



THE J.M. SMUCKER Co

Fiscal Year 2024 Fourth Quarter Earnings Prepared Management Remarks

June 6, 2024

CORPORATE PARTICIPANTS

Aaron Broholm, Vice President, Investor Relations

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

Tucker Marshall, Chief Financial Officer

AARON BROHOLM, VICE PRESIDENT, INVESTOR RELATIONS

Good morning, this is Aaron Broholm, Vice President, Investor Relations for The J. M. Smucker Company. Thank you for listening to our prepared remarks on our fiscal 2024 fourth quarter earnings. After this brief introduction, Mark Smucker, Chair of the Board, President and Chief Executive Officer, will provide a business and strategy update. Tucker Marshall, Chief Financial Officer, will then provide a detailed analysis of the financial results and our fiscal 2025 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 measures in this morning's press release.

Today's press release, a supplementary slide deck, 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 Time today for a live question-and-answer session with management to further discuss our fourth quarter results and next year's outlook for fiscal year 2025.

I will now turn the discussion over to Mark Smucker.

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

Thank you, Aaron, and good morning, everyone.

Today, I will first summarize our full-year performance and then provide highlights on our fourth quarter results. I will also share why we are confident in continuing to deliver sales and earnings growth in fiscal year 2025, while investing to strengthen our brands and expand our key growth platforms. Tucker will then provide additional detail on our fourth quarter results and next fiscal year's outlook.

Fiscal 2024 was a year of significant progress as we achieved our near-term goals and strengthened our business for the long-term. Our performance reflects top-line growth supported by consumer demand for our portfolio of leading brands and bottom-line results that exceeded our expectations, including a better than anticipated fourth quarter.

Full-year comparable net sales increased 8% with volume/mix growth across all of our U.S. Retail segments and our International and Away From Home businesses. Full-year adjusted earnings per share was \$9.94, reflecting a double-digit percentage increase versus the prior year.

Our results reaffirm that our strategy is working, as we continue to execute and deliver results in a dynamic consumer environment.

Notably, we continued to transform our portfolio to increase focus on the strategy of building brands consumers love and establishing leading positions in the advantaged categories of coffee, snacking, and pet foods. With the acquisition of Hostess Brands, the Company gained leadership in the highly-attractive snacking market. Our entry into this category also amplifies our focus on convenient food and beverage occasions allowing us to meet consumer preferences and needs across all parts of the day. The acquisition also supports the delivery of our long-term financial goals by increasing our scale, profitability, and cash flow.

We also refined our strategic priorities to better align the organization:

- First, deliver the business, which includes a focus on growing volume and net sales, operating with excellence, and continuing to prioritize resources to capitalize on our fastest growth opportunities;
- Next, integrate and deliver on the acquired Hostess business, including the alignment of systems and processes, achieving cost synergies and growth ambitions, and nurturing a unified culture as we expand our organization;
- And third, achieve our transformation, cost discipline, and cash generation aspirations.

These priorities guide our business and position the Company to deliver long-term sustainable growth and increase shareholder value.

We also continued to execute on our key platforms. Of note, we:

- Continued to invest in *Uncrustables*[®] sandwiches. In fiscal year 2024, we grew the brand by over \$100 million, expanded distribution, including introducing the brand in Canada, launched the brand's first national marketing campaign, and made progress on our latest manufacturing facility in McCalla, Alabama;
- In dog snacks and cat food, we grew both dollar and volume share for our category-leading *Milk-Bone*[®] and *Meow Mix*[®] brands. We also continued to build on our successful innovation track record and have an exciting pipeline planned for fiscal 2025;
- In coffee, we extended our portfolio into new formats to continue meeting evolving consumer preferences, with the launch of *Dunkin*[®] and *Café Bustelo*[®] offerings that provide a customized cold coffee experience at home. The *Dunkin*[®] brand has quickly grown to the #2 position in the shelf-stable liquid coffee concentrate category and *Café Bustelo*[®] Espresso Style Multi-Serve began shipping in May;
- And, in sweet baked snacks, we expanded our leadership in donuts with the opening of our latest facility in Arkadelphia, Arkansas. This new facility is dedicated to producing *Hostess*[®] *Donettes*[®] and supports future growth for the brand.

Turning to our fourth quarter results, we delivered comparable net sales growth of 3%, which included volume/mix growth, continuing our positive trend through the fiscal year. Net sales growth was slightly below expectations, driven by competitive dynamics within the coffee category.

Our continued focus on superior execution, cost and productivity savings, and several unplanned benefits drove adjusted earnings per share that exceeded our expectations, resulting in a 1% increase versus the prior year.

In Coffee, net sales decreased driven by a list price decline, as we continued to pass through the benefit of lower coffee costs to consumers, and a decreased contribution from volume/mix.

In the quarter, we saw volume/mix growth for our key coffee growth drivers, the *Café Bustelo*[®] and *Dunkin*[®] brands, as well as K-Cups[®]. *Folgers*[®] mainstream roast and ground coffee declined due to increased competitive activity and lapping strong promotions in the prior year as we passed through the benefit of lower coffee costs.

The coffee category continues to experience commodity volatility and overall meaningful inflation. In response to recent higher green coffee costs that we will begin to incur during the first quarter, we are taking a list price increase across parts of our portfolio in early June. As always, we will continue to manage our coffee business through a strategy that demonstrates a balance between recovering inflationary input costs, while providing consumers with attractive options ranging from value to premium.

We expect the coffee category to remain resilient, despite recent inflationary pressures and volume declines, given consumers' love of daily coffee rituals and continued strength in at-home consumption. 70% of all coffee drinking occasions continue to be at home. This trend largely benefits us as the #1 at-home manufacturer in the U.S. retail coffee market, with three of the top seven brands in the category.

Turning to our Frozen Handheld and Spreads business, comparable net sales grew 1%.

U.S. Retail net sales for *Uncrustables*[®] sandwiches grew double-digits, primarily driven by volume/mix growth. Total Company net sales for *Uncrustables*[®] increased 17% this quarter, including the Away From Home and International businesses. For the full fiscal year, the brand grew to approximately \$800 million. Operations for our third *Uncrustables*[®] facility are anticipated to begin later this calendar year. This expanded capacity will enable continued growth across all channels and growing the brand to approximately \$1 billion in annual net sales by the end of fiscal year 2026.

In peanut butter, net sales for the *Jif*[®] brand were in-line with the prior year. In the overall category we are lapping industry supply disruptions and experiencing increased competitive activity from private label. We expect these dynamics to normalize over time. We will continue to drive growth for the brand as we invest in marketing and innovation, including our recent launch of a *Jif*[®] Peanut Butter & Chocolate Flavored Spread.

Smucker's[®] fruit spreads net sales declined due to lapping elevated shipments in the prior year following the resolution of supply chain constraints on the brand. Volume for consumer takeaway was positive, and we gained more share than any competitor in the quarter.

In Pet Foods, comparable net sales increased double digits versus the prior year, including strong growth for our *Meow Mix*[®] and *Milk-Bone*[®] brands. For *Meow Mix*[®], supply has significantly improved, and net sales grew double-digits in the quarter. *Milk-Bone*[®] continued to drive growth, driven by elevated innovation and continued investment in brand-building.

Our refocused pet portfolio is performing well from both a sales and margin growth perspective and continues to highlight the benefits of focusing on brands and categories where we have a leading market share position.

Turning to the Sweet Baked Snacks segment, we are overall pleased with the progress of the integration and our performance in the market, even though net sales and profit were slightly below our expectations. The *Hostess*[®] brand gained volume share in the quarter, and long-term snacking trends continue to be favorable, providing tailwinds for our business. We have exciting and significant opportunities to grow the brand including a strong innovation pipeline, joint merchandising with our legacy brands, and expanded distribution leveraging our strength in retail and away from home channels. These opportunities continue to give us confidence in the business and its future contributions to our growth objectives, including anticipated net sales growth in fiscal year 2025. The integration is on-track and, with the majority of our cost synergy analysis and organization design completed, we were able to begin recognizing synergies in the quarter, which is earlier than originally anticipated. We continue to anticipate cost synergies of approximately \$100 million to be achieved by the end of fiscal year 2026.

In International and Away From Home, strong comparable net sales growth was primarily due to a double-digit increase in the Away From Home business, driven by *Uncrustables*[®] sandwiches, portion control, and coffee. Our Away From Home business demonstrated dollar share growth across the majority of our categories in the quarter, including record high dollar share for fruit spreads and peanut butter portion control products. We will continue to leverage our key retail platforms to drive future growth in the Away From Home channels.

Looking ahead, fiscal year 2025 will be a year of investment behind our brands and capabilities, these investments are essential to support sustainable long-term growth for the Company.

For fiscal year 2025 we expect another year of solid comparable net sales growth in line with our long-term algorithm, with year-over-year growth of 2% at the mid-point of our guidance range, inclusive of a 1% headwind from reduced contract manufacturing sales related to the divested pet food brands. Reported net sales will be up approximately 10% at the mid-point of our guidance range. This growth will be supported by a full year of sales from the Hostess acquisition and the continued momentum of our brands, including favorable volume/mix growth for the total company.

Adjusted earnings per share is expected to be \$10.00 at the mid-point of our guidance range. This reflects net sales growth, a full year of income from the Hostess acquisition, realization of synergies, and benefits from our transformation efforts. These benefits will be partially offset by elevated investments for the *Uncrustables*[®] brand, incremental marketing spend, and higher interest expense and shares outstanding related to the Hostess acquisition.

Looking beyond this fiscal year, we anticipate adjusted earnings per share growth in fiscal year 2026 above our long-term algorithm, supported by base business momentum, cost and productivity savings, relief from stranded overhead, full realization of acquisition synergies, and continued debt paydown.

Our ability to deliver continued growth and increase shareholder value is grounded in our focus on the execution of our strategic priorities and continued performance across our key platforms. We remain confident in our strategy, and we are well positioned in attractive categories with leading brands and offerings ranging from value to premium.

In closing, I would like to extend my gratitude to all our employees for their unwavering focus, dedication, and outstanding contributions. Together we will continue to deliver on our commitment to achieve long-term sustainable growth, while making a meaningful and positive impact on society.

With that, I'll turn it over to Tucker for additional insight on our financials and fiscal 2025 outlook.

TUCKER MARSHALL, CHIEF FINANCIAL OFFICER

Thank you, Mark. Good morning, everyone.

I'll begin by giving an overview of our fourth quarter results, then I'll provide additional details on our financial outlook for fiscal year 2025.

In the quarter, net sales declined 1%. Comparable net sales increased 3%, excluding the prior year sales related to the divested businesses, current year sales for the Hostess acquisition, and foreign currency exchange.

The increase in comparable net sales reflects a 2 percentage point increase from higher net price realization, primarily for Frozen Handheld and Spreads, Pet Foods, and International and Away From Home, partially offset by lower net price realization for Coffee.

Favorable volume/mix increased net sales by 1%, primarily driven by *Uncrustables*[®] sandwiches, contract manufacturing sales related to the divested pet food brands, *Café Bustelo*[®] coffee, and *Meow Mix*[®] cat food. This increase was partially offset by *Folgers*[®] coffee, *Jif*[®] peanut butter, and *Smucker's*[®] fruit spreads.

Adjusted gross profit increased \$117 million, or 15%, compared to the prior year. The increase primarily reflects a favorable impact from the acquisition of Hostess Brands, lower costs, higher net price realization, and favorable volume/mix, partially offset by the impact of divestitures.

Adjusted operating income increased \$53 million, or 13%, reflecting the increased gross profit, partially offset by higher SD&A expenses. The increase in SD&A was primarily driven by the acquisition of Hostess Brands, increased investments in marketing, and pre-production expenses related to the new *Uncrustables*[®] manufacturing facility, partially offset by the impact of divestitures.

Below operating income, net interest expense increased \$62 million, primarily due to an increase in interest expense related to debt issued to partially finance the acquisition of Hostess Brands. The adjusted effective income tax rate was 23.2%, compared to 23.8% in the prior year.

Factoring in all these considerations, along with weighted average shares outstanding of 106.4 million, fourth quarter adjusted earnings per share was \$2.66, an increase of 1% versus the prior year.

Adjusted earnings per share significantly exceeded our expectations in the quarter driven by better than anticipated gross margin, SD&A expenses, the early realization of synergies from the Hostess acquisition, and the net benefit of several unplanned items in the quarter related to certain pension, interest, and tax matters.

Turning to our segment results, in the U.S. Retail Coffee segment, net sales decreased 4% versus the prior year. Net price realization reduced net sales by 2 percentage points, driven by a list price decline for the majority of the portfolio, partially offset by reduced trade spend. Volume/mix decreased net sales by 2 percentage points, primarily driven by the *Folgers*[®] brand, partially offset by increased contributions from the *Café Bustelo*[®] and *Dunkin*[®] brands.

U.S. Retail Coffee segment profit increased 5%, reflecting lower commodity costs, partially offset by lower net price realization, and increased marketing and distribution expenses.

In U.S. Retail Frozen Handheld and Spreads, net sales decreased 1%. Excluding noncomparable sales in the prior year related to the divested *Sahale Snacks*[®] business, net sales increased 1%. Higher net price realization increased net sales by 4 percentage points, primarily reflecting a list price increase to recover increased costs for *Jif*[®] peanut butter. Volume/mix decreased net sales by 3 percentage points, primarily driven by *Jif*[®] peanut butter and *Smucker's*[®] fruit spreads, partially offset by an increase for *Uncrustables*[®] sandwiches.

U.S. Retail Frozen Handheld and Spreads segment profit decreased 7%, primarily reflecting higher pre-production expenses related to the new *Uncrustables*[®] manufacturing facility, increased marketing investments for *Uncrustables*[®] sandwiches, and unfavorable volume/mix. The decrease was partially offset by higher net price realization, primarily due to a list price increase to recover increased costs for peanut butter.

In U.S. Retail Pet Foods, reported net sales decreased 42% versus the prior year. Excluding net sales in the prior year related to the divested pet food brands, comparable net sales increased 11%. Volume/mix increased net sales by 8 percentage points, primarily driven by \$23 million of contract manufacturing sales related to the divested pet food brands and growth for the *Milk-Bone*[®], *Meow Mix*[®], and *Pup-Peroni*[®] brands. Higher net price realization increased net sales by 3 percentage points, primarily reflecting a list price increase for *Meow Mix*[®] cat food.

The *Meow Mix*[®], *Milk-Bone*[®], and *Pup-Peroni*[®] brands performed well in the quarter growing 11%, 4%, and 7%, respectively.

U.S. Retail Pet Foods segment profit decreased 22%, primarily reflecting the noncomparable segment profit in the prior year related to the divested pet food brands and increased SD&A expenses. Excluding the impact of the divestiture, segment profit increased by a double-digit percentage, primarily driven by lower costs, higher net price realization, and favorable volume/mix.

In the Sweet Baked Snacks segment, which reflects the acquired Hostess business, net sales were \$337 million and segment profit was \$70 million.

Lastly, in International and Away From Home, net sales decreased 1%. Excluding noncomparable net sales in the prior year related to divestitures and unfavorable foreign currency exchange, net sales increased 8%. Net price realization contributed a 5 percentage point increase to net sales, primarily driven by list price increases across the majority of the portfolio to recover increased costs, partially offset by increased trade spend. Volume/mix increased net sales by 3 percentage points for the combined businesses, primarily driven by *Uncrustables*[®] sandwiches and portion control products.

Net sales for the Away From Home business increased 12% on a comparable basis, led by double-digit percentage growth for *Uncrustables*[®] sandwiches and portion control products. Net sales for the International business increased 1% on a comparable basis, primarily driven by *Uncrustables*[®] sandwiches in Canada.

International and Away From Home segment profit increased 28%, primarily reflecting higher net price realization, lower costs, and favorable volume/mix, partially offset by increased SD&A expenses.

Fourth quarter free cash flow was \$298 million, compared to \$299 million in the prior year, driven by the decrease in cash provided by operating activities, mostly offset by a decrease in capital expenditures as compared to the prior year. On a full-year basis, free cash flow was \$643 million, with capital expenditures of \$587 million, representing 7.2% of net sales.

In fiscal 2024, we increased our quarterly dividend by 4%, marking 26 consecutive calendar years of dividend growth. We expect our Board to maintain the Company's current practice of returning approximately 40% to 45% of our annual adjusted earnings per share to shareholders, reflecting dividend growth consistent with future earnings growth.

We finished the year with a cash and cash equivalent balance of \$62 million and a total debt balance of \$8.4 billion. Our trailing twelve-month adjusted EBITDA is approximately \$1.7 billion. When accounting for acquisitions and one-time transaction and integration costs, our proforma adjusted EBITDA is approximately \$2 billion, which equates to a leverage ratio of 4.2x.

We plan to prioritize debt reduction by paying down approximately \$500 million of debt annually over each of the next three years. With this anticipated deleveraging, achievement of cost synergies, and overall business growth, we anticipate a leverage ratio of approximately 3.0x net debt to EBITDA by the end of fiscal year 2027. This level of debt provides the financial flexibility for a balanced approach to capital deployment, while maintaining an investment-grade debt rating, and the flexibility to undertake strategic growth opportunities.

Let me now provide additional color on our outlook for fiscal year 2025.

We expect full-year net sales to increase 9.5% to 10.5% compared to the prior year reflecting a full-year of sales from the Hostess Brands acquisition, a 1% unfavorable impact from reduced contract manufacturing sales related to the divested pet food brands, and a 1% headwind from lapping sales of the divested *Sahale Snacks*[®] and Canadian condiment businesses.

On a comparable basis, net sales are anticipated to increase approximately 1.5% to 2.5%, including approximately \$50 million of contract manufacturing sales related to the divested pet food brands versus \$136 million in the prior year, or a 1% unfavorable impact. This reflects the continued momentum for our business and brands, including volume/mix growth for *Uncrustables*[®] sandwiches, cat food and dog snacks, the *Hostess*[®] brand, K-Cups[®], and the Away From Home business. Net sales growth also reflects higher net price realization, primarily due to a list price increase for the Coffee segment to recover increased commodity costs.

We anticipate full-year gross profit margin of approximately 38.0%. This reflects favorable volume/mix, higher net price benefits, the realization of synergies, and cost and productivity savings from our transformation efforts. These benefits will be mostly offset by higher commodity costs and ongoing expenses for the new *Uncrustables*[®] facility.

SD&A expenses are projected to increase by approximately 13%, primarily reflecting a full-year of operating expenses from the Hostess acquisition, increased marketing investments, and higher distribution expense from the new *Uncrustables*[®] facility. Total marketing expense is estimated to be 5.5% of net sales.

We anticipate net interest expense of approximately \$400 million and an adjusted effective income tax rate of 24.4%, along with a full-year weighted average share count of 106.4 million.

Taking all these factors into consideration, we anticipate full-year adjusted earnings per share to be in the range of \$9.80 to \$10.20. This guidance range includes a few cents of accretion from the Hostess acquisition, thus recovering the \$0.40 of dilution in the prior year.

Adjusted earnings per share includes a \$0.35 investment to continue to advance the *Uncrustables*[®] brand. Further, adjusted earnings per share includes a net \$0.60 impact related to stranded overhead from the pet food divestiture, representing no impact to earnings growth versus the prior year.

In the first quarter of the fiscal year, net sales are anticipated to increase a high-teen percentage, primarily reflecting sales from the Hostess acquisition and volume/mix growth for the business, partially offset by \$35 million in reduced contract manufacturing sales. Adjusted earnings per share are expected to decline low-single digits, primarily driven by higher SD&A and interest expense, partially offset by income from the Hostess acquisition. The increase in SD&A is primarily driven by the acquisition of Hostess Brands, incremental marketing investments, and pre-production expenses related to the new *Uncrustables*[®] facility.

We project free cash flow of approximately \$900 million, with capital expenditures of \$450 million for the year. Other key assumptions affecting cash flow include: depreciation expense of approximately \$300 million, amortization expense of approximately \$225 million, share-based compensation expense of \$35 million, and other non-cash charges of \$45 million.

In closing, we continue to be encouraged by the momentum of our business and leading brands, and we remain confident in our strategy and ability to deliver on the commitments we outlined today. We are in a strong financial position to deliver sustained profitable growth and increased shareholder value.

And, I would like to express my appreciation for our employees. They have demonstrated their commitment to executing with excellence, and their passion for our Company positions 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 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.

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