The J.M. Smucker Company

CONSUMER ANALYST GROUP OF NEW YORK CONFERENCE








February 21, 2018

Strategy and Business Update

Mark Smucker
President and Chief Executive Officer

Financial Update

Mark Belgya
Vice Chair and Chief Financial Officer

Forward-Looking Statements



This presentation contains forward-looking statements, such as projected net sales, operating results, earnings, and cash flows, that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from any future results, performance, or achievements expressed or implied by those forward-looking statements. Users should understand that the risks, uncertainties, factors, and assumptions listed and discussed in this presentation could affect the future results of the Company and could cause actual results to differ materially from those expressed in the forward-looking statements.

Users are cautioned not to unduly rely on such forward-looking statements, which speak only as of the date made, when evaluating the information presented in this presentation. The Company does not undertake any obligation to update or revise these forward-looking statements to reflect new events or circumstances.

Our Long-Term Financial Priorities

TOP-LINE GROWTH

COST SAVINGS

EPS GROWTH



Progress on Our Strategic Roadmap

CAPITALIZED ON KEY BRANDS

ACCELERATED INNOVATION

ENHANCED CAPABILITIES

ACHIEVED SYNERGIES

COST SAVINGS PROGRAMS

STRONG SALES GROWTH
(FY18 YTD)

Nature's Recipe +39%	Smucker's Uncrustables +14%
Dunkin' Donuts +12%	Café Bustelo +15%

Progress on Our Strategic Roadmap

- CAPITALIZED ON KEY BRANDS
- **ACCELERATED INNOVATION**
- ENHANCED CAPABILITIES
- ACHIEVED SYNERGIES
- COST SAVINGS PROGRAMS

NEW PRODUCT LAUNCHES



Progress on Our Strategic Roadmap

- CAPITALIZED ON KEY BRANDS
- ACCELERATED INNOVATION
- **ENHANCED CAPABILITIES**
- ACHIEVED SYNERGIES
- COST SAVINGS PROGRAMS

E-COMMERCE SALES UP 78%
(FY18 YTD)



Progress on Our Strategic Roadmap

- CAPITALIZED ON KEY BRANDS
- ACCELERATED INNOVATION
- ENHANCED CAPABILITIES
- **ACHIEVED SYNERGIES**
- COST SAVINGS PROGRAMS

$200M ACQUISITION SYNERGIES



Progress on Our Strategic Roadmap

- CAPITALIZED ON KEY BRANDS
- ACCELERATED INNOVATION
- ENHANCED CAPABILITIES
- ACHIEVED SYNERGIES
- **COST SAVINGS PROGRAMS**

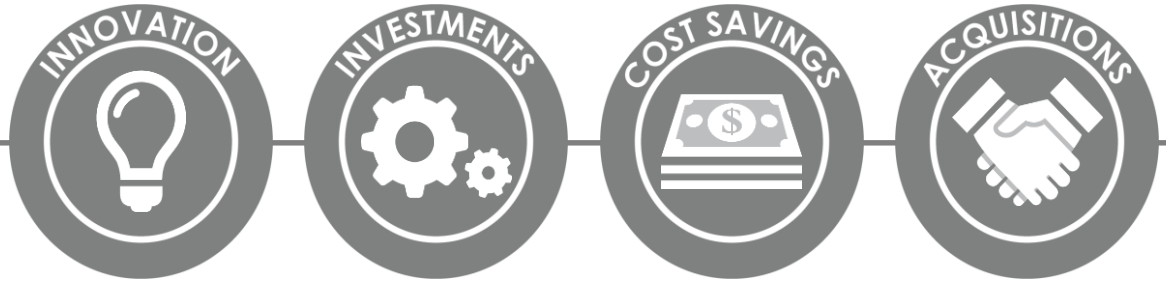
K-CUP® AGREEMENT & ZERO-BASED BUDGETING





RIGHT SPEND

Today's Key Themes



EXCELLENT CATEGORIES

ICONIC & EMERGING BRANDS

ROBUST INNOVATION

TAX & COST SAVINGS

Our Leading Brands



#1 IN FRUIT SPREADS

43

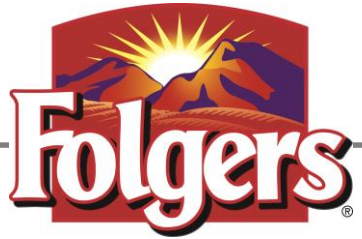
DOLLAR SHARE



#1 IN PEANUT BUTTER

46

DOLLAR SHARE



#1 IN COFFEE

26

DOLLAR SHARE



#1 IN DOG SNACKS

36

DOLLAR SHARE

Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended January 28, 2018
Note: Dollar share represents total Company share across all brands in respective category

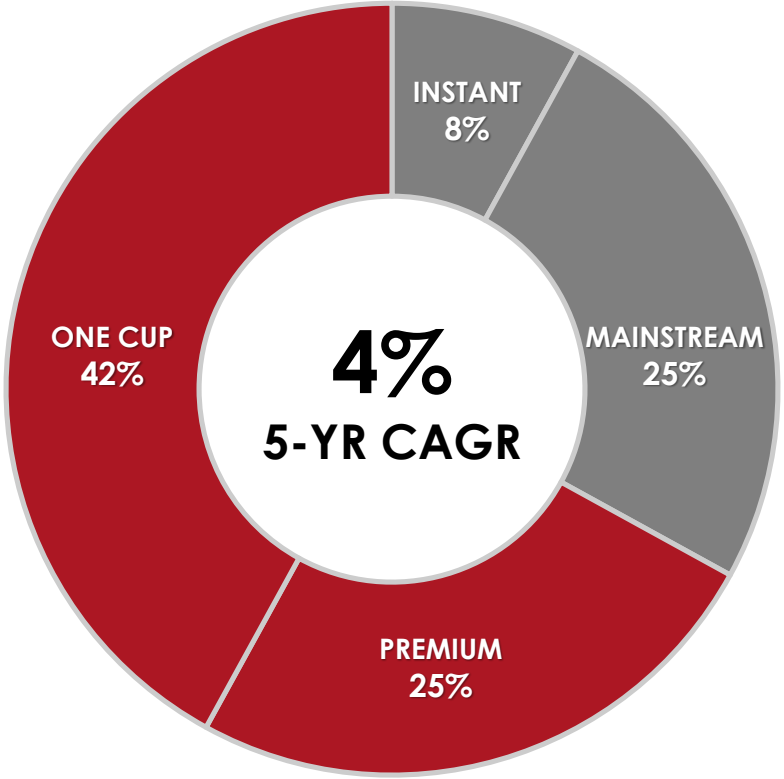
Strategy for Growth

COFFEE **PET FOOD** **SNACKS**

A portfolio that combines **#1 and leading brands** with **emerging**, **on-trend brands** to drive balanced growth

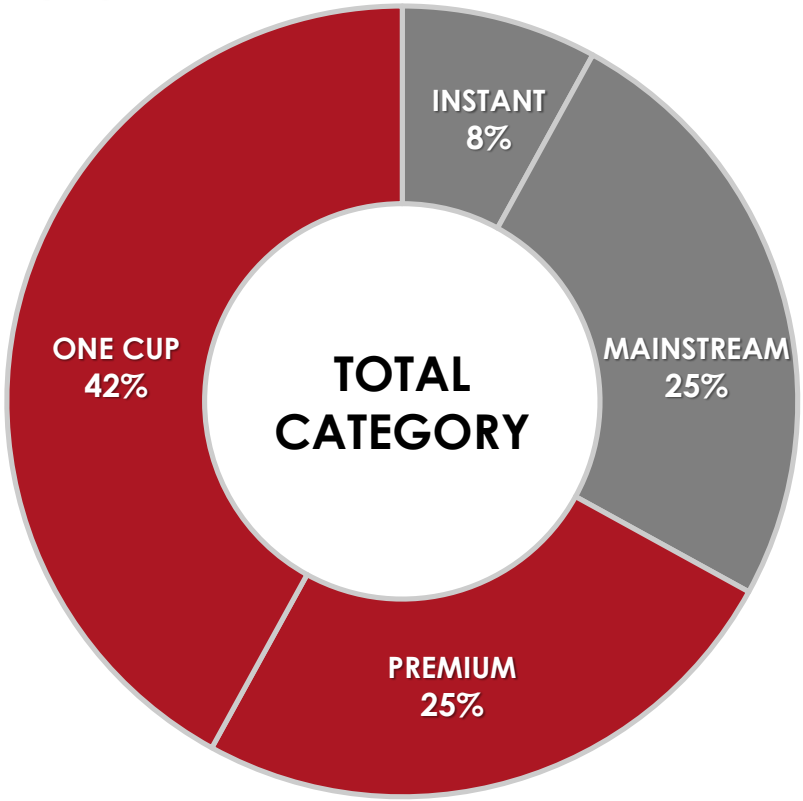


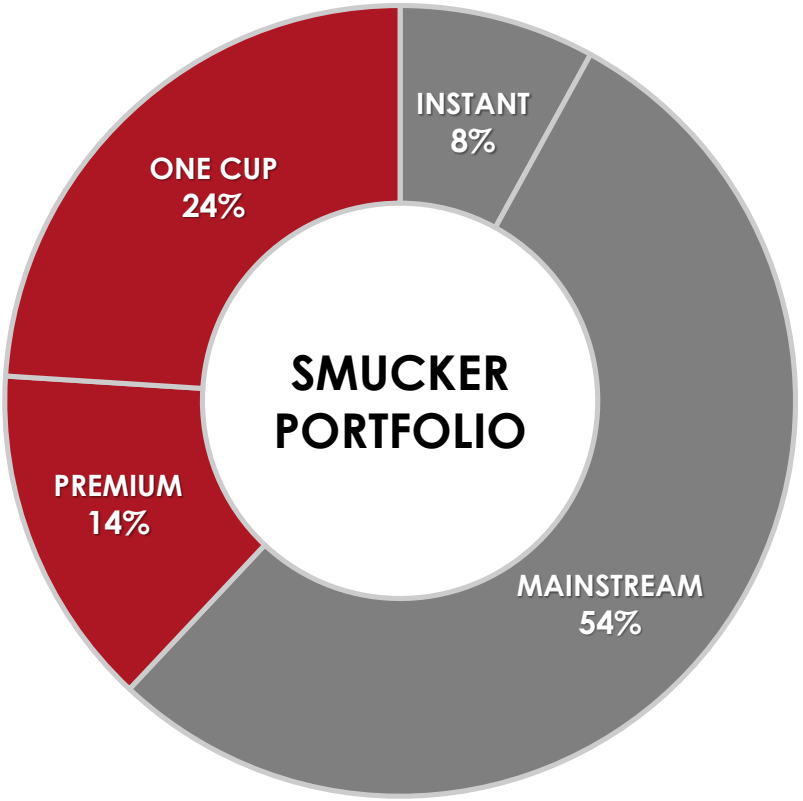
Total At-Home Coffee Category



Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended January 28, 2018

Opportunity for Growth





Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended January 28, 2018

U.S. Retail Coffee Segment



LONG-TERM SALES GROWTH OBJECTIVE

2-3%

U.S. Retail Consumer Foods Segment



LONG-TERM SALES GROWTH OBJECTIVE

2-3%

Pet Food is a Large and Growing Category



4%
5-YR CAGR

Source: Euromonitor February 2018

U.S. Retail Pet Foods Segment



LONG-TERM SALES GROWTH OBJECTIVE

2-3%

Enhanced Capabilities













Strategic Roadmap

KEY FINANCIAL PRIORITIES

TOP-LINE GROWTH • COST SAVINGS • EPS GROWTH

GROWTH PILLARS

- INNOVATION
- INVESTMENTS
- COST SAVINGS
- ACQUISITIONS

CAPABILITIES

- INNOVATION
- CONSUMER INSIGHTS
- ANALYTICS
- CONNECTED COMMERCE
- DIGITAL MARKETING
- REVENUE GROWTH MGMT

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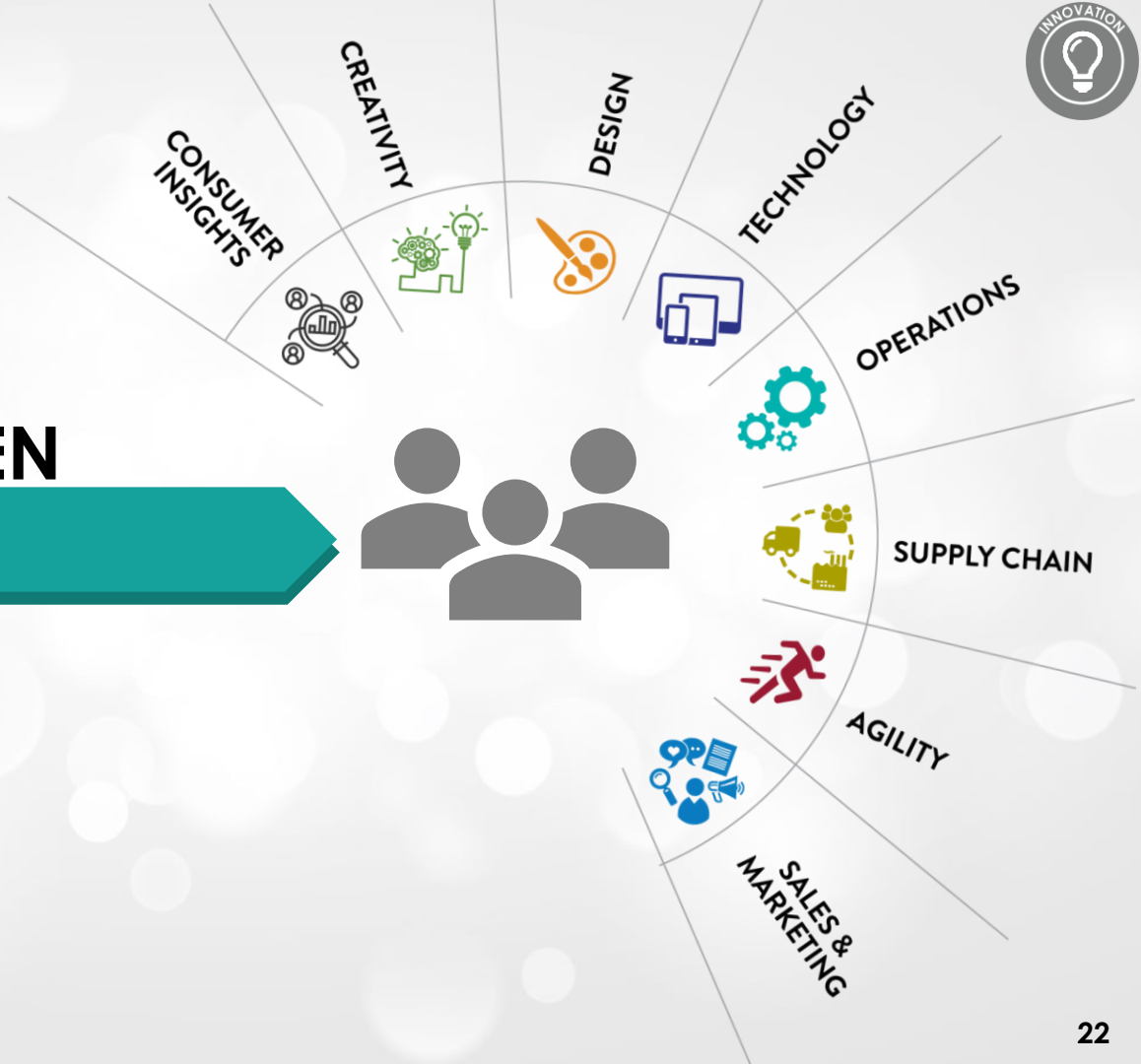
CONSUMER-DRIVEN INNOVATION




INNOVATION
S.F.
1850
CA.
THE
FOLGER
COFFEE CO.™



New premium coffee platform inspired by the Folger heritage


INNOVATION
Premium Arabica blends
Fire-roasted and steel-cut for a bold, smooth flavor
S.F.
1850
CA.
THE FOLGER COFFEE CO.
LANTERN GLOW™
FIRE-ROASTED
LIGHT ROAST COFFEE
CRISP · BRIGHT
GROUND COFFEE
NET WT 12 OZ (340g)



Meticulously designed to deliver stopping power in the coffee aisle



Prepack bags and K-Cup® pods shipping April 2018



Ready-to-Drink
launching Summer 2018

1850™ Launch Support

EXPERIENTIAL MARKETING

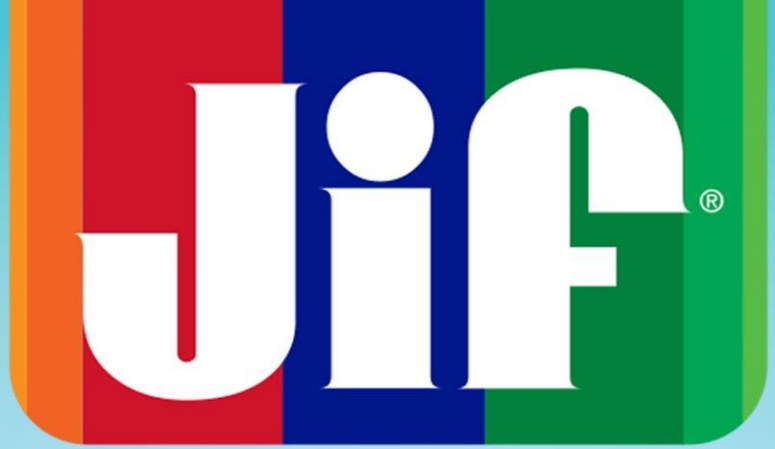


NATIONAL MEDIA



IN-STORE SUPPORT





POWER UPS





Shipping May 2018

Platform-Driven Growth



1850™



Jif® Power Ups™



Milk-Bone®



Future Platforms

APRIL 2018

MAY 2018

2019

New Products



COFFEE



SNACKS



PET FOOD

Aligning with consumer trends to maintain category strength

Dunkin' Donuts® Premium Coffee

$500M+
TTM NET SALES



Shipping **Spring 2018**



#1 SELLING
PREMIUM BAG



#1 SELLING
K-CUP®

Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended January 28, 2018

New *Folgers*® Products



New instant coffee value packs



Smaller size appeals to value-oriented consumers

New *Jif*® Poppers™



Natural & Organic



New unsweetened & lightly-sweetened flavors



Certified by the Roundtable for Sustainable Palm Oil

Pet Food & Snacks



Capitalizing on **humanization** and **premiumization trends**

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Nature's Recipe®



Net sales up **39%** YTD with expansion into mass channels

Nature's Recipe®



Natural Balance®



20% of brand sales are from e-commerce

Accelerating E-Commerce



5% of net sales from e-commerce by FY20

FY18 pet food sales up **71%** and coffee sales up **160%**

Strengthening E-Commerce Capabilities

SEARCH OPTIMIZATION



IMPULSE PURCHASES



PRICING STRATEGIES



SUPPLY CHAIN FLEXIBILITY



New *Smucker's® Uncrustables®* Plant



On track for completion in 2020

Smucker's® Uncrustables®

$250M
FY18E NET SALES

12%
5-YEAR CAGR

$500M
FY22E NET SALES



Note: Represents brand sales Company-wide

U.S. Olympic Team Sponsor

Supporting **Our Purpose** of "helping to bring families together to share memorable meals and moments"



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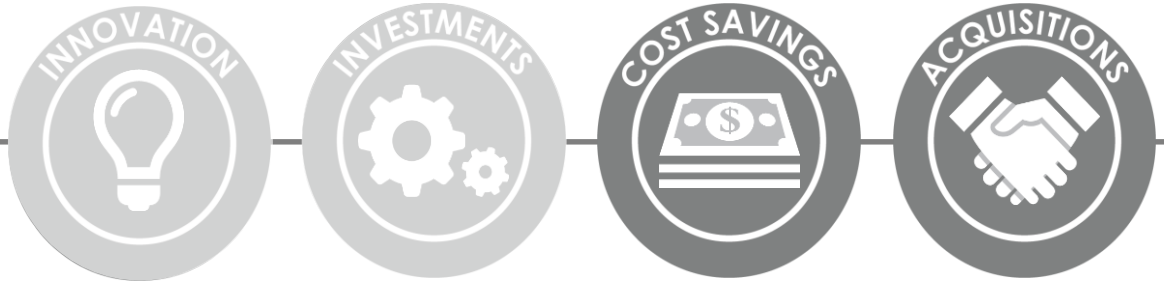
Financial Update

Mark Belgya
Vice Chair and Chief Financial Officer

Financial Update



THIRD QUARTER RECAP & FULL YEAR OUTLOOK

TAX REFORM IMPACT

FY19 EPS KEY DRIVERS

CAPITAL DEPLOYMENT & FREE CASH FLOW

Third Quarter Fiscal 2018 Results

($ in millions, except per share data)	FY18 Q3	YoY CHANGE
Net Sales	$1,903	1%
Adjusted Gross Profit	$732	1%
Adjusted Operating Income	$400	4%
Adjusted EPS (as reported)	$2.50	25%
Adjusted EPS (excluding $0.35 per share tax benefit)	$2.15	8%

Tax Reform Benefit



FY18E	FY19E
28% EFFECTIVE TAX RATE	**23%** EFFECTIVE TAX RATE
$55M EARNINGS BENEFIT	**$65M** INCREMENTAL BENEFIT

$120M
ANNUAL EARNINGS BENEFIT

Full-Year Fiscal 2018 Outlook

	CURRENT	PREVIOUS
Adjusted EPS	$8.20 - $8.30	$7.75 - $7.90
Free Cash Flow	$825M	$775M
Capital Expenditures	$310M	$310M
Adjusted Effective Tax Rate	28.0%	32.5% - 33.0%

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

Strategic Roadmap

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TOP-LINE GROWTH • COST SAVINGS • EPS GROWTH

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$450M | Total Annual Synergies & Cost Reductions by FY20

Fiscal 2018 Incremental Cost Savings



ACHIEVED

$40M
PET FOOD ACQUISITION SYNERGIES

ON TRACK

$100M
COST MANAGEMENT PROGRAM

$140M

K-Cup® Growth

Folgers	DUNKIN' DONUTS	CAFÉ BUSTELO	1850 S.F. CA. THE FOLGER COFFEE CO.™
+2% Q3 NET SALES	**+21%** Q3 NET SALES	**+44%** Q3 NET SALES	**LAUNCHING SOON**

Capitalizing on **benefit** of new *K-Cup*® agreement

Note: Represents U.S. Retail Coffee Segment

Zero-Based Budgeting Program

RIGHT SPEND

$50 million cost savings over next two years



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Areas of M&A Interest

Categories and on-trend brands
that provide **synergistic growth opportunities**

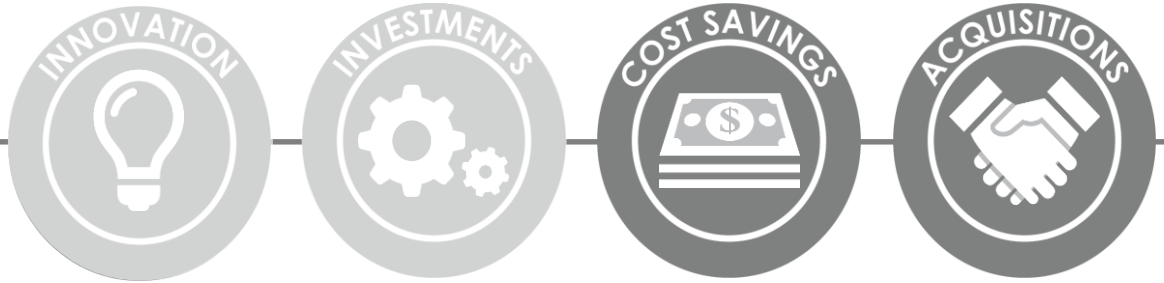








Financial Update



THIRD QUARTER RECAP & FULL YEAR OUTLOOK

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FY19 EPS KEY DRIVERS

CAPITAL DEPLOYMENT & FREE CASH FLOW

Fiscal 2019 Key Drivers



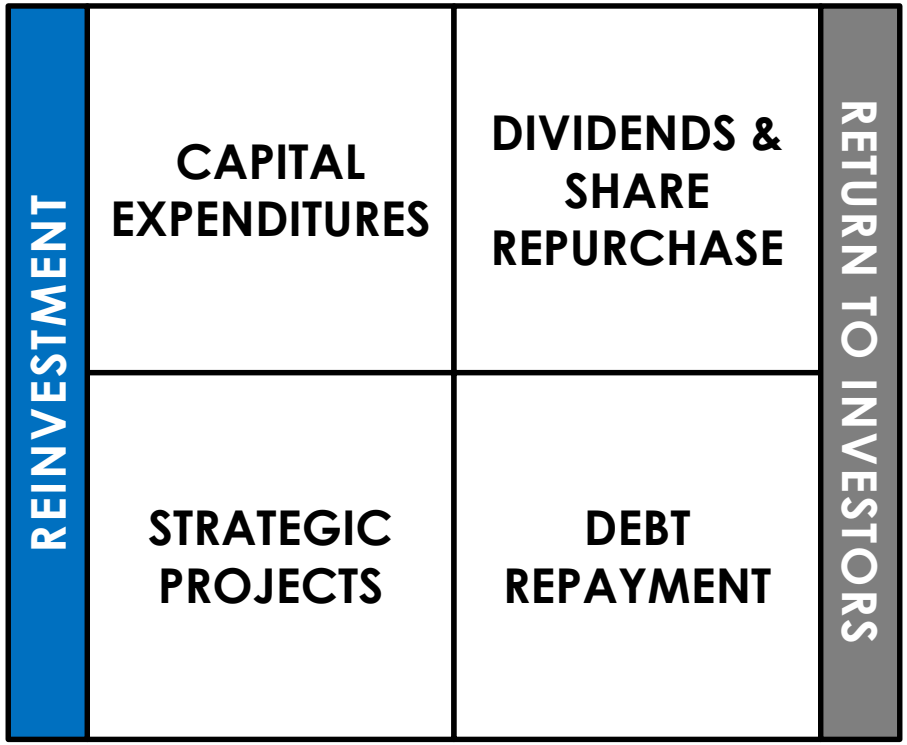






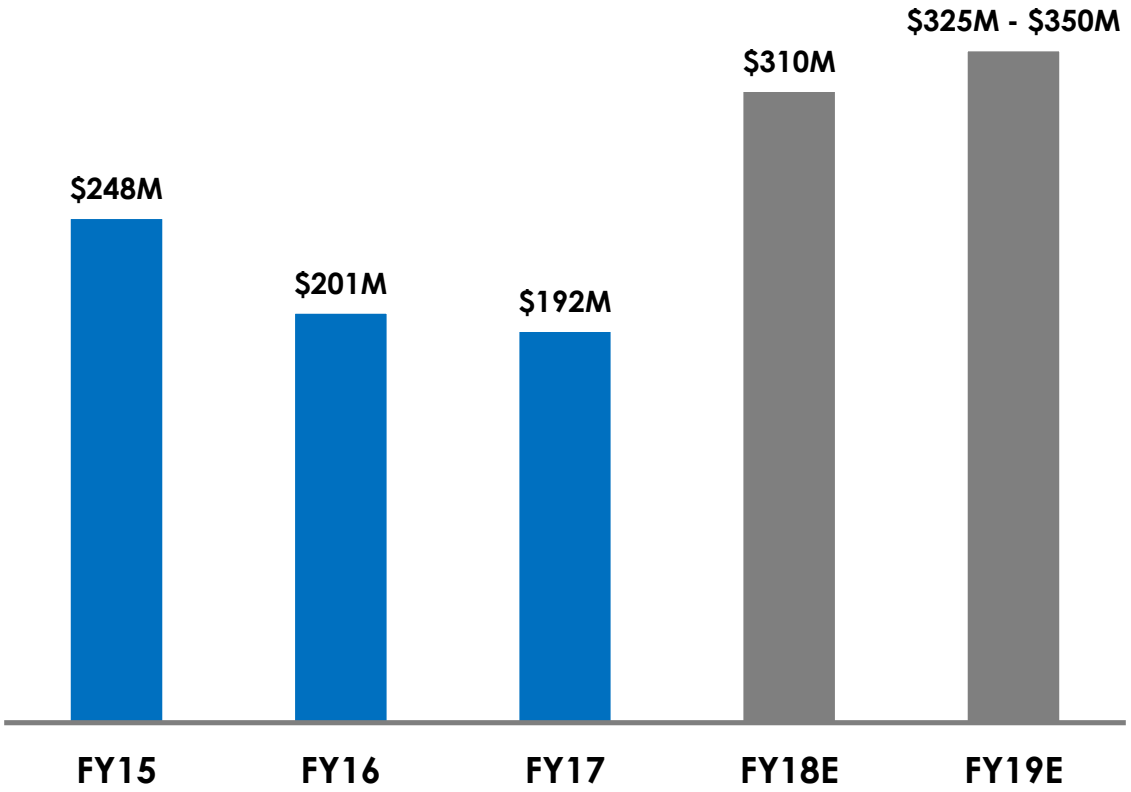
Expect to deliver adjusted EPS growth
above our long-term target of 8%

Cash Deployment Strategy



- Expect to maintain dividend payout ratio in FY19
- CapEx will be slightly elevated in FY19

Capital Expenditures



3-YR HISTORICAL AVERAGE:

CAPEX: $213M

% OF NET SALES: 3.2%

Strategic Roadmap

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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, 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. During the third quarter of 2018, the Company expanded its non-GAAP measures to also exclude certain one-time discrete tax adjustments. These adjustments include the provisional effect of the one-time items associated with U.S. income tax reform, which includes certain discrete adjustments related to the U.S. deferred tax assets and liabilities remeasurement and transition tax. Also included in the one-time discrete tax adjustments is the permanent tax difference related to the goodwill impairment charge that was recorded during the third quarter of 2018. The Company believes that excluding these one-time discrete tax adjustments in its non-GAAP measures provides comparability across the periods presented and better reflects the benefit of a lower blended U.S. statutory tax rate on its current year earnings as a result of the U.S. income tax reform. 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 January 31,	
	2018	2017
Gross profit reconciliation:		
Gross profit	$ 728.5	$ 722.9
Unallocated derivative losses (gains)	0.7	(0.8)
Cost of products sold – special project costs	2.3	0.5
Adjusted gross profit	$ 731.5	$ 722.6
Operating income reconciliation:		
Operating income	$ 162.7	$ 237.7
Amortization	51.6	51.7
Impairment charges	176.9	75.7
Unallocated derivative losses (gains)	0.7	(0.8)
Cost of products sold – special project costs	2.3	0.5
Other special project costs	5.6	18.0
Adjusted operating income	$ 399.8	$ 382.8

Non-GAAP Reconciliation

($ and shares in millions, except per share data)	Three Months Ended January 31, 2018	2017
Net income reconciliation:		
Net income	$ 831.3	$ 134.6
Income tax expense (benefit)	(715.3)	63.0
Amortization	51.6	51.7
Impairment charges	176.9	75.7
Unallocated derivative losses (gains)	0.7	(0.8)
Cost of products sold – special project costs	2.3	0.5
Other special project costs	5.6	18.0
Adjusted income before income taxes	$ 353.1	$ 342.7
Income taxes, as adjusted	69.4	109.9
Adjusted income	$ 283.7	$ 232.8
Weighted-average common shares outstanding	113.0	115.9
Weighted-average participating shares outstanding	0.6	0.5
Total weighted-average shares outstanding	113.6	116.4
Dilutive effect of stock options	-	0.1
Total weighted-average shares outstanding – assuming dilution	113.6	116.5
Adjusted earnings per share – assuming dilution	$ 2.50	$ 2.00

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	$ 11.78	$ 11.88
Special project costs	0.41	0.41
Amortization	1.27	1.27
Impairment charges	1.48	1.48
U.S. income tax reform	(6.74)	(6.74)
Adjusted earnings per share	$ 8.20	$ 8.30
Free cash flow reconciliation:		
Net cash provided by operating activities	$ 1,135	
Additions to property, plant, and equipment	(310)	
Free cash flow	$ 825	

Additional Information

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