

THE J.M. SMUCKER COMPANY

2019

BARCLAYS GLOBAL CONSUMER STAPLES CONFERENCE



BUSINESS & STRATEGY UPDATE

Mark Smucker

President and Chief Executive Officer

Agenda

BUSINESS & STRATEGY UPDATE

Mark Smucker

PRESIDENT AND CHIEF EXECUTIVE OFFICER



MARKETING & INNOVATION UPDATE

Geoff Tanner

SENIOR VICE PRESIDENT, GROWTH AND CONSUMER ENGAGEMENT



FINANCIAL UPDATE

Mark Belgya

VICE CHAIR AND CHIEF FINANCIAL OFFICER



Forward-Looking Statements

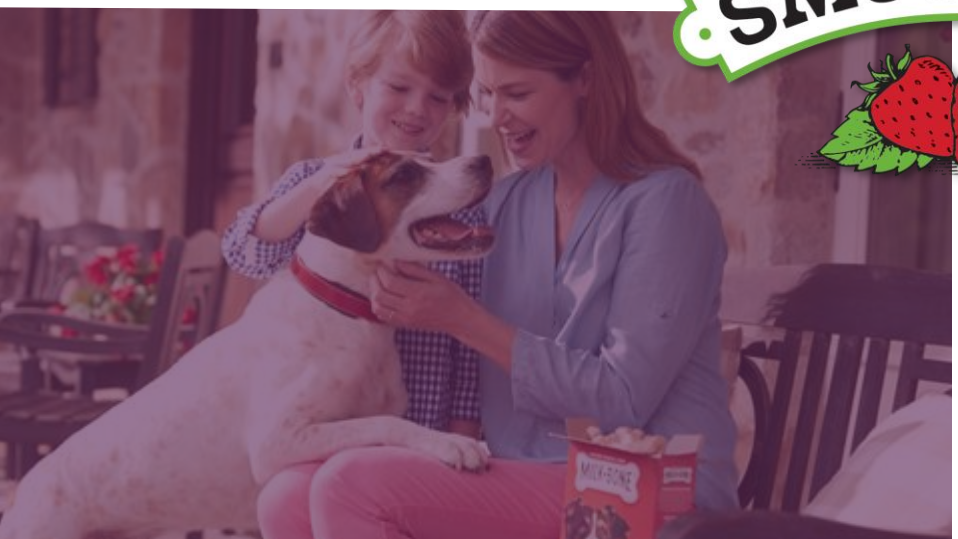
This presentation contains forward-looking statements, such as projected net sales, operating results, earnings, and cash flows, that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from any future results, performance, or achievements expressed 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.





SMUCKER'S



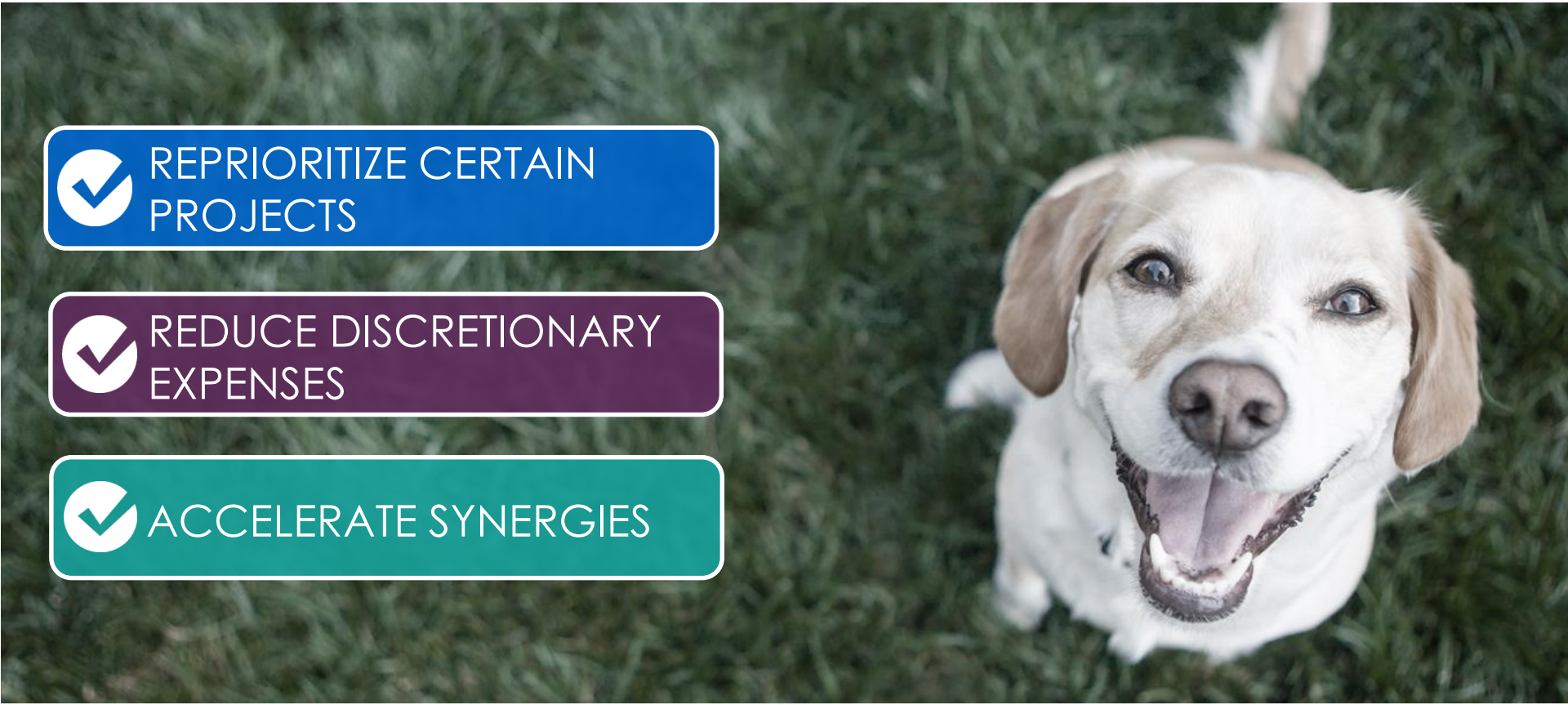


Generating Momentum in FY20



- NUTRISH®
- PEANUT BUTTER
- UNCRUSTABLES®
- NEW ADVERTISING

Financial Discipline for FY20



- REPRIORITIZE CERTAIN PROJECTS
- REDUCE DISCRETIONARY EXPENSES
- ACCELERATE SYNERGIES

STRATEGIC GROWTH IMPERATIVES



LEAD IN THE BEST CATEGORIES



BUILD BRANDS CONSUMERS LOVE



BE EVERYWHERE

STRATEGIC GROWTH IMPERATIVES



LEAD IN THE BEST CATEGORIES



BUILD BRANDS CONSUMERS LOVE



BE EVERYWHERE

Lead in the Best Categories

RESHAPED PORTFOLIO

TOTAL ADDRESSABLE MARKET

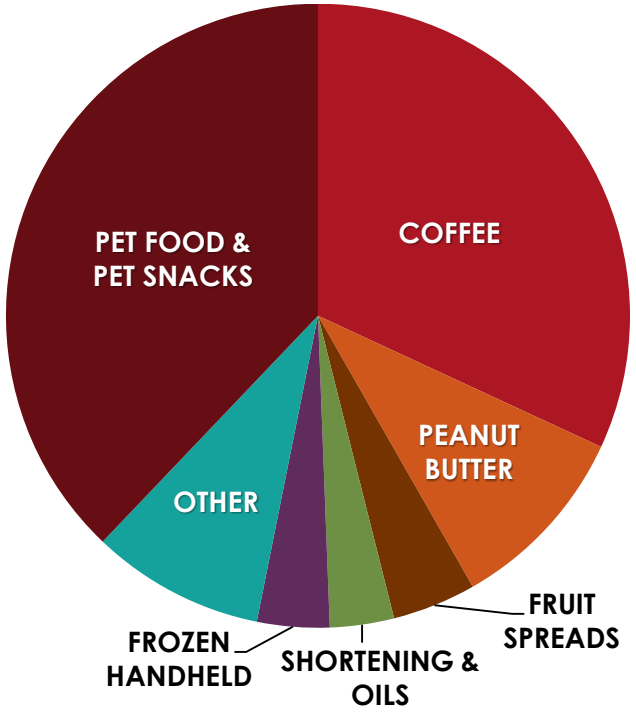
+25%

VERSUS 5 YEARS AGO

80%

OF U.S. RETAIL PORTFOLIO IN GROWING CATEGORIES

FY19 PROFORMA NET SALES



Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 11, 2019



CATEGORIES WHERE WE HOLD **#1** OR **#2** BRANDED POSITIONS CONTRIBUTE **70%** OF **NET SALES**

Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 11, 2019

Strong Portfolio of Brands

LOVED SINCE 1908 MILK-BONE™ Milo's Kitchen Pup-Peroni Canine Carry Outs Snausages

#1

MARKET POSITION
DOG SNACKS

Meow Mix 9Lives

#2

MARKET POSITION
CAT FOOD

Dick Van Patten's Natural Balance Pet Foods, Inc. Rachael Ray Nutrish Nature's Recipe Every Ingredient Counts Gravy Train DAD'S From Local Family Farms Kibbles 'n Bits

#3

MARKET POSITION
DOG FOOD







Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 11, 2019



Source: Smucker Internal Multi-Outlet 13 weeks ended August 11, 2019 and Pet Specialty Share Report 3 months ended June 30, 2019



RACHAEL RAY™ NUTRISH®



GROWTH THROUGH TARGETED ACTIONS

- NEW MARKETING CAMPAIGNS
- ENHANCE CONSUMER VALUE
- EXPAND INTO NEW CHANNELS
- INCREASE DISTRIBUTION
- LAUNCH NEW INNOVATION

Nutrish® SuperMedleys

SPECIALLY FORMULATED BLENDS OF REAL SUPERFOODS

WELLNESS BLEND
CHICKEN WITH SALMON & SUPERFOODS RECIPE

…FOR YOUR DOG'S TOTAL, EVERYDAY WELLNESS

- DIGESTION
- IMMUNITY
- SKIN & COAT
- WEIGHT CONTROL



VITALITY BLEND
BEEF WITH BARLEY & SUPERFOODS RECIPE

…FOR YOUR DOG'S VITALITY THROUGHOUT LIFE

- DIGESTION
- MENTAL ACUITY
- BONES & TEETH
- HEART & EYE

- LIVE PROBIOTICS
- WHOLESOME WHOLE GRAINS, BARLEY & BROWN RICE
- NO CORN, WHEAT, BY-PRODUCT OR FILLERS

Our Leading Coffee Brands

25% SHARE OF AT-HOME COFFEE



#1
16%
SHARE



#3
7%
SHARE



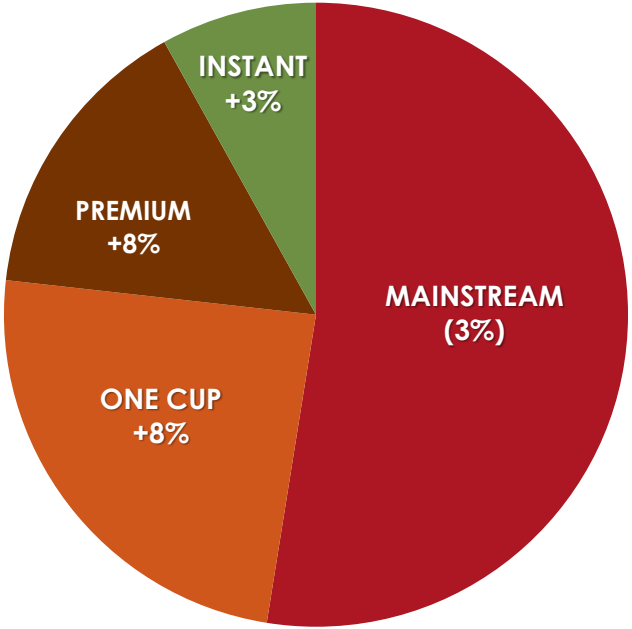


11%
YoY GROWTH

Source: Smucker Internal Multi-Outlet Share Report 52 weeks ended August 11, 2019

U.S. Retail Coffee

FY19 SALES



+2% YoY



LONG-TERM TARGETS

+2%
NET SALES GROWTH

30%+
SEGMENT PROFIT

STRATEGIC GROWTH IMPERATIVES



LEAD IN THE BEST CATEGORIES



BUILD BRANDS CONSUMERS LOVE



BE EVERYWHERE

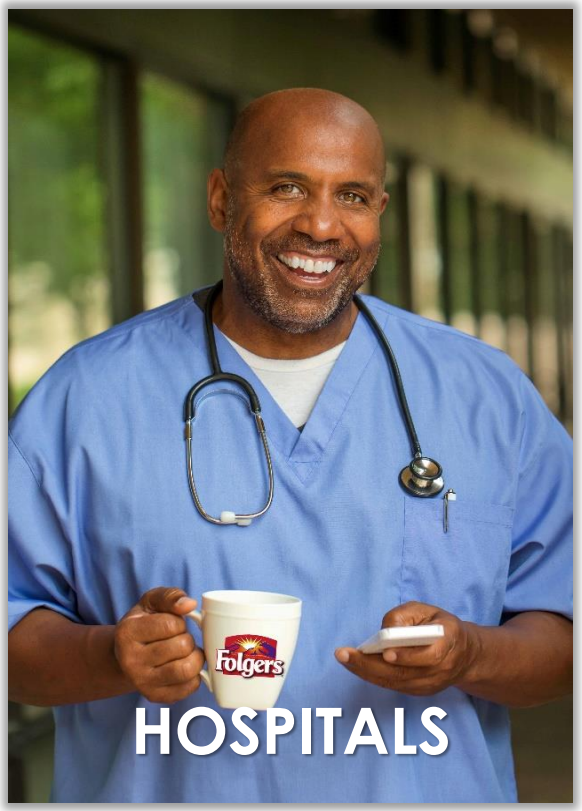
E-Commerce Channel



5% OF U.S. RETAIL NET SALES IN FY20

Away From Home Business



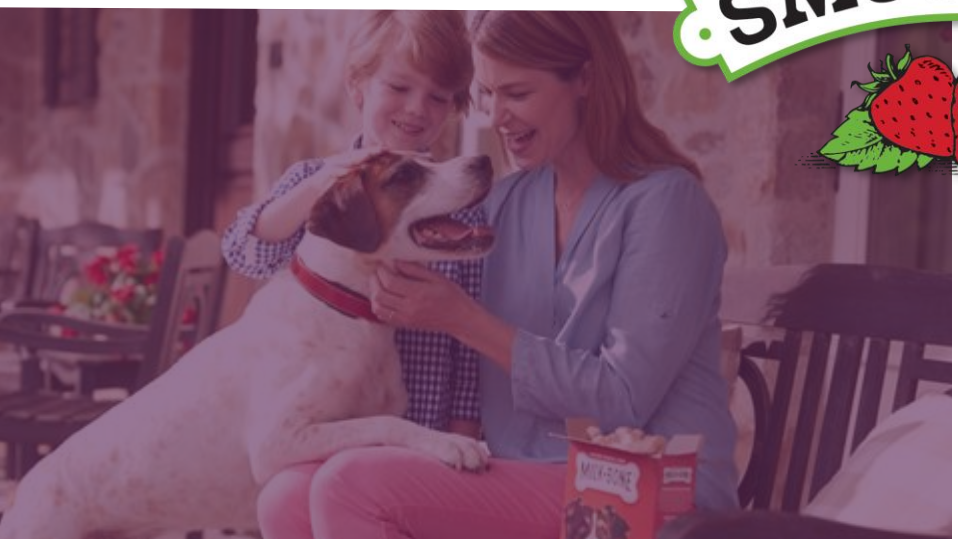








SMUCKER'S







MARKETING & INNOVATION UPDATE

Geoff Tanner
Senior Vice President, Growth and Consumer Engagement

New Market Reality

CHANGING CONSUMER PREFERENCES | **E-COMMERCE + LOCK-IN EFFECT** | **MEDIA FRAGMENTATION**



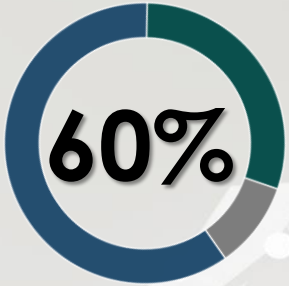
BRANDS CONSUMERS LOVE



AVAILABLE WHERE THEY SHOP

Big Brands Can **Thrive**

CONSUMER PRODUCTS NORTH AMERICA



OF BIG BRANDS
ARE GROWING SALES



BIG BRAND LOYALTY
HAS NOT CHANGED, REMAINS HIGHER
THAN SMALL BRANDS



BIG BRANDS PERFORM JUST AS WELL ACROSS
ALL AGE GROUPS

INCOME IS A BETTER PREDICTOR OF BRAND PERFORMANCE



BIG BRANDS
ARE WINNING ONLINE

Professor Bryon Sharp, Professor Magda Nenycz-Thiel, James Martin, Zac Anesbury and Professor Bruce McColl, "*Are Big Brands Dying?*", https://www.marketingscience.info/are-big-brands-dying

STRATEGIC GROWTH IMPERATIVES



LEAD IN THE BEST CATEGORIES



BUILD BRANDS CONSUMERS LOVE



BE EVERYWHERE

WORLD-CLASS INNOVATION

BREAKTHROUGH MARKETING

INNOVATION

Innovation Results

FY19

+$200M NET SALES

HIGHLY INCREMENTAL



FY20

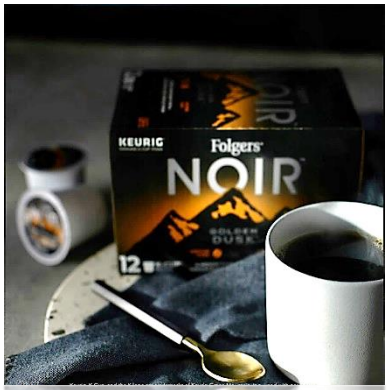
STRONG MOMENTUM



Robust Pipeline

TARGET

$200M+ NET SALES ANNUALLY











MARKETING

Total Portfolio Impact

ACCELERATE INNOVATION



REVITALIZE CORE BRANDS

SMUCKER'S

JIF

Folgers

Meow Mix

FUEL GROWTH BRANDS

RACHAEL RAY NUTRISH

SMUCKER'S Uncrustables

JIF POWER UPS

CAFÉ BUSTELO

NATURE'S RECIPE EST. 1982 EVERY INGREDIENT COUNTS

SNACK BETTER SAHALE SNACKS

CRAFTED BY 1850 THE FOLGER COFFEE CO.

Where We Were



BRANDS
LESS RELEVANT
WITH YOUNGER CONSUMERS



CREATIVE **NOT BREAKTHROUGH**



FRAGMENTED + SLOW



LOSING REACH + HOUSEHOLD PENETRATION

New Marketing Model

1. Breakthrough Creative



Creative drives **50-70%** of the return on advertising

2. Optimize Reach



3. Agile Model







Revitalizing A Core Brand





JIF VIDEO PLAYING



Fueling A Growth Brand

BUSTELO VIDEO PLAYING

Transformative Campaigns for **11 Brands**

20+ NEW TV SPOTS **+** **>100** DIGITAL/BITE-SIZED PIECES OF CONTENT



















Reinvesting Efficiency Savings

FY20 MARKETING SPEND

6.5%-7%
OF SALES

~FLAT
VS. FY19

$60M
REINVESTED TO EXPAND REACH

NON-WORKING

$25M
SAVINGS

- AGENCY FEES
- RESEARCH
- ORGANIZATION

WORKING EFFICIENCY

$35M
SAVINGS

- NEW MEDIA GUIDELINES
- LOWER MEDIA RATES
- REACH-BASED PRINCIPLES

Reaching New Consumers

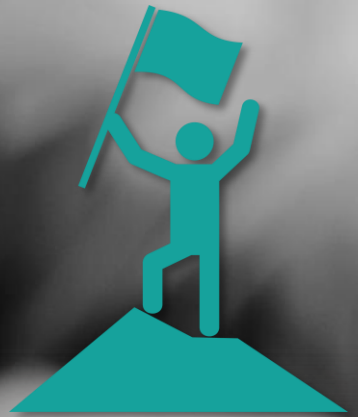


YOUNGER ADULTS

MODERN PROGRAMMING

CULTURALLY RELEVANT

STRATEGIC GROWTH IMPERATIVES



LEAD IN THE BEST CATEGORIES



BUILD BRANDS CONSUMERS LOVE



BE EVERYWHERE



- WORLD-CLASS INNOVATION
- BREAKTHROUGH MARKETING



E-COMMERCE



FINANCIAL UPDATE

Mark Belgya

Vice Chair and Chief Financial Officer

Full-Year Fiscal 2020 Outlook

NET SALES	(1%) - 0%
ADJUSTED EPS	$8.35 - $8.55
FREE CASH FLOW	$875M - $925M
CAPITAL EXPENDITURES	$300M - $320M
EFFECTIVE TAX RATE	24.5% - 25.0%

Q2 NET SALES EXPECTED TO DECLINE
1% COMPARED TO THE PRIOR YEAR

Fiscal 2020

- REDUCE DISCRETIONARY EXPENSES
- EVALUATE NON-WORKING MARKETING
- PRIORITIZE PROJECTS WITH HIGHEST RETURNS
- ACCELERATE SYNERGY CAPTURE
- OPTIMIZE TRANSPORTATION NETWORK
- IMPROVE WORKING CAPITAL

Fiscal 2020 Outlook



FY20E GROSS MARGIN
38.5%

FY20E SD&A EXPENSES
YoY Decline

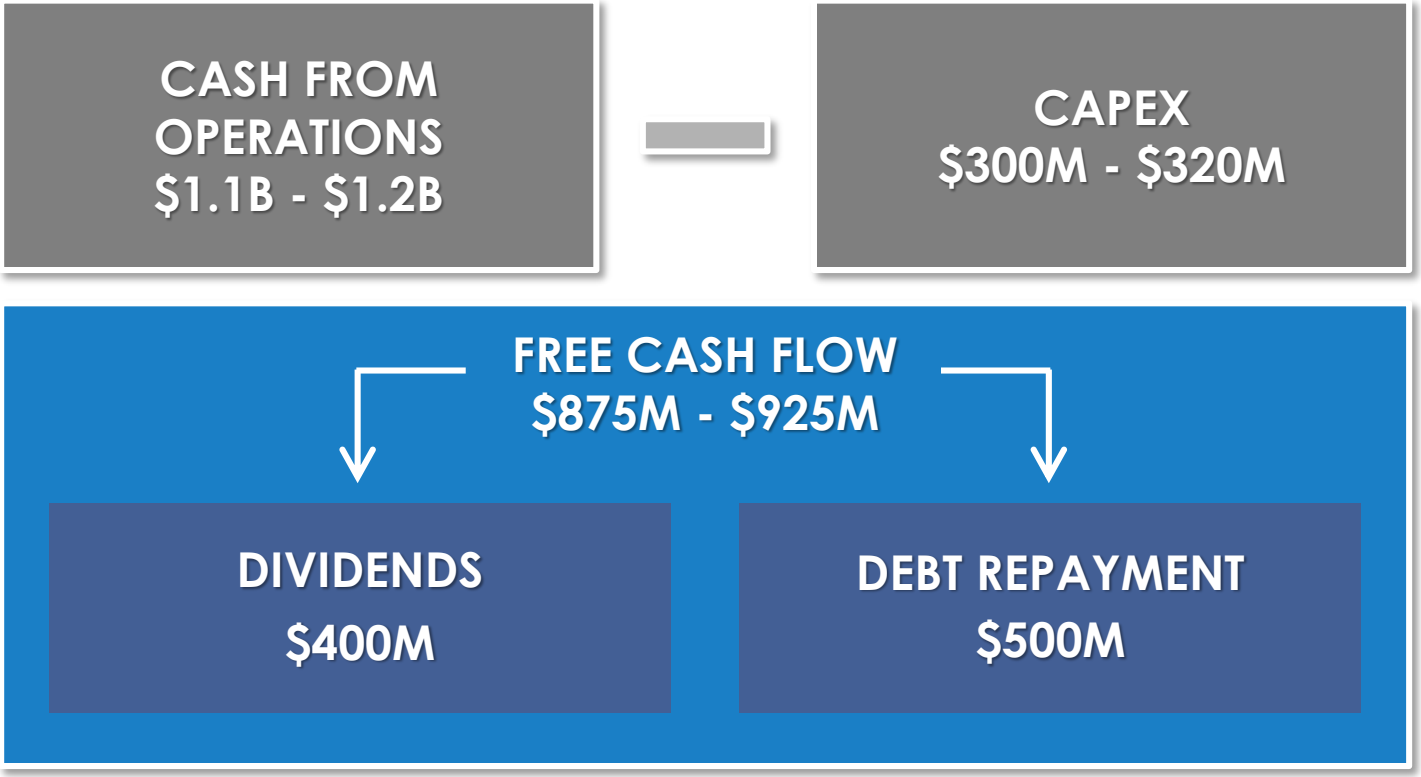
Financial Discipline



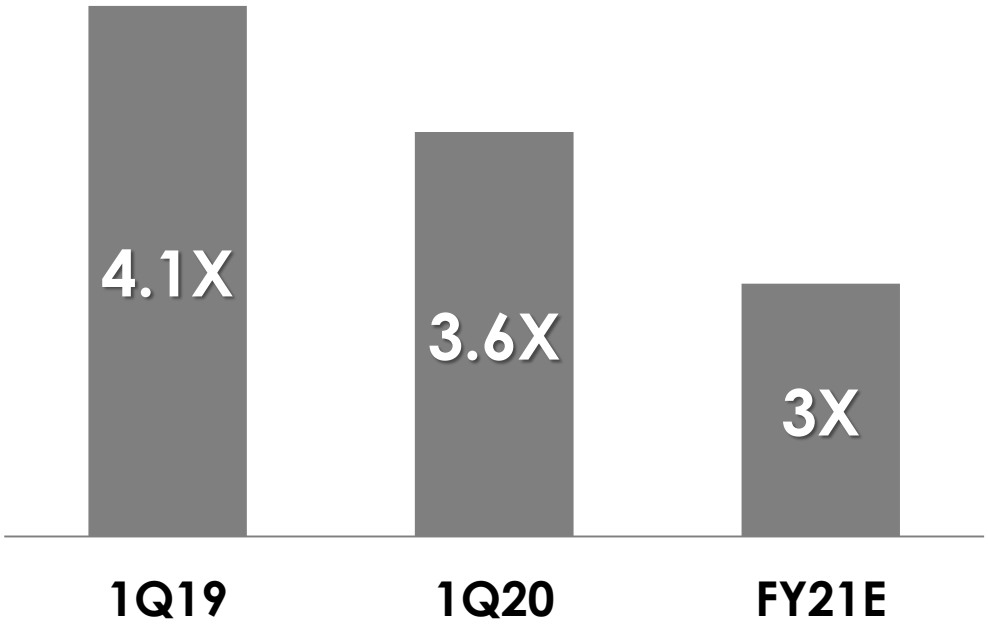
SUSTAINABLE LONG-TERM GROWTH

INCREASE SHAREHOLDER VALUE

Full-Year Fiscal 2020 Cash Deployment



Projected Leverage



DEBT REDUCTION ADDS

1%

ANNUAL EARNINGS GROWTH

DEBT REPAYMENTS

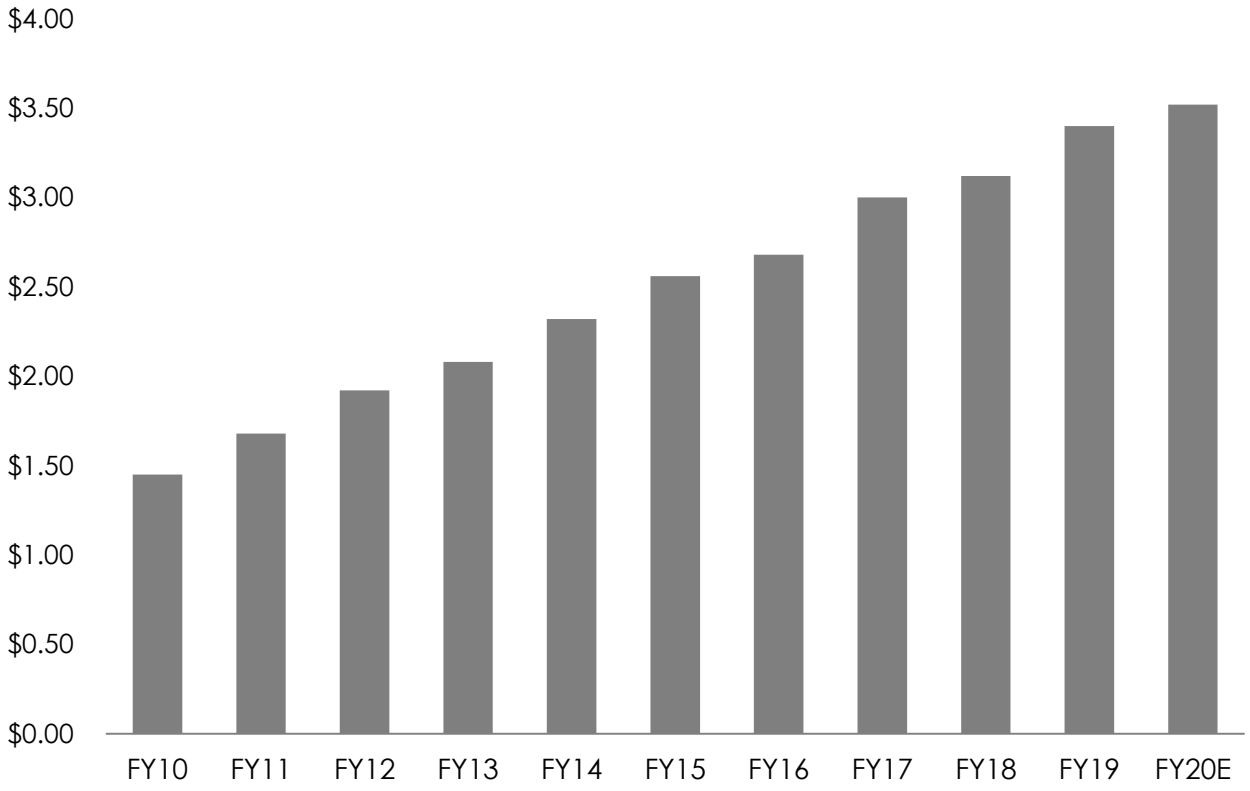
$900M

OVER LAST 12 MONTHS

Balanced Capital Deployment

INVESTING IN GROWTH		RETURNING CASH TO SHAREHOLDERS	
CAPITAL EXPENDITURES	STRATEGIC ACTIONS	DIVIDENDS	SHARE REPURCHASES & DEBT REPAYMENT

Returning Cash to Shareholders



10%
10-YEAR CAGR

40%
PAYOUT RATIO TARGET

Focus On Increasing ROIC



NEW INCENTIVE COMPENSATION PROGRAM EFFECTIVE FISCAL 2020

Thank You!










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Forward-Looking Statements

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Non-GAAP Financial Measures

The Company uses non-GAAP financial measures, including: net sales excluding acquisition, divestiture, 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 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, integration and restructuring costs ("special project costs"), and unallocated gains and losses on commodity and foreign currency exchange derivatives ("unallocated derivative gains and losses"), as well as the related tax impact of these exclusions. The special project costs in the following table relate to specific integration and restructuring projects, and the unallocated derivative gains and losses reflect the changes in fair value of our commodity and foreign currency exchange contracts. Additionally, income taxes, as adjusted is calculated using an adjusted effective income tax rate that is applied to adjusted income before income taxes. While this adjusted effective income tax rate does not generally differ materially from our GAAP effective income tax rate, certain items can significantly impact our 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. 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 "Unaudited Non-GAAP Financial Measures" tables. The Company has also provided a reconciliation of non-GAAP financial measures for its fiscal 2020 outlook.

Non-GAAP Reconciliation

($ in millions)	Three Months Ended				TTM Ended
	October 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018	July 31, 2018
EBITDA (as adjusted) reconciliation:					
Net income	$ 194.6	$ 831.3	$ 185.9	$ 133.0	$ 1,344.8
Income tax expense (benefit)	97.2	(715.3)	78.3	40.1	(499.7)
Interest expense - net	41.6	43.1	47.4	53.6	185.7
Depreciation	50.6	52.1	49.1	51.4	203.2
Amortization	51.6	51.6	52.1	60.5	215.8
Goodwill impairment charge	-	145.0	-	-	145.0
Other intangible asset impairment charges	-	31.9	-	-	31.9
EBITDA (as adjusted)	$ 435.6	$ 439.7	$ 412.8	$ 338.6	$ 1,626.7

Non-GAAP Reconciliation

($ in millions)	Three Months Ended				TTM Ended
	October 31, 2018	January 31, 2019	April 30, 2019	July 31, 2019	July 31, 2019
EBITDA (as adjusted) reconciliation:					
Net income	$ 188.5	$ 121.4	$ 71.5	$ 154.6	$536.0
Income tax expense	80.9	35.8	30.4	52.1	199.2
Interest expense - net	53.6	51.6	49.1	49.4	203.7
Depreciation	51.5	51.2	51.9	50.8	205.4
Amortization	59.7	59.7	60.4	58.8	238.6
Goodwill impairment charge	-	-	97.9	-	97.9
Other intangible assets impairment charges	-	107.2	-	-	107.2
EBITDA (as adjusted)	$ 434.2	$ 426.9	$ 361.2	$ 365.7	$1,588.0

Non-GAAP Reconciliation

Company Guidance

($ in millions, except per share data)	Year Ending April 30, 2020 Low	Year Ending April 30, 2020 High
Net income per common share – assuming dilution reconciliation:		
Net income per common share – assuming dilution	$ 7.01	$ 7.21
Net cumulative unallocated (losses) gains	(0.35)	(0.35)
Special project costs	0.13	0.13
Amortization	1.56	1.56
Adjusted earnings per share – assuming dilution	$ 8.35	$ 8.55
Free cash flow reconciliation:		
Net cash provided by operating activities	$ 1,195	$ 1,225
Additions to property, plant, and equipment	(320)	(300)
Free cash flow	$ 875	$ 925

Additional Information

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