



THE J.M. SMUCKER Co

Fiscal Year 2025 Third Quarter Earnings Prepared Management Remarks

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CORPORATE PARTICIPANTS

Crystal Beiting, Vice President, Investor Relations & FP&A

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

Tucker Marshall, Chief Financial Officer

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 2025 third quarter earnings. After this brief introduction, Mark Smucker, Chair of the Board, President and Chief Executive Officer, will give an overview of the quarter's results and an update on strategic initiatives. Tucker Marshall, Chief Financial Officer, will then provide a detailed analysis of the financial results and our updated 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 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 8:30 am Eastern Standard Time today for a live question-and-answer session with management to further discuss our third quarter results and outlook for the full 2025 fiscal year.

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, CHAIR OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Crystal, and good morning, everyone.

In the third quarter, we continued to build on our strong start to the fiscal year. Net sales for the quarter would have been above our expectations; however, we experienced certain supply chain disruptions that negatively impacted our results, which I am pleased to say have been resolved. Despite these factors, and through disciplined cost management and execution, we delivered adjusted earnings per share that exceeded our expectations. This momentum enabled us to increase our full-year adjusted earnings per share and free cash flow guidance. Our strategy is working, and we are delivering positive results in a dynamic operating and consumer environment. We continue to prioritize resources towards our key platforms with the largest growth opportunities.

Starting with the *Uncrustables*[®] brand, which grew net sales by 15% at the total Company level in the quarter. Growth was driven by our national advertising campaign, distribution gains, and new merchandising investments to drive trial and awareness. These actions continue to increase household penetration and fuel our ambition to have *Uncrustables*[®] sandwiches everywhere. The #1 SKU in the total freezer aisle is now an *Uncrustables*[®] sandwich, with two SKUs in the top ten. And, the *Uncrustables*[®] brand is leading the entire freezer in new buyers for households with kids, Millennials, and Gen Z. We are now expanding into C-store and continue to secure commitments as we anticipate further growth in this channel. We have also accelerated our innovation efforts. The new *Uncrustables*[®] Peanut Butter and Raspberry Spread sandwich has exceeded our expectations and is proving to be highly incremental. With this incredible momentum fueling the *Uncrustables*[®] brand, we continue to anticipate full-year net sales for the brand to be over \$900 million this fiscal year.

Second, the *Café Bustelo*[®] brand continued its momentum as one of the fastest-growing brands in the at-home coffee category. The brand gained dollar and volume share in every segment it competes in, including the mainstream, one cup, and instant categories in the latest 13-week period. In the quarter, the *Café Bustelo*[®] brand grew net sales by 15%, continuing its momentum of double-digit net sales growth. We remain focused on expanding the *Café Bustelo*[®] brand nationally and broadening its consumer audience, through marketing and innovation. We are launching new roast profiles of the *Café Bustelo*[®] brand in both pre-pack and K-Cup[®] formats in the summer and have already received strong retailer acceptances. We are also providing consumers with convenient offerings in cold coffee to drive incremental occasions. We recently launched *Café Bustelo*[®] multi-serve, which is off to a strong start. Further, we are launching the *Café Bustelo*[®] brand into a single-serve ready-to-drink format next fiscal year at select retailers.

Next, the *Milk-Bone*[®] and *Meow Mix*[®] brands. In the quarter, the *Milk-Bone*[®] brand experienced supply chain disruptions. We're back to full production and anticipate returning to full distribution in the fourth quarter. We remain highly confident in the *Milk-Bone*[®] brand, which led the category in innovation for the fourth straight calendar year. Our innovation continues to perform, with *Milk-Bone*[®] Peanut Butter Bites, which outpaced all competitor innovation launched in 2024, and is now available nationally. The launch continues to exceed our expectations and contributed to the strong double-digit net sales growth for our *Milk-Bone*[®] soft and chewy dog snacks in the quarter. Turning to the *Meow Mix*[®] brand, which contributed positive volume/mix in the quarter. The *Meow Mix*[®] brand is the leader in household penetration and volume share in the dry cat food category. We are continuing to fuel growth through modernized packaging, elevated mainstream options, and margin accretive innovation. Our most recent innovation, *Meow Mix*[®] Gravy Bursts, highlights our ability to bring strong innovation to the dry cat food category, a category that has lacked innovation in recent years.

Finally, for the *Hostess*[®] brand, results continue to be impacted by two primary factors. First, consumers continue to be selective in their spending, largely driven by inflationary pressures and diminished discretionary income, causing the sweet baked goods category to recover slower than we anticipated. These trends are causing a reduction in all channels, inclusive of convenience. Second, we are not performing with excellence from a distribution, merchandising, and competitive standpoint. This has caused us to underperform in the channels where the consumer is shopping. We are committed to addressing these challenges and are taking the necessary actions to stabilize and return the brand to growth.

This morning, we announced that Judd Freitag will assume leadership of the Pet and Sweet Baked Snacks businesses. In Judd's 16 years with the Company, he has held leadership positions in Finance, Strategy, Brand Marketing, and most recently as the General Manager and Vice President of Marketing for Pet. As part of this transition, Dan O'Leary will leave the Company in early March.

Judd was instrumental in the turnaround of the Pet Foods segment and will play a critical role in advancing our Sweet Baked Snacks strategy focused on the following:

- Delivering the base portfolio;
- Expanding distribution;
- Driving innovation;
- Continuing our portfolio evolution;
- And, establishing revenue synergies.

We continue to make progress on these pillars. Our modernized packaging is just now beginning to show up on shelf, and we're launching a bold new marketing campaign that will begin in the coming weeks. We are focusing on distribution that includes both closing gaps in core items in existing channels and entering new channels.

Our latest innovation is beginning to enter the market, and our pipeline is strong; calendar year 2024 was the fourth straight year of innovation share leadership for the *Hostess*[®] brand and we expect continuing this trend. We recently launched new *Donettes*[®] Fritter Rings, which is supported by consumers shifting toward breakfast occasions. We are also taking our iconic cupcakes, which are the #1 brand in the cupcake sub-category, and creating a mini version with *Hostess*[®] Cupcake Minis, which will begin shipping in our fourth quarter. Consumers want mini form offerings, and this innovation offers smaller portions for consumers still looking for a sweet treat. And, *Hostess*[®] *Suzy Q's*[®] will return to the market this September. *Suzy Q's*[®] are one of the most requested products from our consumers, and we are excited for its return.

The recently announced agreement to divest certain value brands and associated manufacturing facility demonstrates our commitment to evolving our portfolio and ensures our manufacturing network is optimized to mitigate costs and reduce complexity.

We are also beginning to establish revenue synergies, a key strategic benefit of the acquisition, by expanding *Uncrustables*[®] sandwiches into C-store. We are using our new capabilities in the channel and also executing cross-promotional events between the *Hostess*[®] brand and legacy Smucker brands. We have executed multiple revenue-driving promotions across our portfolio, and results continue to be positive.

Through the execution of our focused strategy and prioritization of these key growth platforms, we have delivered a strong fiscal year to date.

Now turning to the dynamics in each of our segments.

In Coffee, net sales increased 2% versus the prior year. Our portfolio is performing well as we navigate record-high green coffee costs and continue to demonstrate the ability to recover increased commodity costs through responsible pricing. Due to higher green coffee costs and the pass-through nature of the coffee category, we took our first price increase in June across parts of our portfolio. In October, we successfully took a second price increase across our portfolio, which is now being reflected in our results. Price elasticity of demand trends continue to be in line or slightly favorable to our expectations.

Overall, at-home coffee remains a strong and resilient category that provides value to consumers in all economic environments, and our portfolio provides an affordable price per serving as an alternative to other beverage experiences such as the coffee shop, among others. Our belief is that the commodity will normalize over time as it has historically. As always, we will 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.

In Frozen Handheld and Spreads, net sales grew 2%, primarily driven by double-digit growth for *Uncrustables*[®] sandwiches, partially offset by decreases for *Smucker's*[®] fruit spreads and *Jif*[®] peanut butter. In support of our category-leading spreads business, we just launched a national marketing campaign that focuses on the original peanut butter and jelly sandwich that consumers know and love. Peanut butter and jelly remains a simple and comforting food that is easy, affordable, and provides delicious, balanced nutrition for our consumers. The *Jif*[®] "Save the Celery" campaign is also back this year and has been extended through the high snacking period of the March college basketball tournaments, and we continue to see opportunities to expand beyond sandwiches and into new usage occasions.

In Pet Foods, we experienced certain supply chain disruptions that negatively impacted our results in both *Milk-Bone*[®] dog snacks and *Meow Mix*[®] wet cat food. Reported net sales decreased 9% versus the prior year, primarily due to a reduction in contract manufacturing sales related to the divested pet food brands. When excluding these contract manufacturing sales, and had the supply chain disruptions not occurred, net sales would have increased low-single-digits in the quarter. We anticipate returning to full distribution in the fourth quarter for both brands.

Overall, the dog snacks category continues to be impacted by a slowdown in discretionary spending largely driven by inflationary pressures. We remain confident in our portfolio as we continue to focus on driving growth for the *Milk-Bone*[®] brand, with its strong leadership position in the category. In cat food, we continue to see tailwinds as the cat population is projected to grow and anticipate further share growth for the *Meow Mix*[®] brand. Dog snacks and cat food remain attractive categories, and e-commerce trends continue to be positive for our portfolio.

In Sweet Baked Snacks, comparable net sales decreased 8%, primarily driven by decreases for snack cakes and private label products, partially offset by an increase for donuts. *Hostess*[®] *Donettes*[®] have continued to outperform the broader portfolio, and we have seen both increased dollar sales and volume growth over the last 52-week period. Consumers view breakfast products as less discretionary than the broader sweet baked goods category, and we will continue to drive innovation in breakfast occasions.

Finally, in International and Away From Home, comparable net sales grew 5%. Growth was driven by the Away From Home business, as it continues to deliver strong results by leveraging our leading national brands and key growth platforms in Away From Home channels.

Though our momentum continued into the third quarter for our legacy business, we are revising and narrowing our full-year net sales expectations primarily due to:

- The impact of approximately \$30 million of supply chain disruptions in our third quarter;
- Continued softness in the Sweet Baked Snacks segment;
- And, an anticipated unfavorable impact from foreign currency exchange.

We now expect reported net sales of approximately 7.25%, reflecting a full year of net sales from the Hostess Brands acquisition and base business growth.

On the bottom-line, third quarter adjusted earnings per share exceeded our expectations, driven by adjusted gross margin improvement and disciplined cost management. Based on the strong earnings year to date, we are raising the mid-point of our adjusted earnings per share guidance range to \$10.00. This increase reflects our expectations for improved gross margin expansion and the realization of synergies earlier than anticipated. We also increased our free cash flow guidance to \$925 million for the full year, reflecting a \$50 million increase versus previous expectations.

In closing, I would like to highlight a few key points:

- Our legacy business, which accounts for approximately 85% of our total Company net sales, is delivering strong growth;
- We have confidence in the *Hostess*[®] brand, and our strategic rationale for the acquisition remains strong. While the near-term performance has not met our expectations, we have outlined a comprehensive strategy to return the brand to growth and have made initial progress on key actions in support of it;
- And, our strategy is working, and we remain confident in our ability to deliver long-term sustainable growth and generate over \$1 billion in free cash flow annually.

As we look ahead, we are well-positioned to adapt to consumer preferences, execute with excellence, and sustain the momentum for our business. All of which are powered by our unique culture and dedicated employees, whom I would like to thank for their outstanding contributions.

I'll now turn it over to Tucker to go over our quarterly financial results and our fiscal year 2025 outlook in more detail.

TUCKER MARSHALL, CHIEF FINANCIAL OFFICER

Thank you, Mark. Good morning, everyone.

I will begin by providing detail on the noncash impairment charges reflected in our third quarter GAAP results. We recognized a \$794 million impairment charge related to the goodwill of the Sweet Baked Snacks reporting unit, and a \$208 million impairment charge related to the *Hostess*[®] brand indefinite-lived trademark. These impairment charges are driven by the recent underperformance of the Sweet Baked Snacks segment. This reflects the slower than anticipated recovery of the sweet baked goods category and our execution from a distribution, merchandising, and competitive standpoint. Going forward, we are focused on our five pillars to stabilize and return the *Hostess*[®] brand to growth. We are confident that these actions will support long-term net sales and segment profit growth for the business.

Now, I'll provide an overview of our third quarter results, then I'll provide additional details on our financial outlook for fiscal year 2025.

In the quarter, net sales decreased 2%. Comparable net sales decreased 1%, which excludes noncomparable prior year sales related to the divested businesses, incremental current year sales for the Hostess Brands acquisition, and foreign currency exchange. Net sales was flat versus the prior year, when also excluding contract manufacturing sales related to the divested pet food brands.

The decrease in comparable net sales reflects a 5 percentage point decrease from volume/mix, primarily driven by decreases for coffee, dog snacks, and lower contract manufacturing sales related to the divested pet food brands, partially offset by an increase for *Uncrustables*[®] sandwiches. Net sales include a 1% headwind from lower contract manufacturing sales related to the divested pet food brands.

Comparable net sales also reflects a 3 percentage point increase from net price realization, driven by higher net pricing for coffee. This reflects price increases implemented through our coffee portfolio in June and October of this fiscal year in response to higher green coffee costs, and the pass-through nature of the coffee category.

Net sales were below our expectations, largely driven by \$30 million of supply chain disruptions in our third quarter, primarily impacting U.S. Retail Pet Foods.

Adjusted gross profit decreased \$9 million, or 1%, compared to the prior year. The decrease primarily reflects higher costs, unfavorable volume/mix, and the impact of divestitures, partially offset by higher net price realization and a favorable impact from the Hostess Brands acquisition.

Adjusted operating income increased \$6 million, or 1%, reflecting a decrease in SD&A and favorable property taxes, partially offset by the decreased adjusted gross profit. The decrease in SD&A was driven by lower pre-production expenses primarily related to the recently opened *Uncrustables*[®] sandwiches manufacturing facility.

Below operating income, net interest expense decreased \$4 million, primarily due to a decrease in interest expense related to the Term Loan that was prepaid in full during the fourth quarter of fiscal year 2024.

The adjusted effective income tax rate was 23.7%, compared to 26.1% in the prior year. The prior year adjusted effective income tax rate included an unfavorable impact of higher state income taxes related to the acquisition of Hostess Brands.

Factoring in all these considerations, along with weighted-average shares outstanding of 106.7 million, third quarter adjusted earnings per share was \$2.61, an increase of 5% versus the prior year.

Adjusted earnings per share exceeded our expectations in the quarter driven by better-than-anticipated adjusted gross margin and timing of SD&A expenses, primarily marketing spend and operating support.

Turning to our segment results, in the U.S. Retail Coffee segment, net sales increased 2% versus the prior year. Net price realization increased net sales by 9 percentage points, reflecting higher net pricing for the *Folgers*[®] and *Café Bustelo*[®] brands. Volume/mix decreased net sales by 7 percentage points, reflecting declines for the *Folgers*[®] and *Dunkin*[®] brands, partially offset by an increase for the *Café Bustelo*[®] brand.

Net sales growth was led by the *Café Bustelo*[®] and *Folgers*[®] brands, which grew 15% and 3%, respectively, partially offset by a 6% decline for the *Dunkin*[®] brand.

U.S. Retail Coffee segment profit was flat, primarily reflecting higher net price realization and favorable property taxes, mostly offset by higher commodity costs and unfavorable volume/mix.

In U.S. Retail Frozen Handheld and Spreads, net sales increased 2%. Volume/mix increased net sales by 2 percentage points, primarily driven by an increase for *Uncrustables*[®] sandwiches, partially offset by decreases for fruit spreads and peanut butter. Net price realization was neutral to net sales, reflecting higher trade spend for peanut butter, mostly offset by higher net pricing for toppings and syrups.

U.S. Retail Frozen Handheld and Spreads segment profit decreased by 5%, primarily driven by higher costs, partially offset by lower pre-production expenses primarily related to the new *Uncrustables*[®] sandwiches manufacturing facility.

In U.S. Retail Pet Foods, reported net sales decreased 9% versus the prior year. Volume/mix decreased net sales by 9 percentage points, primarily driven by a decrease for dog snacks and a \$19 million decrease in contract manufacturing sales related to the divested pet food brands, partially offset by an increase for cat food. Net price realization was neutral to net sales. Higher trade spend for cat food was mostly offset by lower trade spend for dog snacks.

U.S. Retail Pet Foods segment profit increased 7%, primarily driven by lower costs, partially offset by unfavorable volume/mix.

In the Sweet Baked Snacks segment, net sales decreased 7% versus the prior year. Excluding noncomparable net sales in the current year related to the Hostess Brands acquisition and in the prior year related to the divested *Voortman*[®] business, net sales decreased 8%. Volume/mix decreased net sales by 5 percentage points, reflecting decreases for snack cakes and private label products, partially offset by an increase for donuts. Net price realization decreased net sales by 2 percentage points, reflecting lower net pricing across the portfolio.

Sweet Baked Snacks segment profit decreased 19%, driven by lower net price realization, the impact of the noncomparable segment profit in the prior year related to the divested *Voortman*[®] business, higher marketing spend, and unfavorable volume/mix, partially offset by the impact of the noncomparable segment profit in the current year related to the Hostess Brands acquisition and lower costs.

Lastly, in International and Away From Home, net sales was flat. Excluding noncomparable net sales in the prior year related to the divested Canadian condiment business and unfavorable foreign currency exchange, net sales increased 5%. Net price realization contributed 6 percentage points to net sales, reflecting higher net pricing for coffee and *Uncrustables*[®] sandwiches. Volume/mix decreased net sales by 1 percentage point, driven by a decrease for coffee, partially offset by increases for peanut butter, cat food, and baking.

Net sales for the Away From Home business increased 9% on a comparable basis driven by coffee and *Uncrustables*[®] sandwiches. Net sales for the International business decreased 2% on a comparable basis, primarily reflecting unfavorable volume/mix in coffee, partially offset by higher net price realization, in response to higher green coffee costs.

International and Away From Home segment profit increased 22%, primarily reflecting higher net price realization, partially offset by higher costs and unfavorable foreign currency exchange.

Third quarter cash provided by operating activities was \$239 million, compared to \$407 million in the prior year. This change reflects higher working capital requirements in 2025, timing of income tax payments, and lapping the \$43 million proceeds received from settlement of the interest rate contracts assumed as part of the Hostess Brands acquisition in the prior year, partially offset by higher net income (loss) adjusted for noncash items in the current year. Free cash flow was \$151 million, compared to \$250 million in the prior year, driven by the decrease in cash provided by operating activities, partially offset by a decrease in capital expenditures.

We finished the quarter with a cash and cash equivalent balance of \$47 million and a total net debt balance of \$7.8 billion. Based on a trailing twelve-month adjusted EBITDA of approximately \$2.2 billion, our leverage ratio stands at 3.6x.

We plan to prioritize debt reduction by paying down over \$800 million this fiscal year when considering use of divestiture proceeds, and \$500 million of debt annually in each of the next two years. With this anticipated debt reduction, along with the achievement of cost synergies, and overall business growth, we anticipate a leverage ratio at, or below, 3.0x net debt to EBITDA by the end of our fiscal year 2027. This level of debt provides the financial flexibility for a balanced approach to capital deployment.

I would like to provide an update on our outlook for fiscal year 2025.

We expect full-year net sales to increase approximately 7.25% 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 Canadian condiment and *Sahale Snacks*[®] businesses.

On a comparable basis, net sales are now anticipated to increase approximately 0.75%, including approximately \$35 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 guidance range reflects higher net price realization, primarily driven by the pricing actions recently implemented across our coffee portfolio in response to higher green coffee costs. Comparable net sales growth also reflects volume/mix growth for the *Uncrustables*[®], *Meow Mix*[®], *Café Bustelo*[®], and *Milk-Bone*[®] brands, and the Away From Home business for the full fiscal year.

The net sales guidance reflects the following changes from our previous assumptions:

- Third quarter results;
- Reduced expectations for our Sweet Baked Snacks business in the fourth quarter of approximately \$20 million versus our previous expectations. We now anticipate full-year net sales for the Sweet Baked Snacks segment to be approximately \$1.2 billion;
- And, a higher unfavorable impact from foreign currency exchange.

The full-year net sales guidance does not reflect any impact related to the Company's previously announced agreement to divest the Sweet Baked Snacks value brands, which is expected to impact the current fiscal year by approximately \$10 million.

We now anticipate full-year adjusted gross profit margin to be approximately 38%, primarily driven by better than expected margin in our U.S. Retail Coffee segment than previously expected. SD&A expenses are now anticipated to increase by approximately 8% versus the prior year, primarily reflecting a full-year of operating expenses from the Hostess acquisition. Total marketing expense is estimated to be slightly below 5.5% of net sales.

We anticipate net interest expense of approximately \$390 million and an adjusted effective income tax rate of 24.1%, along with a full-year weighted-average share count of 106.7 million.

Taking all these factors into consideration, full-year adjusted earnings per share is anticipated to be in the range of \$9.85 to \$10.15, which reflects a \$0.10 increase at the mid-point of the range relative to our previous guidance.

The full-year adjusted earnings per share guidance does not reflect any impact related to the Company's previously announced agreement to divest the Sweet Baked Snacks value brands, which is expected to be immaterial to fiscal 2025 earnings per share.

We project free cash flow of approximately \$925 million, with capital expenditures of \$400 million for the year. Other key assumptions affecting cash flow include: depreciation expense of approximately \$300 million, amortization expense of approximately \$220 million, share-based compensation expense of \$35 million, and other non-cash charges of \$150 million.

In closing, we are pleased with our third quarter results, which demonstrate the strength of our brands and the continued momentum of the business. We are taking the right actions to support execution and disciplined cost management. I am confident in our strategy and believe we are in a strong position to deliver long-term growth and increase 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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