



THE J.M. SMUCKER Co

NEWS RELEASE

The J.M. Smucker Co. Announces Fiscal 2025 First Quarter Results

8/28/2024

ORRVILLE, Ohio, Aug. 28, 2024 /PRNewswire/ -- The J.M. Smucker Co. (NYSE: SJM) today announced results for the first quarter ended July 31, 2024, of its 2025 fiscal year. Financial results for the first quarter of fiscal year 2025 reflect the divestiture of the Canada condiment business on January 2, 2024, acquisition of Hostess Brands, Inc. ("Hostess Brands") on November 7, 2023, and divestiture of the Sahale Snacks® business on November 1, 2023. All comparisons are to the first quarter of the prior fiscal year, unless otherwise noted.

EXECUTIVE SUMMARY

- Net sales was \$2.1 billion, an increase of \$319.9 million, or 18 percent. Net sales excluding the acquisition, divestitures, and foreign currency exchange increased 1 percent.
- Net income per diluted share was \$1.74. Adjusted earnings per share was \$2.44, an increase of 10 percent.
- Cash provided by operations was \$172.9 million compared to \$217.9 million in the prior year. Free cash flow was \$49.2 million, compared to \$67.6 million in the prior year.
- The Company updated its full-year fiscal 2025 financial outlook.

CHIEF EXECUTIVE OFFICER REMARKS

"We are pleased with the strong start of our fiscal year and ability to deliver net sales and earnings growth in what remains a dynamic consumer environment," said Mark Smucker, Chair of the Board, President and Chief Executive Officer. "These results are driven by the focus we have established and progress we have made in delivering our core

business, successfully integrating Hostess Brands, and achieving our goals for transformation, cost discipline, and cash generation."

"As always, our success is realized through the unwavering commitment and execution by our employees delivering on the needs of our consumers, and supporting sustainable growth and shareholder value."

FIRST QUARTER CONSOLIDATED RESULTS

	Three Months Ended July 31,		
	2024	2023	% Increase (Decrease)
	(Dollars and shares in millions, except per share data)		
Net sales	\$2,125.1	\$1,805.2	18 %
Operating income	\$349.5	\$303.5	15 %
Adjusted operating income	447.9	331.7	35 %
Net income per common share – assuming dilution	\$1.74	\$1.79	(3) %
Adjusted earnings per share – assuming dilution	2.44	2.21	10 %
Weighted-average shares outstanding – assuming dilution	106.5	102.8	4 %

Net Sales

Net sales increased \$319.9 million, or 18 percent. Excluding \$333.7 million of net sales in the current year related to the Hostess Brands acquisition, \$28.6 million of noncomparable net sales in the prior year related to divestitures, and \$2.1 million of unfavorable foreign currency exchange, net sales increased \$16.9 million, or 1 percent.

The increase in comparable net sales reflects a 1 percentage point increase from volume/mix, primarily driven by increases for the Uncrustables[®], Café Bustelo[®], and Meow Mix[®] brands, partially offset by lower contract manufacturing sales related to the divested pet food brands and a decrease for the Dunkin'[®] brand. Net price realization was neutral to net sales, as higher net pricing for International and Away From Home and the U.S. Retail Frozen Handheld and Spreads segment was offset by lower net pricing for the U.S. Retail Pet Foods and U.S. Retail Coffee segments.

Operating Income

Gross profit increased \$142.4 million, or 22 percent. The increase primarily reflects a favorable impact from the acquisition of Hostess Brands and favorable volume/mix, partially offset by the impact of divestitures. Operating income increased \$46.0 million, or 15 percent, primarily driven by the increase in gross profit, partially offset by a \$76.5 million increase in selling, distribution, and administrative ("SD&A") expenses and a \$16.2 million increase in amortization expense, mostly attributable to the impact of the acquisition. Operating income also reflects a \$7.1 million increase in special project costs primarily related to integration costs for the acquisition.

Adjusted gross profit increased \$188.1 million, or 29 percent. The difference between adjusted gross profit and generally accepted accounting principles ("GAAP") results primarily reflects a favorable impact of the exclusion of a \$40.4 million change in net cumulative unallocated derivative gains and losses. Adjusted operating income, which further reflects the exclusion of other special project costs and amortization expense as compared to GAAP operating income, increased \$116.2 million, or 35 percent.

Interest Expense and Income Taxes

Net interest expense increased \$68.3 million, primarily due to an increase in interest expense related to the Senior Notes issued to partially finance the acquisition of Hostess Brands and an increase in short-term borrowings under the Company's commercial paper program.

The effective income tax rate was 24.8 percent, compared to 23.0 percent in the prior year. The adjusted effective income tax rate was 24.6 percent, compared to 23.6 percent in the prior year. The increase in the effective and adjusted effective income tax rates was primarily due to a discrete unfavorable impact of share-based compensation, compared to the prior year. Additionally, the prior year effective income tax rate included deferred tax benefits from state tax legislative changes.

Cash Flow and Debt

Cash provided by operating activities was \$172.9 million, compared to \$217.9 million in the prior year, primarily reflecting more cash required to fund working capital, partially offset by higher net income adjusted for noncash items. Free cash flow was \$49.2 million, compared to \$67.6 million in the prior year, driven by the decrease in cash provided by operating activities, partially offset by a decrease in capital expenditures as compared to the prior year.

FULL-YEAR OUTLOOK

The Company updated its full-year fiscal 2025 guidance, as summarized below.

	Current	Previous
Net sales increase vs. prior year	8.5% to 9.5%	9.5% to 10.5%
Adjusted earnings per share	\$9.60 - \$10.00	\$9.80 - \$10.20
Free cash flow (in millions)	\$875	\$900
Capital expenditures (in millions)	\$450	\$450
Adjusted effective income tax rate	24.3 %	24.4 %

Net sales is expected to increase 8.5 to 9.5 percent compared to the prior year. Comparable net sales is expected to increase approximately 0.5 to 1.5 percent, which excludes noncomparable sales in the current year from the acquisition of Hostess Brands and noncomparable sales in the prior year related to the divestitures of the Canada condiment and Sahale Snacks[®] businesses. This guidance also reflects a decline of approximately \$100.0 million of contract manufacturing sales related to the divested pet food brands as compared to the prior year. The updated net sales guidance reflects an ongoing dynamic consumer environment driven by inflationary pressures and diminished discretionary income affecting the dog snacks and sweet baked goods categories, and the anticipated impacts of elasticity of demand within our coffee portfolio due to additional pricing actions as a result of higher than expected green coffee costs, partially offset by increased expectations for Uncrustables[®] sandwiches.

Adjusted earnings per share is expected to range from \$9.60 to \$10.00, based on 106.6 million weighted-average common shares outstanding. This guidance reflects the revision to net sales expectations, adjusted gross profit margin of approximately 37.5 percent reflecting higher than anticipated green coffee costs, partially offset by lower than anticipated SD&A expenses, which are expected to increase approximately 9.0 percent as compared to the prior year. Interest expense is expected to be \$400.0 million, and the adjusted effective income tax rate is anticipated to be 24.3 percent. Free cash flow is expected to be approximately \$875.0 million with capital expenditures of \$450.0 million.

FIRST QUARTER SEGMENT RESULTS

(Dollar amounts in the segment tables below are reported in millions.)

U.S. Retail Coffee

	Net Sales	Segment Profit	Segment Profit Margin
FY25 Q1 Results	\$623.4	\$172.6	27.7 %
Increase (decrease) vs. prior year	— %	1 %	50bps

Net sales decreased \$1.7 million. Net price realization reduced net sales by 1 percentage point, primarily driven by a net price decline for the Dunkin[®] brand, partially offset by higher net pricing for the Folgers[®] brand. The decrease in net price realization was mostly offset by favorable volume/mix, reflecting an increase for the Café Bustelo[®] brand, partially offset by a decrease for the Dunkin[®] brand.

Segment profit increased \$2.5 million, primarily driven by lower marketing spend and selling expense, partially offset by lower net price realization and higher commodity costs.

U.S. Retail Frozen Handheld and Spreads

	Net Sales	Segment Profit	Segment Profit Margin
FY25 Q1 Results	\$496.8	\$119.0	24.0 %
Increase (decrease) vs. prior year	7 %	13 %	120bps

Net sales increased \$32.8 million, or 7 percent. Excluding \$6.9 million of noncomparable net sales in the prior year related to the divestiture of the Sahale Snacks[®] business, net sales increased \$39.7 million, or 9 percent. Volume/mix increased net sales by 7 percentage points, primarily driven by an increase for Uncrustables[®] sandwiches. Higher net price realization increased net sales by 1 percentage point, primarily reflecting a list price increase for peanut butter implemented in the prior year.

Segment profit increased \$13.3 million, primarily driven by lower costs, favorable volume/mix, and higher net price realization, partially offset by increased marketing investments and pre-production expenses related to the new Uncrustables[®] sandwiches manufacturing facility.

U.S. Retail Pet Foods

	Net Sales	Segment Profit	Segment Profit Margin
FY25 Q1 Results	\$399.7	\$115.3	28.8 %
Increase (decrease) vs. prior year	(9) %	42 %	1,040bps

Net sales decreased \$41.3 million, or 9 percent. Volume/mix decreased net sales by 6 percentage points, primarily driven by decreased contract manufacturing sales related to the divested pet food brands, partially offset by increases for cat food and dog snacks. Lower net price realization decreased net sales by 4 percentage points, primarily reflecting higher trade spend for the Jerky Treats[®] and Meow Mix[®] brands.

Segment profit increased \$34.0 million, primarily driven by lower costs, favorable volume/mix, and lower distribution expense, partially offset by lower net price realization and increased marketing investments.

Sweet Baked Snacks

	Net Sales	Segment Profit	Segment Profit Margin
FY25 Q1 Results	\$333.7	\$74.4	22.3 %

The segment contributed net sales of \$333.7 million and segment profit of \$74.4 million. Prior year net sales and segment profit are not provided due to differences in reporting periods and certain financial measures under previous ownership.

International and Away From Home

	Net Sales	Segment Profit	Segment Profit Margin
FY25 Q1 Results	\$271.5	\$48.6	17.9 %
Increase (decrease) vs. prior year	(1) %	34 %	470bps

Net sales decreased \$3.6 million, or 1 percent. Excluding \$21.7 million of noncomparable net sales in the prior year related to the divested businesses and \$2.1 million of unfavorable foreign currency exchange, net sales increased \$20.2 million, or 8 percent. Net price realization contributed a 5 percentage point increase to net sales, primarily driven by list price increases across the majority of the portfolio. Volume/mix increased net sales by 3 percentage points, primarily driven by Uncrustables[®] sandwiches, coffee, and portion control products, partially offset by a decrease for dog snacks.

Segment profit increased \$12.2 million, primarily reflecting higher net price realization, favorable volume/mix, lower costs, and lower marketing spend, partially offset by the impact of noncomparable segment profit in the prior year related to the divested businesses and pre-production expenses related to the new Uncrustables[®] sandwiches manufacturing facility.

Financial Results Discussion and Webcast

At approximately 7:00 a.m. Eastern Time today, the Company will post to its website at investors.jmsmucker.com a pre-recorded management discussion of its fiscal 2025 first quarter financial results, a transcript of the discussion, and supplemental materials. At 9:00 a.m. Eastern Time today, the Company will webcast a live question-and-answer session with Mark Smucker, Chair of the Board, President and Chief Executive Officer, and Tucker Marshall, Chief Financial Officer. The live webcast and replay can be accessed at investors.jmsmucker.com.

The J.M. Smucker Co. Forward-Looking Statements

This press release 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 press release, which could cause actual results to differ materially from those expressed, include: the Company's ability to successfully integrate Hostess Brands' operations and employees and to implement plans and achieve financial forecasts with respect to the Hostess Brands' business; the Company's ability to realize the anticipated benefits, including synergies and cost savings, related to the Hostess Brands acquisition, including the possibility that the expected benefits will not be realized or will not be realized within the expected time period; disruption from the acquisition of Hostess Brands by diverting the attention of the Company's management and making it more

difficult to maintain business and operational relationships; the negative effects of the acquisition of Hostess Brands on the market price of the Company's common shares; the amount of the costs, fees, expenses, and charges and the risk of litigation related to the acquisition of Hostess Brands; the effect of the acquisition of Hostess Brands on the Company's business relationships, operating results, ability to hire and retain key talent, and business generally; disruptions or inefficiencies in the Company's operations or supply chain, including any impact caused by product recalls, political instability, terrorism, geopolitical conflicts (including the ongoing conflicts between Russia and Ukraine and Israel and Hamas), extreme weather conditions, natural disasters, pandemics, work stoppages or labor shortages, or other calamities; risks related to the availability of, and cost inflation in, supply chain inputs, including labor, raw materials, commodities, packaging, and transportation; the impact of food security concerns involving either the Company's products or its competitors' products, including changes in consumer preference, consumer litigation, actions by the U.S. Food and Drug Administration or other agencies, and product recalls; risks associated with derivative and purchasing strategies the Company employs to manage commodity pricing and interest rate risks; the availability of reliable transportation on acceptable terms; the ability to achieve cost savings related to restructuring and cost management programs in the amounts and within the time frames currently anticipated; the ability to generate sufficient cash flow to continue operating under the Company's capital deployment model, including capital expenditures, debt repayment to meet the Company's deleveraging objectives, dividend payments, and share repurchases; a change in outlook or downgrade in the Company's public credit ratings by a rating agency below investment grade; 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 Company's businesses, including product innovation; general competitive activity in the market, including competitors' pricing practices and promotional spending levels; the Company's ability to attract and retain key talent; the concentration of certain of the Company's businesses with key customers and suppliers, including primary or single-source suppliers of certain key raw materials and finished goods, and the Company's ability to manage and maintain key relationships; impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets or changes in the useful lives of other intangible assets or other long-lived assets; the impact of new or changes to existing governmental laws and regulations and their application; the outcome of tax examinations, changes in tax laws, and other tax matters; a disruption, failure, or security breach of the Company or its suppliers' information technology systems, including, but not limited to, ransomware attacks; foreign currency exchange rate 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.

About The J.M. Smucker Co.

At The J.M. Smucker Co., it is our privilege to make food people and pets love by offering a diverse family of brands

available across North America. We are proud to lead in the coffee, peanut butter, fruit spreads, frozen handheld, sweet baked goods, dog snacks, and cat food categories by offering brands consumers trust for themselves and their families each day, including Folgers[®], Dunkin'[®], Café Bustelo[®], Jif[®], Uncrustables[®], Smucker's[®], Hostess[®], Voortman[®], Milk-Bone[®], and Meow Mix[®]. Through our unwavering commitment to producing quality products, operating responsibly and ethically and delivering on our Purpose, we will continue to grow our business while making a positive impact on society. For more information, please visit jmsmucker.com.

The J.M. Smucker Co. is the owner of all trademarks referenced herein, except for Dunkin'[®], which is a trademark of DD IP Holder LLC. The Dunkin'[®] brand is 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, and in certain away from home channels. This information does not pertain to products for sale in Dunkin'[®] restaurants.

The J.M. Smucker Co.
Unaudited Condensed Consolidated Statements of Income

	Three Months Ended July 31,		
	2024	2023	% Increase (Decrease)
	(Dollars and shares in millions, except per share data)		
Net sales	\$2,125.1	\$1,805.2	18 %
Cost of products sold	1,327.9	1,150.4	15 %
Gross Profit	797.2	654.8	22 %
Gross margin	37.5 %	36.3 %	
Selling, distribution, and administrative expenses	390.1	313.6	24 %
Amortization	56.0	39.8	41 %
Other special project costs	7.1	—	n/m
Other operating expense (income) – net	(5.5)	(2.1)	n/m
Operating Income	349.5	303.5	15 %
Operating margin	16.4 %	16.8 %	
Interest expense – net	(100.4)	(32.1)	n/m
Other income (expense) – net	(3.1)	(33.0)	(91) %
Income Before Income Taxes	246.0	238.4	3 %
Income tax expense	61.0	54.8	11 %
Net Income	\$185.0	\$183.6	1 %
Net income per common share	\$1.74	\$1.79	(3) %
Net income per common share – assuming dilution	\$1.74	\$1.79	(3) %
Dividends declared per common share	\$1.08	\$1.06	2 %
Weighted-average shares outstanding	106.3	102.4	4 %
Weighted-average shares outstanding – assuming dilution	106.5	102.8	4 %

The J.M. Smucker Co.
Unaudited Condensed Consolidated Balance Sheets

	July 31, 2024	April 30, 2024
(Dollars in millions)		
Assets		
Current Assets		
Cash and cash equivalents	\$39.5	\$62.0
Trade receivables – net	734.9	736.5
Inventories	1,137.8	1,038.9
Other current assets	168.9	129.5
Total Current Assets	2,081.1	1,966.9
Property, Plant, and Equipment – Net	3,095.3	3,072.7
Other Noncurrent Assets		
Goodwill	7,649.5	7,649.9
Other intangible assets – net	7,199.6	7,255.4
Other noncurrent assets	322.7	328.8
Total Other Noncurrent Assets	15,171.8	15,234.1
Total Assets	\$20,348.2	\$20,273.7
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$1,244.1	\$1,336.2
Current portion of long-term debt	999.5	999.3
Short-term borrowings	697.0	591.0
Other current liabilities	823.4	834.6
Total Current Liabilities	3,764.0	3,761.1
Noncurrent Liabilities		
Long-term debt, less current portion	6,775.3	6,773.7
Other noncurrent liabilities	2,039.4	2,045.0
	8,814.7	8,818.7

Total Noncurrent Liabilities	8,814.7	8,818.7
Total Shareholders' Equity	7,769.5	7,693.9
Total Liabilities and Shareholders' Equity	<u>\$20,348.2</u>	<u>\$20,273.7</u>

The J.M. Smucker Co.
Unaudited Condensed Consolidated Statements of Cash Flow

	Three Months Ended July 31,	
	2024	2023
	(Dollars in millions)	
Operating Activities		
Net income	\$185.0	\$183.6
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Depreciation	73.0	50.2
Amortization	56.0	39.8
Pension settlement loss (gain)	—	3.2
Unrealized loss on investment in equity securities – net	—	27.4
Share-based compensation expense	8.9	5.1
Deferred income tax expense (benefit)	2.6	(8.9)
Other noncash adjustments – net	15.1	4.8
Changes in assets and liabilities, net of effect from acquisition and divestitures:		
Trade receivables	1.6	6.1
Inventories	(99.0)	(81.4)
Other current assets	2.6	(4.8)
Accounts payable	(61.5)	(43.8)
Accrued liabilities	(60.9)	(7.7)
Income and other taxes	54.9	57.3
Other – net	(5.4)	(13.0)
Net Cash Provided by (Used for) Operating Activities	172.9	217.9
Investing Activities		
Additions to property, plant, and equipment	(123.7)	(150.3)
Other – net	(48.7)	(1.6)
Net Cash Provided by (Used for) Investing Activities	(172.4)	(151.9)
Financing Activities		
Short-term borrowings (repayments) – net	96.2	—
Quarterly dividends paid	(112.1)	(105.2)

Purchase of treasury shares	(2.6)	(372.0)
Other – net	(4.5)	(4.1)
Net Cash Provided by (Used for) Financing Activities	(23.0)	(481.3)
Effect of exchange rate changes on cash	—	0.6
Net increase (decrease) in cash and cash equivalents	(22.5)	(414.7)
Cash and cash equivalents at beginning of period	62.0	655.8
Cash and Cash Equivalents at End of Period	\$39.5	\$241.1

The J.M. Smucker Co.
Unaudited Supplemental Schedule

	Three Months Ended July 31,			
	2024	% of Net Sales	2023	% of Net Sales
	(Dollars in millions)			
Net sales	\$2,125.1		\$1,805.2	
Selling, distribution, and administrative expenses:				
Marketing	108.9	5.1 %	88.6	4.9 %
Selling	75.9	3.6 %	64.8	3.6 %
Distribution	71.5	3.4 %	60.9	3.4 %
General and administrative	133.8	6.3 %	99.3	5.5 %
Total selling, distribution, and administrative expenses	\$390.1	18.4 %	\$313.6	17.4 %

Amounts may not add due to rounding.

The J.M. Smucker Co.
Unaudited Reportable Segments

	Three Months Ended July 31,	
	2024	2023
	(Dollars in millions)	
Net sales:		
U.S. Retail Coffee	\$623.4	\$625.1
U.S. Retail Frozen Handheld and Spreads	496.8	464.0
U.S. Retail Pet Foods	399.7	441.0
Sweet Baked Snacks	333.7	—
International and Away From Home	271.5	275.1
Total net sales	\$2,125.1	\$1,805.2
Segment profit:		
U.S. Retail Coffee	\$172.6	\$170.1
U.S. Retail Frozen Handheld and Spreads	119.0	105.7
U.S. Retail Pet Foods	115.3	81.3
Sweet Baked Snacks	74.4	—
International and Away From Home	48.6	36.4
Total segment profit	\$529.9	\$393.5
Amortization	(56.0)	(39.8)
Gain (loss) on divestitures – net	—	1.2
Interest expense – net	(100.4)	(32.1)
Change in net cumulative unallocated derivative gains and losses	(30.0)	10.4
Cost of products sold – special project costs	(5.3)	—
Other special project costs	(7.1)	—
Corporate administrative expenses	(82.0)	(61.8)
Other income (expense) – net	(3.1)	(33.0)
Income before income taxes	\$246.0	\$238.4
Segment profit margin:		
U.S. Retail Coffee	27.7 %	27.2 %

U.S. Retail Frozen Handheld and Spreads	24.0 %	22.8 %
U.S. Retail Pet Foods	28.8 %	18.4 %
Sweet Baked Snacks	22.3 %	n/a
International and Away From Home	17.9 %	13.2 %

Non-GAAP Financial Measures

The Company uses non-GAAP financial measures, including: net sales excluding acquisition, divestitures, and foreign currency exchange; adjusted gross profit; adjusted operating income; adjusted income; adjusted earnings per share; earnings before interest, taxes, depreciation, amortization expense, impairment charges related to intangible assets, and gains and losses on divestitures ("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 financial 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; certain divestiture, acquisition, integration, and restructuring costs ("special project costs"); gains and losses on divestitures; the net change in cumulative unallocated gains and losses on commodity and foreign currency exchange derivative activities ("change in net cumulative unallocated derivative gains and losses"); and other infrequently occurring items that do not directly reflect ongoing operating results. Income taxes, as adjusted is calculated using an adjusted effective income tax rate that is applied to adjusted income before income taxes and reflects the exclusion of the previously discussed items, as well as any adjustments for one-time tax-related activities, when they occur. While this adjusted effective income tax rate does not generally differ materially from the GAAP effective income tax rate, certain exclusions from non-GAAP results can significantly impact the 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. GAAP. Rather, the presentation of these non-GAAP financial measures supplements other metrics used by management to internally evaluate its businesses and facilitate 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 year 2025 outlook.

The J.M. Smucker Co.
Unaudited Non-GAAP Financial Measures

	Three Months Ended July 31,			
	2024	2023	Increase (Decrease)	%
	(Dollars in millions)			
Net sales reconciliation:				
Net sales	\$2,125.1	\$1,805.2	\$319.9	18 %
Hostess Brands acquisition	(333.7)	—	(333.7)	(18)
Canada condiment divestiture	—	(17.6)	17.6	1
Sahale Snacks® divestiture	—	(11.0)	11.0	1
Foreign currency exchange	2.1	—	2.1	—
Net sales excluding acquisition, divestitures, and foreign currency exchange	\$1,793.5	\$1,776.6	\$16.9	1 %

Amounts may not add due to rounding.

The J.M. Smucker Co.
Unaudited Non-GAAP Financial Measures

	Three Months Ended July 31,	
	2024	2023
	(Dollars and shares in millions, except per share data)	
Gross profit reconciliation:		
Gross profit	\$797.2	\$654.8
Change in net cumulative unallocated derivative gains and losses	30.0	(10.4)
Cost of products sold – special project costs	5.3	—
Adjusted gross profit	<u>\$832.5</u>	<u>\$644.4</u>
% of net sales	39.2 %	35.7 %
Operating income reconciliation:		
Operating income	\$349.5	\$303.5
Amortization	56.0	39.8
Loss (gain) on divestitures – net	—	(1.2)
Change in net cumulative unallocated derivative gains and losses	30.0	(10.4)
Cost of products sold – special project costs	5.3	—
Other special project costs	7.1	—
Adjusted operating income	<u>\$447.9</u>	<u>\$331.7</u>
% of net sales	21.1 %	18.4 %
Net income reconciliation:		
Net income	\$185.0	\$183.6
Income tax expense	61.0	54.8
Amortization	56.0	39.8
Loss (gain) on divestitures – net	—	(1.2)
Change in net cumulative unallocated derivative gains and losses	30.0	(10.4)
Cost of products sold – special project costs	5.3	—
Other special project costs	7.1	—
Other infrequently occurring items:		
Unrealized loss (gain) on investment in equity securities – net ^(A)	—	27.4

Pension plan termination settlement charge ^(B)	—	3.2
Adjusted income before income taxes	\$344.4	\$297.2
Income taxes, as adjusted	84.9	70.2
Adjusted income	\$259.5	\$227.0
Weighted-average shares outstanding – assuming dilution	106.5	102.8
Adjusted earnings per share – assuming dilution	\$2.44	\$2.21

(A) Unrealized loss on investment in equity securities – net includes gains and losses resulting from the change in fair value of the Company's investment in Post common stock and the related equity forward contract, which was settled on November 15, 2023.

(B) Represents the nonrecurring pre-tax settlement charge recognized during the first quarter of 2024 related to the acceleration of prior service cost for the portion of the plan surplus to be allocated to plan members within our Canadian defined benefit plans, which is subject to regulatory approval before a payout can be made.

The J.M. Smucker Co.
Unaudited Non-GAAP Financial Measures

	Three Months Ended July 31,	
	2024	2023
	(Dollars in millions)	
EBITDA (as adjusted) reconciliation:		
Net income	\$185.0	\$183.6
Income tax expense	61.0	54.8
Interest expense – net	100.4	32.1
Depreciation	73.0	50.2
Amortization	56.0	39.8
Loss (gain) on divestitures – net	—	(1.2)
EBITDA (as adjusted)	\$475.4	\$359.3
% of net sales	22.4 %	19.9 %
Free cash flow reconciliation:		
Net cash provided by (used for) operating activities	\$172.9	\$217.9
Additions to property, plant, and equipment	(123.7)	(150.3)
Free cash flow	\$49.2	\$67.6

The following tables provide a reconciliation of the Company's fiscal 2025 guidance for estimated adjusted earnings per share and free cash flow.

	Year Ending April 30, 2025	
	Low	High
Net income per common share – assuming dilution reconciliation:		
Net income per common share – assuming dilution	\$7.01	\$7.41
Change in net cumulative unallocated derivative gains and losses ^(A)	0.16	0.16
Amortization	1.59	1.59
Special project costs	0.48	0.48
Pension plan termination settlement charge ^(B)	0.36	0.36
Adjusted earnings per share	\$9.60	\$10.00

(A) We are unable to project derivative gains and losses on a forward-looking basis as these will vary each quarter based on market conditions and derivative positions taken. The change in unallocated derivative gains and losses in the table above reflects the net impact of the gains and losses that have been recognized in our GAAP results and excluded from non-GAAP results as of July 31, 2024, that are expected to be allocated to non-GAAP results in future periods.

(B) Represents a non-recurring pre-tax settlement charge related to the termination of one of the Company's U.S. defined benefit pension plans anticipated to be realized during fiscal year 2025 upon settlement of the pension obligations.

	Year Ending April 30, 2025
	(Dollars in millions)
Free cash flow reconciliation:	
Net cash provided by operating activities	\$1,325
Additions to property, plant, and equipment	(450)
Free cash flow	\$875

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SOURCE The J.M. Smucker Co.