The J.M. Smucker Company

2017 Barclays Global Consumer Staples Conference









Tuesday, September 5, 2017

Strategy & Business Update

Mark Smucker
President and Chief Executive Officer

Financial Update

Mark Belgya
Vice Chair and Chief Financial Officer

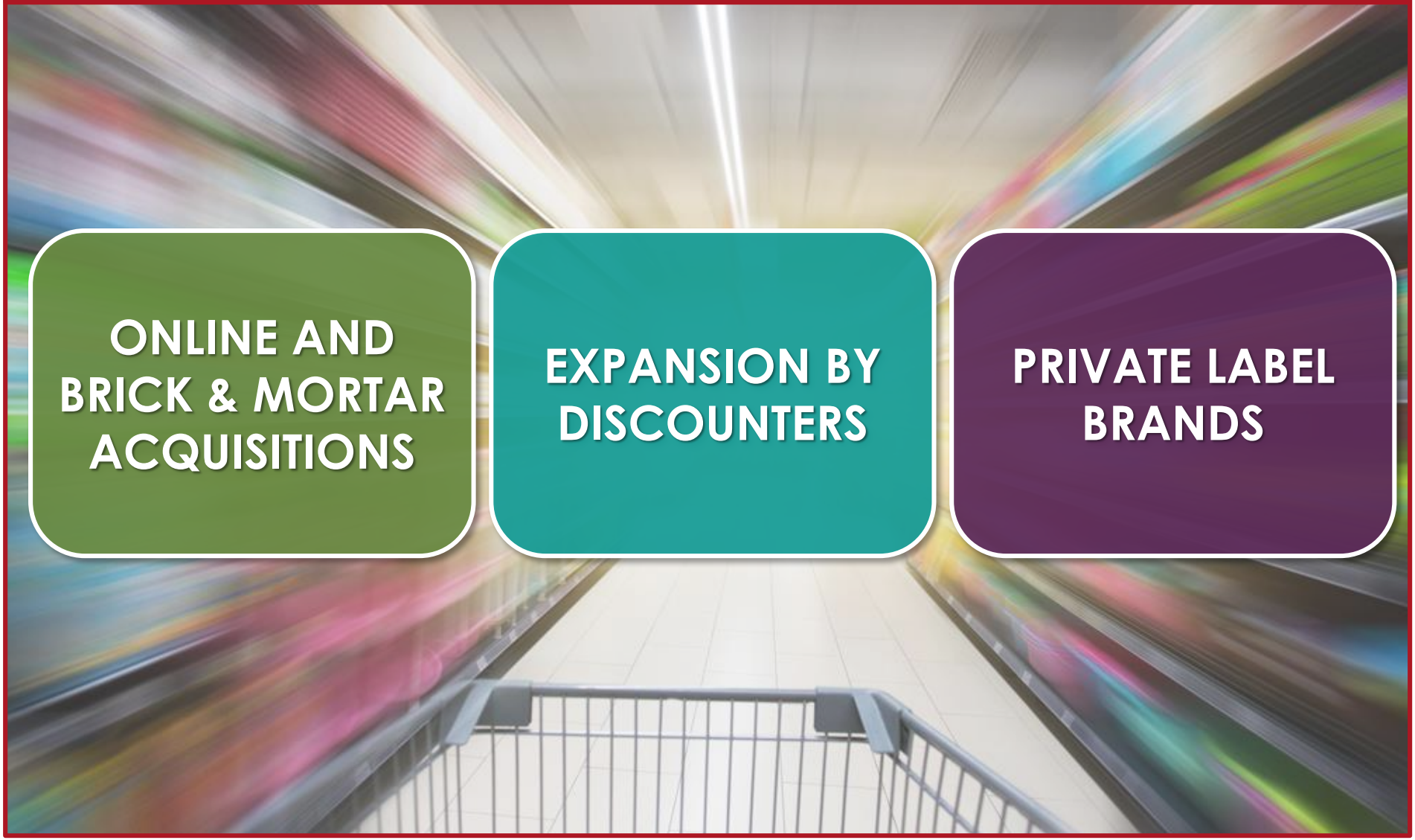
Key Themes

- PARTICIPATE IN EXCELLENT CATEGORIES
- STRONG PORTFOLIO OF BRANDS
- ROBUST INNOVATION PIPELINE
- ENHANCED CAPABILITIES

Delivering on Financial Priorities



The Retail Environment is Rapidly Evolving



The Retail Environment is Rapidly Evolving



We will continue to **GROW** by **EVOLVING** with the changing needs of **CONSUMERS** and **CUSTOMERS**

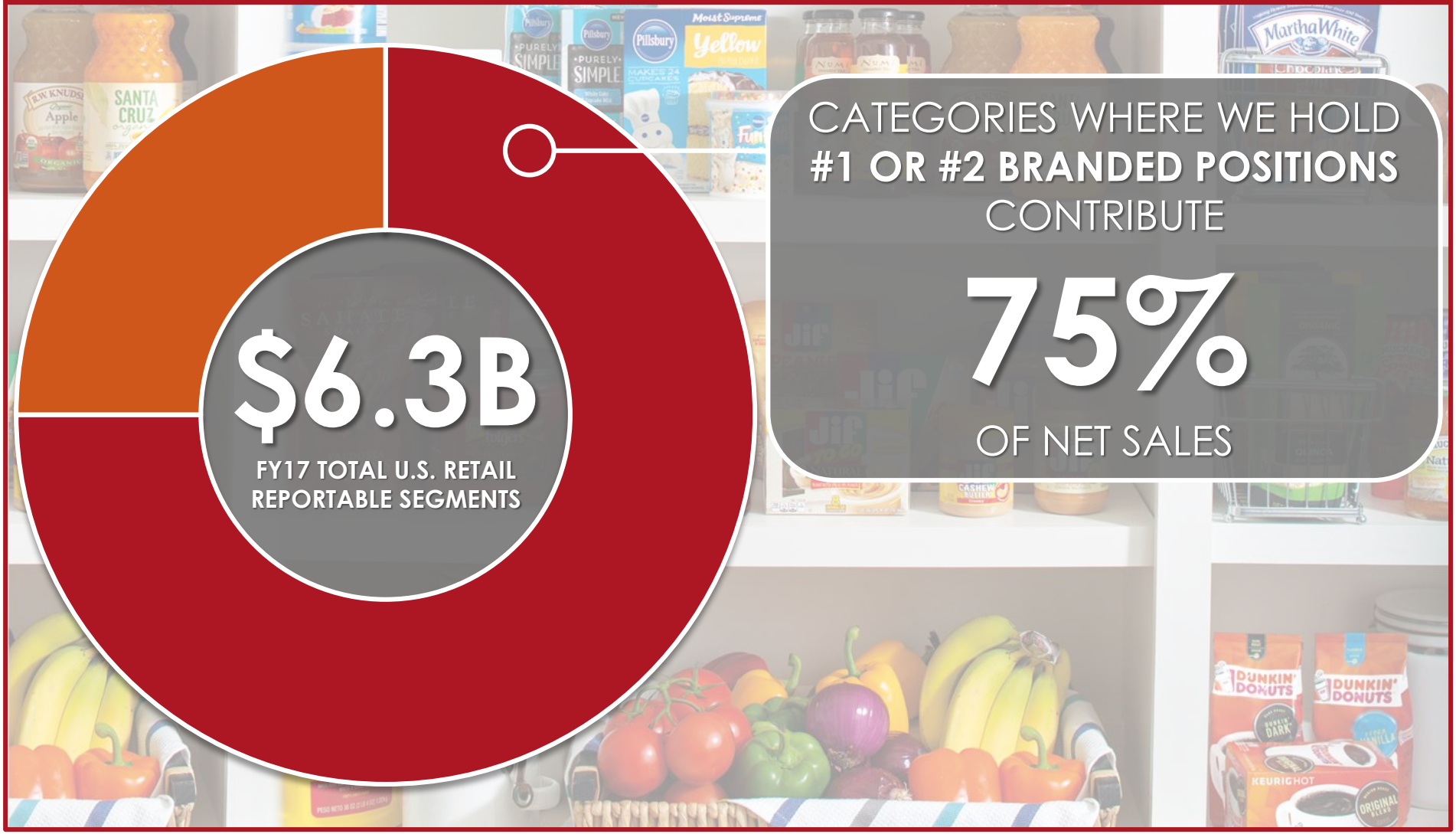
Strong Brand Presence



93% OF **ALL U.S. HOUSEHOLDS** HAVE AT LEAST **ONE OF OUR PRODUCTS**

Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 6, 2017

A Portfolio of Leading Brands



Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 6, 2017

Evolving Consumer Landscape





We have made investments to expand our insights into **CONSUMER PREFERENCES**





Consumers Expect a Lot From Food



Trends Are Driving Consumer Choices



History of Transformation



Strategic Roadmap



Strategic Roadmap



Near-Term Innovation

INNOVATION

Capitalizing on **KEY CONSUMER TRENDS**



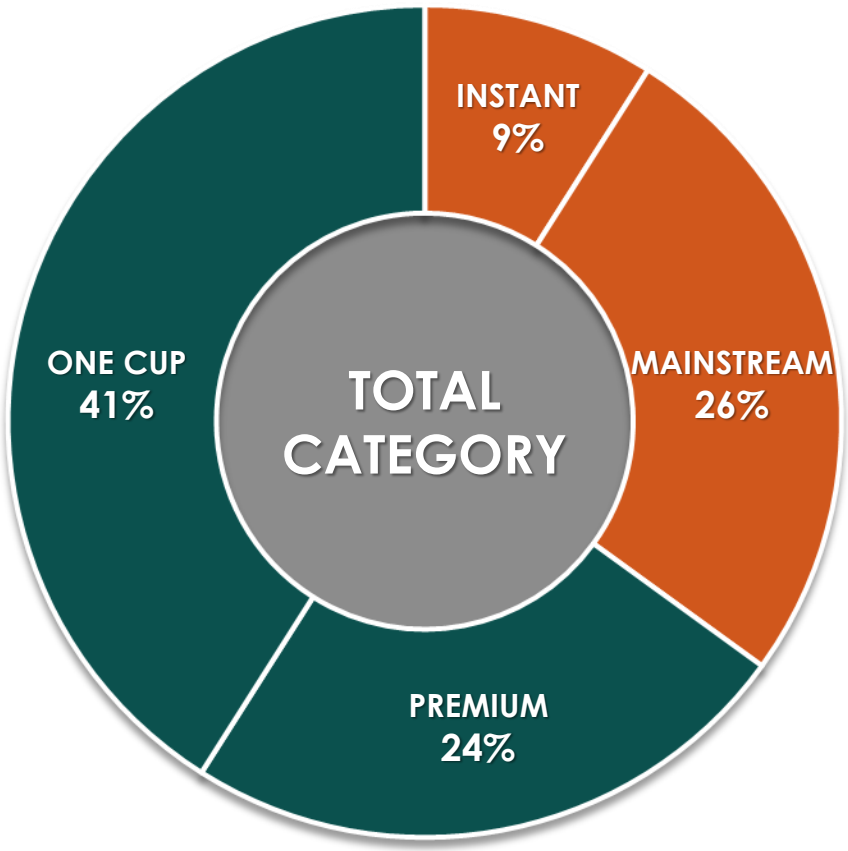
Upcoming Platform Launches

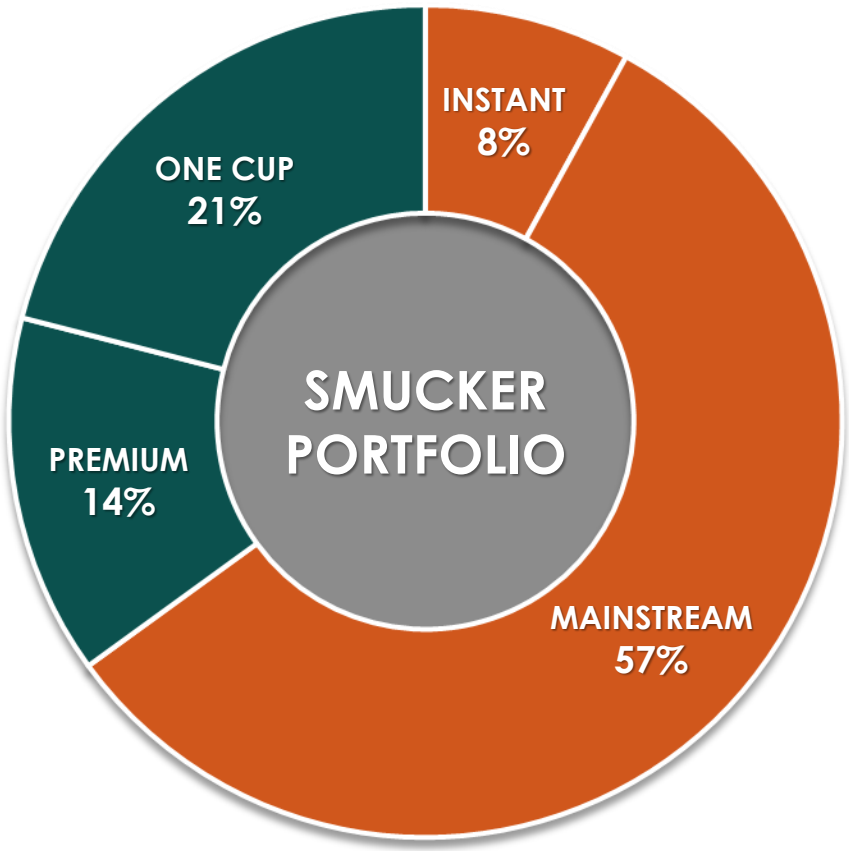
INNOVATION

COFFEE	CONSUMER	PET
Folgers®	JIF®	LOVED SINCE 1908 MILK-BONE™

Extending the reach of our **ICONIC BRANDS**

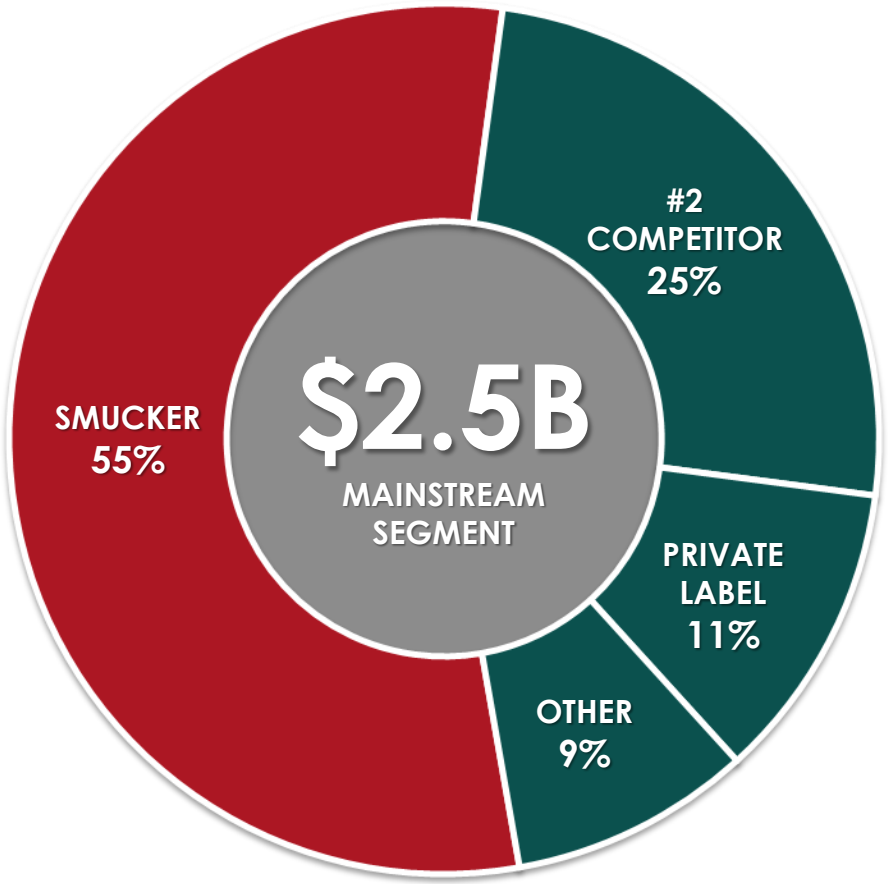
At-Home Coffee Category





Source: For category, Smucker Internal Multi-Outlet Share Report 52 weeks ended August 6, 2017; For Smucker, FY17 U.S. Retail Coffee Net Sales

Mainstream Coffee Segment



Leveraging our **SCALE**, **SUPERIOR SUPPLY CHAIN**, and **RETAIL PROGRAMS** to maintain our position

Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 6, 2017

Growth Potential with *Café Bustelo*®

INNOVATION

TTM NET SALES
$140M

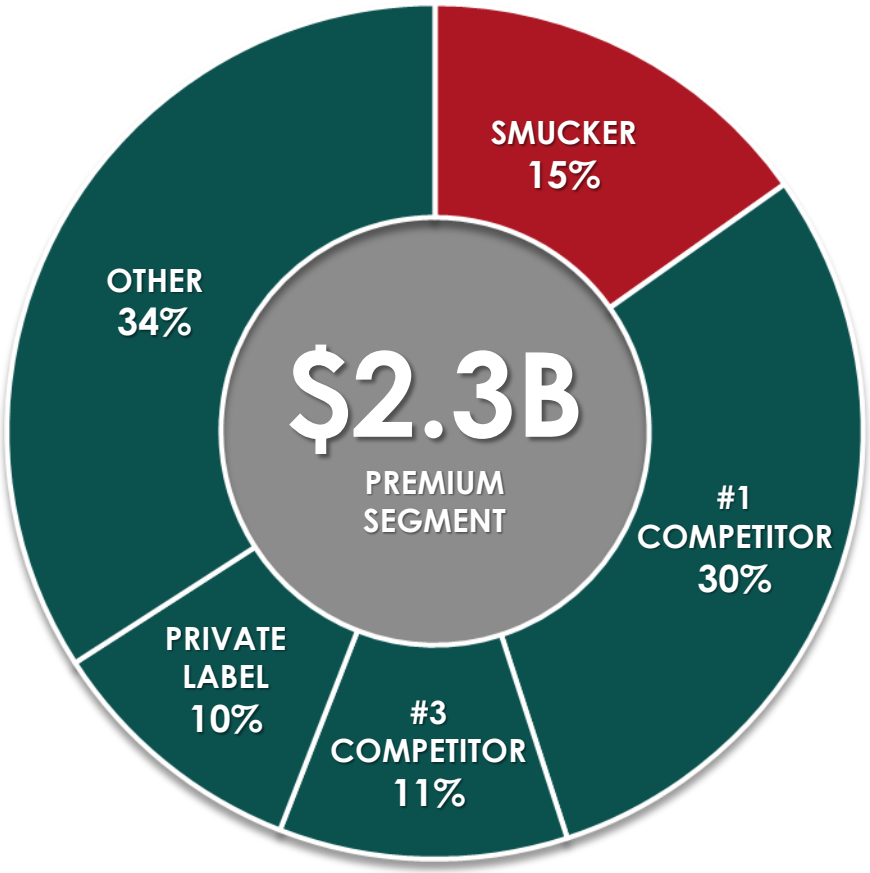
DOUBLE-DIGIT SALES GROWTH in the past year

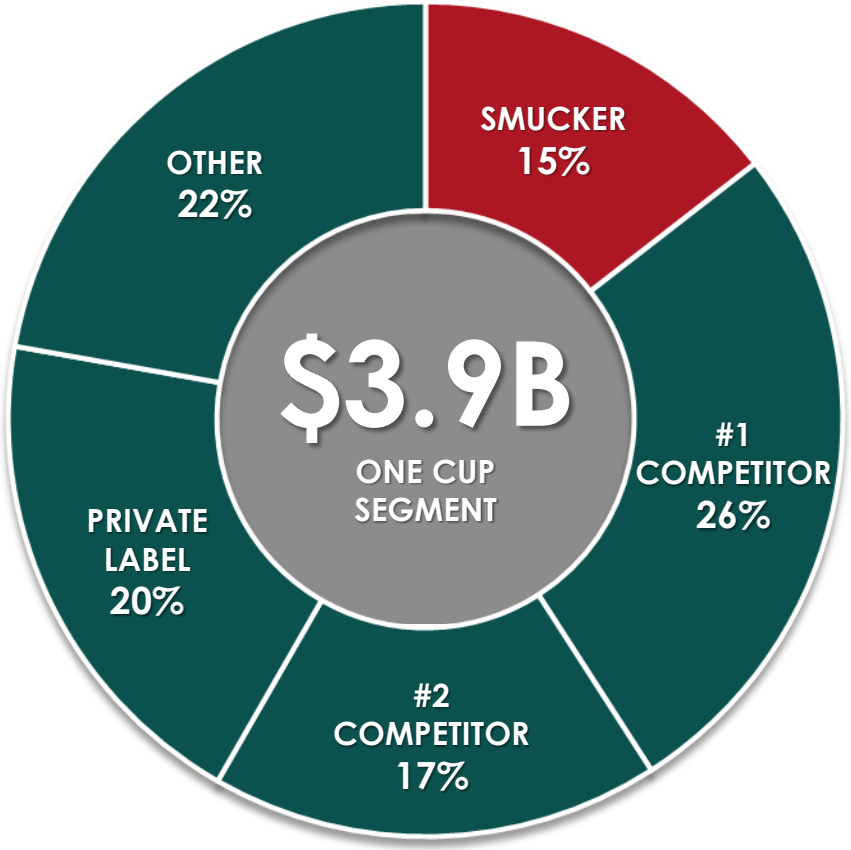
4% SHARE of mainstream segment



Note: Net sales represents brand sales Company-wide; Share source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 6, 2017

Premium and One Cup Segments





Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 6, 2017

Dunkin' Donuts® Premium Coffee

INNOVATION

TTM NET SALES
$500M+

#1
BAGGED COFFEE SKU

#1
K-CUP® PODS SKU



Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 6, 2017

Building on the *Folgers*® Heritage

INNOVATION

Adding **NEW PLATFORM** in Q4 FY18



New *K-Cup*® Agreement

INNOVATION

Focused on **GROWING OUR SHARE** of the one cup market



Building Our Snacking Portfolio



INSIGHT-SUPPORTED snacking strategy focused on:

CONVENIENCE | **ON-THE-GO** | **LOW-PREP**

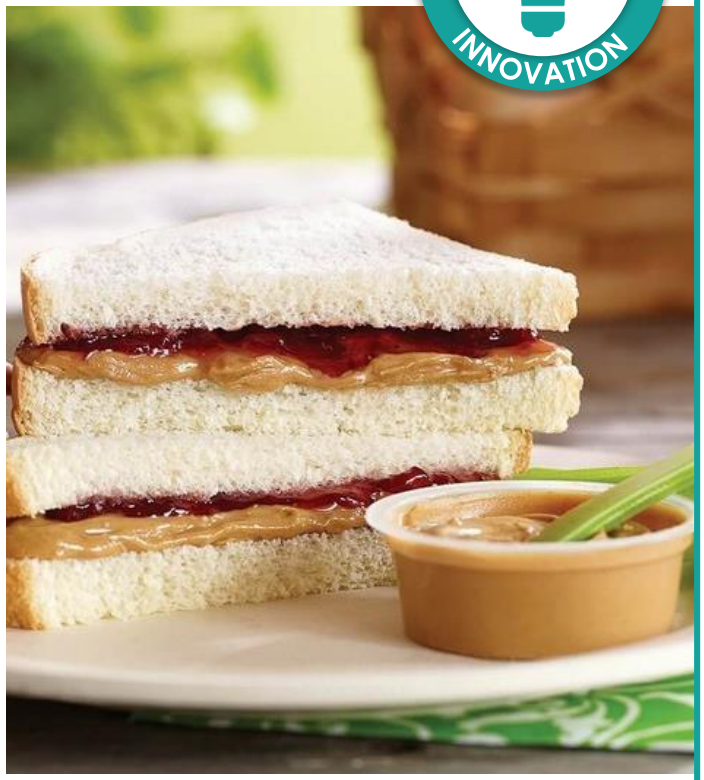
Jif® Snacking

INNOVATION













COMING SOON!

NEW SNACKING PLATFORM
launching Q1 FY19

Leader in Dog Snacks

INNOVATION

#1 IN TOTAL CATEGORY

37%

SHARE

#1 IN DOG BISCUITS

63%

SHARE

#1 IN SOFT & CHEWY SNACKS

50%

SHARE



Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 6, 2017

Capitalizing on the Equity of *Milk-Bone*®

INNOVATION

NEW PREMIUM BISCUITS

Milk-Bone® Farmer's Medley™

NEW LOW-CALORIE SNACK

Milk-Bone® Puffs







New Pet R&D Facility



Strategic Roadmap



Nature's Recipe® Distribution Expansion

INVESTMENTS

NET SALES UP

32%

Q1 FY18



Nature's Recipe® Marketing Campaign

INVESTMENTS



LARGEST MARKETING CAMPAIGN in Company history is driving **BRAND AWARENESS** and **REPEAT PURCHASES**

Jif® Launch in Canada



4% SHARE of $270M Canadian peanut butter market

Source: Smucker Internal Multi-Outlet Share Report 12 weeks ended June 24, 2017

U.S. Olympic Team Sponsor



Accelerating E-Commerce

INVESTMENTS



5% Projected FY20 Net Sales from **E-COMMERCE**

Accelerating E-Commerce

INVESTMENTS



First quarter e-commerce sales for **PET GREW 85%** while **COFFEE SALES** more than **DOUBLED**

Accelerating E-Commerce

INVESTMENTS



Focused on increasing our share of market by:

TRANSFORMING CAPABILITIES

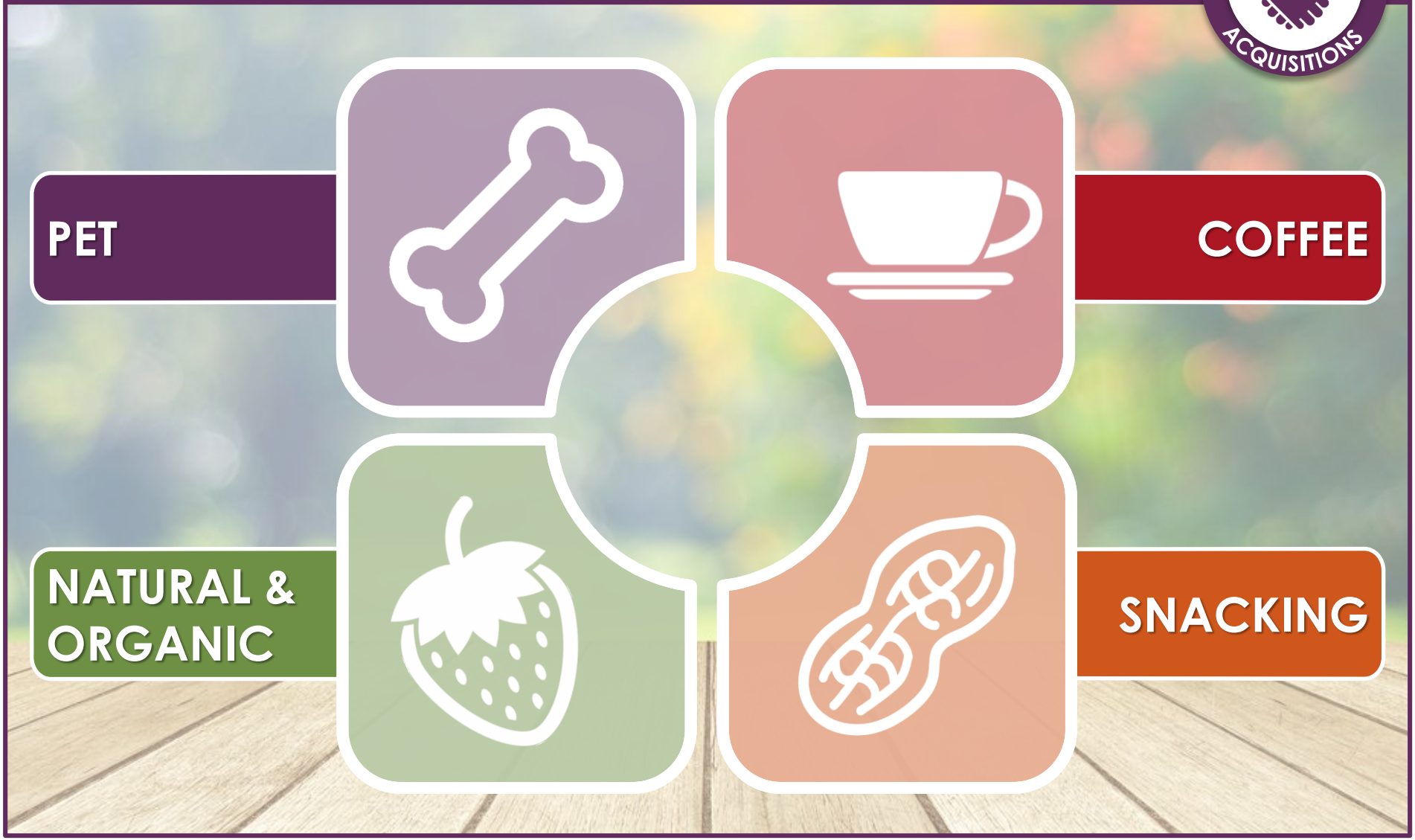
LEVERAGING OUR SCALE

CAPITALIZING ON RELATIONSHIPS

Strategic Roadmap



Areas of M&A Interest



Strategic Roadmap



Fiscal 2018 Cost Reduction Target



$140M

FY18 INCREMENTAL COST SAVINGS TARGET

$100M	$40M
COST MANAGEMENT PROGRAM	PET FOOD ACQUISITION SYNERGIES

Summary


PARTICIPATE IN EXCELLENT CATEGORIES
STRONG PORTFOLIO OF BRANDS
TOP-LINE GROWTH
COST SAVINGS
EPS GROWTH
ROBUST INNOVATION PIPELINE
ENHANCED CAPABILITIES

Financial Update

Mark Belgya
Vice Chair and Chief Financial Officer

- **FIRST QUARTER RESULTS**
- **FULL-YEAR OUTLOOK**
- **CASH DEPLOYMENT AND DEBT**

First Quarter Fiscal 2018 Results

($ in millions, except per share data)	FY18 Q1	YoY CHANGE
Net Sales	$1,749	(4%)
Adjusted Gross Profit	$650	(10%)
Adjusted Operating Income	$301	(17%)
Adjusted EPS	$1.51	(19%)

Full-Year Fiscal 2018 Outlook

	CURRENT	PREVIOUS
Adjusted EPS	$7.75 - $7.95	$7.85 - $8.05
Free Cash Flow	$775M	$775M
Capital Expenditures	$310M	$310M
Effective Tax Rate	32.5% - 33.0%	32.5% - 33.0%

Net sales are expected to be down slightly compared to the prior year.

Note: Outlook excludes any potential impact from the previously announced agreement to acquire the Wesson® brand

U.S. Retail Coffee – Fiscal 2018

KEY DRIVERS OF PROJECTED 2H IMPROVEMENT	
R&G Volume	Pricing and merchandising activities
Folgers® K-Cups®	Improved economics beginning in Q3
New Coffee Products	Launch in Q4
Green Coffee Costs	Sequentially lower throughout year
Harahan Coffee Facility	Cost savings from closure in December 2017

Full-Year Fiscal 2018 Outlook

SEGMENT	NET SALES	SEGMENT PROFIT
U.S. Retail Coffee	Flat	- LSD

- Improved volume trends for R&G, accelerated performance of *Folgers*® *K-Cups*®, and initial contribution of new coffee products
- Lower segment profit reflects increased marketing expense and unfavorable price-to-cost relationship for much of the fiscal year
- Project FY18 segment profit margin to be 31% - 32%

Full-Year Fiscal 2018 Outlook

SEGMENT	NET SALES	SEGMENT PROFIT
U.S. Retail Consumer Foods	- LSD	+ HSD

- Net sales trend improves sequentially through the year
- Segment margin improvement driven by effective management of supply chain costs and execution of pricing strategies

Full-Year Fiscal 2018 Outlook

SEGMENT	NET SALES	SEGMENT PROFIT
U.S. Retail Pet Foods	- LSD	- MSD

- Net sales decrease primarily due to pet snacks and cat food
- Lower segment profit reflects increased marketing expense and unfavorable price-to-cost relationship
- Project FY18 segment profit margin to be in low 20% range

Full-Year Fiscal 2018 Outlook

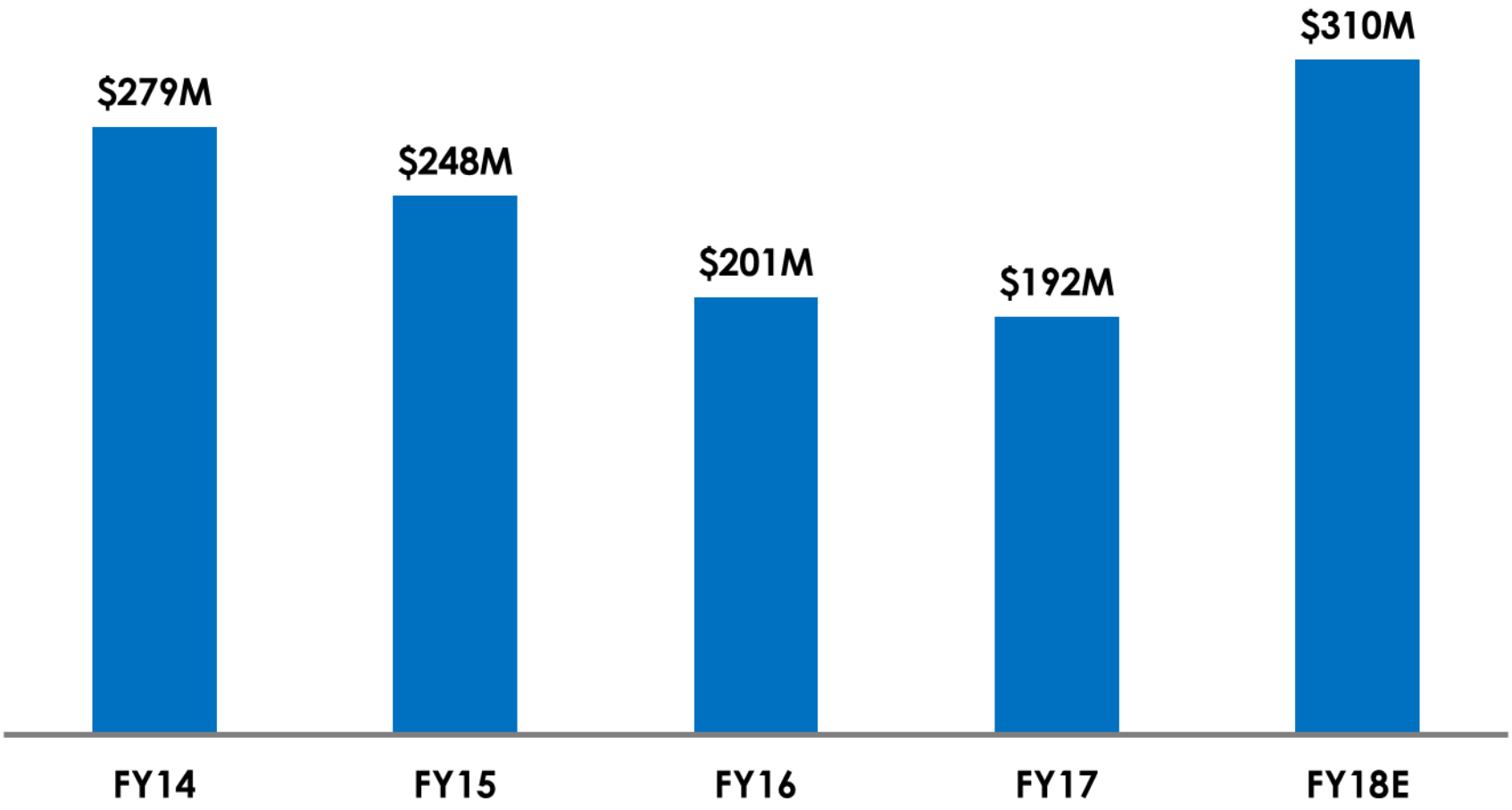
SEGMENT	NET SALES	SEGMENT PROFIT
International & Away From Home	+ MSD	Flat

- Project consistent sales trends across each quarter
- Operating income and gain on sale from divested China business included in prior year segment profit

Full-Year Fiscal 2018 Outlook

SEGMENT	NET SALES	SEGMENT PROFIT
U.S. Retail Coffee	Flat	- LSD
U.S. Retail Consumer Foods	- LSD	+ HSD
U.S. Retail Pet Foods	- LSD	- MSD
International & Away From Home	+ MSD	Flat

Capital Expenditures



New *Smucker's*® *Uncrustables*® Facility



LONGMONT, COLORADO

PLANNED COMPLETION: FISCAL 2020

Smucker's® Uncrustables®

5-YEAR
NET SALES CAGR
12%

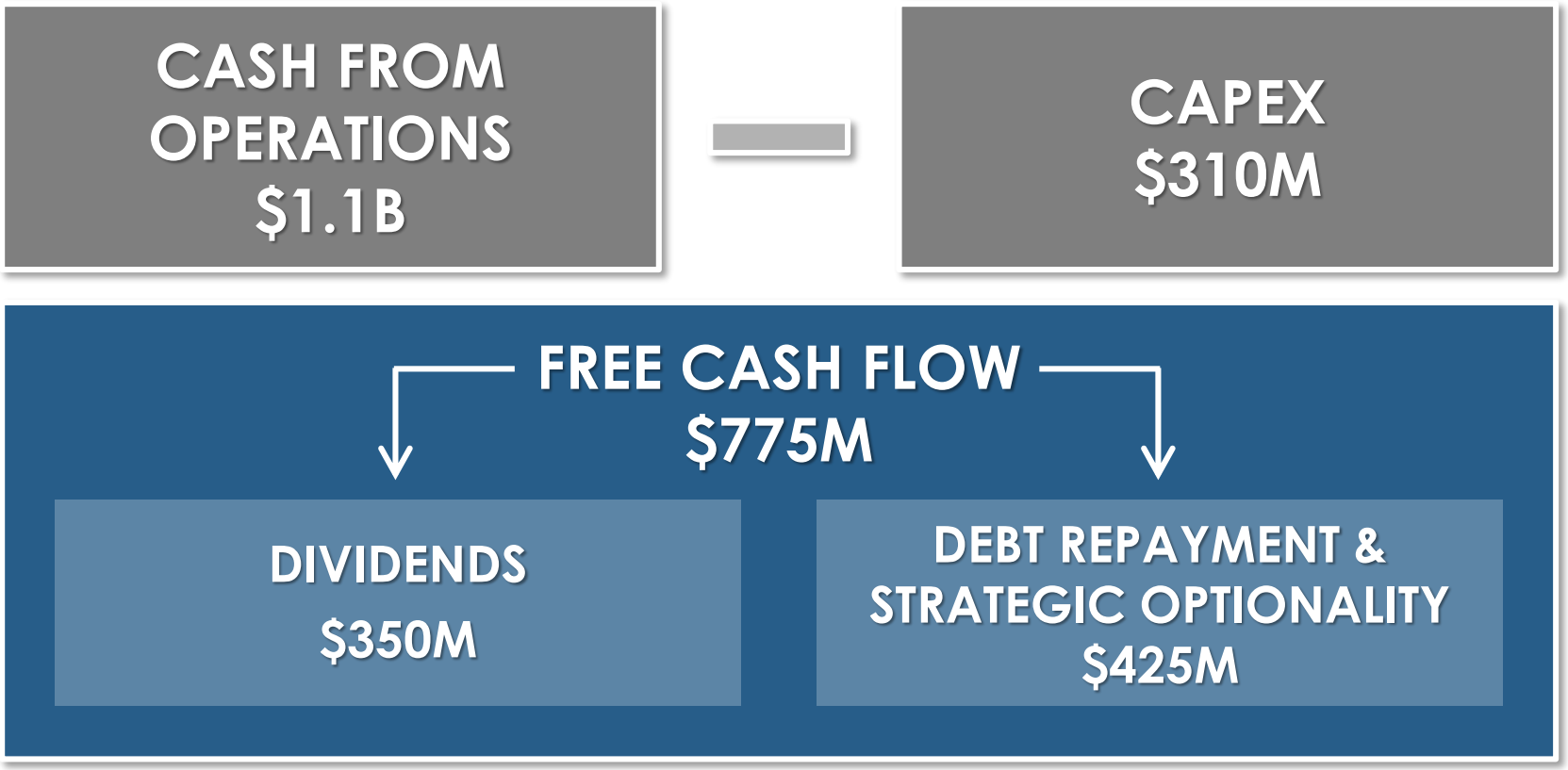
TTM NET SALES
$225M

FY22E NET SALES
$500M



Note: Represents brand sales Company-wide

Full-Year Fiscal 2018 Cash Deployment



Summary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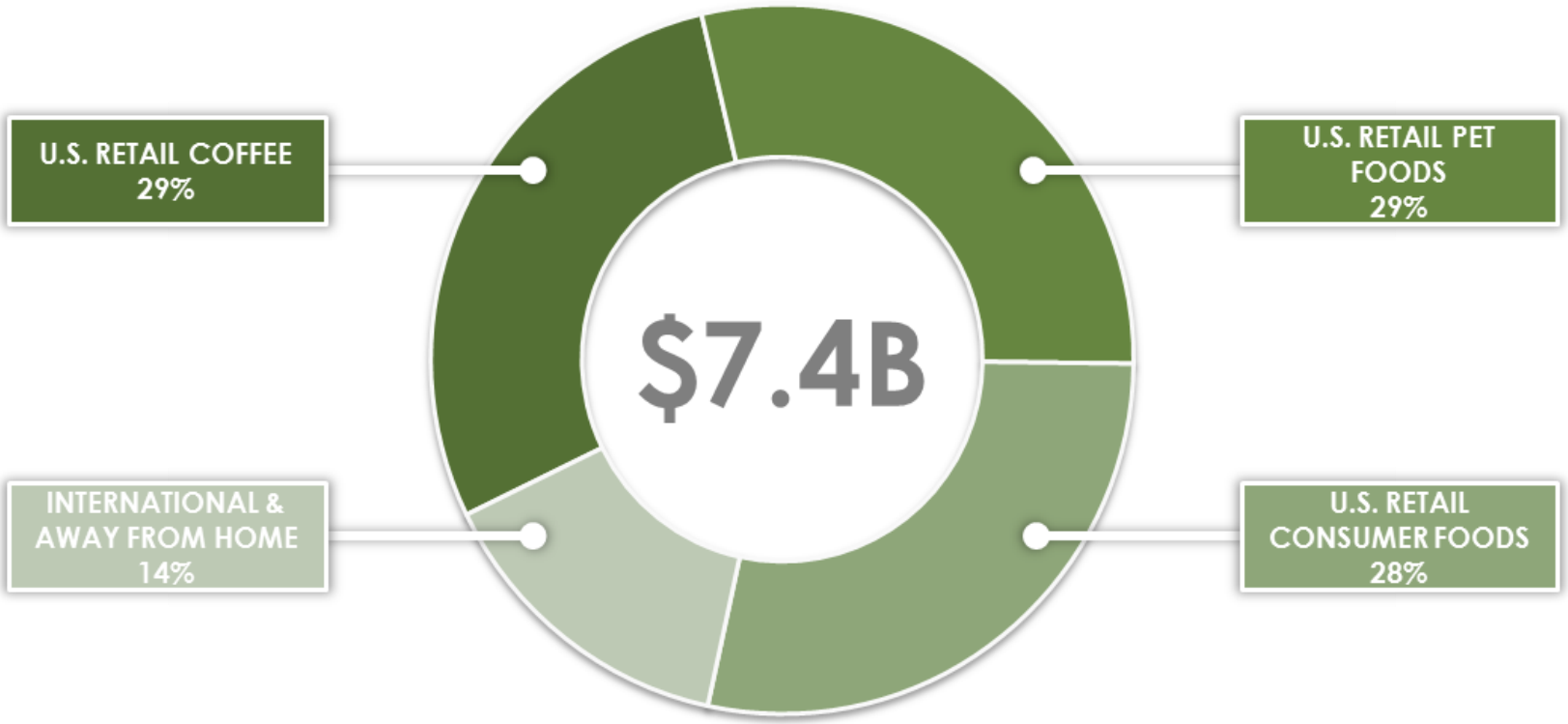
Supplemental Information

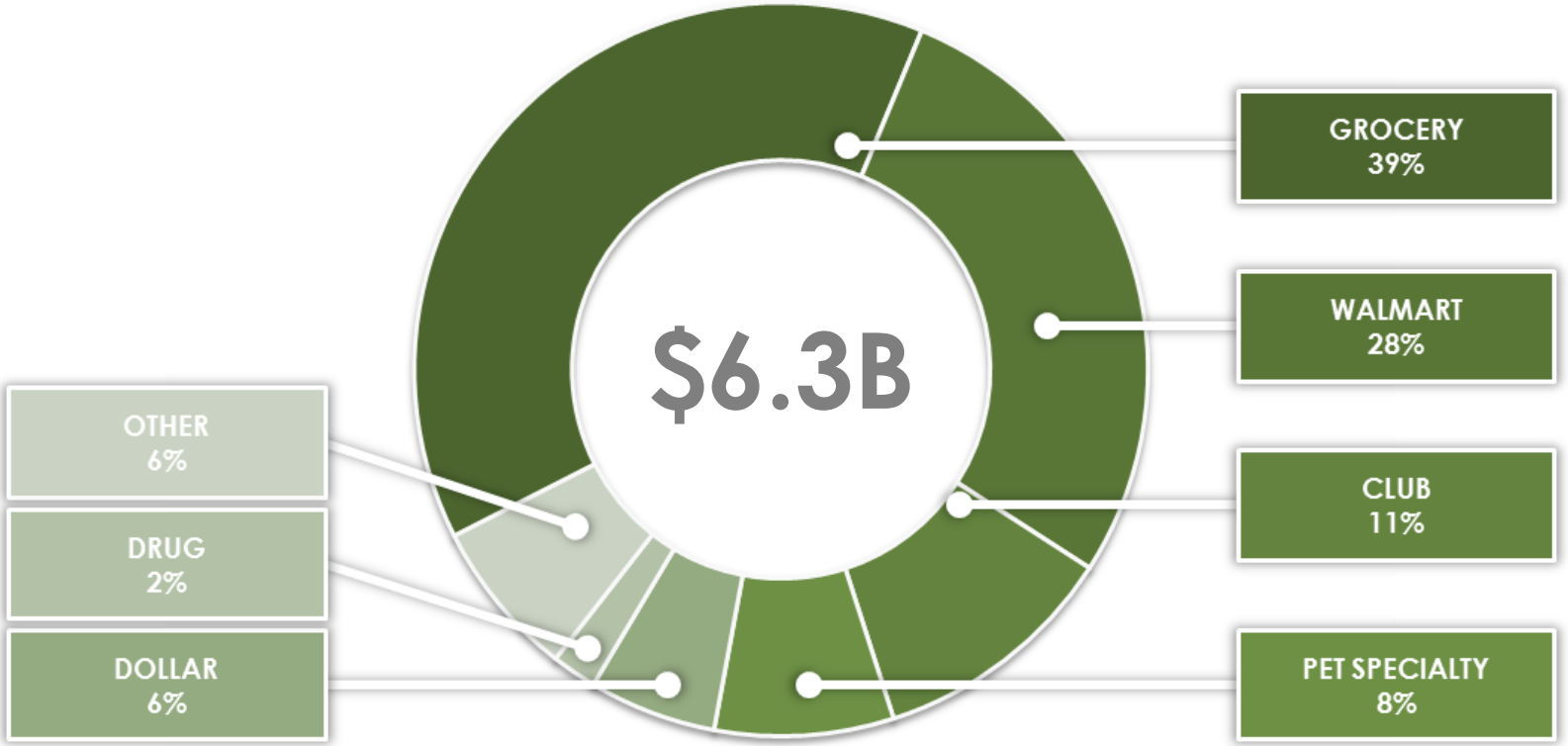
Total Company

Fiscal 2017 Net Sales by Reportable Segment



U.S. Retail Reportable Segments

Fiscal 2017 Net Sales by Channel



Note: Other includes Military, Mass Retail, Convenience, and E-commerce

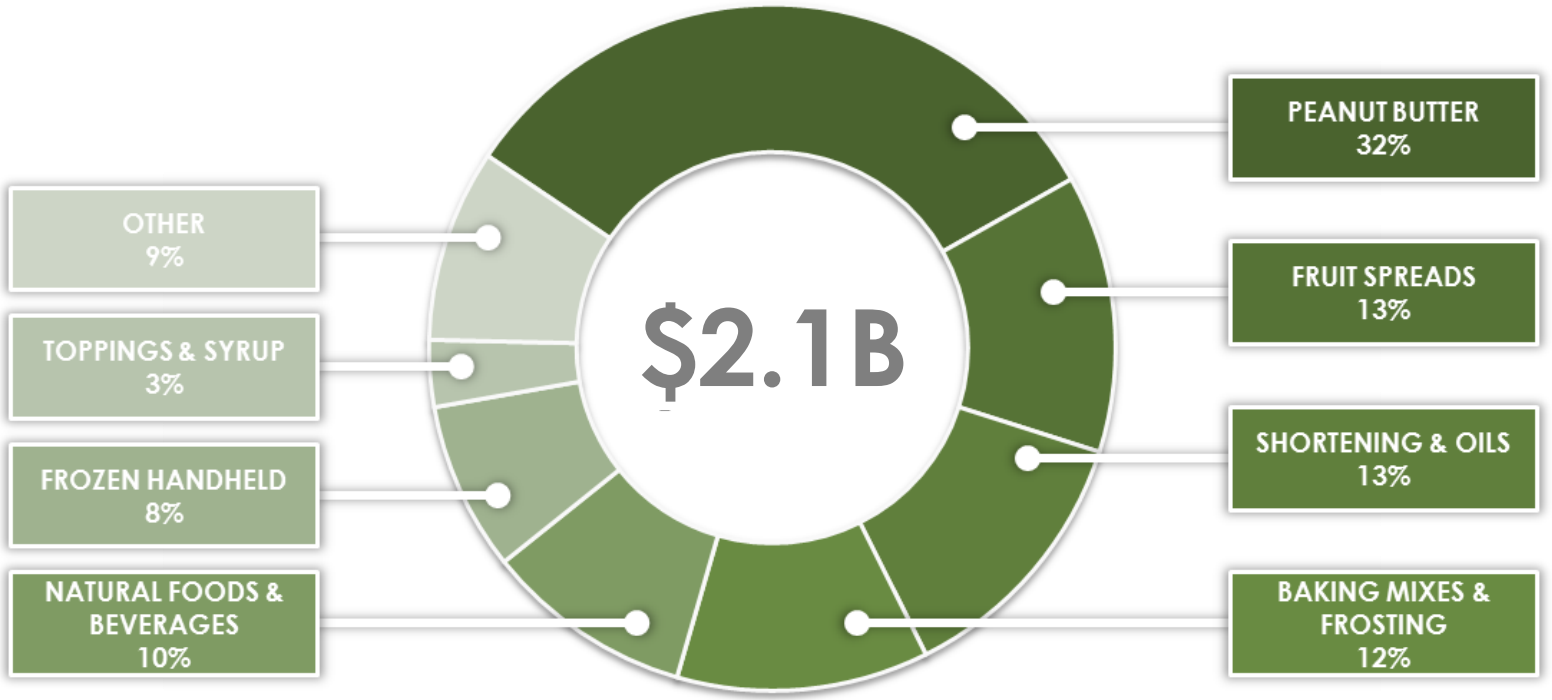
U.S. Retail Coffee Segment

Fiscal 2017 Net Sales



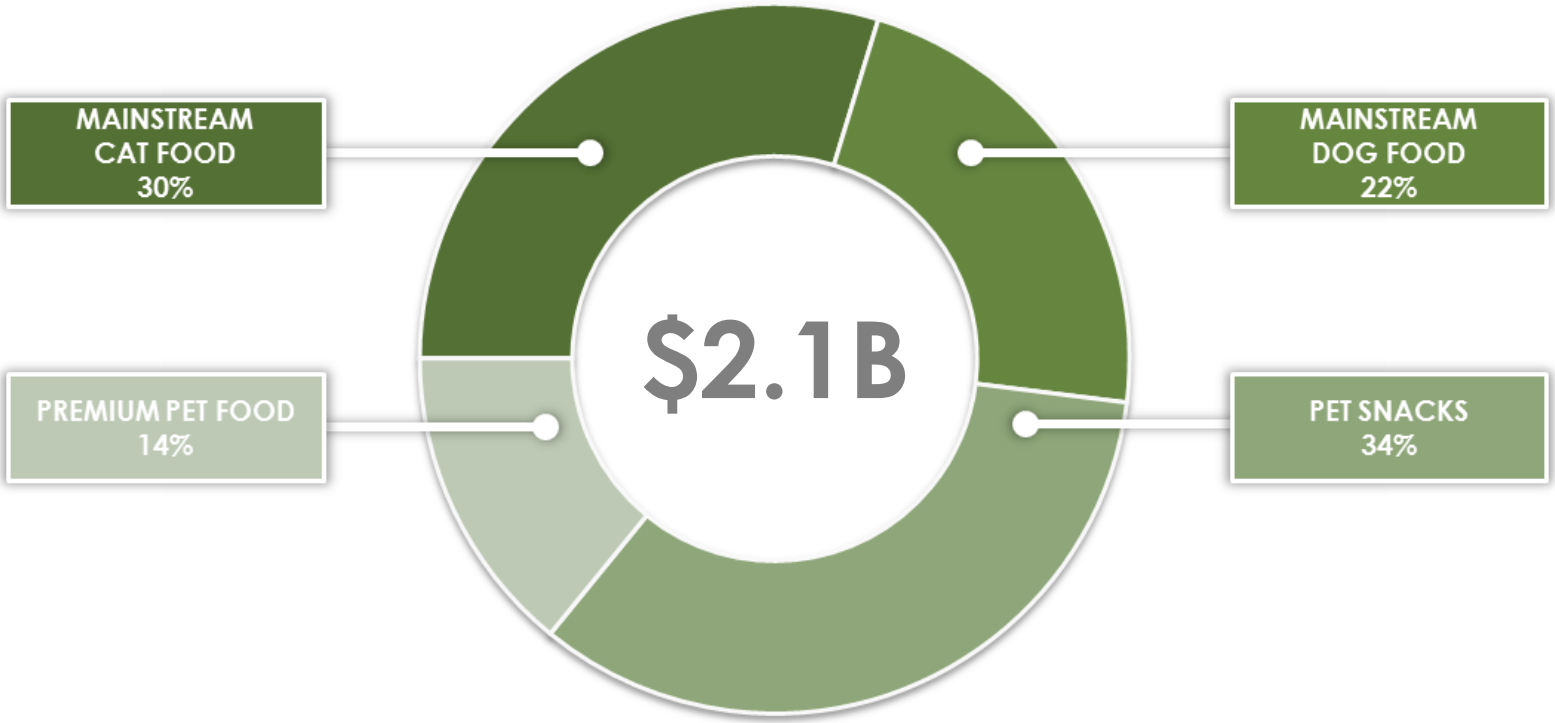
U.S. Retail Consumer Foods Segment

Fiscal 2017 Net Sales



U.S. Retail Pet Foods Segment

Fiscal 2017 Net Sales



International and Away From Home

Fiscal 2017 Net Sales



Forward-Looking Statements

This presentation 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 presentation, which could cause actual results to differ materially from those expressed, include: the ability to achieve synergies and cost savings related to the Big Heart Pet Brands acquisition and other programs in the amounts and within the time frames currently anticipated and to effectively manage the related integration and restructuring costs; the ability to satisfy the closing conditions for the Wesson® transaction, including receipt of required regulatory approvals, without unexpected delays or conditions; the ability to generate sufficient cash flow to meet the Company's deleveraging objectives; volatility of commodity, energy, and other input costs; risks associated with derivative and purchasing strategies employed to manage commodity pricing risks; the availability of reliable transportation on acceptable terms; 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 businesses, including the introduction of new products; 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 or its competitors' products; the impact of accidents, extreme weather, and natural disasters; 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 ability to manage and maintain key relationships; the timing and amount of capital expenditures and share repurchases; impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets or changes in useful lives of other intangible 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; foreign currency 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.

Non-GAAP Measures

The Company uses non-GAAP financial measures, including: net sales excluding foreign currency exchange; adjusted gross profit, operating income, income, and 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 these measures provide useful information to investors because they are the measures used to evaluate performance on a comparable year-over-year basis. Non-GAAP profit measures exclude certain items affecting comparability which include amortization expense and impairment charges related to intangible assets, and integration and restructuring costs ("special project costs"); and unallocated gains and losses on commodity and foreign currency exchange derivatives ("unallocated derivative gains and losses"). The special project costs relate to specific integration and restructuring projects, and the unallocated derivative gains and losses reflect the changes in fair value of the Company's commodity and foreign currency exchange contracts. These non-GAAP financial measures are not intended to replace the presentation of financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). Rather, the presentation of these non-GAAP financial measures supplements other metrics used by management to internally evaluate its businesses and facilitates 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 "Non-GAAP Reconciliation" tables. The Company has also provided a reconciliation of non-GAAP financial measures for its fiscal 2018 outlook. As the amount of unallocated derivative gains and losses varies depending on market conditions and levels of derivative transactions with respect to a particular fiscal year, it is not determinable on a forward-looking basis and no guidance has been provided.

Non-GAAP Reconciliation

($ in millions)	Three Months Ended July 31,	
	2017	2016
Gross profit reconciliation:		
Gross profit	$ 662.1	$ 722.7
Unallocated derivative losses (gains)	(12.6)	(7.7)
Cost of products sold – special project costs	0.7	4.0
Adjusted gross profit	$ 650.2	$ 719.0
Operating income reconciliation:		
Operating income	$ 233.8	$ 293.8
Amortization	51.5	51.7
Unallocated derivative losses (gains)	(12.6)	(7.7)
Cost of products sold – special project costs	0.7	4.0
Other special project costs	27.1	22.2
Adjusted operating income	$ 300.5	$ 364.0

Non-GAAP Reconciliation

($ in millions, except per share data)	Three Months Ended July 31, 2017	2016
Net income reconciliation:		
Net income	$ 126.8	$ 170.0
Income taxes	62.2	83.4
Amortization	51.5	51.7
Unallocated derivative losses (gains)	(12.6)	(7.7)
Cost of products sold – special project costs	0.7	4.0
Other special project costs	27.1	22.2
Adjusted income before income taxes	$ 255.7	$ 323.6
Income taxes, as adjusted	84.1	106.4
Adjusted income	$ 171.6	$ 217.2
Weighted-average common shares outstanding	112,923,482	115,805,073
Weighted-average participating shares outstanding	581,019	529,367
Total weighted-average shares outstanding	113,504,501	116,334,440
Dilutive effect of stock options	48,794	141,056
Total weighted-average shares outstanding – assuming dilution	113,553,295	116,475,496
Adjusted earnings per share	$ 1.51	$ 1.86

Non-GAAP Reconciliation

Company Guidance

($ in millions, except per share data)	Year Ending April 30, 2018	
	Low	High
Net income per common share – assuming dilution reconciliation:		
Net income per common share – assuming dilution	$ 6.19	$ 6.39
Special project costs	0.38	0.38
Amortization	1.18	1.18
Adjusted earnings per share	$ 7.75	$ 7.95
Free cash flow reconciliation:		
Net cash provided by operating activities	$ 1,085	
Additions to property, plant, and equipment	(310)	
Free cash flow	$ 775	

Additional Information

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