

The J. M. Smucker Company

Second Quarter Fiscal 2020 Results

SUPPLEMENTARY INFORMATION
November 22, 2019

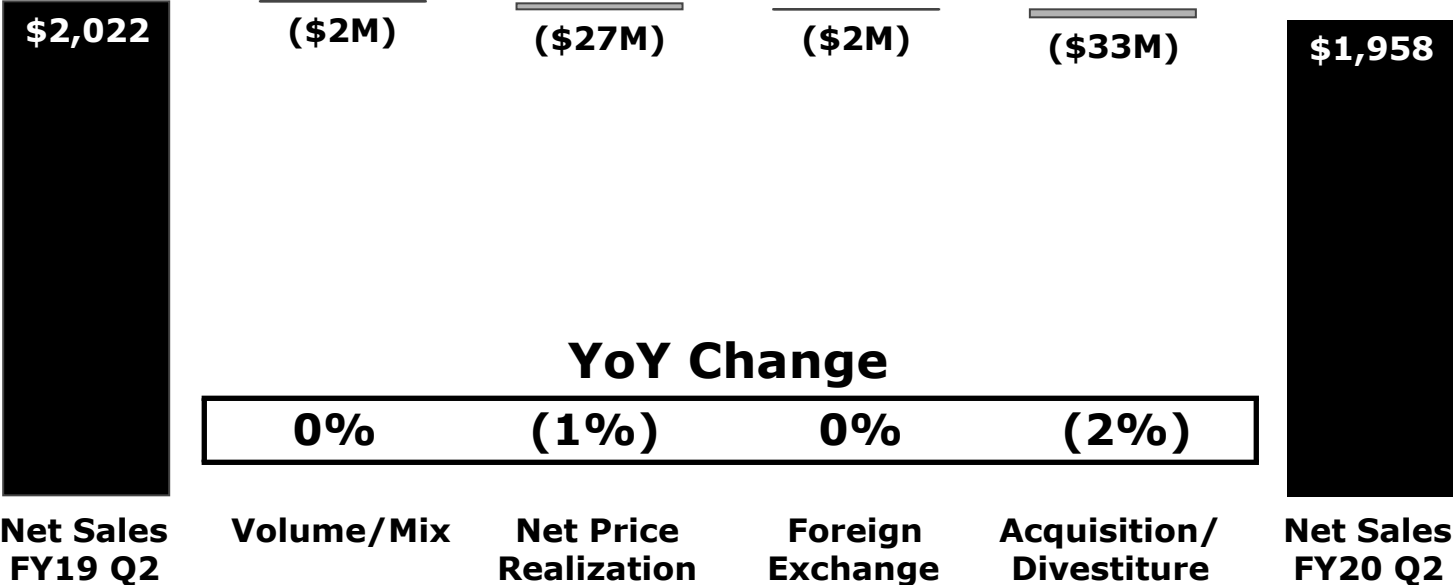


Consolidated Results

(\$ in millions, except per share data)	FY20 Q2	FY19 Q2	YoY Change
Net Sales	\$1,957.8	\$2,021.5	(3%)
Adjusted Gross Profit	\$753.1	\$771.4	(2%)
Adjusted Gross Profit Margin	38.5%	38.2%	30bps
Adjusted Operating Income	\$391.0	\$415.7	(6%)
Adjusted Operating Income Margin	20.0%	20.6%	-60bps
Adjusted Effective Tax Rate	24.3%	30.5%	-620bps
Adjusted EPS – Assuming Dilution	\$2.26	\$2.17	4%

Consolidated Results

Net Sales Analysis



Note: Amounts may not add due to rounding

Consolidated Results

Balance Sheet/Cash Flow Highlights

(\$ in millions)	FY20 Q2	FY19 Q2
Cash from Operations	\$224.0	\$202.9
Capital Expenditures	(63.4)	(77.8)
Free Cash Flow	\$160.6	\$125.1
	October 31, 2019	April 30, 2019
Total Debt (Gross)	\$5,711.9	\$5,910.8
EBITDA (as adjusted, TTM)	\$1,593.4	\$1,560.9
Gross Debt/EBITDA (TTM)	3.6x	3.8x

Note: Amounts may not add due to rounding

Segment Results – FY20 Q2

	PET FOODS	COFFEE	CONSUMER FOODS	INT'L & AWAY FROM HOME
(\$ in millions)				
Net Sales	\$709.9	\$543.4	\$426.1	278.4
YoY Change	(2%)	—%	(8%)	(3%)
<i>YoY Net Sales Change Summary:</i>				
Volume/Mix	(4%)	4%	2%	(2%)
Net Price Realization	1%	(4%)	(3%)	—%
Acquisition/Divestiture	-	-	(7%)	—%
Foreign Currency Exchange	-	-	-	(1%)
Segment Profit	\$137.0	\$182.5	\$91.4	\$50.4
YoY Change	11%	5%	(32%)	(11%)
Segment Profit Margin	19.3%	33.6%	21.5%	18.1%
YoY Change	230bps	160bps	-760bps	-170bps

Note: Amounts may not add due to rounding

Full-Year Fiscal 2020 Outlook

	Current	Previous
Net Sales Growth	(3%)	(1%) - 0%
Adjusted EPS – assuming dilution	\$8.10 - \$8.30	\$8.35 - \$8.55
Free Cash Flow (in millions)	\$850	\$875 - \$925
Capital Expenditures (in millions)	\$300 - \$320	\$300 - \$320
Effective Tax Rate	24.5%	24.5% - 25.0%

Forward-Looking Statements

This presentation contains forward-looking statements, such as projected net sales, operating results, earnings, and cash flows that are subject to risks and uncertainties that could cause actual results to differ materially from future results expressed or implied by those forward-looking statements. The risks, uncertainties, important factors, and assumptions listed and discussed in this presentation, which could cause actual results to differ materially from those expressed, include: the ability to achieve synergies and cost savings related to the Ainsworth acquisition in the amounts and within the time frames currently anticipated; the ability to achieve cost savings related to cost management programs in the amounts and within the time frames currently anticipated; the ability to generate sufficient cash flow to meet the Company's cash deleveraging objectives; volatility of commodity, energy, and other input costs; risks associated with derivative and purchasing strategies employed to manage commodity pricing and interest rate risks; the availability of reliable transportation on acceptable terms; the ability to implement and realize the full benefit of price changes, and the impact of the timing of the price changes to profits and cash flow in a particular period; the success and cost of marketing and sales programs and strategies intended to promote growth in the businesses, including product innovation; general competitive activity in the market, including competitors' pricing practices and promotional spending levels; the impact of food security concerns involving either the Company's or its competitors' products; the impact of accidents, extreme weather, and natural disasters; the concentration of certain of the Company's businesses with key customers and suppliers, including single-source suppliers of certain key raw materials and finished goods, and the ability to manage and maintain key relationships; the timing and amount of capital expenditures and share repurchases; impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets or changes in useful lives of other intangible assets; the impact of new or changes to existing governmental laws and regulations and their application, including tariffs; the outcome of tax examinations, changes in tax laws, and other tax matters; foreign currency and interest rate fluctuations; and risks related to other factors described under "Risk Factors" in other reports and statements filed with the Securities and Exchange Commission, including the Company's most recent Annual Report on Form 10-K. The Company undertakes no obligation to update or revise these forward-looking statements, which speak only as of the date made, to reflect new events or circumstances.

Non-GAAP Financial Measures

The Company uses non-GAAP financial measures, including: net sales excluding acquisition, divestiture, and foreign currency exchange; adjusted gross profit; adjusted operating income; adjusted income; adjusted earnings per share; earnings before interest, taxes, depreciation, amortization, and impairment charges related to intangible assets ("EBITDA (as adjusted)"); and free cash flow, as key measures for purposes of evaluating performance internally. The Company believes that investors' understanding of its performance is enhanced by disclosing these performance measures. Furthermore, these non-GAAP financial measures are used by management in preparation of the annual budget and for the monthly analyses of its operating results. The Board of Directors also utilizes certain non-GAAP financial measures as components for measuring performance for incentive compensation purposes.

Non-GAAP measures exclude certain items affecting comparability, that can significantly affect the year-over-year assessment of operating results, which include amortization expense and impairment charges related to intangible assets, integration and restructuring costs ("special project costs"), and unallocated gains and losses on commodity and foreign currency exchange derivatives ("unallocated derivative gains and losses"), as well as the related tax impact of these exclusions. The special project costs in the following table relate to specific integration and restructuring projects, and the unallocated derivative gains and losses reflect the changes in fair value of our commodity and foreign currency exchange contracts. Additionally, income taxes, as adjusted is calculated using an adjusted effective income tax rate that is applied to adjusted income before income taxes. While this adjusted effective income tax rate does not generally differ materially from our GAAP effective income tax rate, certain items can significantly impact our adjusted effective income tax rate.

These non-GAAP financial measures are not intended to replace the presentation of financial results in accordance with U.S. generally accepted accounting principles. Rather, the presentation of these non-GAAP financial measures supplements other metrics used by management to internally evaluate its businesses and facilitates the comparison of past and present operations and liquidity. These non-GAAP financial measures may not be comparable to similar measures used by other companies and may exclude certain nondiscretionary expenses and cash payments. A reconciliation of certain non-GAAP financial measures to the comparable GAAP financial measure for the current and prior year periods is included in the "Unaudited Non-GAAP Financial Measures" tables. The Company has also provided a reconciliation of non-GAAP financial measures for its fiscal 2020 outlook.

Non-GAAP Reconciliation

(\$ in millions)

Gross profit reconciliation:

Gross profit

Unallocated derivative losses (gains)

Adjusted gross profit

Three Months Ended October

2019

2018

\$754.0

\$771.3

(0.9)

0.1

\$753.1

\$771.4

Operating income reconciliation:

Operating income

Amortization

Unallocated derivative losses (gains)

Other special project costs

Adjusted operating income

\$329.8

\$330.5

58.8

59.7

(0.9)

0.1

3.3

25.4

\$391.0

\$415.7

Non-GAAP Reconciliation

(\$ and shares in millions, except per share data)

Net income reconciliation:

Net income	
Income tax expense	
Amortization	
Unallocated derivative losses (gains)	
Other special project costs	
Adjusted income before income taxes	
Income taxes, as adjusted	
Adjusted income	
Weighted-average common shares outstanding	
Weighted-average participating shares outstanding	
Total weighted-average shares outstanding	
Dilutive effect of stock options	
Total weighted-average shares outstanding – assuming dilution	
Adjusted earnings per share – assuming dilution	

Three Months Ended October 31,	
2019	2018
\$211.2	\$188.5
67.9	80.9
58.8	59.7
(0.9)	0.1
3.3	25.4
\$340.3	\$354.6
82.8	108.1
\$257.5	\$246.5
113.4	113.1
0.7	0.6
114.1	113.7
-	-
114.1	113.7
\$2.26	\$2.17

Non-GAAP Reconciliation

(\$ in millions)

	Three Months Ended				TTM Ended	Year Ended
	January 31, 2019	April 30, 2019	July 31, 2019	October 31, 2019	October 31, 2019	April 30, 2019
EBITDA (as adjusted) reconciliation:						
Net income	\$121.4	\$71.5	\$154.6	\$211.2	\$558.7	\$514.4
Income tax expense	35.8	30.4	52.1	67.9	186.2	187.2
Interest expense - net	51.6	49.1	49.4	49.1	199.2	207.9
Depreciation	51.2	51.9	50.8	52.6	206.5	206.0
Amortization	59.7	60.4	58.8	58.8	237.7	240.3
Goodwill impairment charge	—	97.9	—	—	97.9	97.9
Other intangible assets impairment charges	107.2	—	—	—	107.2	107.2
EBITDA (as adjusted)	\$426.9	\$361.2	\$365.7	\$439.6	\$1,593.4	\$1,560.9

Note: Amounts may not add due to rounding

Non-GAAP Reconciliation

Fiscal 2020 Guidance

(\$ in millions, except per share data)

Net income per common share – assuming dilution reconciliation:

Net income per common share – assuming dilution

Net cumulative unallocated (losses) gains^(A)

Special project costs

Amortization

Adjusted earnings per share – assuming dilution

Year Ending April 30, 2020

Low

High

\$6.77

\$6.97

(0.36)

(0.36)

0.13

0.13

1.56

1.56

\$8.10

\$8.30

Free cash flow reconciliation:

Net cash provided by operating activities

\$1,170.0

\$1,150.0

Additions to property, plant, and equipment

(320.0)

(300.0)

Free cash flow

\$850.0

\$850.0

(A) As unallocated derivative gains and losses vary each quarter based on market conditions and derivative positions taken, we do not project derivative gains or losses on a forward-looking basis. Therefore, the forward-looking net cumulative unallocated (losses) gains in the table above reflects the net unallocated (losses) gains recognized in GAAP results, but not yet allocated to our non-GAAP results as of July 31, 2019.

The J. M. Smucker Company

Additional Information:

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