



THE J.M. SMUCKER Co

**Fiscal Year 2027 First Quarter Earnings
Prepared Management Remarks**

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CORPORATE PARTICIPANTS

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

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 first 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 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 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 a.m. Eastern Time today for a live question-and-answer session with management to further discuss our first quarter results and outlook for the full 2027 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, CHIEF EXECUTIVE OFFICER, PRESIDENT AND CHAIR OF THE BOARD

Thank you, Crystal, and good morning, everyone.

We delivered a strong first quarter that exceeded our expectations and demonstrated continued momentum across the Company. Our performance reflects the strength of our differentiated portfolio, disciplined execution against our strategic priorities, and the investments we continue to make in our brands and capabilities.

Importantly, net sales increased 5%, including a 1 percentage point contribution from volume/mix, alongside improved profitability and strong earnings growth. Based on our first quarter performance and expectations for the balance of the year, we raised our full-year outlook for net sales, adjusted earnings per share, and free cash flow.

These results reinforce our confidence in the business and demonstrate continued progress against 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 delivered volume growth across the *Uncrustables*[®], *Café Bustelo*[®], *Meow Mix*[®], and *Milk-Bone*[®] brands. We continue to prioritize resources behind these platforms, which represent our largest growth opportunities.

Beginning with *Uncrustables*[®], the brand delivered 12% 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.

Our newest innovation, fridge-friendly *Uncrustables*[®] sandwiches, is resonating with consumers, and we are beginning to support the launch with a robust marketing campaign across social, influencer, and digital channels. We are also building on the strong momentum of our morning protein platform with the recent launch of two new flavors, *Beamini' Berry Blend*[™] and *Burstini' Blueberry*. These varieties are driving incremental growth and further expanding the *Uncrustables*[®] brand's presence in the morning occasion.

Momentum for the *Uncrustables*[®] brand remains strong, and with household penetration of 27%, we continue to see significant runway ahead. To support this growth, we are accelerating our plans to bring the second phase of our McCalla, Alabama, facility online toward the end of this fiscal year.

Our next key growth platform, the *Café Bustelo*[®] brand, delivered another quarter of strong growth, with net sales increasing 23% at the total Company level, including an 8% contribution from volume/mix. *Café Bustelo*[®] continues to be one of the fastest-growing brands in the at-home coffee category and is now the sixth-largest brand in the category. Supported by our brand-building efforts, *Café Bustelo*[®] is resonating with Gen Z and Millennial consumers and delivering strong growth in household penetration, reinforcing our confidence in the opportunity ahead as we advance our ambition to make it a top-four brand in the at-home coffee category.

Next, the *Meow Mix*[®] brand continued to deliver strong results in the quarter, including volume growth. As the leader in dry cat food, the brand is benefiting from durable category tailwinds, including a growing cat population being fueled by younger generations of pet parents. Our actions to meet the evolving needs of these consumers continue to drive results.

Consumer-led innovation remains a key driver of this performance. *Meow Mix*[®] *Gravy Bursts*[®] was the leading innovation in dry cat food last year, and we continue to see opportunities to address emerging consumer trends. Looking ahead, our ambition is to build on our leadership in dry cat food while expanding the brand's presence in other attractive segments of the cat category, including wet food and treats.

Finally, the *Milk-Bone*[®] brand returned to volume growth, reflecting the impact of the actions we are taking across the brand. The brand is delivering strong double-digit net sales growth within soft and chewy snacks, highlighting the opportunity to bring more premium and differentiated offerings to pet parents, as demonstrated by the success of *Milk-Bone*[®] Peanut Buttery Bites. At the same time, we are continuing to strengthen the core biscuit business through improved communication of functional benefits, stronger marketing, and a compelling consumer value proposition.

The momentum across our key growth brands underscores the strength of our strategy and the quality of our portfolio. We continue to anticipate that each of these brands will deliver volume growth in fiscal year 2027.

Importantly, this momentum is being accompanied by meaningful progress on our second strategic priority: improving profitability and accelerating earnings growth for the Company. Adjusted gross margin increased 760 basis points in the first quarter. Excluding the impact of tariff refunds, adjusted gross margin increased 240 basis points, reflecting strong underlying improvement. Adjusted earnings per share increased 71% compared to the prior year, reflecting both the benefit from tariff refunds and business momentum.

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.

A key component of our capital deployment model is the dividend. In July, we announced that we increased the dividend for the 25th consecutive fiscal year. We will also continue to balance debt repayment and share repurchases. In the first quarter, we paid down approximately \$230 million of debt. Combined with EBITDA growth, this enabled us to achieve our leverage target of at or below 3.0x net debt to EBITDA earlier than anticipated. We remain committed to paying down at least \$500 million of debt in fiscal year 2027, while maintaining the flexibility to evaluate share repurchases.

Overall, the actions we are taking across each of our strategic priorities continue to translate into strong results. Let me now provide additional perspective on the first quarter performance of our businesses.

In Coffee, net sales increased 13%, reflecting higher net price realization and volume/mix growth. Net sales growth was driven by increases across all brands, demonstrating the strength of our portfolio, which includes three of the top six brands in the at-home coffee category.

Net price realization benefited from the price increases implemented in August of the prior fiscal year, partially offset by increased trade investment. During the first quarter, we began passing lower green coffee commodity costs back to consumers through these investments. As we have done historically, we will continue to adjust pricing as our cost structure evolves.

Green coffee prices remain volatile, and we continue to demonstrate our ability to navigate the commodity environment effectively. In a sustained deflationary environment, we would consider additional pricing actions as lower costs flow through our results. Excluding tariff refunds, we continue to anticipate segment profit margin in the high 20s for the fiscal year.

In Frozen Handheld and Spreads, net sales increased 3%, driven by double-digit growth for *Uncrustables*[®] sandwiches, partially offset by decreases for *Jif*[®] peanut butter and *Smucker's*[®] fruit spreads. Net sales growth for *Uncrustables*[®] sandwiches was primarily driven by a 10% 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 recently introduced the first major update to its iconic identity in more than 30 years. We are building on this refresh with a new snacking-focused campaign that showcases modern, accessible ways to enjoy peanut butter and inspires consumers to consider *Jif*[®] peanut butter across more eating occasions. We have also expanded the portfolio with *Jif*[®] *Simply*[™], which combines the strong equity of the *Jif*[®] brand with a simpler recipe and a taste consumers love. Together, these actions are strengthening and modernizing our spreads portfolio to meet evolving consumer needs through innovation and brand building.

In Pet Foods, net sales increased 1%, driven by continued momentum in cat food, partially offset by a decline in dog snacks. The *Meow Mix*[®] brand delivered 4% net sales growth, reflecting strong performance in dry cat food.

In dog snacks, net sales decreased 2%, driven by a decline in the *Jerky Treats*® brand, partially offset by growth for the *Pup-Peroni*® brand. Excluding shipment timing related to the *Jerky Treats*® brand, dog snacks net sales were flat compared to the prior year.

We remain confident in the long-term potential of the dog snacks category, supported by favorable pet population trends, the continued humanization of pets, and the growth of e-commerce. Within our portfolio, the *Milk-Bone*® brand returned to volume/mix growth during the quarter, although lower net price realization resulted in flat net sales. We are also beginning to see stabilization in the *Pup-Peroni*® brand, which grew net sales 5% in the quarter, reflecting the actions we are taking to sharpen the brand's positioning, highlight its differentiated offerings, and expand household penetration.

In Sweet Baked Snacks, net sales decreased 7%, primarily reflecting the continued impact of prior-year SKU rationalization and declines in the convenience channel, partially offset by growth in U.S. retail channels.

We are encouraged by the recent performance of our Sweet Baked Snacks business in U.S. retail channels, where net sales increased low-single-digits, driven by double-digit growth for the *Hostess*® *Donettes*® brand. This performance reflects our strategic focus on the brand, supported by expanded distribution, innovation, and improving base-business trends. We are leveraging our deep retail relationships to expand the presence of the brand while building on promising results from recent innovations, including *Donettes*® Churro Mini Donuts and a new *Donettes*® sharing-size offering. Our larger pack sizes continue to perform well and demonstrate faster purchase cycles than traditional sizes, reinforcing the opportunity to drive incremental consumption and offer increased consumer value. We see continued opportunity to grow both our offerings and distribution.

The convenience channel remains challenged as traffic continues to be pressured. Despite this backdrop, the *Hostess*® *Donettes*® brand continues to outperform the broader sweet baked goods category in this channel, reinforcing the brand's relevance within the A.M. snacking occasion, where consumers are seeking quick, convenient, and satisfying options. We remain focused on strengthening the brand's performance across channels while positioning it to benefit when convenience traffic improves.

We also continue to execute against our Sweet Baked Snacks stabilization plan. For fiscal year 2027, we continue to expect segment profit margin improvement compared to the prior year and see a path to further expansion over time.

Finally, in Away From Home, net sales grew 3%, driven by double-digit growth for *Uncrustables*® sandwiches. We continue to expand the brand's presence across convenience stores and other Away From Home channels, creating additional opportunities to reach consumers through portable, immediate-consumption occasions.

Based on our strong first quarter performance and continued business momentum, we are raising our full-year net sales outlook, primarily reflecting strength in U.S. Retail Coffee and U.S. Retail Frozen Handheld and Spreads. We now expect net sales to decrease between 1% and 2% relative to the prior year, representing an improvement of approximately 2 percentage points at the midpoint of our guidance range, or roughly \$180 million. The decrease in net sales year-over-year reflects lower net price realization in coffee as anticipated green coffee deflation is passed through to consumers through lower prices, while total Company volume/mix is expected to be approximately flat.

We are also raising our adjusted earnings per share guidance to a range of \$10.50 to \$11.00, an increase of \$0.75 at the midpoint. This increase reflects the improved net sales outlook, continued momentum in the business, and tariff refunds received in the first quarter. Free cash flow is now expected to be approximately \$1.1 billion, an increase from our previous outlook.

With volume growth expected across each of our key growth platforms, along with strong profitability and free cash flow, we remain confident in the strength of our differentiated portfolio and our ability to drive long-term growth and create shareholder value.

Before I close, I would like to thank our talented employees for their dedication and commitment. Their efforts continue to advance our strategy and strengthen our business.

With that, I'll turn it over to Tucker for additional perspective on our first 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 first quarter results, then I'll provide additional details on our financial outlook for fiscal year 2027.

Net sales in the first quarter increased 5%. Comparable net sales, which excludes foreign exchange, also increased 5%.

The increase in net sales reflects a 4 percentage point increase from net price realization, primarily driven by higher net pricing for coffee. Net sales also reflects a 1 percentage point contribution from volume/mix. This reflects increases for *Uncrustables*® sandwiches and coffee, partially offset by decreases for sweet baked goods and peanut butter.

Net sales exceeded our expectations for the quarter, driven by better than anticipated volume/mix growth in U.S. Retail Coffee and U.S. Retail Frozen Handheld and Spreads.

Adjusted gross profit increased \$207 million, or 28%, compared to the prior year. The increase reflects \$115 million of tariff refunds, higher net price realization, and favorable volume/mix, partially offset by higher costs. Excluding tariff refunds received in the quarter, adjusted gross profit increased \$92 million, or 12%, compared to the prior year.

Adjusted operating income increased \$170 million, or 46%, reflecting the increase in adjusted gross profit, partially offset by higher SD&A expenses. The increase in SD&A expenses was driven by increased general and administrative spend, higher selling expenses, and increased investments in marketing.

Below operating income, net interest expense decreased \$18 million or 18% versus the prior year primarily due to reduced debt outstanding. Net interest expense includes \$4 million of interest income associated with the receipt of tariff refunds during the quarter. The adjusted effective income tax rate was 24.2%, consistent with the prior year.

Factoring in all these considerations, along with weighted-average shares outstanding of 107.1 million, first quarter adjusted earnings per share was \$3.24, an increase of 71% versus the prior year. This included an \$0.84 benefit from tariff refunds received during the first quarter of fiscal year 2027.

Turning to our segment results, in the U.S. Retail Coffee segment, net sales increased 13% versus the prior year. Net price realization increased net sales by 10 percentage points, reflecting higher net pricing across the portfolio. Volume/mix increased net sales by 2 percentage points, driven by the *Dunkin*® and *Café Bustelo*® brands.

U.S. Retail Coffee segment profit increased 124%, primarily reflecting the receipt of tariff refunds and higher net price realization, partially offset by higher marketing spend. Segment profit margin in the quarter was 37.1%. When excluding the impact of tariff refunds, segment profit margin was 25.6%.

In U.S. Retail Frozen Handheld and Spreads, net sales increased 3%. Net price realization increased net sales by 2 percentage points, reflecting higher net pricing across the portfolio. Volume/mix increased net sales by 1 percentage point, driven by an increase for *Uncrustables*[®] sandwiches, partially offset by decreases for peanut butter and fruit spreads.

U.S. Retail Frozen Handheld and Spreads segment profit increased 13%, driven by higher net price realization, lower marketing spend, and favorable volume/mix, partially offset by higher costs.

In U.S. Retail Pet Foods, net sales increased 1% versus the prior year. Volume/mix increased net sales by 1 percentage point, driven by an increase for cat food. Volume/mix for dog snacks was flat in the quarter. Net price realization for the segment was neutral to net sales, as higher net pricing for cat food was mostly offset by higher trade spend for dog snacks.

U.S. Retail Pet Foods segment profit decreased 2%, reflecting higher costs and increased marketing spend, partially offset by tariff refunds and favorable volume/mix.

In the Sweet Baked Snacks segment, net sales decreased 7%. Volume/mix reduced net sales by 8 percentage points, primarily reflecting decreases for snack cakes and breakfast. Volume/mix for donuts was neutral in the quarter. Net price realization increased net sales by 2 percentage points, reflecting reduced trade investments in snack cakes and a list price increase for donuts.

Segment profit decreased 13%, reflecting higher costs and unfavorable volume/mix, partially offset by higher net price realization and lower marketing spend.

Lastly, in Away From Home, net sales increased 3%. Volume/mix increased net sales by 2 percentage points, primarily driven by increases for *Uncrustables*[®] sandwiches and fruit spreads, partially offset by a decrease for our coffee portfolio. Net price realization was neutral to net sales, as higher net pricing for coffee was mostly offset by lower net pricing for *Uncrustables*[®] sandwiches and portion control products.

Away From Home segment profit increased 19%, reflecting tariff refunds and favorable volume/mix, partially offset by higher costs.

First quarter free cash flow was \$337 million, compared to negative \$95 million in the prior year, reflecting an increase in cash provided by operating activities. Cash provided by operations increased relative to the prior year due to higher net income adjusted for noncash items and less cash required to fund working capital requirements.

We finished the quarter with a cash and cash equivalent balance of \$43 million and a total net debt balance of approximately \$6.7 billion. Our trailing twelve-month adjusted EBITDA is approximately \$2.3 billion. Based on this, our leverage ratio currently stands at 2.9x net debt to EBITDA.

We achieved our leverage target of at or below 3.0x ahead of our original expectation of reaching it by the end of fiscal year 2027. This 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 in the first quarter.

We are increasing our full-year net sales expectations by 2 percentage points at the midpoint of our guidance range. We now expect full-year net sales to decrease 1.0% to 2.0% compared to the prior year.

At the midpoint of our net sales guidance range, our updated outlook now 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 now anticipated to be approximately flat to the prior year, with growth in U.S. Retail Frozen Handheld and Spreads, U.S. Retail Pet Foods, and Away From Home, offset by declines in U.S. Retail Coffee and Sweet Baked Snacks.

The approximately \$180 million increase at the midpoint of our net sales guidance range reflects a \$100 million improvement in volume/mix and an \$80 million improvement in net price realization compared to our previous expectations. The increase is primarily driven by the following changes to our segment outlooks:

- In U.S. Retail Coffee, we now expect net sales to decrease mid-single-digits compared to the prior year, an improvement from our previous outlook. Net price realization is now expected to decrease low-single-digits, an improvement from our previous expectation for a mid-single-digit decline, as we continue to navigate volatility in green coffee costs and take a disciplined approach to pricing. Volume/mix is expected to decrease low-single-digits, an improvement of approximately \$50 million from our previous expectations;
- In U.S. Retail Frozen Handheld and Spreads, we now expect net sales to increase low-single-digits compared to the prior year, driven by the strength and momentum of the *Uncrustables*® brand.

We now anticipate full-year adjusted gross profit margin to increase roughly 385 basis points to approximately 38.75%. The increase from our previous outlook primarily reflects a 130 basis point benefit from tariff refunds received in the first quarter, partially offset by costs that are higher than previously anticipated.

Excluding tariff refunds, we continue to expect mid-single-digit cost deflation, driven by green coffee. Excluding green coffee, tariff expenses, and tariff refunds, we now anticipate mid-single-digit inflation across the remainder of our cost basket, an increase of roughly 100 basis points versus our previous expectations.

SD&A expenses are projected to increase by approximately 8% versus the prior year. The increase in SD&A versus previous expectations reflects higher administrative expenses, increased marketing investments, and higher pre-production expenses related to the second phase of our McCalla, Alabama, facility. Total marketing expense is expected 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 \$335 million, a \$10 million benefit versus previous expectations, driven by debt paydown faster than originally anticipated and \$4 million of interest income associated with the receipt of tariff refunds during the first quarter. Our adjusted effective income tax rate is anticipated to be 24.2%, along with a full-year weighted-average share count of 107.1 million.

Taking all these factors into consideration, we are raising our expected full-year adjusted earnings per share to be in the range of \$10.50 to \$11.00, an increase of \$0.75 at the midpoint of the guidance range versus previous expectations. Our updated guidance reflects stronger-than-anticipated momentum across the business and a favorable net benefit of approximately \$0.60 related to the receipt of tariff refunds, which reflects the \$0.84 benefit from tariff refunds received in the first quarter, net of planned investments in SD&A expenses.

We are also increasing our free cash flow projection by \$100 million to approximately \$1.1 billion, reflecting our higher earnings outlook for fiscal year 2027. We continue to anticipate capital expenditures of \$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 non-cash charges of \$50 million.

Turning to the second quarter, net sales are expected to decrease 3.0% to 4.0%. We anticipate a low-single-digit decrease in net price realization as lower green coffee costs are passed through to consumers through trade investments. Volume/mix is expected to be down low-single-digits.

Adjusted earnings per share is expected to increase in the low 20% range, primarily driven by higher adjusted gross profit in U.S. Retail Coffee and lower interest expense, partially offset by increased SD&A 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 support sustainable growth and create long-term shareholder value.

In closing, I would like to express my sincere appreciation for our employees. Their commitment to excellence and 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 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.