



**THE J.M. SMUCKER Co**

**2024 Consumer Analyst Group of New York (CAGNY)  
Prepared Remarks**

**February 21, 2024**

## **CORPORATE PARTICIPANTS**

Mark Smucker, Chair of the Board, President and Chief Executive Officer  
Tucker Marshall, Chief Financial Officer

## **ANDREW O'CONNOR, CAGNY CONFERENCE CO-CHAIR**

Next up, please help me welcome The J.M. Smucker Company back to the CAGNY stage. Before I start, join me in thanking Smucker's for their generous support of the conference. This year doing double duty by stacking the coffee bar all week long and also providing an awesome assortment of Hostess snacks. And of course, the incredible Uncrustables. Thank you, as always. Mark, I can see you're already taking down a Twinkie. I've taken out about 15 in the past two days. So you've got some catching up to do.

Onto the intro, it's obviously been an eventful few years for Smucker, particularly the last year. The company has aggressively reshaped its portfolio, increasing its focus on coffee, dog snacks, cat food and snacking while simultaneously divesting lower-growth businesses, and obviously, most recently completing the acquisition of Hostess, a truly iconic suite of brands. Seriously ask yourself, what's better than coffee and a Twinkie? Not much.

Here with us today, we have Chair of the Board, President and CEO, Mark Smucker; CFO, Tucker Marshall; and V.P. of Investor Relations, Aaron Broholm.

With that, I'll hand it over to Mark.

## **MARK SMUCKER, CHAIR OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER**

Thanks, Andrew. I do love a Twinkie, I mean who doesn't? So first of all, good afternoon. It's really great to be here. We always appreciate the opportunity to provide an update on our company, on the company of our shareholders and be here at CAGNY. It's great. Hang on, I need another drink because that delicious Twinkie, just to wash it down.

So the usual disclaimer here very quickly, just noting that certain information provided today is forward-looking based on current views and assumptions. Also, we use non-GAAP results for the purpose of evaluating performance internally. Details for both items can be found in the slides for today's presentation available on our Investor Relations website. Joining me today, as you heard, is CFO, Tucker Marshall, who will follow my remarks with an overview of our financial strategy and priorities.

My comments today will focus on the following themes:

- Our results have been strong, driven by a focus on executing our strategic priorities and our ability to deliver continued growth across the portfolio;
- Consumer loyalty to our iconic brands remains high, as we continue to experience sustained momentum and volume growth across our businesses;
- Our portfolio reshape has strengthened our Company, and the recent acquisition and integration of Hostess is progressing well. The Sweet Baked Snacks business is performing as expected, with significant growth opportunities ahead;
- And, we are focused on attractive categories, where we are well-positioned with leading brands and offerings ranging from value to premium.

Over the last several years we have fundamentally transformed the Company. Today we are a leading packaged food company, with pro forma net sales of approximately \$9 billion. Our business is focused on North America, the most profitable geography for packaged food, where consumers prefer established brands. We continue to be guided by our Vision which is to: "Engage, delight and inspire consumers by building brands they love and leading in growing categories."

Our brands have strong consumer awareness and consumer loyalty remains high. Over 95% of our U.S. Retail sales come from categories where we hold either the #1 or #2 branded position. And, the health of our brands continues to be strong with the majority of our portfolio growing or maintaining both dollar and volume share.

We operate in attractive categories, with relatively low private label penetration. Our private label exposure of 12% average share across our business remains below the total store share of 20%. Additionally, we are strategically positioned for macroeconomic shifts, as the categories we participate in perform well during both economic expansion and recessionary periods.

Our strategy is working, and in support of our relentless focus on long-term sustainable growth, we are refining our strategic priorities. These priorities will guide our business and position the Company to deliver strong results and growth:

- First, deliver the business – which includes a focus on growing volume, operating with excellence, and continuing to prioritize resources to our fastest growth opportunities;
- Next, integrate and deliver on the acquired Hostess business, including the alignment of systems and processes, achieving cost synergies and growth ambitions, and nurturing a unified culture as we expand our organization;
- And third, achieve our transformation, cost discipline, and cash generation aspirations.

I will dive into our first two priorities, delivering the core business and the Hostess growth plan, and Tucker will later discuss our transformation and financial aspirations.

Delivering the business is grounded in our ability to drive growth through our key platforms:

- Our coffee portfolio, including our expansion into the growing liquid segment;
- *Uncrustables*<sup>®</sup> frozen sandwiches;
- And, dog snacks and cat food.

In addition, we are focused on executing our Hostess growth and integration plans.

Now let me share some examples of how we will drive growth for each of our businesses.

Starting with our Coffee segment, which delivered \$2.7 billion in net sales last year. We play a leading role in this strong category, as over 70% of Americans drink coffee. Further, seven out of 10 cups are consumed at home, which benefits us as the #1 at-home manufacturer with three of the top seven brands in the category – *Folgers*<sup>®</sup>, *Dunkin*<sup>®</sup>, and *Café Bustelo*<sup>®</sup>.

Over the last several years, we have successfully shifted our portfolio toward the faster growing one cup and premium segments. The *Dunkin*<sup>®</sup> and *Café Bustelo*<sup>®</sup> brands, as well as K-Cups<sup>®</sup>, remain key drivers of growth, and we will continue our expansion into the growing liquid segment.

*Dunkin*<sup>®</sup> benefits from crossover café consumers and we have a significant runway to grow these dual users through new offerings. Consumers can now enjoy *Dunkin*<sup>®</sup> Cold and seasonal offerings at home.

In seasonals *Dunkin*<sup>®</sup> is the #2 brand and growing fast, with consumer takeaway up over 30% versus the prior year. We anticipate sales for seasonal offerings to double over the next few years through continued innovation. In cold coffee, we launched *Dunkin*<sup>®</sup> Cold varieties in both K-Cup<sup>®</sup> and prepack

roast, and ground formats. Additionally, we launched *Dunkin*<sup>®</sup> Cold Brew concentrates, and the brand is now #2 in the shelf-stable category. To support continued growth for this new platform, we have a creative campaign launching this spring to promote our cold offerings.

We are confident in the *Dunkin*<sup>®</sup> brand reaching \$1 billion in annual net sales and anticipate the brand growing 2% to 3% annually over the next five years to deliver on this goal.

*Café Bustelo*<sup>®</sup> remains one of the fastest-growing brands in the at-home coffee category, growing double-digits annually over each of the past five years. To continue this momentum, we are focused on expanding its geographic reach, as the brand still has a relatively low household penetration of 6%. The brand was #2 in household penetration growth last year, with the fastest demographic growth coming from Gen Z consumers. And, *Café Bustelo*<sup>®</sup> has quickly grown to the seventh largest brand in the category, and is the #1 espresso coffee and the #1 Latin coffee.

We are excited to bring *Café Bustelo*<sup>®</sup> into the refrigerated aisle with new multi-serve ready-to-drink offerings, available in two varieties nationally: black and sweetened, as well as a retailer exclusive vanilla flavor. These products will be launching in May of this year.

*Café Bustelo*<sup>®</sup> is on pace to exceed \$300 million in net sales this fiscal year, a year ahead of our previous expectations. We expect this momentum to continue with high-single-digit growth in each of the next three years to reach \$400 million in annual net sales.

As we continue to invest in growth for *Dunkin*<sup>®</sup> and *Café Bustelo*<sup>®</sup>, we have an iconic asset in *Folgers*<sup>®</sup>, which is the largest at-home coffee brand in volume, more than double the size of the next competitor. Last year, we introduced new packaging and our bold marketing campaign embracing the brand's heritage. We are extending the campaign in calendar 2024, as we continue to reinvigorate the brand's appeal to younger consumers. Let's take a look.

(*Folgers*<sup>®</sup> Commercial)

We recently launched a new campaign inviting people to put the great taste of *Folgers*<sup>®</sup> to the test, which includes traditional media, online video, and social. The #1 selling dark roast canister, *Folgers*<sup>®</sup> Black Silk, was preferred over Starbucks<sup>®</sup> French Roast in a nationwide taste test of at-home ground coffee. Among all participants, 60% preferred *Folgers*<sup>®</sup> Black Silk, compared to 35% who chose the competitor.

And finally, our K-Cup<sup>®</sup> portfolio continues to experience strong momentum. We are a leader in K-Cups<sup>®</sup>, with 18% dollar share and a portfolio that generates approximately \$800 million in annual net sales. We anticipate the business to grow mid-single-digits annually over the next five years to \$1 billion in net sales.

We are uniquely positioned in the U.S. Retail Coffee market with our leading brands that provide consumers with options ranging from value to premium. And we will continue to leverage our deep expertise in coffee sourcing, roasting, and retail category advisory capabilities to take advantage of emerging coffee trends.

Next, our Frozen Handheld and Spreads business, net sales excluding the *Sahale Snacks*<sup>®</sup> divestiture were \$1.6 billion last fiscal year. Over the last few years, we divested low margin brands that represented a sizeable portion of the business to prioritize our focus on the fast-growing *Smucker's*<sup>®</sup> *Un crustables*<sup>®</sup>

sandwiches. We expect approximately 50% of net sales for the segment will be generated from *Uncrustables*<sup>®</sup> sandwiches within the next four years.

The brand has delivered tremendous growth to date and is expected to grow approximately 20% to \$800 million in total company net sales this fiscal year. We expect \$100 million of net sales growth for the brand in each of the next two fiscal years. Construction of our third and largest *Uncrustables*<sup>®</sup> manufacturing site is on track and operations are set to begin later this calendar year. This expanded capacity will enable continued growth, and we are confident in growing the brand to \$1 billion in annual net sales by the end of fiscal year 2026.

*Uncrustables*<sup>®</sup> sandwiches has grown 9x faster than the frozen snacks and sandwiches category over the past year with consumer takeaway up 21%. The #1 SKU in the total freezer aisle is now an *Uncrustables*<sup>®</sup> product, with two SKUs in the top ten. And, the brand also has the #1 repeat rate and #1 velocity growth rate, which is over 3x the frozen category average.

*Uncrustables*<sup>®</sup> still has significant runway to increase household penetration, as we broaden distribution into new channels and geographies, including future expansion into convenience stores, leveraging Hostess go-to-market capabilities. We are also increasing awareness with its first ever national advertising campaign. Our new campaign introduces our spokespeople, the Bread Brothers. Let's take a look.

*(Uncrustables*<sup>®</sup> Commercial)

We are excited to be launching a raspberry variety later this year. This new sandwich will bring the popular raspberry flavor into the *Smucker's*<sup>®</sup> *Uncrustables*<sup>®</sup> family, enabling a different sandwich variety for every day of the school week. We look forward to bringing additional innovation to the brand that meets consumer needs across more occasions.

Now turning to our category leading peanut butter and fruit spreads businesses. Over 70% of households with millennial parents eat peanut butter or fruit spreads each week.

In peanut butter, *Jif*<sup>®</sup> has the #1 position in the category with 38 points of dollar share, leading all competitors in household penetration and volume velocity. We see continued growth opportunities to expand *Jif*<sup>®</sup> beyond sandwiches and into new usage occasions. We launched a new marketing campaign leading up to the Big Game last week focused around "Saving the Celery," a fun spin on the idea of more occasions for peanut butter usage.

*(Jif*<sup>®</sup> Commercial)

We had tons of great social executions on that and even had an organic collab with Jason Kelce, *Jif*<sup>®</sup> and Frank's RedHot<sup>®</sup> from McCormick. So that was a real nice bonus on that campaign.

We're also expanding the *Jif*<sup>®</sup> brand to meet the growing usages of spreads for snacking with *Jif*<sup>®</sup> Peanut Butter and Chocolate Flavored Spread. The perfect merger of peanut butter and the flavor of chocolate is launching this summer, with 50% less sugar than the leading hazelnut spread. A new national media campaign will highlight how irresistible *Jif*<sup>®</sup> peanut butter and the flavor of chocolate are when they come together in a way that only the *Jif*<sup>®</sup> brand can deliver.

This new product leverages the plant-based halo, brand familiarity, and nostalgia from peanut butter, married with the delicious flavor of chocolate. Over 70% of peanut butter buyers are not purchasing a chocolate-flavored spread today, and we anticipate this innovation will be highly incremental to the brand.

We are confident there is significant white space within our frozen handhelds and spreads business to expand usage occasions and capitalize on continued growth in consumer snacking.

For our Pet segment, net sales excluding the divested brands were \$1.5 billion last fiscal year. Pet is the largest center of store category, and we are a leader in the attractive dog snacks and cat food segments, which continue to experience strong macro tailwinds and growth. This growth is driven by more pet households, more pets, and more spending on pets, all of which have grown double-digits over the last five years. The pet population continues to grow, which benefits us with the #1 brand in dog snacks, *Milk-Bone*<sup>®</sup>, and #1 brand in dry cat food, *Meow Mix*<sup>®</sup>.

In dog snacks, we are the leader with a 21% dollar share. Dog snacks has historically been the fastest growing segment in the pet category and delivers significantly higher margins than pet food.

Our share in snacks continues to expand and our portfolio consistently outpaces the category. *Milk-Bone*<sup>®</sup> has grown dollar share for ten consecutive quarters, driven by core offerings and premium positioned innovation. We have been the innovation share leader each of the last three years, as well as having the most successful launch in each of those years.

*Milk-Bone*<sup>®</sup> continues to grow households faster and attract new and younger consumers with its culturally relevant More Dog campaign, let's take a look.

(*Milk-Bone*<sup>®</sup> Commercial)

We are also expanding seasonal and special occasion offerings by inspiring shoppers to celebrate with their pets to drive impulse purchases. Which allows us the opportunity to drive net sales growth through increased dollars per occasion.

Four years ago, we set out to revitalize the *Milk-Bone*<sup>®</sup> brand with a focus on its largest sub segment, biscuits. We wanted to change the perception that biscuits are boring. With refreshed packaging, increased marketing investments, and consistent elevated innovation, *Milk-Bone*<sup>®</sup> biscuits have grown over 40% the past four years. This growth delivered approximately \$160 million in dollar sales and three-fourths of the growth in the biscuit segment.

We are now leveraging this playbook in the long-lasting chews and soft and chewy segments. We recently launched our *Milk-Bone*<sup>®</sup> Comfort Chews lineup of products, which was the largest dog treats launch in 2023 and was 50% incremental to the long-lasting chew category.

We're now combining the #1 dog treat brand with the #1 peanut butter brand with new *Milk-Bone*<sup>®</sup> Peanut Buttery Bites, made with *Jif*<sup>®</sup> peanut butter. Launching later this year, supported by robust marketing investments, we're excited about continuing to expand the reach of the *Milk-Bone*<sup>®</sup> brand.

To achieve continued dog snacks growth, we will, maximize everyday treating with our core offerings, launch innovation, and drive increased household penetration through incremental treating occasions.

We anticipate our total dog snacks portfolio to grow approximately 3% annually over the next two years to \$1 billion in annual net sales.

In cat food, *Meow Mix*<sup>®</sup> has returned to category share and profit growth after a challenging operating environment over the past year. *Meow Mix*<sup>®</sup> is the leader in household penetration and volume share in the dry cat food category. There are also more cat parents than ever, and the population growth is projected to continue.

We plan to leverage the strong tailwinds for the *Meow Mix*<sup>®</sup> brand by:

- Driving demand, relevance, and awareness with breakthrough marketing and engagement;
- Elevating core offerings by optimizing assortment to meet our customer and consumer needs;
- And, delivering innovation that increases dollars and margin per occasion.

The dry cat food category has experienced sluggish innovation while the needs of the consumer have evolved. We have a robust pipeline of *Meow Mix*<sup>®</sup> innovation that will provide opportunities for trade up and treating occasions.

With an improved operating environment for cat food, growth in high-margin dog snacks, and the divestiture of low-margin pet food brands, we are experiencing margin improvement in our Pet Food segment. Over the next two years, we expect continued margin expansion upon the wind down of co-manufacturing and transition services related to the divested brands, along with benefits from Transformation initiatives.

In addition to delivering on our core business, we are focused on executing on our Hostess integration and growth plans. Hostess provides Smucker with a significant presence in the highly attractive snacking category with its iconic brands and popular snack cake products.

Here is a video highlighting the iconic and beloved *Hostess*<sup>®</sup> snacks.

(*Hostess*<sup>®</sup> Video)

This acquisition strengthens our financial profile, as it will contribute strong top-line growth over time, provide significant cost and revenue synergy opportunities, and be accretive to margins and earnings growth. The new Sweet Baked Snacks segment is anticipated to contribute growth next fiscal year. Snacking is one of the largest and fastest growing categories and is growing faster than overall packaged food.

We're focused on five key consumer-eating occasions across multiple categories with an addressable market of \$69 billion in retail sales. This view of consumer preferences through occasions allows us to better understand how consumers buy snacks. Today, 70% of consumers are eating at least two snacks per day and 50% of them are eating three or more per day. And while better for you snacks continue to grow, sweet and indulgent snacks are growing at an even faster rate. Even more encouraging is snacking continues to grow across all dayparts and with every generation. The tailwinds driving snacking provides our Sweet Baked Snacks segment with significant opportunity for future growth.

Net sales growth for our Sweet Baked Snacks business will be achieved by five key drivers:

- Driving base velocity;

- Delivering breakthrough innovation;
- Expanded distribution opportunities;
- Revenue growth management;
- And, e-commerce activation.

Supporting base velocity growth will be a 50% increase in advertising to drive greater household penetration. We're primarily focused on growth consumer groups including Gen Z and millennial consumers on-the-go, and millennial parents juggling it all. We have significant growth opportunities with millennial parents, especially through increasing top-of-mind awareness, which lags branded competitors. Improving brand awareness and bringing young families into the franchise is critical to long-term growth as snacking behaviors are passed down through generations. In fact, over half of Americans say they've inherited their snacking habits from their parents, and 82% of millennial parents are interested in finding new snacks.

Historically, about 15% of Hostess Brands annual sales were from new products launched within the prior three years, and we will continue to invest in significant innovation for the category, consistent with evolving consumer preferences. For the third year in a row, *Hostess*<sup>®</sup> innovation led the sweet baked goods category with the #1 share of innovation at 40% and launched nine of the top 20 new items in the category. One example is the huge success of *Kazbars*<sup>®</sup>, which grew to over \$30 million in retail sales in calendar 2023, its first full year in market.

We will continue to bring innovation to the category later this year as we launch new *Hostess*<sup>®</sup> products, flavors, and seasonal offerings aligned to current consumer trends. And, for the *Voortman*<sup>®</sup> brand, we're launching exciting innovation for sugar-conscious consumers.

Another growth driver will be channel and total distribution points expansion, leveraging the strength of our strategic customer partnerships and commercial execution capabilities. In retail channels, we have opportunities to expand distribution in grocery, mass, and club, including multiple points of distribution in the store via on shelf, in-aisle displays, and at the checkout. In the away from home channels, we have distribution opportunities at universities, travel, lodging, and entertainment venues.

Revenue growth management and price pack architecture will be used to optimize sales and drive mix benefits.

Finally, we plan to accelerate growth for products sold through e-commerce by leveraging the strength of our capabilities and expertise in the channel.

With these multiple growth initiatives, we are engaging the consumer across their path to purchase and key snacking occasions from a morning sweet start, to the lunchbox, an afternoon reward, and an evening treat. We continue to be encouraged by the many opportunities for the Sweet Baked Snacks business and its future contributions to our long-term growth objectives for the Company.

In addition to delivering on our financial aspirations, our Company continues to have a positive impact on our employees, our communities, and our planet. We're proud of the recent recognition we received for our activities that support our Thriving Together agenda.

We're confident in the strategic choices we have made to transform our portfolio, and our results reaffirm that our strategy is working. Our priorities of delivering growth for the core business, integrating, and

growing the Sweet Baked Snacks segment, and achieving our transformation, cost management, and cash generation aspirations position us to deliver long-term growth and increase shareholder value. All of which are enabled by our unique culture and talented employees, who I would like to thank for their dedication and outstanding contributions.

With that, I'll turn it over to Tucker.

### **TUCKER MARSHALL, CHIEF FINANCIAL OFFICER**

Thank you, Mark, and good afternoon everyone. It's great to join you for this year's conference.

We are having a strong fiscal year and demonstrating momentum across our portfolio. Our comparable sales and earnings growth has been driven by sustained consumer demand for our iconic brands, combined with our continued focus on superior execution and disciplined cost management. Next Tuesday, we look forward to providing an update on our third quarter financial results, along with our outlook for the remainder of the fiscal year.

We will continue to build on our business momentum by executing on our financial priorities. These priorities will allow us to remain dedicated to our long-term growth strategy, while operating with financial discipline. How will we achieve this, is through the following:

- Active and transparent communication;
- Consistent financial execution;
- Continuous focus on productivity and cost control;
- The successful integration of hostess;
- Prioritization of the highest-return opportunities;
- And a balanced capital deployment model.

Our financial priorities are the building blocks to delivering increased and sustained long-term shareholder value. These priorities have guided us to deliver a three-, five- and ten-year total shareholder return that has outpaced our peer group. As we move forward, we expect to remain a consistent top-quartile performer, in total shareholder return, in the food and beverage industry.

Turning to our expectations, the strategic framework and financial priorities shared give us confidence to achieve the following long-term financial targets, these include:

- Low-single-digit net sales growth;
- Mid-single-digit operating income growth;
- High-single-digit adjusted earnings per share growth;
- And, total shareholder return of approximately 10% or greater when considering our dividend policy.

We see these objectives as a steady, compelling, and compounding algorithm, achieved through top-line and bottom-line growth, accompanied with margin expansion, and a commitment to disciplined capital deployment.

We have confidence in sustained top-line growth as a result of our strengthened and streamlined portfolio driven by strategic investments, portfolio reshaping activities, and projected growth rates in our

respective categories. Let me give some color on how each of our key platforms ensures our top-line growth.

- We expect continued growth for our Coffee portfolio, driven by the *Dunkin*<sup>®</sup> and *Café Bustelo*<sup>®</sup> brands, our K-Cup<sup>®</sup> portfolio, and our expansion into liquid coffee;
- The *Uncrustables*<sup>®</sup> brand, is expected to account for approximately 1 percentage point of the Company's total growth rate;
- We anticipate 3% to 4% growth for our Pet Foods business, led by our leading brands *Milk-Bone*<sup>®</sup> and *Meow Mix*<sup>®</sup>;
- The Sweet Baked Snacks segment is anticipated to grow approximately 4%;
- And lastly, we expect continued growth in our Away From Home business driven by these key growth platforms.

Our transformation, cost discipline, and cash generation objectives are now part of our stated strategic priorities, demonstrating the further emphasis we are placing on each of these activities. With these priorities in mind, we anticipate adjusted operating income growth will outpace our sales growth, increasing at a mid-single-digit percentage over time. Operating income growth and margin improvement, will be supported by five key growth areas:

- First, improved volume/mix. We reshaped our portfolio by divesting low margin businesses, acquiring the margin accretive Hostess business, and prioritizing resources towards our fastest growth opportunities. Additionally, we expect to exit the low-margin contract manufacturing sales related to the divested pet food brands next fiscal year.
- Second, benefits from our Transformation efforts, will support both gross and operating margin improvement. While we view Transformation activities as a permanent part of our operating model, we have established a three-year roadmap of initiatives that will deliver significant benefits to the business. These benefits are expected to support margin growth and profitability aspirations, along with reinvestments into our portfolio. The Transformation workstream, which now reports directly to me, is driving ownership and accountability for the execution of cost and productivity initiatives, stranded overhead, and synergies.
- Third, is the realization of synergies from the Hostess acquisition. We anticipate cost synergies of approximately \$100 million, half of which are expected to be realized in fiscal year 2025, with the full annualized amount to be achieved by the end of fiscal year 2026. Of the \$100 million in synergies, 25% will benefit gross margin, with the remaining 75% benefiting SG&A spend. With the majority of our cost synergy analysis and organization design completed, we have a high level of confidence in delivering our synergy goals.
- Fourth, the mitigation of stranded overhead costs related to the pet divestiture. We anticipate the net stranded overhead impact to be approximately \$0.60 this fiscal year, inclusive of income and reimbursements from transition services and co-manufacturing agreements. This impact will continue into fiscal year 2025 since the transaction included a multi-year commitment to transition services and co-manufacturing. We anticipate beginning to address stranded overhead costs next year for the benefit of subsequent fiscal years.
- Finally, we anticipate a moderation of commodity and input inflation, continued stabilization and improvements in our supply chain and manufacturing environments, over time.

These focus areas should enable us to deliver gross margin improvement, while supporting mid-single-digit operating income growth.

Below operating income, we expect our capital deployment model to drive a high-single-digit percentage growth for adjusted earnings per share as we pay down debt and repurchase shares, over time.

Our Company has consistently demonstrated the ability to generate strong cash flow that allows us to take a balanced approach to capital deployment, while maintaining an investment grade debt rating. Our objective remains to generate at least \$1 billion in free cash flow annually, which will be used to support the growth of our business, pay down debt, and create shareholder value through dividends and share repurchases.

Our long-term strategic target for capital expenditures continues to be approximately 3.5% of net sales. However, investments will still be elevated next fiscal year compared to our target, primarily due to the *Uncrustables*<sup>®</sup> sandwich capacity expansion.

In the near term, we plan to prioritize debt reduction by paying down approximately \$500 million of debt annually over each of the next three years. With this anticipated deleveraging, achievement of cost synergies, and overall business growth, we anticipate a leverage ratio of approximately 3.0x net debt to EBITDA by the end of fiscal year 2027. This level of debt provides the financial flexibility for a balanced approach to capital deployment, while maintaining an investment-grade debt rating, and the flexibility to undertake strategic growth opportunities.

Another key component of our capital deployment strategy is our dividend. We are proud to be a member of the Dividend Aristocrats, an index that includes companies that have increased their dividend each year over several decades. Last July, we increased our quarterly dividend by 4%, marking 26 consecutive calendar years of dividend growth. On average, our dividend increase has been approximately 7% over the past 10 years. We expect our Board to maintain the Company's current dividend policy, which is to return approximately 40% to 45% of our annual adjusted earnings per share to shareholders, reflecting dividend growth consistent with future earnings growth.

Turning to next fiscal year, let me provide some perspectives about the elements that we are considering, as we begin our planning process.

For next fiscal year, top-line "tailwinds" include continued brand momentum across the portfolio, and a full year of net sales from the acquired Hostess business.

Top-line "headwinds" include lapping net sales from the divested *Sahale Snacks*<sup>®</sup> and Canadian condiment brands, reduced contract manufacturing sales related to the divested pet food brands, and any inflationary pressures impacting consumers' purchasing behavior.

Key considerations for the bottom-line next fiscal year are:

- Volume and mix benefits from ongoing business momentum;
- Dynamics around key commodity and ingredient costs;
- Continued stabilization in our supply chain and manufacturing environments;
- Marketing investments to support top-line growth;
- Cost and productivity benefits;
- And, the impact from stranded overhead.

Further, considerations related to the Hostess acquisition include:

- A full year of ownership and business growth;
- Approximately \$50 million in run-rate synergy realization next year;
- And, additional interest expense, amount of debt paydown, and total shares outstanding.

In closing, our results continue to demonstrate the strong momentum across our business and brands. We remain confident in our strategy and ability to deliver continued growth across our portfolio. And, we are well positioned to deliver consistent and long-term growth for our shareholders.

Thank you for your time today.

#### **ADDITIONAL INFORMATION**

The J. M. Smucker Co. is the owner of all trademarks referenced herein, except for Starbucks<sup>®</sup>, Frank's RedHot<sup>®</sup>, and Dunkin'<sup>®</sup>. The Dunkin'<sup>®</sup> brand is a trademark of DD IP Holder LLC and 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, as well as in certain away from home channels. This information does not pertain to products for sale in Dunkin'<sup>®</sup> restaurants.

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