



THE J.M. SMUCKER Co

NEWS RELEASE

# The J.M. Smucker Co. Divests Private Label Dry Pet Food Business as Part of Continued Portfolio Optimization

12/1/2021

ORRVILLE, Ohio, Dec. 1, 2021 /PRNewswire/ -- The J.M. Smucker Co. (NYSE: SJM) announced today it has sold its private label dry pet food business, including its manufacturing facility in Frontenac, Kansas, to Diamond Pet Foods, Inc., in a cash transaction valued at approximately \$33 million.

"This divestiture enables us to focus investments and resources on areas of our pet food and pet snacks business positioned for growth and profitability, including driving category growth in dog snacks, building upon our momentum in cat food—particularly with Meow Mix<sup>®</sup>, and stabilizing Nutrish<sup>®</sup> dog food by growing consumer demand," said Rob Ferguson, Sr. Vice President and General Manager, Pet Food and Pet Snacks, The J.M. Smucker Co.

The transaction does not include any branded products or the Company's private label wet pet food business. The divested business generated net sales of approximately \$95 million for the fiscal year ended April 30, 2021. The divestiture is immaterial to the Company's adjusted earnings per share on a full-year basis.

Smucker updated its full-year fiscal 2022 guidance to reflect the removal of divested net sales for the remainder of the fiscal year. Full-year net sales are now expected to range from down 1 percent to flat compared to the prior year, which incorporates the impact of the divested Crisco<sup>®</sup>, Natural Balance<sup>®</sup>, and private label dry pet food businesses. On a comparable basis, net sales are expected to increase approximately 4.5 percent at the mid-point

of the net sales guidance range. The Company maintains its adjusted earnings per share guidance range of \$8.35 to \$8.75 and free cash flow guidance of \$700 million.

## 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 impact of the COVID-19 pandemic on the Company's business, industry, suppliers, customers, consumers, employees, and communities, particularly with respect to the Company's Away From Home business; disruptions or inefficiencies in the Company's operations or supply chain, including any impact of the COVID-19 pandemic and labor shortages resulting from, among other things, the implementation of vaccination requirements; volatility of commodity, energy, and other input costs; 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, including any impact of the COVID-19 pandemic; 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, dividend payments, and share repurchases; 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 impact of food security concerns involving either the Company's products or its competitors' products; the impact of accidents, extreme weather, natural disasters, and pandemics (such as COVID-19); the concentration of certain of the Company's businesses with key customers and suppliers, including single-source suppliers of certain key raw materials and finished goods, and the 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, including tariffs and COVID-19 vaccination requirements; the outcome of tax examinations, changes in tax laws, and other tax matters; 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.

Each generation of consumers leaves their mark on culture by establishing new expectations for food and the companies that make it. At The J.M. Smucker Co., it is our privilege to be at the heart of this dynamic with a diverse portfolio that appeals to each generation of people and pets and is found in nearly 90 percent of U.S. homes and countless restaurants. This includes a mix of iconic brands consumers have always loved such as Folgers®, Jif® and Milk-Bone® and new favorites like Café Bustelo®, Smucker's® Uncrustables® and Rachael Ray® Nutrish®. By continuing to immerse ourselves in consumer preferences and acting responsibly, we will continue growing our business and the positive impact we have on society. For more information, please visit [jmsmucker.com](http://jmsmucker.com).

The J.M. Smucker Co. is the owner of all trademarks referenced herein except for Rachael Ray®, a registered trademark of Ray Marks II LLC, which is used under license.

## Non-GAAP Financial Measures

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

Non-GAAP 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; divestiture, acquisition, integration, and restructuring costs ("special project costs"); gains and losses related to the sale of a business; 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 one-time 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.

The following tables provide a reconciliation of the Company's fiscal 2022 guidance for estimated adjusted earnings per share and free cash flow.

---

	Year Ending April 30, 2022	
	Low	High
Net income per common share – assuming dilution reconciliation:		
Net income per common share – assuming dilution	\$6.06	\$6.46
Change in net cumulative unallocated derivative gains and losses <sup>(A)</sup>	0.43	0.43
Amortization	1.54	1.54
Special project costs	0.18	0.18
Loss on divestiture <sup>(B)</sup>	0.11	0.11
Adjusted effective income tax rate impact	0.03	0.03
Adjusted earnings per share	\$8.35	\$8.75

---

(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 October 31, 2021, adjusted for the gains and losses expected to be allocated to non-GAAP results for the year ended April 30, 2022.

(B) The loss on divestiture is based on the expected proceeds, adjusted for the estimated carrying value of the net assets, and the estimated costs to sell, at the closing date.

---

	Year Ending
	April 30, 2022
	(Dollars in millions)
Free cash flow reconciliation:	
Net cash provided by operating activities	\$1,100
Additions to property, plant, and equipment	(400)
Free cash flow	\$700

SOURCE The J.M. Smucker Co.