on our fiscal 2027 second quarter earnings call. After this brief introduction, Mark Smucker, Chief Executive Officer, President and Chair of the Board, will provide a business and strategy update. Tucker Marshall, Chief Financial Officer and Executive Vice President, Frozen Handheld and Spreads and Sweet Baked Snacks, will then provide a detailed analysis of the financial results and our updated fiscal year 2027 outlook. Later this morning, we will hold a separate, live question-and-answer webcast.

During today's discussion, we will make forward-looking statements that reflect our current expectations about future plans and performance. These statements rely on assumptions and estimates, and actual results may differ materially due to risks and uncertainties. Additionally, please note we will refer to non-GAAP financial measures management uses to evaluate performance internally. I encourage you to read the full disclosure concerning forward-looking statements and details on our non-GAAP financial measures in this morning's press release.

Today's press release, a supplementary slide deck summarizing the quarterly results, management's prepared remarks, and the Q&A webcast can all be accessed on our Investor Relations website at jmsmucker.com.

We invite all interested parties to join us at 9:00 am Eastern Standard Time today for a live question-and-answer session with management to further discuss our second quarter results and outlook for fiscal year 2027.

Please contact me if you have any additional questions after today's question-and-answer session. I will now turn the discussion over to Mark Smucker.

MARK SMUCKER, CHIEF EXECUTIVE OFFICER, PRESIDENT AND CHAIR OF THE BOARD

Thank you, Crystal, and good morning, everyone.

We are pleased with our second quarter results and the momentum of our portfolio through the first half of the fiscal year. Net sales and adjusted earnings per share exceeded our expectations, reflecting continued consumer demand for our brands and disciplined execution across the organization. Consumers continue to seek trusted brands that deliver quality, value, and convenience, and our portfolio is well positioned to meet those needs.

Our performance reflects the strength of our differentiated portfolio, the progress we are making on our strategic priorities, and the investments we continue to make in our brands and capabilities. Based on our second quarter performance and expectations for the balance of the year, we are raising our full-year adjusted earnings per share outlook.

These results reinforce our confidence in the business and demonstrate the significant progress we continue to make on our three strategic priorities: driving organic volume growth across our key platforms, improving profitability and accelerating earnings growth for the Company, and maintaining a disciplined approach to capital deployment.

Let me begin with our first strategic priority: driving organic volume growth across our key platforms. We continue to prioritize resources behind the *Uncrustables*®, *Café Bustelo*®, *Meow Mix,*® and *Milk-Bone*® brands, which represent our largest growth opportunities.

Beginning with *Uncrustables*®, the brand delivered 15% net sales growth at the total Company level, driven by a double-digit increase in volume/mix. The brand achieved record quarterly volume, net sales, and household penetration, reflecting the strength of our proven brand-building model, continued distribution gains, and consumer-led innovation.

The *Uncrustables*® brand is now the number two brand in the total freezer aisle in the latest 13-week period, and net sales is growing faster than we anticipated. In the second quarter, net sales accelerated sequentially for the brand and exceeded our expectations. Demand is exceeding our available supply and we are now capacity constrained. As previously shared, the second phase of our McCalla, Alabama, facility remains on track to come online toward the end of fiscal year 2027, bringing additional capacity to support the brand's continued growth.

We expect the *Uncrustables*® brand to deliver net sales growth in the second half of fiscal 2027 and approximately 10% growth for the full year at the total Company level.

Even after surpassing $1 billion in annual net sales, the *Uncrustables*® brand continues to achieve record results and attract new households. As we bring additional capacity online, build on the launch of *Uncrustables*® protein, deliver greater convenience through our new fridge friendly benefit, introduce exciting new flavors, and further embed the brand in culture through our marketing, we are well positioned to drive continued growth across more households and occasions.

Our next key growth platform, the *Café Bustelo*® brand, has achieved a key ambition we set and is now the fourth-largest brand in the at-home coffee category in the latest 13-week period. This is an important milestone and a powerful example of our ability to build brands, expand their consumer reach, and unlock significant long-term growth.

Over the past year alone, the *Café Bustelo*® brand added nearly 3 million new households and gained dollar share across every roast and ground coffee segment in which it competes. Supported by our proven brand-building model, *Café Bustelo*® continues to resonate with Gen Z and Millennial consumers and drive strong household penetration growth. With household penetration of only 15%, we see significant runway to reach more consumers and continue expanding the brand nationally.

Next, the *Meow Mix*® brand continued to deliver positive results in the quarter. As the leader in dry cat food, the brand is benefiting from a growing cat population, particularly among younger generations of pet parents.

To build on this momentum, we launched a new marketing campaign this month. The creative brings the playful personality of the *Meow Mix*® brand into the world of internet cat culture, while highlighting the mix of flavors and textures cats love. Spanning video, social, and commerce, the campaign is designed to deepen the brand's connection with today's cat parents.

This investment reflects our focus on directing resources toward our largest growth opportunities. Looking ahead, we intend to build on our leadership in dry cat food while expanding the *Meow Mix*® brand's presence in other attractive segments of the cat category, including wet food and treats.

Finally, for the *Milk-Bone*® brand, we are encouraged by improving category trends, which, combined with our category leadership and proven innovation pipeline, position us well to drive growth.

The long-term fundamentals of the dog snacks category remain attractive, supported by pet population growth, the continued humanization of pets, and the expansion of e-commerce.

We intend to build on these tailwinds and accelerate the brand's momentum through targeted sales initiatives, marketing, and innovation. Specifically, we are focused on:

- Continuing to strengthen the core biscuit business through improved communication of functional benefits, stronger marketing, and a compelling consumer value proposition;
- Expanding our presence in premium offerings; and
- Accelerating our e-commerce presence as the channel continues to deliver outsized growth.

Together, our key growth platforms differentiate our portfolio and enhance our long-term growth profile. Their performance underscores the strength of our strategy, the quality of our brands, and the significant opportunities that remain ahead.

Turning to our second strategic priority: improving profitability and accelerating earnings growth. Adjusted gross margin increased 700 basis points in the second quarter. Excluding the impact of tariff refunds received, adjusted gross margin increased 570 basis points, demonstrating strong underlying improvement. Adjusted earnings per share increased 52% compared to the prior year, reflecting both the benefit from tariff refunds received and business momentum. These results demonstrate the continued improvement in the profitability and earnings profile of the business.

Finally, our third strategic priority is maintaining a disciplined approach to capital deployment. We remain focused on prioritizing investments in organic growth opportunities, reducing debt, and returning capital to shareholders through dividends and share repurchases, while maintaining our current investment-grade debt ratings.

In the second quarter, we continued to make progress on debt repayment, ending the quarter with a leverage ratio of 2.9x, based on a trailing 12-month adjusted EBITDA of approximately $2.3 billion. We remain committed to repaying at least $500 million of debt in fiscal year 2027, while maintaining the flexibility to evaluate share repurchases.

Overall, our second quarter results demonstrate that the actions we are taking across each of our strategic priorities are working. We are encouraged by the momentum across our portfolio and remain focused on executing our plans and delivering our full-year outlook.

Let me now provide additional perspective on the second quarter performance of our businesses.

In Coffee, net sales decreased 5%, reflecting lower net price realization as we continue to pass the benefit of lower green coffee commodity costs on to consumers. Green coffee deflation is a positive for the underlying business, and consistent with our historical approach, we will continue to adjust pricing as our cost structure evolves. Excluding tariff refunds received, we continue to anticipate a segment profit margin in the high-20% range for the fiscal year.

Our portfolio now includes three of the top four brands in the at-home coffee category, giving us confidence in the portfolio's strength and long-term growth potential. While the *Café Bustelo*® brand represents our largest growth opportunity, we also see meaningful opportunities to drive relevance and growth for the iconic *Folgers*® and *Dunkin'*® brands.

For the *Folgers*® brand, we have evolved our media strategy in recent years to over-index with younger consumers. This month, we also launched *Folgers*® *Functional*, a new platform designed to make functional coffee more accessible to everyday consumers through clear, benefit-led offerings, including Protein, Focus, Boost and Prebiotic.

For *Dunkin'*®, we are launching a new marketing campaign this month called "Coffee You Wanna Eat." The campaign is designed to make every cup of *Dunkin'*® coffee at home feel as enjoyable as the treats that inspire it. It highlights the brand's refreshed packaging and flavor portfolio, while building on our strategy to expand usage beyond traditional coffee occasions and into joyful treating moments.

Together, these initiatives demonstrate how we are leveraging the strength of our leading brands to participate in emerging consumer trends. Through focused brand-building and consumer-led innovation, we see meaningful opportunities to expand usage occasions, attract the next generation of coffee drinkers, and drive sustainable growth across the portfolio.

In Frozen Handheld and Spreads, net sales increased 7%, driven by double-digit growth for *Uncrustables*® sandwiches, partially offset by declines for *Smucker's*® fruit spreads and *Jif*® peanut butter. Net sales growth for *Uncrustables*® sandwiches was primarily driven by an 18% increase in volume/mix.

We remain focused on scaling the *Uncrustables*® brand as a key growth platform, while driving profitability and modernizing our category-leading spreads business. For the *Jif*® brand, we introduced the first major update to its iconic identity in more than 30 years. The refreshed design modernizes the brand's recognizable tri-color mark and uses new packaging imagery to inspire more ways to enjoy *Jif*® peanut butter. We also launched *Jif*® *Simply*™, which combines the strong equity of the *Jif*® brand with a simpler recipe and a taste consumers love. The platform continues to deliver positive results. More recently, we began airing a new marketing campaign focused on expanding the brand's relevance across more occasions throughout the day.

Across our spreads business, we also have seen encouraging results at a key retailer following shelf resets completed earlier this fiscal year. While still early, this indicates that our focused actions are having a positive impact. We will continue to modernize our spreads portfolio through consumer-led innovation and brand building designed to meet evolving consumer needs.

In Pet Foods, net sales decreased 2%, driven by a decline in dog snacks, partially offset by continued momentum in cat food.

Both categories remain highly attractive, supported by favorable long-term tailwinds within both the cat food and dog snacks categories. These positive tailwinds align well with the strengths of our portfolio and provide meaningful opportunities for premiumization and long-term growth.

We will continue to build on these favorable category dynamics through our category leadership, proven brand-building model, and strong track record of consumer-led innovation.

In Sweet Baked Snacks, net sales decreased 10%, primarily reflecting the anticipated impact of prior-year SKU rationalization. We expect this headwind to moderate as we lap the majority of these actions in the third quarter and fully lap them in the fourth quarter of this fiscal year.

The sweet baked goods category continues to face pressure, including in the convenience channel, which represents approximately 30% of the Sweet Baked Snacks segment net sales.

While there is more work ahead, we are encouraged by the progress of our stabilization plan. Segment profit grew this quarter, and we expect growth for the remainder of the fiscal year. This performance reflects the deliberate actions we are taking to improve margins, strengthen the foundation of the business, and position the *Hostess*® brand for sustainable, long-term growth.

Finally, in Away From Home, net sales declined 5%, driven by a decline in coffee, partially offset by growth for the *Uncrustables*® brand.

Coffee net sales were impacted by lower pricing as we passed through the benefit of lower green coffee commodity costs to customers. Net sales for the *Uncrustables*® brand increased 4%, and demand exceeded available supply.

Based on our strong second quarter profit delivery and visibility into the second half of the fiscal year, we are raising our adjusted earnings per share guidance to a range of $10.80 to $11.20, an increase of $0.25 at the midpoint.

We are pleased with our performance through the first half of the fiscal year and remain confident in the path ahead. We are investing behind our differentiated portfolio, making meaningful progress on profitability, and maintaining a disciplined approach to capital deployment. Together, these actions are strengthening our business and positioning us to deliver sustainable growth and long-term shareholder value.

Before I close, I would like to thank our talented employees for the dedication and commitment they bring to our business every day. Their efforts continue to advance our strategy and position our Company for long-term success.

With that, I'll turn it over to Tucker for additional perspective on our second quarter financial results and fiscal 2027 outlook.

TUCKER MARSHALL, CHIEF FINANCIAL OFFICER | EXECUTIVE VICE PRESIDENT, FROZEN HANDHELD AND SPREADS AND SWEET BAKED SNACKS

Thank you, Mark. Good morning, everyone.

I'll begin by giving an overview of our second quarter results, then I'll provide additional details on our financial outlook for fiscal year 2027.

Net sales in the second quarter decreased 2%. Comparable net sales, which excludes foreign currency exchange, also decreased 2%.

The decline in net sales reflects a 2 percentage point decrease from net price realization, primarily driven by lower net pricing for coffee and dog snacks. Net sales also reflects a neutral contribution from volume/mix.

Net sales exceeded our expectations in the quarter, driven by better-than-anticipated performance in U.S. Retail Frozen Handheld and Spreads and U.S. Retail Coffee.

Adjusted gross profit increased $144 million, or 18%, compared to the prior year. The increase reflects lower costs, including $31 million of tariff refunds, and favorable volume/mix, partially offset by lower net price realization. Excluding tariff refunds received in the quarter, adjusted gross profit increased $114 million, or 14%, compared to the prior year.

Adjusted operating income increased $140 million, or 36%, reflecting the increase in adjusted gross profit, partially offset by higher SD&A expenses. The increase in SD&A expenses was driven by higher general and administrative, selling, and distribution costs, partially offset by lower marketing spend.

Below operating income, net interest expense decreased $16 million, or 16%, versus the prior year primarily due to reduced debt outstanding. Net interest expense includes $1 million of interest income associated with the receipt of tariff refunds during the quarter. The adjusted effective income tax rate was 24.2%, compared to 24.0% in the prior year.

Factoring in all these considerations, along with weighted-average shares outstanding of 107.3 million, second quarter adjusted earnings per share was $3.20, an increase of 52% versus the prior year. This included a $0.22 benefit from tariff refunds received during the second quarter of fiscal year 2027.

Turning to our segment results, in the U.S. Retail Coffee segment, net sales decreased 5% versus the prior year. Net price realization decreased net sales by 3 percentage points, reflecting lower net pricing across the portfolio. Volume/mix decreased net sales by 2 percentage points, driven by the *Dunkin'*® and *Folgers*® brands, partially offset by an increase for the *Café Bustelo*® brand.

U.S. Retail Coffee segment profit increased 96%, reflecting lower costs, including tariff refunds, and lower marketing spend, partially offset by lower net price realization. Segment profit margin in the quarter was 37.5%. When excluding the impact of tariff refunds, segment profit margin was 34.4%.

In U.S. Retail Frozen Handheld and Spreads, net sales increased 7%. Volume/mix increased net sales by 7 percentage points, primarily reflecting an increase for *Uncrustables*® sandwiches, partially offset by a decrease for fruit spreads. Net price realization decreased net sales by 1 percentage point, reflecting lower net pricing for peanut butter and fruit spreads.

U.S. Retail Frozen Handheld and Spreads segment profit increased 12%, driven by favorable volume/mix, partially offset by higher marketing spend.

In U.S. Retail Pet Foods, net sales decreased 2% versus the prior year, reflecting lower net pricing for dog snacks. Volume/mix was neutral to net sales, as an increase for cat food was mostly offset by a decrease for dog snacks.

U.S. Retail Pet Foods segment profit decreased 17%, primarily driven by higher costs and lower net price realization, partially offset by favorable volume/mix.

In the Sweet Baked Snacks segment, net sales decreased 10%. Volume/mix decreased net sales by 11 percentage points, reflecting decreases for snack cakes, breakfast, and donuts. Net price realization increased net sales by 2 percentage points, driven by higher net pricing for donuts.

Segment profit increased 54%, reflecting lower costs, lower marketing spend, and higher net price realization, partially offset by unfavorable volume/mix. The improvement in segment profit reflects the actions we are taking to stabilize the Sweet Baked Snacks segment, including the closure of our Indianapolis manufacturing facility last fiscal year.

Lastly, in Away From Home, net sales decreased 5%. Net price realization decreased net sales by 3 percentage points, driven by lower net pricing for coffee. Volume/mix decreased net sales by 2 percentage points, as a decrease for coffee was partially offset by an increase for *Uncrustables*® sandwiches.

Away From Home segment profit decreased 18%, reflecting lower net price realization and unfavorable volume/mix.

Second quarter free cash flow was $204 million, compared to $280 million in the prior year, reflecting a decrease in cash provided by operating activities and an increase in capital expenditures as compared to the prior year. Cash provided by operating activities was $294 million, as compared to $347 million in the prior year, and reflects an increase in cash used for income and other taxes, as well as lower net income adjusted for noncash items, partially offset by less cash required to fund working capital.

We finished the quarter with a cash and cash equivalent balance of $44 million and a total net debt balance of $6.7 billion. Our trailing twelve-month adjusted EBITDA is $2.3 billion. Based on this, our leverage ratio currently stands at 2.9x net debt to EBITDA. This leverage profile provides increased financial flexibility as we continue to balance organic investment, ongoing debt reduction, and payment of quarterly dividends, while maintaining the flexibility to evaluate share repurchases.

Let me now provide an update on our outlook for fiscal year 2027.

We continue to operate in a dynamic and evolving external environment, including geopolitical, macroeconomic, and policy changes, as well as changes in consumer behaviors, that could impact our fiscal year 2027 outlook. This guidance reflects the Company's expectations based on its current understanding of these factors and does not assume any impacts from new tariffs, changes to existing tariffs, or changes to the tariff refunds received this fiscal year.

We are reaffirming our full-year net sales outlook of a decrease of 1.0% to 2.0% compared to the prior year. At the midpoint of our net sales guidance range, our outlook assumes an approximate 1.5% decrease in net sales from net price realization, primarily reflecting anticipated green coffee deflation and our expectation to pass lower costs through to consumers. Volume/mix is anticipated to be approximately flat to the prior year.

We are raising our full-year adjusted gross profit margin expectation to approximately 39.0%, which now reflects $147 million of tariff refunds received through the first six months of the fiscal year.

Excluding tariff refunds received, we continue to expect mid-single-digit cost deflation this fiscal year, driven by green coffee. Excluding green coffee, tariff expenses, and tariff refunds received, we continue to anticipate mid-single-digit inflation across the remainder of our cost basket.

SD&A expenses are projected to increase by approximately 8.0% versus the prior year. Total marketing expense is estimated to be 5.7% of net sales, an increase of 60 basis points or approximately $45 million versus the prior year.

We now anticipate net interest expense of approximately $330 million, a $5 million benefit versus previous expectations. Our adjusted effective income tax rate is anticipated to be 24.2%, along with a full-year weighted-average share count of 107.3 million.

Taking all these factors into consideration, we are raising our expected full-year adjusted earnings per share to be in the range of $10.80 to $11.20, an increase of $0.25 at the midpoint of the guidance range versus previous expectations. Our updated guidance includes a favorable net benefit of approximately $0.75 related to the receipt of tariff refunds, which reflects the $1.06 benefit from tariff refunds received this fiscal year, net of planned investments.

We are reaffirming our free cash flow outlook of approximately $1.1 billion. We continue to anticipate capital expenditures of approximately $325 million.

Other key assumptions affecting free cash flow include: depreciation expense of approximately $290 million, amortization expense of approximately $230 million, share-based compensation expense of $45 million, and other noncash charges of $35 million.

Turning to the third quarter, net sales is expected to decline by a mid-single-digit percentage compared to the prior year. This reflects an approximately 4% decline in net price realization, primarily reflecting lower green coffee costs being passed through to consumers through trade investments. Volume/mix is expected to decline by a low-single-digit percentage.

Adjusted earnings per share is expected to decrease mid-single-digits, primarily driven by a double-digit increase in SD&A expenses, partially offset by higher adjusted gross profit and lower interest expense.

Overall, our strategy continues to deliver results. As we look ahead, we remain focused on executing against our fiscal 2027 priorities, investing behind our key growth platforms, and maintaining financial discipline. We are confident these actions will continue to strengthen our business and support sustainable, long-term shareholder value creation.

In closing, I would like to thank our employees for their continued dedication to the Company and commitment to excellence. Their passion for our Company and the actions they take each day position us for continued success. Thank you.

ADDITIONAL INFORMATION

The J.M. Smucker Co. is the owner of all trademarks referenced herein, except for Dunkin'®.

The *Dunkin'®* brand is a trademark of DD IP Holder LLC and licensed to The J.M. Smucker Co. for packaged coffee products sold in retail channels such as grocery stores, mass merchandisers, club stores, e-commerce and drug stores, as well as in certain away from home channels. This information does not pertain to products for sale in *Dunkin'®* restaurants.