

Investor Day

Company Participants

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- Amit Banati, Vice-Chairman and Chief Financial Officer
- Bruce Brown, Chief Customer Officer
- Chris Hood, Senior Vice-President and President
- Dave McKinstry, Chief Financial Officer
- David Lawlor, President, Kellanova Europe
- Dough VandeVelde, Chief Growth Officer
- Gary Pilnick, Vice Chairman, Corporate Development and Chief Legal Officer
- John Renwick, Vice President of Investor Relations
- Kris Bahner, Chief Global Corporate Affairs Officer
- Nicolas Amaya, President, Kellanova Latin America
- Sherry Brice-Williamson, Chief Supply Chain Officer
- Shumit Kapoor, President, Kellanova AMEA
- Steven Cahillane, Chairman of Board and Chief Executive Officer
- Unidentified Speaker

Other Participants

Bloomberg Transcript

- Alexia Howard
- Analyst
- Andrew Lazar
- Bryan Spillane
- Cody Ross
- David Palmer
- Jason English
- KC Parker
- Ken Goldman
- Michael Lavery
- Nik Modi
- Pamela Kaufman
- Priya Ohri-Gupta
- Rob Dickerson
- Robert Moskow
- Steve Powers

Presentation

John Renwick {BIO 19769692 <GO>}

Well, thank you everyone for joining us today, whether on the webcast or right here in the room at the New York Stock Exchange. We try to have an investor day every few years. This one is obviously particularly important, as we introduce two new companies, two great new companies.

A few logistics. First, I was asked to remind you to please try the food. It doesn't seem to be as picked through as we were thinking it might be. The second is the restrooms are down the hall and to the right. And the third, not that you care, but there is internet in here and there are signs on the walls over there and cards out front that will tell you how to access it. So, let's briefly walk through the logistics of the day. We have tried our best to make this as informative and efficient for you as possible. So what we were going to do is, now that you've been nourished with a Kellogg breakfast, we'll have Steve come up and review the compelling rationale behind our decision to separate it to two companies.

Then Gary Pilnick will come up and lead a series of presentations by him and other members of the W.K. Kellogg Co. leadership team, who will walk you through the strategy plans and financials for this compelling new investment opportunity.

This will be followed by a 30-minute Q&A session, and all of this will be webcast and will end no later than 11, probably even earlier if we are truly efficient there. We'll then have an intermission, which is important not only for changing the products, it's also to allow the W.K. Kellogg Co. an escape route, and it will be new Kellanova people coming in that will lead to an informal lunch and an opportunity for you to meet with members of the Kellanova management team and to sample some of our delicious snacks.

At around 12.30 Eastern Time, we will resume the webcast. Steve will be back on the podium to kick off a series of presentations about the strategies, plans and financials for Kellanova's compelling investment opportunity. This, too, will be followed by a Q&A session, and we will wrap up no later than 3.30 Eastern Time.

All right. Now, your favorite slide. I'm obliged to walk you through Slide number 2, our forward-looking statements disclaimer. As you are aware, certain statements made today, such as projections for future performance are forward-looking statements. Actual results could be materially different from those projected, and for further information concerning factors that could cause these results to differ, please refer to this slide of the presentation, as well as to our public SEC filings.

A quick note that a recording of today's webcast and all supporting documents will be archived for at least 90 days on the investor page of kelloggcompany.com. Also, I'll remind you, as always, when referring to our results and outlook, unless otherwise noted, we will be referring to growth on an organic basis for net sales and on a currency-neutral adjusted basis for operating profit and earnings per share.

And so now, let me turn it over to Steve.

Steven Cahillane {BIO 4718688 <GO>}

Thanks, John, and good morning, everybody. Thanks for making the trek to Wall Street. You have no idea how happy we are to be here today. We announced this transaction in June of last year, and there's been a tremendous amount of work that has gone on to getting us where we are today. And it feels, just absolutely the right place to be here at the New York Stock Exchange to re-birth two new companies that first started over 117 years ago today. So really excited about that.

This separation into W.K. Kellogg Company, a focused North American food company with iconic brands and a substantial margin expansion opportunity you're going to hear about today, this morning and Kellanova, a snacking and emerging markets-oriented powerhouse was first announced publicly, as I said, in June of 2002 and we're 2020-- we're '22 -- sorry, we're in '23 now. We're going to talk about that in the afternoon.

This has been a culmination of a series of bold, transformational actions we have been taking over the past several years from acquiring Pringles, which we have nearly doubled in size to bolstering our emerging markets presence in Latin America and Africa to strengthening our U.S. snacks business by exiting DSD and its declining ROI overheads and divesting non-core businesses. But this spinoff make no mistake is our boldest move yet. And it makes perfect sense for two primary reasons.

First, our North American cereal business, W.K. Kellogg Co., will do better on its own than being continued to be part of a global snacking business. Why? Because it will have a fit-for-purpose strategy, a fit-for-purpose supply chain, a dedicated sales force, absolute business focus and it will no longer have to compete with snacks for incremental resources.

And second, the remaining 85% of Kellogg Company to be called Kellanova, can build on what we believe is already above peer average growth in sales and profit and do it more visibly than ever.

Through the past year, as we have delved into every possible detail of these businesses, every process, every brand, every function, we have become only more convinced that this spinoff is the right move for both of these businesses and that it will unlock considerable value for our share owners.

In addition to a compelling strategic rationale, we are also confident in our execution of this spinoff. From the start, we have stayed true to some key principles in getting this done. First, we made sure the project did not distract us from our current operations and financial commitments. And you can see from our results, which have exceeded every other spinoff that we succeeded in this endeavor.

Second, we are working to allow both companies to be set up for success. This has played into our decisions on talent selection, access to brands and trademarks, capital structures, and so much more.

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Third, we are putting a heavy emphasis on business continuity through the spinoff, which contributed to decisions on IT systems on transition services agreements and even on running the two companies in parallel, which began last week. By the time of the spinoff, both companies will be running smoothly. So, company and company started last week, and it's gone remarkably well.

And fourth, we actively managed for potential dyssynergies. We were disciplined about incremental costs required by W.K. Kellogg Co. as a standalone company, and we made organizational design changes to mitigate stranded margins at Kellanova. The right side of this slide highlights some of the ways in which we apply these principles into executional discipline, and it should give you confidence that we are doing the work to make this spinoff successful.

So, as we sit here today at the New York Stock Exchange, we are nearly to the completion of this timeline that we've been sharing with you. And we're extremely proud of the work we have done to get us to this point. So here's what you're going to hear today. Why W.K. Kellogg Co. is such a compelling investment opportunity. This team has put together a strategy and plan that takes this business from its current recovery phase to more focused and fit for purpose strategy and execution to sizable margin expansion and a future that may even include expanding its portfolio. This is a reliable cash grower with upside.

And you're going to hear why Kellanova is such a compelling investment opportunity. It's snacking an emerging markets portfolio, whose strong performance has been obscured from view in recent years, is a powerhouse of differentiated brands with significant runway for future growth. Kellanova has a refreshed strategy and an exciting financial outlook that stacks up well against any of our peers.

So with that, let me introduce you to Gary Pilnick, our CEO designate of W.K. Kellogg Co., a century-old business with the soul of a startup and I know, a tremendous future. As you will undoubtedly see for yourselves, Gary is the ideal person to launch this newly independent company. As a 23-year veteran of Kellogg, he has an unmatched knowledge of and passion for the business. And he possesses an impressive skill in driving engagement and a positive culture. And as Kellogg Company's Vice Chairman and Head of Corporate Development, he has been intimately involved in our strategy and portfolio evolution for a very long time.

So with that, I'll turn the podium over to Gary and the new W.K. Kellogg Co. leadership team. Gary?

Gary Pilnick {BIO 3694852 <GO>}

Steve, thank you for that warm introduction and thanks to everybody here for being here. We recognize everybody has busy days and we're grateful that you're here. Hopefully, you had a chance to enjoy our foods this morning at breakfast and you'll be spending the morning with W.K. Kellogg Co., which we refer to as W.K. and it feels quite right to spend the morning with us given what we do for a living.

We thought we'd start the day with something that we know you'd find entertaining and informative. A look back at our iconic history and a sneak peek of what's to come. So, if we could roll the video, that'd be great.

(Audio-Video-Presentation)

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So that brings us to today. Our story is embedded in the name and logo of our company, W.K Kellogg Co. And as you take a closer look, it represents not just our today, but also our tomorrow. Our name starts with the instantly recognizable signature of our founder, W.K. Kellogg. The great innovator, the original entrepreneur. This is about our heritage. That's where we're starting from today. And then the Co it rises a little bit above the horizon. The way we like to think about it is, it's our job to elevate the business of our founder.

The one that Mr.Kellogg brought to life 100 years ago, we will bring it to new heights. For us, we're picking up Mr.Kellogg's pen to write the next chapter of this iconic story. And when we think about the next chapter, we like to call ourselves a 117-year-old startup. Unique phrase, indeed, but this is a unique opportunity for everybody involved. The 117 years speaks of our today, our heritage, our legacy our foundation, our iconic brands, and the infrastructure that comes along with this scaled business. The startup, that speaks of tomorrow. It's a clear signal about our passion, our attitude, our commitment to succeed, and the accountability to get there. Keeping our strong today and doing things very differently tomorrow. Those two concepts represent the distinct opportunity for W.K, and we as a leadership, are very excited to tell you about it.

As you take a step back, the fundamental difference between today and tomorrow is that absolutely everything we're going to do will be in service of cereal. That will result in very different decisions, very different investments, and what you'll hear about is very different outcomes, which brings us to our agenda. I'll introduce you to W.K. I'll give you a sense of where we are today, the infrastructure we bring to the table, and how we're going to unlock our future, unlock our tomorrow.

Doug Vandavelde, our Chief Growth Officer. We'll talk about our iconic brands and commercial capabilities, what we bring to the table today. Then I'll be joined by Bruce Brown, our Chief Customer Officer, and I'll talk about our integrated commercial plan. You'll hear that word a lot today, integration. And Sherry Bryce, our Chief Supply Chain Officer. She will explain how we're going to modernize our supply chain and the consequential outcomes that will come from that work.

Our CFO, Dave McKinstry, will pull it all together with our financial story, including the sizable margin opportunity that is in front of us. We'll come back to close at the end with Q&A with the entire team, so let's dive into it.

And we start with our purpose. Kellogg has always been a purpose-driven company. That is not going to be different for us. When you think about our purpose, it's our contribution to the world. It's our role in the world. It's why we exist. So what's our purpose? We exist to create joy and connection to inspire great days. When someone hears that I work at

Kellogg, I never hear, I've never heard of it. But instead, it inevitably happens, a smile emerges, a story then comes. We hear about their childhood, their families, their today and their tomorrow. There's always that smile. There's always that story. And that's why joy and connection are so important to us. And when we do it right, we will inspire great days. We believe joy and connection is our birthright.

Now, we want to provide some more details about the today, about the tomorrow. Those are the themes you will keep hearing about all morning. And while, you're listening to our leaders, I want you to listen to how we're leveraging the capabilities we bring today to the 117-year-old company and also what we're going to be doing very, very differently. Those are the keys to our strategy, and we'll help you understand why we're so very confident in our future. So here's our foundation today. 117 years of heritage. We have the brands, the retailer relationships, the innovation muscle. Doug and Bruce will talk more about our strengths as a business, and they are considerable.

The opportunity for tomorrow is about focus, integrate and invest. We're going to be even more focused. I said every decision is about cereal. We're going to integrate, we have a business in Canada, we have a business in Caribbean away from home retail. We'll be running one business, not several businesses, as one P&L everybody pulling and focused on the same thing, and we're going to invest and we're going to invest more, which we expect will make a substantial difference to our outcomes.

With all of that, we believe we can grow share with a stable top-line. We expect to significantly improve our margin performance and deliver an attractive dividend. So at the end of the day, we're confident when we'll do this, our customers will get the service they're looking for and that category catalyst. Consumers will enjoy the food they know and love, and we expect our share owners will receive compelling returns.

Speaking of our foundation, here's a quick glance at some of what we bring to the table today. We're a scaled \$2.7 billion revenue business with a leading presence in the U.S., Canada, and the Caribbean. We have over 3,000 employees, a deeply experienced management team. And a robust supply chain network.

Importantly, we have some of the most iconic brands and characters in the consumer products world. I saw many of you enjoying our leader, Tony, this morning when you were taking pictures. Brands that consumers love brought to life by our characters.

Our brands represent nine of the top 20 in the cereal category across the U.S. and Canada. These brands and characters have thrived over time. I'm sure your family all know of them today. They will continue to be relevant tomorrow. And that's because how we've continued to innovate and market them over time, and we will continue to do so going forward.

We also have a leading position in a large, strategically relevant category. As you can see from the slide, this is a \$10.4 billion category in North America. Cereal is the number one breakfast choice for children and number two for adults. We have strong retailer relationships, we're the number one largest seller of cereal in Canada and the Caribbean

and number two in the U.S. And as I touched on, we have a deep connection with our consumers with more than 60% household penetration in the U.S. and even more in Canada.

It's also worth noting that our business has experienced significant disruption from material one-time events over the last few years. You're all likely aware that we dealt with a significant fire at the Memphis facility and a strike at all of our U.S. cereal plants. The team responded well with the resiliency and agility you would expect and we're recovering. We've been able to replenish our supply and relaunch the business, but the recovery continues. As our top line is improving, we still have room to grow to regain our share position, but we're on our way and the business is gaining momentum.

Our plan will help us regain share and capture the sizable margin opportunity that's ahead of us, bringing us more in line with our peers. Our business is strong, it is resilient and is positioned to unlock future growth potential.

Importantly to me personally, these are the people that will deliver on this strategy. This is the W.K. leadership team. This is a talented team, no one better equipped to build on our strong foundation. I'm a sports fan and I like to say they are all first round draft picks. That's because of their expertise, their depth of knowledge, the way they work across the organization, their leadership styles, their ability to attract talent. This team has over 170 years of combined Kellogg experience and chose this opportunity because they love cereal and because they believe in its future. And with 3,000 plus employees, they're ready to seize the opportunity that's ahead of us.

The same is true about our strong and experienced Directors, a world class fit for fit-for-purpose board. Each director is an exceptional leader in their own right, with the specific skills and experiences that closely align with our strategic priorities. This group has profound depth of experience in supply chain, sales, spins, startup businesses, finance strategy, people management and so much more. This team has done their due diligence. They are excited about the prospects of this business, and they cannot wait to contribute.

So that's today. Let's begin talking about tomorrow, and we'd like to talk about this in terms of the value that we can create, and we see it in two distinct horizons. The first horizon is about building on our foundation and optimizing our scaled cereal business. That's the horizon you're going to hear about today. We're going to be focused, integrate our business, and invest in this first horizon, driving a much stronger company with a more reliable supply chain, a stable top line, generating substantially more profit from every box of cereal sold while growing our category share. When we come out of this horizon, we'll be a strong company with higher cash flow to pay down debt, invest back in our business, and return capital to share owners, while also exploring other opportunities like M&A, joint venturing, licensing.

The second horizon is about leveraging our foundational cereal business to grow beyond cereal and accelerate our top line, building on our iconic portfolio of brands and our strong momentum coming out of that first horizon. But again, our focus today, our focus in

the business is on horizon one, and that is optimizing our scaled cereal business. So how are we going to do it. We're going to have a simple but focused strategy. You see three priorities on which an entire organization will be focused. First, we're going to integrate and focus our commercial plan to win in cereal. Second, we'll modernize our supply chain. And third, we will unleash an energized and winning culture.

Executing on these priorities would result in outsized margin growth, a stable top line, and significant cash flow improvement, allowing us to deliver strong returns and capital to share owners.

Let me provide an overview of each of these priorities, and my team will come up and give you even more detail. As you take a step back, the key parts of our business have been run separately as part of the Kellogg Company. Caribbean is part of Latin America. Canada and the U.S. are distinct businesses. Away from home is scaled beyond cereal. Bear Naked and Kashi operate separately from the balance of the U.S. business. That is certainly the right decision for the global Kellogg Company. What will be very different for us. All of that will be integrated now. And we have already seen how it impacts decision making and outcomes.

Everything will be in service of one business, one P&L. Not what's best for one part of the business, but what's best for cereal as a whole. Perhaps the most tangible example of what's going to be different is in our sales force. Bruce will talk more about this in a moment. But think about the sales force for the Kellogg Company. They have responsibility for several important categories, important brands, Pringles, Cheez-It, Pop-Tarts, Rice Krispies Treats, Morningstar Farms, Eggo. You get the drift. All of that in addition to cereal.

Going forward, our focus sales force will be selling cereal. Frosted Flakes, Kashi, Special K, Raisin Bran, Mini Wheats. Again, you get the drift of what we're trying to achieve here. That's just one example of how we're going to operate this business differently. And you can see how it should enable us to grow share and expand margins. Secondly, we're going to modernize our supply chain, we going to invest in technology and automation to improve our plants' reliability and agility. We're going to realign our manufacturing network and optimize our processes so our plants operate with that agility and efficiency. And we're going to drive high-performing teams to execute on all of it.

That would allow us to improve gross margin significantly, getting back to the levels we've been at before. There's a sizable EBITDA margin opportunity in front of us tied to this supply chain modernization, and we're confident we will capture it. That's because this business has actually delivered higher margins in the past, and we're performing at this level today selectively in the business. You'll hear much more about this from Sherry in a moment.

The last of our strategic priorities is to unleash W.K.'s winning culture, guided by our core beliefs and behaviors on the slide. Importantly, these beliefs and behaviors have been created with input from every part of our organization, every function, every location, every plant. This plan and everything we do will be supported by our people, our greatest

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asset. We have a bold, entrepreneurial, and connected employee base that is hungry and ready to win, and we're excited to get after it. As I close, I want to take a moment to tie together what we've been talking about. Our purpose, put simply, is why W.K. exists to create joy and connection to inspire great days, our birthright. What do we do? You've heard this called a mission statement in the past. What that means is what each and every one of us do every day at the company.

For us, we bring our best to everyone every day through our trusted foods and brands. Everyone, every day, that's the type of food we sell. That's what we do. It's a food for everybody, and our brands are for everybody. That started 117 years ago with our founder W.K. Kellogg, reimagining food for the future, and that's going to continue at W.K. Our priorities, which we just talked through, and which will be the focus of our entire organization will drive our business forward. And our beliefs and behaviors supported how -- we will support how we show up every day. And it's all brought to life through our brands and characters.

Represented here by Tony the Tiger. What we like to say is that we focus on and execute on what's in Tony's head. We will deliver outsized opportunities that are ours to capture. I'm going to leave it here with this slide, it reflects why W.K., is a compelling investment opportunity. We're building on a strong foundation, starting with 117-year history and a portfolio of iconic brands. We're operating in a large and strategically relevant category. And as a standalone company with a focused strategy, we're well-positioned to deliver, and as Steve said, we'll be a stronger company because of it.

Our cereal focused sales force and commercial plan to win will help us deliver a stable top line and grow share. Our actions to modernize our supply chain will allow us to capture the margin opportunity that's ahead of us. And we would be well-positioned to generate significant cash flow, leading to attractive returns for our shareholders. So with that, I now would like to turn it over to Doug VandeVelde, who will share more about our iconic portfolio of category-leading brands. Doug is our Chief Growth Officer. He's a longtime veteran of the Kellogg Company, spending the last 25 years with Kellogg in a variety of leadership positions, most recently General Manager of the U.S. Cereal business. No one knows our brands better than Doug, and I am thrilled to be his partner. Doug, over to you.

Dough VandeVelde

All right, great. Thanks, Gary. Good morning, everyone. What an exciting day. I'm delighted to be here and spend a few minutes talking about one of the key aspects of our foundation at W.K., our iconic brands.

As you've heard from Gary, W.K. has an incredibly strong portfolio of brands. These brands have broad appeal across cohorts are supported by proven marketing capability and have a track record of successful innovation. As Gary said, W.K. owns nine of the category's top 20 brands across U.S. and Canada. This is core to what we bring to the table, a strong foundation for W.K. to build from.

So, let's have a look at these brands. First, they are firmly rooted in culture. Everyone has a story of our brands from their childhood, and they've stood the test of time sustaining,

on average, over 70 plus years. Let's first talk about our big six brands, which represent 70% of the business. And let's start with our biggest brand, Frosted Flakes. Launched in 1952, Frosted Flakes became so popular, it even rode with Neil Armstrong and Buzz Aldrin on Apollo 11, the first space flight to the moon in 1969.

Then there's Special K. Launched in 1955, Kellogg had a vision to combine protein with grains and develop the pioneering protein cereal in partnership with Harvard University. Kellogg Raisin brand was launched in 1942 as one of the first ever fruit-in-the-box cereals. And after Raisin brand, there's Froot Loops, Mini Wheats, and Rice Krispies. The big six have more than 90% awareness among consumers. But more importantly, these brands mean something to consumers.

And on the big six, we have an important next tier of brands, including icons like Corn Flakes and All Brand, natural and organic leaders like Kashi and Bear Naked, and multicultural brands like Zucaritas and Choco Krispies. These brands represent a profitable 30% of the portfolio. This portfolio of brands represents tangible value and is a significant asset for us and W.K.

And it doesn't stop there, connected to our brands are our beloved characters, another clear point of differentiation and a key part of the culture we live in, as I'm sure we can all remember. It all starts with Tony the Tiger, the number one most recognized mascot in the cereal category. Tony is truly iconic. He has a positive, upbeat personality and a love for helping kids be their best. All summarized by one of the greatest taglines in marketing history. They're great. Beyond Tony, there's Toucan Sam, the curious adventurer who is always encouraging kids and parents alike to follow your nose.

Then there are Sunny, Minnie, and of course, Snap, Crackle, Pop. These iconic characters make up an extremely well-known team in food, and we're excited to take them with us into W.K. These brands and characters have stood the test of time, but even more importantly, their relevance still resonates today. In recent years, we've had some great contemporary partnerships like Froot Loops World on the gaming platform Roblox. And Tony has been rallying his friends, Shaq and Jalen Hurts, to name a couple, to do good in communities.

Tony even had a special edition pack for hit movies Star Wars, Obi-Wan Kenobi and Avatar 2. This just shows the broad appeal and constant source of engagement our brands and characters can provide to consumers from generation-to-generation.

Our brands play a critical role in consumers' lives. You've all probably experienced that yourselves. First, our broad portfolio of foods and taste experiences offer variety that appeals to many different consumers with varied taste and texture needs.

Next, this portfolio also meets a broad spectrum of health and wellness needs across different cohorts and occasions. For example, many families want the balance of health and taste and choose mini-wheats for breakfast. While boomers might want something more wellness-leaning and choose Kashi, sometimes even for dinner. But whatever they want, we have an offering that will meet their needs. And we make all of this available

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across regions, retailers, and formats. The breadth of our portfolio is truly an asset in a big, dynamic category like cereal. There's really something for everyone. At every time they need us and everywhere they're looking for us. And that positions us to win.

Let me unpack a bit more the benefits of cereal and why we are so confident in our opportunity ahead of us. As you saw in Gary's section, cereal is the number one breakfast food eaten by kids and number two eaten by adults. And there's good reason for that. Did cereal eaters get more vitamin D, more iron, more calcium, more folate, more whole grain and more fiber than non-cereal eaters. These are important nutrients that most people don't get enough of. And multiple studies have shown that cereal eaters eat the same amount of sugar as non-cereal eaters. In fact, cereal represents only 5% of sugar in the average daily diet. Only 5%.

Cereal is convenient and accessible, providing good value at less than \$1 per serving with milk. Think about that. How many nutritious and delicious meals cost \$1 these days. Again, probably why the cereal category has sustained over time and is a \$10 billion plus category. And we're going to continue to educate consumers on this story. Cereal is also versatile, meeting different needs in different occasions. We already know cereal is big at breakfast, but cereal is also capturing more new and exciting occasions outside of breakfast. In fact, about 25% of cereal is eaten outside of breakfast today. Snacking is another of those new occasions where we see considerable opportunity for growth in our category and in our share. There are approximately 800 snacking occasions per year per person. Many of us have experienced being elbow deep in a box of Froot Loops or a bag of bare-naked granola, grabbing a handful as a snack.

We have recently made this even easier for consumers with our single-serve line called Jumbo Snacks. There's a real opportunity for cereal to gain a greater share of those 800 snacking occasions. And last, another occasion with significant upside is portable cereal. About one in five breakfast occasions is eaten away from home. As a standalone company, we will have the ability to be even more effective at retail and away from home through our integrated organization and to grow share in this occasion. So, along with our portfolio of iconic brands, we have a proven marketing capability that brings these brands to life and engages consumers.

Mr. Kellogg himself was a marketing innovator, pioneering such things as the first electronic billboard in Times Square, a partnership with Norman Rockwell that created iconic pack designs that live on today. And my favorite, the time he ran a print ad that asked consumers not to buy cornflakes so production could catch up and others could try them, which only accelerated sales growth and made people want cornflakes even more. The first FOMO. More recently this year, we won seven industry awards given to companies and brands based on effective marketing. We won for Froot Loops and Frosted Flakes campaigns. Froot Loops even won the most effective brand award and along with Cheez-it, propelled Kellogg to win most effective marketer.

And we've won these awards because we're driving consumer engagement and that drives the business. And looking to the future, we are evolving things like toys in the box to digital coins for gaming platforms, creating experiences. Experiences that are relevant for today's consumer. This is the proof of our already strong marketing capability. And the

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good news is, the innovative team that helped us win these awards is the same team coming with us to W.K. And going forward, we plan to build on this marketing capability and make it even stronger, which we'll discuss in the next section.

Lastly, we also have a strong and proven capability in new product innovation. We have a rich history of R&D and effective cross-functional work, which fuels our innovation capability. For example, recently we have launched innovative new products such as Special K Zero, a sugar cereal with 18 grams of protein.

Instables a Just a add water cereal that doesn't require milk. And fun partnerships with Nickelodeon Slime and Elf on the Shelf, which actually cools your mouth while you eat it, to bring excitement to the category. Innovation is in our DNA, and we are planning to take it to the next level as a more focused and agile team within WK. So as you've seen, we have an incredible foundation of iconic brands that consumers love, and we have the platform to successfully take them forward as a 117-year-old startup focused on cereal. Imagine a startup with a foundation like this, with Tony the Tiger and Toucan Sam on board. That's exactly who we are at W.K. Our brands and characters are iconic, and as a more focused, agile company, we'll be able to accelerate the things that make these brands great both today and in the future.

And as we will highlight in the next section, by fully integrating our commercial plan and launching a new marketing model, we expect to drive even stronger execution and enhanced return on our marketing spend. So with that, I'd like to introduce Bruce Brown, our Chief Customer Officer, to join me in sharing our integrated commercial plan to win. Bruce is another long-time veteran of Kellogg, with 25 years of experience, most recently as Vice President, Customer Strategy and Planning. Bruce is a true expert in our sales organization and our customer strategy. So, there's really no one better equipped to talk about this important work. Bruce, over to you.

Bruce Brown {BIO 17916071 <GO>}

Hey, thanks, Doug. Good morning, everybody. It's great to be here today. As both Gary and Doug outlined, we're starting from a position of strength with our iconic brands in our commercial capabilities. Now, we will talk about where we see a tremendous opportunity that we can attack to compete more aggressively and win in cereal. As an independent company, we'll be better positioned to grow share in the category. We'll be able to focus singularly on winning in cereal, building on our iconic portfolio of leading brands. We'll unleash a sales organization that is dedicated completely and focused against our cereal business. We'll integrate brand and channel strategies across the enterprise, allowing us to get more granular when it comes to strategy and execution. And we're launching a new, more efficient and effective marketing model with a robust innovation pipeline.

Let me quickly explain our opportunity. The most tangible impact of the supply disruption driven by our fire and strike is the direct impact on total points of distribution in store display activity. Limited product supply meant we had to remove SKUs from the shelf and significantly reduce our display activity. So why is this important? Total points of distribution are the single biggest driver of consumption in the category. In addition, the cereal category is actually more responsive to display activity than impulse categories like salty

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snacks. This chart contrasts the cereal category performance versus our performance on these two critical metrics.

As of second quarter 2023, the cereal category has returned to 2019 levels on both distribution and display activity. For the category, total points of distribution are at 100%. And display activity is at 99%. However, due to our supply disruptions of the fire and the strike. We have only recovered to 91% and 92% respectively. In the simplest terms, this is a meaningful opportunity to improve our current market position with respect to both distribution and merchandising back to our 2019 levels prior to our disruptions. We are confident our integrated commercial plan will enable us to attack this opportunity.

It all starts with our sales team. The Kellogg Company has always had a strong and highly respected sales organization in the marketplace, consistently ranking in the top 10 for Kantar Rankings. The W.K. sales organization is designed to keep strong capabilities with the added benefit of being 100% focused on the cereal brands. While our current organization is strong and respected, we have many priorities, which Gary mentioned, across many categories and brands. As you see on the left side of the slide, this served as a disadvantage to our cereal business.

The right-hand side of the slide illustrates we will drive increased granular focus on cereal. As a W.K. sales organization, we'll transform from prioritizing Cheez-Its and Pringles and Pop-Tarts and Rice Krispie Treats and Eggo and Morningstar Farms and then our cereal portfolio to being singularly focused on driving Frosted Flakes, Special K, Froot Loops, Frosted Mini Weeks, Raisin Bran, and Kashi.

Every day, every salesperson will be focused on the cereal category in our iconic brands. We believe, this focus and simplification will enable us to be true cereal category experts, and enabling the sales organization in store will be other elements of our commercial plan as well, a new marketing model, a strong innovation pipeline and integrated brand and channel strategies. When you put all those together, we plan to grow share and deliver growth for our retail partners.

Let's talk about the next element of our plan. As a cereal focused organization, we will integrate brand and channel strategies. So, what does that mean? First, we will integrate across markets and channels to drive the best decisions across our business. That means we will manage a single P&L for our U.S. retail business, our Canadian business, our Caribbean business, and our away-from-home business. This is very different as, in the past, all those businesses have been managed separately.

Next, we will create focused, cross-functional teams. As a cereal focused business, we'll eliminate the matrix and silos that are required to manage a multi-category business. We'll organize teams across our functions, markets, and channels, and we'll better align metrics to deliver against our strategic objectives. And with a focused sales organization at the channel level, we will get more granular with the category to find the right opportunities at the intersection of brands and consumer channels. Being more granular means we can more actively manage this intersection to identify gaps and conversion to capitalize to drive growth for our customers and ourselves.

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Next, we will invest in additional analytic resources and capabilities, allowing us to better understand consumer demand and shopper conversion within each channel. Once again, these insights and capabilities will enable us to better serve our retailers in driving category growth. All of this will help us gather strategic insights from planning to execution to measurement to be an end-to-end organization to ultimately drive better execution in the marketplace.

And that brings us to the last point, which is execute the right product, in the right place at the right price. Our initiatives to modernize our supply chain and improve reliability are key enablers due to the enhanced capabilities in packaging and merchandising capabilities. Sherry will share more of this shortly. We intend to be the cereal experts in these four elements are critical to getting us there. Our RGM strategy will be a critical enabler for us to deliver on that commitment for the right product in the right place at the right price.

We will continue our strategic approach to driving revenue growth for our brands and the cereal category overall through three focus areas. First, strong category expanding innovation through premiumization. Doug will get deeper on this in a few minutes. Second, analytics and capability to drive promotional effectiveness. This will also be a key enabler to deliver on that display gap that we spoke to earlier. And finally, the integrated price pack architecture to serve our consumers across every channel and every retailer go to market model.

Now I will pass it back to Doug to provide more detail on our marketing and innovation plans.

Dough VandeVelde

Okay, thanks, Bruce. Another element of our integrated commercial plan to win in cereal is our new marketing model, which will be a key factor in helping us grow share in the category. We are making tangible improvements that will make us more effective and more efficient in our marketing. First, we will be leveraging more master brand campaigns where multiple brands can benefit from a unique insight and a single idea. We have several of these in the market now, and they are showing strong ROI. More on that in a moment.

Next, we're moving to a new media strategy and approach that will enable us to better reach our target consumers. More digital, more social, more commerce led, more first party data, and all enabled by data, analytics, and AI. Then, we have moved to a more integrated agency model, eliminating the cost and sometimes unproductive time it takes to work across multiple agencies. We now have two trusted partners with strong capability. And we also have one integrated marketing team on our side. Brand marketing, innovation, promotions, licensing, omni-commerce, insights and analytics are now all together in one team. Our team is now also integrated across the U.S. and Canada, which will enable us to share ideas and find synergies.

Last, we will be even more focused on expanding cereal in omni-commerce. Omni is 11% of our business today, up from less than 5% pre-COVID and growing faster than the total business. We have a higher share online. And we have invested in data and analytics

capability, which now, along with a fully integrated team will drive outsized growth in (inaudible). We are also challenging ourselves to be more bold with our ideas to break through in today's crowded landscape. Brands today are competing for consumer attention in a dynamic world of content like never before.

I read in Forbes people are exposed to between 6,000 ads and 10,000 ads a day, most of which are ignored or forgotten in seconds. In order to break through the noise, we are going to be even more bold in our ideas. This slide shares just a few of those examples. One of my favorites is we have taken an 80-year-old brand in Raisin Bran and are making it more contemporary, more engaging, more funny as a way to resonate with consumers by asking them, what can you do on Raisin Bran.

Importantly, we are enabling these new bold ideas through a more contemporary social and culture-first model, which is already driving good results. As an example, many is now online across social platforms, taking on as critics and reinforcing why Mini tastes better in a very fun and engaging way, and exceeding our engagement benchmarks. A good example of how our marketing model and bold ideas will come to life is on our biggest brand, Frosted Flakes. Just yesterday, we launched a new advertising campaign that brings back one of the most iconic taglines in the history of cereal, they're great.

The campaign is supported by a full funnel media plan, linear TV, digital video, social, data-driven targeted messaging, all starting to reflect our new media approach. Then we also continue to expand consumption of the brand with innovative new flavors. Strawberry milkshake, Frosted Flakes was the number one selling innovation in the category the year it was launched, and this has helped us drive our total distribution points on the brand. A big opportunity as Bruce described.

Lastly, we bring joy and positivity to connect with families and communities through our Mission Tiger initiative, which further engages consumers and customers and drives brand growth. Campaigns like this make these brands stronger and even more relevant and help us in-store with our assortment and merchandising goals. Ultimately, these bold ideas will be key in our efforts to drive share.

Let me touch a bit more on Mission Tiger. Tony really is on a mission. When he found out that schools were being forced to cut sports programs due to the lack of funding, he was not okay, in that kids would have fewer opportunities to learn teamwork and play like Tigers. So, he started a fundraising program called Mission Tiger. When consumers buy a box of Frosted Flakes, we make a donation make a donation to Mission Tiger, and through our partner DonorsChoose, we fund sports projects at middle schools. We have helped schools buy uniforms, volleyballs, gym equipment and more. We even built a brand-new field for a school in Baltimore, so they could finally play home games. There is nothing more joyful than a sixth grader in a new uniform playing on a new field in front of their friends and family.

Hopefully, you were able to check out the video at breakfast this morning. So to date, we have helped 1.8 million kids in almost 3,000 schools across almost 50 states, and 85% of those projects are in schools with low-income students.

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That is real impact, and we're just getting started. Many of our retailers are now partnering with us to make Mission Tiger even bigger. Our goal is to reach 3 million kids by the end of 2025. And this all ties back to our purpose, as Gary mentioned earlier, to create joy and connection, to inspire great days, and it's good for the business. Next part of our overall effort to gain share, and win in cereal is to leverage more master brand campaigns.

Here's a good example of a master brand campaign we have been running called Kellogg's Cereal for Dinner. This campaign features multiple brands, Frosted Flakes, Froot Loops, and Mini Wheats, and inspires consumers to give chicken the night off and have Kellogg's Cereal for Dinner. It's based on the behavior we saw during COVID that families were tired of cooking and cleaning up the kitchen and were turning to more cereal for dinner. Turns out parents and kids love it. Minimal prep and cleanup for the parents and the whole family gets some of their favorite foods like Frosted Flakes or Mini Wheats for dinner.

Importantly, new occasions like dinner are highly incremental to the category and can grow the category and grow our share. This campaign is enabled by a digital and social media plan and is delivering strong ROI. So now, I brought a short video of some of the new advertising that's hitting the market, which we can play now. So please run the video.

(Audio-Video Presentation)

Great. The final element of our integrated commercial plan is new product innovation. Innovation is critical in the cereal category. It drives excitement and incremental purchases and eating occasions among buyers. It also attracts new buyers who end up repeating, and that also grows the category.

And importantly, this is another way we drive points of distribution and display our opportunity as Bruce described. We launch 20 to 25 new products each year across big brand line extensions that bring new tastes and textures, new formats that drive new occasions, and seasonals that take advantage of built-in consumer and retailer excitement in seasons like Halloween and holiday. And exciting licenses and collabs.

There is more than \$300 million of innovation sold in the cereal category each year. We have a very strong innovation plan for 2024 that will launch here in a few months. And that builds on the success of our 2023 launches, which you can see on this slide. Just to call out a few, we launched a Special K oat crunch that won the People Magazine Award for Best New Cereal. Then there are our new premium Special K products, high-protein Special K with 20 grams of protein and a pioneering zero-sugar product, both of which taste great. And we also have new Kashi and Bear Naked products and fun licenses such as Icy and Nutribuddy.

Importantly, we see an incredible ROI opportunity by driving our innovation pipeline across the U.S., Canada, the Caribbean, and away from home, which will enable our dedicated cereal sales force to accelerate distribution display and drive more sales per innovation launched. So, going forward as W.K., we will have a complete commercial plan that builds

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on our incredible foundation of iconic brands, coupled with a new marketing model and strong innovation.

Add to that a fully dedicated sales team focused on cereal and cross-functional teams armed with the insights they need to activate these brands. And then lastly, we will also have reliable supply to deliver our products to our retailers on time and in the right quantities. Reliable supply is critical to our top line and will allow us to better execute our assortment and merchandising as Bruce described. Sherry will detail how we are going to get there in a moment.

So, when we put all these things together, iconic brands, new marketing model, dedicated sales force and reliable supply, we will be firing on all cylinders, on all elements of the complete plan, which will help us drive category growth for our retailers, and share growth for our business. So with that, I'd like to pass it over to our Chief Supply Chain Officer, Sherry Brice, who will walk you through how we are modernizing our supply chain. Sherry is another 25-year veteran of the Kellogg Company, with great experience across many parts of Kellogg and supply chain, from the plant floor to most recently global head of quality and food safety. She also has a great spirit and passion for engaging people and is perfect for this job. Sherry, over to you.

Sherry Brice-Williamson

Thanks, Doug, and good morning. I'm excited to be here today and talk about how we are working to modernize our supply chain, significantly improve gross margin, and drive EBITDA dollar growth and margin expansion. You heard Gary talked earlier about how everything we will do will be in the service of Cereo, and how that will affect our investments in decision-making. A big part of that will happen in supply chain, the backbone of our business. Our strategy to modernize the supply chain network has three main elements. First, to invest in technology and automation capabilities, including digital capabilities and sustainability, ensuring that our network is modernized and ready to capture the opportunity ahead of us.

Second, to realign our manufacturing network and optimize our processes while embedding the required digital capabilities for us to win today and in the future. Third, to drive inefficiencies in our manufacturing processes to reduce waste, improve overall productivity, none of which would be possible without developing our most valued assets. We're excited. I'm personally excited about what the supply chain modernization strategy will enable us to achieve. This strategy would significantly improve gross margin and drive EBITDA.

So let's take a step back. I want to orient you to our manufacturing network. We have six cereal plants, four in the U.S., one in Canada, and one in Mexico. These facilities vary in age and have a wide disparity in cost and efficiency levels. As you can imagine, this leaves plenty of opportunity for modernization, which we will take you through in a moment. That includes overall cost improvement and sustainability opportunities, such as reducing our waste, water, and energy outputs, as-well-as continue to reduce greenhouse gas emissions. As a standalone company, we'll have the focus and resources needed to invest in our manufacturing network to set us up for today and in the future.

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Let's take a closer look at what we're doing today. From a cost perspective and efficiency dynamics, as seen on the left-hand side of the slide, we have a significant disparity between our lowest cost facilities and our highest cost facilities. Approximately 50% factory expense cost per kilo. This difference is driven by high cost to operate certain facilities due to older infrastructure, leading to higher maintenance costs and other operating costs. The chart on the right that we also have approximately 20% differential in operating efficiency from our most to our least efficient facility. This is in part driven by lower overall asset performance as a result of increased downtime. The older network makes us less efficient, cost us more, and it's a significant drag on gross margin. That's where realigning the network is critical.

We already know how to make good food at lower cost, and most efficiently and in some occasions do it already. This knowledge combined with our investments in technology, automation, digital capabilities, and AI, would increase network flexibility, efficiencies in some of our higher cost facilities. We are confident in our ability to reduce our cost and efficiency disparities across plants. And importantly, we believe these actions will significantly improve gross margin. We believe our manufacturing network and investing in modernizing our facilities will not only enable significant margin improvement, but also supply reliability, which has been a challenge for us in recent years and a drag on our top line. The chart on the slide brings that challenge to life.

The massive worldwide disruption of the COVID-19 pandemic in 2020 led to a surge in demand and reduced customer service levels. Like most manufacturers, we prioritize SKUs and maximize production. In the second half of 2021, we also saw a significant service disruption due to a fire at our Memphis facility and a nationwide strike in our cereal plants. This and then in the first half of 2022, we continue to see impacts from the fire and strike as we started to regain footing.

The last several years have shown us more than ever than ever how important it is to get supply reliability, right? And that's why our supply chain modernization strategy is so critical. By improving supply reliability, leveraging AI to be more predictable, we would be able to consistently deliver great foods to our customers, improve customer service levels. This in turn will drive category share growth and contribute to a stable top line. Having a reliable and predictive supply chain will enhance our ability to meet customer demand, just reduce disruptions and ultimately improve overall performance and drive growth with customers.

So clearly, there's a massive opportunity with supply chain and seizing the opportunity will require investment. To address the cost disparity and improve operating efficiencies, our strategy anticipates investment between \$450 million and \$500 million over the next three years, which will drive roughly 500 basis points of EBITDA margin improvement. The modernization will allow us to automate various aspects of the manufacturing process, as we transform digitally, optimize workflows, streamline operations, and drive more predictable outcomes. We will leverage cost advantage and high-performing locations and assets to optimize our network. This will involve simplifying the network and ensuring the right volumes are in the right place at the right time. Our financing structure is designed to support this level of investment, which Dave will take you through in a moment.

And importantly, by making our network more cost-advantaged and efficient, we would significantly improve the product profitability of W.K. We have every confidence we'll deliver against this opportunity, because we've already started this journey. Just this year, we invested to expand our Balboa Canada plant, adding a new production line at a high-performing facility. As part of this expansion, we're also making a digital transformation, implementing real-time packing analytics, including leveraging AI to become more predictable.

This production line will produce food currently made at a higher-cost facility and enable innovation. This line is more efficient and flexible, allowing for quicker changeovers to different products. It also allows us to run multiple products across the line, which will reduce waste and increase efficiency. All of this means is that we're improving reliability for our customers, while also improving efficiency and driving more sustainability results. This is a great example of a high return investment, which will drive productivity and EBITDA growth.

We have discussed in detail the evaluation of the manufacturing network and the three main strategies to modernize the supply chain. Looking beyond that, we have even more initiatives across the supply chain that will drive reliability and efficiency and enabling margin improvement.

We'll be looking at the total supply chain, but the largest opportunities are the three strategies we identified. You heard Gary talked about our culture and what will be different. The agile entrepreneurial culture we're creating. Support of our core beliefs and behaviors will be key to this important work. To underpin our investment and make our margin improvement sustainable, we will build capabilities within our plants, execute a digital transformation and become more predictable. The core way we will build capabilities is through advancing our work systems, which we have today. But we have an opportunity to improve upon them and to further utilize our work systems across the entire supply chain. That is how we get work done.

Work systems result in a more capable workforce, a disciplined approach to problem solving, and consistent governance. By enabling work systems, we would enhance the capabilities of our team members and drive consistent improved performance we saw this during the pandemic. Plants with more advanced work systems navigated material and labor shortages much better. And problem solved more effectively, which resulted in better performance, which equates to margin improvement.

In addition to enabling work systems, we will drive engagement and improve culture by fostering our connection with our people, our most valued assets. These efforts will create high-performing team and drive continuous improvement.

In summary, we have an older manufacturing network that is leading to higher cost, lower efficiencies, and a drag on our margin structure. We believe, we have the right strategy in place to tackle which we will need and able to win. Our strategy to invest in technology, digital capabilities, automation, realign the manufacturing network, and drive any operating efficiencies are all supported by high-performing teams. We expect to

significantly improve gross margin and drive EBITDA. We're confident we can deliver on this strategy, enabling us to drive financial results and are committed to sharing more as we continue on this journey.

With that, I'm excited to hand it over to Dave McKinstry, our CFO, who will walk you through our financial model. Dave has been at Kellogg for over 13 years and has significant finance experience. Previously, he's held numerous finance roles, including CFO of our snacks business. He most recently led integrated planning for the \$9 billion Kellogg North America business. Dave, over to you.

Dave McKinstry

Thank you, Sherry. I'm very happy to be here today, and what is sure to be an exciting next step is our journey as W.K. Kellogg Co. As you heard from the team today, our priorities are clear. We have an opportunity to leverage an integrated commercial plan, including a dedicated sales force and to invest to modernize our supply chain, both of which will lead to a more dynamic, efficient and profitable organization. We believe our focus on increasing category share and optimizing our supply chain will lead to stable net sales and allow us to deliver significant EBITDA growth, which will flow through to operating cash flow.

This cash flow growth will allow us to balance our capital allocation across both high return investments to deliver our strategic priorities and return capital to shareholders through an attractive dividend. The combination of our focus priorities, integrated teams, and intentional investment would allow us to win in the marketplace and deliver strong financial results.

This slide summarizes our financial priorities, delivering value to share owners through a stable top line, category share growth, our investment in realigning our supply chain, overall improvements in operating efficiency and reliability, resulting in significant EBITDA growth and increasing cash flow.

Now, let's take a deeper dive into our financial model. First, on a stable topline, Doug and Bruce took you through our \$10 billion durable cereal category and how we have a category leading position, highlighted by some of the most iconic brands and characters in the industry. Our position, coupled with our new marketing model, dedicated sales force and improved supply reliability leads to a stable top line performance.

Next, moving to improving operating efficiency and reliability, we have a significant opportunity, which Sherry detailed just a few moments ago. Our gross margin lags our peers and is below levels we know have historically been achieved in this business. In fact, we've already started gaining ground on our historic performance levels, which was highlighted in the Belleville example, where we're moving some volume through network realignment to lower cost, high efficiency facilities.

Beyond our supply chain, Doug took you through the new marketing model, where we'll enhance both efficiency and effectiveness of our A&P investments.

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Finally, as we realize savings from our supply chain, cash flow will improve and allow for financial flexibility. Our optimized cost structure achieved through our investment, coupled with a staple topline would contribute to driving significant EBITDA dollar growth. Now, let's take a look back at our performance over the past three years. This chart represents our recent financial results adjusted for impacts of operating as a standalone company. As you heard from Gary earlier, the business has been challenged the last couple of years. Through resiliency, we've been able to rebuild our top line and continue to gain momentum. The plans we've laid out allow us to move forward to the next leg of our journey and win in cereal. 2020 results were heavily impacted by the circumstances surrounding the COVID-19 pandemic. We saw significant top line uptick in the beginning of increased cost pressures through bottlenecks and shortages.

In the second half of 2021 and into the first half of 2022, as you have heard, our overall performance was negatively impacted by one-time events of a major fire at our Memphis facility and a strike both of which hurt supply reliability, resulting in depressed topline and significant pressure on overall margin performance. As the year progressed in 2022, we began the year with extremely low levels of inventory and product availability.

As we moved on, we began to rebuild our top line performance through improved inventories, both internally and at our retailers. We began restoring investment behind promotions and brands, and we began recovering lost ground on assortment and off-shelf display. However, as we moved through 2022, we also saw significant cost pressures throughout our supply chain. We were mostly able to offset by the execution of productivity initiatives and implementation of revenue growth management through price realization. This resulted in recovered top line, but our opportunity and profitability is clear.

Fast forward to 2023, top line momentum continues as we further improve supply. This improvement coupled with strong innovation and restoration of brand building investment has led to increased assortment and off-shelf display. Additionally in Q1, we saw improved EBITDA margin levels of approximately 9%, which is an indicative baseline for the year 2023. As we look into 2024 and beyond, we see stable top line performance, share growth and a significant opportunity to drive cost out of the P&L and improve our margin position. These recent events overviewed on the previous slide and the manufacturing network cost and efficiency disparity Sherry took you through have resulted in a margin position lagging the average of our mid-cap center of store peers.

Our focus over the next three years is closing this approximately 500 basis point gap, and there are four key elements in doing so. First, Sherry took you through our supply chain modernization realignment plan, which was an optimized manufacturing cost structure. Second, revenue growth management, which Bruce took you through is focused on premium innovation, promotion effectiveness and price pack architecture. Next, improve brand building effectiveness and overall marketing ROI through the new marketing model, which Doug spoke about, will result in improved top-line performance and more efficient and effective AMP investment.

And lastly, a disciplined and lean overhead structure, underpinned by effective and efficient TSA support. We expect the vast majority of our improvement to come from gross margin, which legs our historical performance of approximately 35% as recently as

2018. Now, turning to our preliminary financial outlook. First, for net sales. Our plan assumes the category reverts back to pre-pandemic trends and declines low single-digit. And as we mentioned, we expect to grow share. Therefore, we would expect our net sales to be approximately flat over the three-year horizon with standalone adjusted net sales of approximately \$2.7 billion in 2024.

Next, moving to EBITDA. In 2024, we expect adjusted EBITDA to be in the range of \$255 million to \$265 million. This projection includes the cost to operate as a standalone company. As previously noted, we expect EBITDA margin to have improved by approximately 500 basis points by the end of 2026, resulting in mid-teens EBITDA margin. Incremental investment in our supply chain of \$450 million to \$500 million cumulatively from 2024 to 2026 will enable this margin delivery. This estimate includes capital spending as well as some one-time costs.

These incremental dollars will be used to improve our facility infrastructure and install new, more technologically advanced production lines, enabling automation and more efficient production processes. In addition to this investment in the supply chain, we expect to incur approximately \$125 million in spin-related one-time costs over the three-year period.

Lastly, over the three-year horizon, we expect base capital expenditure to be approximately 2.5% of net sales. These investments and spin-related costs are included within our financing structure, which I'll take you through in just a moment. We're confident the plans we have in place will deliver against this financial outlook and set W.K. up for future growth. Our financing structure is designed to enable the level of investment overviewed on the previous slide to execute priority initiatives and unlock our margin opportunity. We're arranging for two primary debt facilities. The first, a \$750 million term loan A designed with a delay draw feature to provide efficient liquidity as supply chain initiatives progress. The second, a \$350 million revolver facility.

It's our expectation that immediately following spin we have a gross leverage ratio of approximately 2x EBITDA. Leverage will increase following spin as we deploy aforementioned investment to modernize supply chain and fund spin related one-time costs. We expect total financing expense to be between \$60 million and \$70 million in 2024, which will be partially offset by pension income, a non-cash item. We expect leverage to peak in 2025. Then as investment savings are realized and margin expansion progresses, we expect to rapidly reduce leverage levels allowing for increased capital return to shareowners in pursuit of further strategic opportunities.

In the short-term our capital allocation will be focused on high ROI investments to unlock our margin expansion opportunity, moving us closer in line with our center of store mid-cap peers. In addition, we expect to pay a dividend with a payout ratio estimated to be approximately 45% in 2024. And as noted on the previous slide, we'll have an opportunity to increase cash return to share owners as investment returns are realized and cash flow generation improves.

I overviewed our day one financing plan, along with some description of our ongoing leverage shape over the next couple years. And as noted, we will maintain ongoing

leverage at levels that allow for strategic flexibility.

In summary, we have strong momentum. We have a clear plan to capitalize on this momentum and take it into the future. We have a sizable margin opportunity ahead of us and a plan in place to capture it. We're confident that as an independent company, we'll be well positioned to deliver compelling returns to share owners.

With that, I'll hand it back to Gary for some closing remarks before we get into your questions. Thank you.

Gary Pilnick {BIO 3694852 <GO>}

Thanks, Dave. As we wrap-up, I want to share a reminder of what we've built together over the last year. We talked about our purpose, we talked about our priorities, and I hope you saw through our presentation how our beliefs and behaviors will underpin everything we're going stop. All of this is incredibly important as we enter our next chapter, as we write our next chapter. Because when we execute what's in Tony's head, we will win for our retailers, for our consumers, for our more than 3,000 employees and for our share owners.

So, we're back to where we started this morning, with a look at how we're viewing the opportunity that lies ahead. We have a strong foundation, and by executing on everything we talked about today, we would deliver a stable top line, outsized margin growth and significant cash flow generation. I'm confident, the team is confident, we're excited in the company we're building for tomorrow.

With that, I'd like to invite the rest of the leadership team up, and we'll open it up for Q&A. Don't be shy with the clapping.

Questions And Answers

A - John Renwick {BIO 19769692 <GO>}

(Question And Answer)

Quick logistical. When you have a question, we'll call on you. Please talk into the mic, and for the benefit of the people in the webcast, please mention your name and firm, and then speak clearly in the question, okay? So, I did see Mr.English in the back there raise his hand first, perhaps highest.

Q - Jason English {BIO 16418106 <GO>}

Thank you for the question. Jason English, Goldman Sachs. Question on cash flow, the EBITDA figures you gave you specified, I think, in at least net income bill, you've got \$60 million to \$70 million of non-cash pension income in net income. Is that included in EBITDA?

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A - Dave McKinstry

Thanks, Jason. It's actually a little bit less than \$60 million or \$70 million. It'll be about \$50 million year one for the on the pension income side of things. Again, that's a non-cash item below the line. It is not included in our EBITDA figures.

Q - Jason English {BIO 16418106 <GO>}

Okay. Got it. So, as we think about the cash outflow, it looks like it's around \$700 million over the next few years of CapEx related to base CapEx plus the incremental. How much of that do you expect to be able to fund from cash from operations? And how much do you expect to have to fund by borrowing more?

A - Dave McKinstry

Yes. It's a good question. I think, I gave the shape on the overall debt profile, and to give you an idea of cash flow generation 2024 for, we'd expect our cash flow generation to be 70% to 80% of EBITDA and then improving as we move into 2025 and then more outsized growth in 2026.

Q - Jason English {BIO 16418106 <GO>}

That's helpful. Thank you.

A - Unidentified Speaker

You couldn't have picked an easier second question.

Q - Pamela Kaufman {BIO 18021242 <GO>}

Hi, Pam Kaufman, Morgan Stanley. So, the next two and half years are going to be unique from an earnings growth standpoint, given the opportunity you have to expand margins. I know this is far away, but when thinking about the long-term growth outlook for the W.K. Kellogg business, how do you think about earnings and top-line growth. With flat sales growth, normalized margins by 2026, how should we think about earnings growth and is that mainly going to come from debt pay down?

A - Steven Cahillane {BIO 4718688 <GO>}

Dave I just a quick reminder of what we talked about the horizons, I'll turn that over to you. So Pam, great question about this. It's very clear that we are focused on that first horizon today. But we understand you're looking further out, but in that first horizon, what makes our model work is a flat top line, a stable top line and it gives us the opportunity to grow our margin very, very meaningfully. That's that first horizon. And the second horizon, we do talk about the ability then to accelerate our top line, operating beyond cereal with the brands that we have in the foundation. So that's from a holistic standpoint, how we're thinking about, but Dave, I know you want to add something.

A - Dave McKinstry

Yes, maybe I can elaborate on the sequential improvement. So we do expect earnings to sequentially improve in '24, '25, and then an outsized improvement in 2026. So how I

would think about it is more moderate sequential improvement in '24, maybe a little bit more sequential than '24 into '25, and then an outsized improvement in 2026.

Q - Pamela Kaufman {BIO 18021242 <GO>}

Thank you.

Q - Ken Goldman {BIO 15002920 <GO>}

Thanks. It's Ken Goldman, J.P. Morgan. There you are, Gary. Just wanted to ask, why can't W.K. do two things at once, walk and chew gum at the same time, meaning you're talking about flat sales growth for a few years. Why is it impossible to grow margins to invest in the business, and also grow your top line, given some of the opportunities that you talked about to restore your ability to service customers, for example. I'm just trying to get a sense of why it's going to take so long to really see some top line growth.

A - Gary Pilnick {BIO 3694852 <GO>}

The way I would look at it is when you think about our strategy, this is going to be a focused organization. We are going to have an integrated commercial plan that Bruce and Doug are pulling together. We're going to modernize our supply chain. And we're also going to unleash our culture. So, we're doing a variety of different things. When we think about our model, we right now have a company that has a 9% EBITDA margin. We know we need to grow that. And for planning purposes, we think it's prudent to assume that the category will stay flattish and we're going to actually be able to do better.

So ultimately, when you pull it all together, we think for this first horizon, it is prudent for us to be thinking, we'll maintain that stable top line. And then at the same time, be investing across our supply chain to drive additional margin expansion. So, we would think that is a prioritized way of getting after this business. When we talk about accelerating the top line, we do think we come out of that first horizon a much more reliable company, cash generating company be able to make different types of investments that can then accelerate the top line. That's how we're thinking about it. So, I do think we're doing the things we need to do. I also believe we need to be prioritized and focus on what the game is ahead of us. And that is, let's stabilize that top line, let's expand our margins, and our model works if we do that. Dave, I'm not sure if you wanted to add anything to that.

A - Dave McKinstry

I think it was well said. I think, one of the things that we hit on is our planning assumption of a return to pre-pandemic levels within the category. So, I think that's a big thing as we are focused on winning in the category. So, I'll just remind that that's, I think an important part of our plan is winning on the top line within the market, and then delivering that EBITDA growth.

Q - Robert Moskow {BIO 6299775 <GO>}

Hi, thanks. Rob Mosco of TD Cowen. Sherry, one of the steps you laid out was realigning the manufacturing network and moving some volume from lower performing plants to higher performing. Does that exacerbate the problems that the lower performing plants

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are having. If you're moving volume out, does capacity utilization come down? And how do you address that?

A - Sherry Brice-Williamson

Yes, so there was three, thank you, good question. There was three pieces to it, right? It's also optimizing current workflow. It's also looking at digitalization. So, we are not a modern supply chain today. So really making sure that we're modernizing through optimization, efficiency improvements. So, we're going to look in the end. I don't think, the way we're looking in, the way we're planning it out, it is not going to exacerbate the issue because we're going to be focused on the optimization at the same time. So we're doing both. The realignment and the optimizing.

Q - Bryan Spillane {BIO 2147799 <GO>}

Hi, Bryan Spillane, Bank of America Securities. Just one follow-up, Dave just the answer to your questions about the CapEx and the EBITDA progression seems like leverage peaks at like potentially 3.5x to 4x. Just trying to get a ballpark of where that could be?

A - Dave McKinstry

Yes, won't get into the exact number, but you're not far off.

Q - Bryan Spillane {BIO 2147799 <GO>}

Sub four, right? I guess is the right time --

A - Dave McKinstry

Yes, you're not far off.

Q - Bryan Spillane {BIO 2147799 <GO>}

Yes. Okay, cool. And then I guess the second question is, if you think about the change, the integration, Gary, and human nature is we all want to control our outcomes, right? So, if we were managed before with maybe different P&Ls by geography or different businesses, now it's one P&L. So how does that change incentives, the way people are incentivized so they feel like they have control over their outcome, but they're still contributing to the greater good, if you will?

A - Gary Pilnick {BIO 3694852 <GO>}

I think it's a great question, Bryan. So I appreciate that. In fact, that is fundamental to what we're doing. We talked about we're doing things differently. One of the most fundamental things is running an integrated business across the company. Just as a reminder, we had a separate Canadian U.S. retail, U.S. away from home, Barenaked, and Kashi will also run separately. We all knew that on the way in. This is an organization that wants to do this. Our people understand the power of doing that. And we will incentivize accordingly. Our view would be we have one P&L. We'll all be on the same incentive plan. Largely that will be our company as well, because we want to run one business. So, we do think you're exactly right.

And we also said we know that our people understand how their contribution will actually impact the greater good, the entire P&L. So, we're not worried about people being disincentivized. In fact, we're feeling and hearing the exact opposite. This is a moment, whereas we bring the serial business together, it actually feels very natural to the people in the business to say, Canada and the U.S., yes there's a border, but we can actually run this in a much more integrated way, harmonize the business differently.

If I just stay for a moment on integration, when you think about the power of integration, when now you're running one business, as we're finding ideas as Bruce and Doug and Sherry and Dave and the leadership team are finding opportunities in the business, it's so much easier to scale them up. Right now, it's an obstacle to doing that across the entire business. As we're integrated, we could do that and find even more opportunities to harmonize. So, if you think about all those things, I think our entire organization is actually quite excited about what the future has in store. And they knew that before they raised the hand to be part of this organization.

A - Steven Cahillane {BIO 4718688 <GO>}

Gary, one thing I might just add to that. We're going to still have operating and economic understanding at an operating level. So, it's not like we'll just have visibility at the aggregate level. So, we'll have operational understanding. I think the critical component, though is the integratedness of our decision making and those choices. They're not at a singular operating level. But instead, we're elevating, if you will, those choices and doing what is best for the entirety of the enterprise. So just wanted to be clear, we do have visibility to the economics and understanding of how the business is operating at a more detailed level as well. (Inaudible)

Q - Andrew Lazar {BIO 1973907 <GO>}

Thank you, Andrew Lazar, Barclays. Question for you, Doug on the master brand strategy. I seem to remember a bunch of years ago, but correct me if I'm wrong, that Kellogg sort of went down this master brand strategy once before, and I think sort of then ended up shifting back to brand by brand. Maybe that some of the brands maybe were losing their individuality and relevance with their individual consumers. So, if I'm right, maybe you could just bring us through why the shift back and what you see now that's different than maybe you did before?

And then a quick one for Bruce. On that one slide where you showed the TDPs and off-shelf display activity, sort of pre-fire and strike and all of that, was Kellogg in line with the category in the industry even back then? Thank you.

A - Dough VandeVelde

Great, thanks Andrew. Appreciate that question. So yes, you're right. There's been a history of learning in this area master brand, multi-brand in Kellogg. So a few years ago, more than a few years ago, in the U.S., where people primarily buy the sub-brands, we tried a master brand campaign. So it was only Kellogg's. It was the 2012 London Olympics, and it was only Kellogg's. And it generated great affinity for Kellogg's but didn't generate the purchase. So what we've transitioned to now is something we call multi-brand, where the actual sub-brands are in the idea. So you saw in cereal for dinner, Frosted Flakes, Mini-

Wheats and Froot Loops are in the idea. So, it's more multi-brand than master-brand and the learning has been that's been a lot more effective because that's what people buy. They buy sub-brands. Make sense?

A - Bruce Brown {BIO 17916071 <GO>}

Yes, and then the question on TDPs in merchandising. As we went through COVID from a merchant, so I'll take merchandising first. From a merchandising standpoint, we actually were able to maintain our share and over-deliver a bit during the COVID timeframe because of our supply chain being very reliant and having the inventory to get through that. The big valley that we hit was Q1 2022, which was a direct result of both the fire buildup, not having the inventory and then the work stoppage. So merchandising, we held completely. TDPs was a bit mixed, where we lost a little bit of TDPs when we went through some PPA work before we went right into the transition that we kind of got caught on. But then the big piece on the TDPs was us pulling back on our innovation pipeline, pulling back on our SKU, prioritizing the SKUs against our core SKUs. So, the vast majority of the TDPs were out of that strike and fire, but maybe not all of them. I'll have to get back on that.

Q - Cody Ross {BIO 22763447 <GO>}

Hey, good morning. Cody Ross from UBS. A quick question on your top line. You expect share growth this year. Is that embedded in your next three-year plan to continue to gain share even after these easy laps? And then I have a follow-up.

A - Unidentified Speaker

Yeah, I think yes. So our plan, embedded in our plan, is our ability to grow share. So I think, as Dave said, our planning assumption is that the category returns to its pre-COVID level, which is a low single-digit decline. We're going to outperform the category and we're going to grow share as a result of that, and that's consistent then with our net sales guidance. That's where we are in this first horizon.

Q - Cody Ross {BIO 22763447 <GO>}

Great, thank you. And then just one quick follow-up. I noticed I noticed earlier this morning in the press release, you guys gave an EPS number for the Kellanova business but don't have it for the W.K. Kellogg. So just a couple quick points to help us get in the right ballpark. What tax rate are you expecting and can you help us out on a share count possibility just to ballpark?

A - Unidentified Speaker

Yeah, we're still finalizing the share count. So that's a big component of it and I think that will be in our next Form 10 here later this month. So, you'll have that pretty soon. I gave an idea of what other below the line items would be as far as interest expense and pension income tax rate we'll hone in on it more and give more specific granularity, as we move forward. But for now, I think 24% in that range is a fair estimate.

Q - Rob Dickerson {BIO 19993946 <GO>}

Great, thanks. Rob Dickerson, Jefferies. It is just coming back to the gross margin dynamic, I feel like for years a lot of us in this room kind of felt like there was decent fixed cost leverage off of cereal, right, and the margins should actually be fairly attractive. Clearly, for the time being, at least, they're less attractive. So I'm just curious, as we think forward the next three years and then beyond that as you go through this supply chain transformation do you kind of say, currently we're at about X percent of total cost that are fixed, and maybe we can get to Y over time, just trying to gauge kind of the level of that incrementality on gross margins for a business that is fairly scaled.

A - Unidentified Speaker

Yeah. I won't get into quite the split of the fixed versus variable piece of it, but I mentioned in 2018 we were as high as the mid-30s from a gross margin, so it hasn't been all that long. As we think about exiting 2023, we'll probably be in the mid to high 20s from a gross margin perspective. And as I mentioned in the script, we would expect pretty much all of the 500 basis points to come from gross margin. So, we would expect straight from gross margin down through EBITDA margin.

Q - Rob Dickerson {BIO 19993946 <GO>}

Okay. And then just quickly, kind of on that bridge between gross and EBITDA, I think, numbers you've provided previously in the Form 10, et cetera. It does show like a decent spending on marketing. Is there any reallocation within marketing or is there any, you talked to optimization and social media, what have you. It sounds like it's essentially steady state with the gross margin really driving the EBITDA.

A - Unidentified Speaker

Let me turn that over to Doug to talk a little bit about that, if that makes sense. And we'll come back to you, Dave. And there is something unique about our category, about the way A&P has spent, but Doug, why don't you?

A - Dough VandVelde

Yes. I think cereal's unique in some respects in that it's a repertoire category and you have to support multiple brands with A&P to be competitive. We do that, our competition does that. So that leads to a higher level of A&P. But that's built into our model, it's been our history. But the important thing is now with our new marketing model, we're on a quest and we have a target to be both more effective and more efficient. So, we're just getting going on the new marketing model, but I would expect us to get more effective and more efficient as we go along.

A - Unidentified Speaker

Sorry. For people who are listening, so John was just saying, the folks in the room are the WKKC, IRT, Matt Harrison, and Karen Duke. So thanks for that, John.

Q - Michael Lavery {BIO 20141239 <GO>}

Thank you. Michael Lavery from Piper Sandler. Just wanted to follow up first on Pamela Kaufman's question when you were talking about driving growth through M&A outside of cereal. But I think you spent a lot of time making the case that the whole point of the deal

is to focus on cereal and not have a sales force chased in different directions. Did I hear that right? How do you think about M&A, even if it's further out? And what's the trade-off you would imagine there?

A - Dave McKinstry

It's a very fair question. I'm glad you asked so we can just reinforce and just clarify what you mean by that. If you remember the slide that we had on value creation, there are two distinct horizons. What we talked about primarily today was the first horizon, and that was about how do we optimize the cereal business, stabilize that top line, drive meaningful margin expansion. That is the focus of our team. That's what the organization has been going after.

At the same time, as we think deep longer into the future, there is another horizon, but that horizon isn't here today. But we do think there is a unique opportunity as we're building this organization, as we're building our corporate, our IT, our distribution, the way we operate as a company, we could scale up when that time is right. But it's not right now. We have a focus on that first horizon.

For that second horizon, we do think there's opportunity with the company that we're building to do something meaningful in M&A, in licensing, in joint venturing to then accelerate our top line. The thing that we have that most other companies wouldn't -- would be our brands. And we have brands that we know can travel beyond cereal.

But rest assured, and just be very clear, during that first horizon, those brands, we're going to be leveraging those brands in our cereal category. That's what our focus is. So I hope that explained how we are thinking about the future. But right now, we are focused on that first horizon.

Q - Michael Lavery {BIO 20141239 <GO>}

Thank you. And then just on the margin potential, you've laid out some, work to pick seemingly lower-lying fruit, but you landed a mid-teens by the end of 2026. A peer like post, for example, has had their consumer brand segment, which has been mostly serial, in the low-mid-20s. Is there a structural reason you couldn't get higher than mid-teens? What's capping your ceiling there that it wouldn't have upside from that?

A - Gary Pilnick {BIO 3694852 <GO>}

Well, we talked about today, and Dave, if you don't mind, I'll turn it over to you after this. But the way we're thinking about it is, in that first horizon, what we think is a realistic yet outsized margin opportunity with the investment we're about to make. If that slide were back up, you would notice in horizon two, continuous improvement, ongoing margin expansion.

So we're not saying there's a cap. We're just saying in this horizon, we're setting out a goal. We're then activating against that, we're resourcing it within the organization. But we're not saying that's the end destination. But for that first horizon, we think that's a pragmatic way of getting after changing the trajectory of our margin. But Dave, anything you want to add?

A - Dave McKinstry

Perfect. Great.

Q - Alexia Howard {BIO 15082983 <GO>}

Thank you. Alexia Howard with Bernstein. So, I'm hearing that the Q2 stabilizing the top line versus that pre-COVID decline is reversing the share losses. It seems as though you're talking about more effective marketing. Are you talking about a big step up in innovation? I'm just wondering what the secret sauce is that turns it around. And in particular, how you engage with the retailers if your stated goal is flat? How does that get them jazzed up? Thank you.

A - Gary Pilnick {BIO 3694852 <GO>}

I'm going to turn it over to Doug and Bruce, who are going to take you through that. They're the ones who are driving and creating this integrated program. But on the way in, let's remember, we talked about two significant events that have happened to the company, uniquely to us, the fire and the strike. We're recovering, but we're not recovered. So we do think there's some tailwinds there for the business to start from. But Doug, Bruce, why don't you take it?

A - Dough VandeVelde

I'll start, and I'll hand it over to you then, Bruce. So if you think about our share, at the low point post the strike, we had lost five share points, okay? We've regained three of those share points through all the efforts over the last nine months. So we have two to go. So a big part of our share growth will be getting back to the pre-strike share levels.

And as I think, as we said, the what's different there is, we start with the portfolio of brands, but we add to that a new, more effective and efficient marketing model. We add to that a dedicated sales force that can get after the TDP, total distribution point and merchandising levels that we have not yet fully recovered. And then all of that enabled by reliable supply, which is hard to be effective on the top line when you don't have reliable supply. So that'll be another what's different going forward. So with that, I'll pass it to Bruce on retailers.

A - Bruce Brown {BIO 17916071 <GO>}

Yes. And Doug hit all the points on our growth. But the key piece, fortunately, Gary put this team in place a year ago. So, I've had the opportunity to meet multiple times with most all of our retailers as we've gone through this journey to where we're going to be.

And due to the size of the category, \$10 billion, number three, in our iconic brands, they're actually very supportive of the additional focus that we're going to put against the cereal category. It's a hugely important category to them.

And with that, one of the pieces that we keep working together to deliver on is say, we will outpace the growth of the category as we move forward. That's the commitment we're making to the retailer, that's the investments that we're making on our business

and the reliability of our supply chain, the commercial, the innovation, the stepped-up innovation and then the specialized expertise of a sales organization with only the focus to drive that. So, customers have been supportive. They want the focus of the Kellogg, the W.K. organization, against that cereal business.

Q - Steve Powers {BIO 20734688 <GO>}

Okay. Great. Steve Powers from Deutsche Bank. Bruce, while you have the mic, a follow-up on the TDPs and display activity. You gave numbers as of 1Q '23. Is that representative of where you expect to be starting in '24, or are you making progress as we sit here today, number one?

And then, David, from a financial perspective, a couple of questions. The appendix talks about a \$50 million interest cost in fiscal '24 relative to the starting point debt. That implies like a 10% cost of debt. I'm assuming you're scaling up the debt over the year. Can you talk about the cost of that assumed as we go forward.

And then from a cash flow perspective, if I kind of heard everything correctly, it feels like you're going to be running negative free cash flow at least in year one, maybe even in year two, maybe just a little, some thoughts on that.

A - Bruce Brown {BIO 17916071 <GO>}

Yes. Okay, I'll start. And Doug spoke to the valley of our points of distribution, our merchandising was really Q1 of 2022. So, we have made progress as we've gotten to Q2 of 2023. You've seen that in the 300 basis points of share recovery. What we're looking at is what will drive, because points of distribution and merchandising are an outcome of the integrated commercial plan, right?

The increased innovation plan, the continued improvement on our reliability and being able to get those merchandising vehicles is what will get us over the next horizon to recover that to recover those pieces. The one thing I'll say is also a big piece of this, we talked about is really execution, A big piece of our challenge on merchandising for example, isn't that we aren't running the right promotions. We're actually executing at a level that's well below our historical level.

So, if you think of at a retailer A, and we're running a promotion, we're executing at about 50% of stores versus the 85% or 90% of stores that we used to execute at. So that's why we see as we, it's an integrated approach as we get the reliability and the mechanisms to drive our merchandising vehicles going, that we'll recover the rest of that. I hope that answers your question.

A - Unidentified Speaker

John, did you want, there was follow-up questions that Dave was going to answer.

A - Dave McKinstry

Yes. So, Steve, you might have to remind me again, so don't take the microphone.

Q - Steve Powers {BIO 20734688 <GO>}

I can answer it if you want.

A - Dave McKinstry

I'll do my best shot. So, as you think about the interest expense, and what's in the appendix is going to be on our drawn debt on the TLA that I spoke about. The other part, I spoke about financing costs. The Kellogg Company today, we utilize receivables factoring program. We're going to utilize that going forward. It'll be, roughly the same rate of sales that the Kellogg Company has, so you can think about it like that. But that's going to be what makes up the difference. So, I think that answers your first question.

And the second question, you're right on free cash flows, is we're making these investments into 2024. As I said, we plan to peak our net leverage ratios in 2025, and pretty quickly thereafter, start turning into positive free cash flows.

Q - Nik Modi {BIO 7351672 <GO>}

Nik Modi from RBC Capital Markets. So, I just had a quick clarification on the margins, and then a broader question. But just on the margin, I think even at the mid-teens target, there's still about maybe close to a 1000 basis point gap with your largest competitor. And so, I'm just curious, is there any reason why you could not get there over time? Just trying to understand if there's anything structural. That's the clarification.

And the broader question is just, the one thing we're noticing in the data and just talking to retailers is the center store is starting to see leakage to the perimeter. And that might be a function of disinflation, right? Egg prices kind of collapsing the last few months. And so, we're seeing breakfast occasions splinter to the perimeter. And I'm just curious, is that something that you've noticed or observed. And then how does that inform your promotional strategy at least in the near-term? Thanks.

A - Dave McKinstry

Yes, I'll start with the first part and hand it may be over to Doug for the second. I think Gary hit on it earlier on the margin expansion. We have a plan in place over the next three years that delivers what we laid out. As we go beyond that, I think that there is ample opportunity to expand beyond that, but our plan in that first horizon, that investment that goes behind it is to the mid-teens that we laid out.

A - Dough VandeVelde

Yes, great. Okay, good. I think on that question, Nik, if you think about it, just to zoom out, and we all know, we've been through an unprecedented level of inflation, which has required an unprecedented level of pricing to cover that. And with that pricing comes elasticity, okay. But we plan for that. We plan for the volume elasticity, and right now, our elasticities are on our plan. They're on our plan. They're consistent with competition. So, we feel good about where we are right now on that topic. Obviously, the consumers under pressure, but we feel good about our elasticities. We feel good about our volume. If you look at our year-to-date volume, we're performing better than the category. So I

think in that respect, we're watching this, we're watching the consumer behavior, but we don't really see a move out center store into perimeter per se. We're seeing the volume elasticity that we projected.

A - John Renwick {BIO 19769692 <GO>}

(inaudible) because they have another meeting to go to. We will take a little bit of a break here until about 11.30 at which time we'll have some food available for lunch, or what's over here, actually. So, thank you guys.

A - Steven Cahillane {BIO 4718688 <GO>}

All right. Welcome back. For those in the room, I hope you enjoyed that rather elongated lunch. So, thanks for your patience. I hope you enjoyed the food. I think the chicken waffles were clearly with a side of Pringles Sour Cream and Onion, the real hot one there. So, thanks for hanging with us.

I'm going to start this afternoon with an overview of the Kellanova business and explain why this is such a compelling investment opportunity, including introducing our refresh strategy and financial targets. Then each of our four region presidents will discuss how their respective businesses are entering a new era of growth and margin expansion, and how their strategies roll up into our overall company strategy. Next, Amit will come up and explain our financial outlook, both for 2024 and beyond. We'll hear more about our Better Days Promise. Then I'll come back and share final remarks before we open up for your questions.

So, let's get started with how an already strong company is about to get even stronger. So, what is Kellanova? We are a set of businesses you may be familiar with; I know you are familiar with, but whose growth record and prospects have been somewhat obscured from view. We're a \$13 billion company with good margins and cash flow. We participate in growing categories with iconic differentiated and beloved brands. We're also a new company, one with a new vision to be the world's best-performing snacks-led powerhouse, unleashing the full potential of our differentiated brands and our passionate people. And we're an improved company with a growth mindset, a refreshed strategy, and more ambitious financial expectations.

This slide shows what we mean when we say Kellanova is a global snacks-led powerhouse. More than 80% of our sales come from snacks or emerging markets. This means that the vast majority of our portfolio participates in categories and markets that have led and will continue to lead overall packaged food growth. We compete in these categories and markets with leading shares and brands that are highly differentiated. The five brands shown on this slide account for more than half of our sales and have an impressive track record of growth. And Kellanova is truly a global company. In fact, our business outside the U.S. and Canada account for half our net sales. In these international markets, we benefit from long-standing presence, experienced management teams, local supply chains, and very strong routes to market to go along with our powerful portfolio of brands. And Kellanova has a track record of growth that befits a global snacks-led powerhouse.

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This slide shows estimated growth in recent years for Kellanova, excluding WK Kellogg Co. Not only has Kellanova shown consistent growth, but it has grown every bit as much as our snacking-oriented peers. And these snacking-oriented peers, by the way, generally fetch the highest valuation multiples in our peer group. So, here's why we believe Kellanova is such an extremely compelling investment opportunity. First, we're building on what is already a strong base, what is already a track record of growth, and applying to it a greater focus and a newly refreshed strategy. We now make our enviable portfolio even more growth-oriented, directing resources to the biggest growth elements of our portfolio. We have targets and plans in place to leverage what is inherently a high return on invested capital business and strive to deliver better profit margins. We anticipate this will drive faster growth in net sales and profit, faster than Kellogg company, faster than our peer group. And we're doing it all in a way that is sustainable and dependable. And as I said, this is all about a strong company getting stronger. Please take a look at this opening video. (AudioVideo Presentation).

So, this is the energy we are bringing into this new era. And along with this energy, we have a sharpened strategy to guide us. Recall that since 2018, our Deploy for Growth strategy has served us well as Kellogg Company. It drove key decisions and actions, restored our top-line growth, and led to balanced financial delivery. Building on elements of that strategy that have worked well and are still very relevant, we have sharpened this strategy to focus more closely on what will drive Kellanova's business and what can lift our financial performance to an even higher level. We call this strategy Differentiate, Drive & Deliver. It pushes us to pursue differentiation in everything we do, from prioritizing resources behind our most differentiated brands today to creating more differentiation for other promising brands in our portfolio. It means differentiating our marketing, both in approach and content. It means differentiating our service to our customers from data and insights to supplying their shelves. It drives us to continuous improvement to finding more efficient and effective ways of working and more impactful ways of winning. And it focuses us on delivering, delivering on our commitments to our employees, our commitments to our suppliers, our customers, and our communities, and to you, our investors.

Let's take a closer look at each of the pillars of this sharpened strategy and why they give us confidence in a higher level of performance for Kellanova. One strategic pillar is drive our growth portfolio, which informs our where-to-play decisions. As we've discussed, Kellanova has a more growth-oriented portfolio to begin with, which has led to strong 9% compound annual growth over the past three years. Snacks represent 60% of our business, so our growth will continue to be snacks-led. All of our noodles and other business and half of our international cereal businesses are in emerging markets with outstanding growth. That's another 20% of our portfolio. So, we have a growth portfolio and we plan to drive it further. And here's how we plan to do that.

First, just look at the advantage categories in which we compete. The first three are snacking categories, which, as you know, have consistently outpaced overall grocery in recent years, supported by a global consumer trend toward more snacking more of the time. Instant noodles is a category we play in through our partnership in Africa. It is a culturally relevant affordable category that offers nutrition, versatility across occasions, and opportunities for innovation on flavors, forms, and packages. We play in frozen breakfast

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in Canada -- in the U.S., Canada, and Mexico through our Eggo brand of waffles, pancakes, and French toast. This is a category that grows steadily and reliably.

The plant-based foods category, while currently consolidating after a couple of years of explosive growth and proliferation, has strong growth prospects propelled by consumers' demand for wellness and for environmental sustainability. And while most of you track the cereal category in developed markets like Western Europe, where it is a century-old category with extremely high penetration, half of Kellanova cereal sales are in emerging markets, where the category's distribution and per capita consumption remains very much on the rise. All of these are attractive growing categories with good economics and a responsiveness to what we do best. That's innovation and brand-building.

Within these attractive categories, we compete with some of the most differentiated brands in the market. Let's face it, there is nothing like a Pringles Crisps or a Cheez-It. Similarly, Pop-Tarts and Eggo, our next billion-dollar brands, have long held onto their unique positioning. Rice Krispies Treats are also highly differentiated and have grown consistently for years. These five brands account for more than half of Kellanova's net sales. And because of their differentiation, category share and track record of growth, they are the brands behind which we invest the majority of our brand and capital investment. There is even a global opportunity for these brands. Pringles obviously, is already very global. Cheez-It is the number one crackers brand in the U.S. It has successfully launched into Canada, Brazil, and most recently, Mexico. There's obvious opportunity to expand elsewhere.

Pop-Tarts and Rice Krispies Treats are already in markets outside of the U.S., including the UK, Australia, and Mexico, but they have runway for more investment in growth in those markets and many more markets. And not even on this slide is the Kellogg's master brand, a very powerful brand that has particular use, use and strength in emerging markets. Kellanova will be shifting more of its investments, investments in resources, brand building, and capital behind these differentiated, growing, and margin-accretive brands. That's driving a growth portfolio.

Let's take a closer look at this, starting with our largest brand, Pringles. This chart shows what we've been able to do with this brand. When we acquired Pringles back in 2012, it generated about \$1.5 billion in net sales. We returned it to growth modestly at first and then accelerated it during the 2017 to 2019 period on the strength of more effective innovation and brand building, new pack formats, and expanded capacity internationally. Then we saw a step change in growth over the last four years. And yet, there is still plenty of runway in this brand. It still has relatively small shares around the world, 3.5% in the U.S., and 4% in Canada. In Europe, Pringles share ranges from 6% in Spain to 12% in Germany. It's got a 1% share in Mexico, and 5% share in Brazil. In Asia, only in Korea and Saudi Arabia does Pringles have a share in the high teens. Everywhere else, it's still in the single-digits. In fact, where it took the last decade to add \$1 billion of net sales, we believe and are confident we will add the next billion within five years, which would make this a \$4 billion brand for us.

How will we do it? We'll continue to execute world-class marketing behind this world-class equity. The impact and ROI of programs like our flavor stacking campaigns and our

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promotions around gaming have been tremendous. And these activations give you an idea of what is possible for this brand. We'll continue to launch new flavors, new textures, and new ingredients, all with great taste and a local bent. Pringles still under indexes on Single Serve and Multi-Packs, whose demand has consistently outpaced our supply. So, we'll keep adding capacity for these pack formats. We'll continue to leverage effective route-to-market capabilities to expand distribution, both geographically and by channel. For instance, we have an opportunity to meaningfully increase our penetration of high-frequency stores, such as convenience stores in developed markets and mom-and-pop shops in emerging markets. And to facilitate this growth, we are investing in capacity for this high return on capital invested brand. I mentioned Small Pack and Multi-Pack capacity, but we're also adding production lines and even new greenfield sites in Latin America and in Asia, such is our tremendous confidence in this brand.

Now, let's talk about Cheez-It. We all know it as a very powerful brand in the U.S., and there has been so much growth potential in this market that we have always focused our investment right here in the U.S., until recently. We launched the brand with great success in Canada, a couple of years ago. We tested it and are expanding the brand in Brazil, and this year, we launched in Mexico. It's a differentiated brand, with real cheese and real attitude. And new platforms, such as Snap'd give us that much more flexibility to find the right food and pack format for international markets. So, while we expect to sustain Cheez-It's growth in the U.S., its international expansion is another leg to its growth story.

Moving on to Portable Wholesome Snacks. We lead with two of yet, again, the most differentiated brands in the category, Pop-Tarts and Rice Krispies Treats. Now, think about what we can do as we put more resources behind these advantaged brands in our international markets. And right behind these brands are other strong brands with excellent prospects like RXBAR, Nutri-Grain, and Special K. While our growth will be led by snacks, the rest of our portfolio will also contribute to our scale and growth.

International cereal will grow, led by emerging markets, which represent just over half of our cereal sales. Our cereal sales in emerging markets have been growing at a mid-single-digit rate in recent years, and we are confident that we will continue to grow. And in developed markets like Europe and Australia, our goal in the highly penetrated cereal category is to build on our leading share positions.

And in frozen food, we compete with two exceptional brands, Eggo leads the Frozen From-the-Griddle Category and has a track record of steady growth, and we have the marketing and innovation plans to continue to grow it. Morningstar Farms is our plant-based brand with among the highest penetration and share in the Veg/Vegan category. As this category consolidates after a period of outsized growth and substantial new entrance, it is the leading brand and its simple label that stands to benefit the most.

I'll point out another area of focus for driving our growth portfolio, and that's Emerging Markets. Emerging markets are where population growth and rising disposable incomes will continue to drive strong growth in packaged foods. We are well-positioned in these markets with long-standing operations, very experienced local management teams, and beloved brands that play across occasions, channels, and price points, and can be adapted to local cultures and tastes. To give us further advantages in these markets, we

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have invested in local manufacturing in several markets, and have invested in route-to-market capabilities. And look at our track record shown on this slide. We have consistently delivered organic growth in net sales that is in the high-single-digits or well into the double-digits. And by continuing to build scale in these markets, we believe we will sustain momentum and add to profitability for many years to come. So clearly our portfolio is geared toward growth and our strategy is geared toward driving that growth.

The next couple of pillars of our Differentiate, Drive & Deliver strategy are aimed at how to win. Everything starts for us with delighting our consumers. That's what grows our categories and that's what grows our brands. And it's the primary objective of our brand building, our innovation, and our in-store execution. Our refresh strategy continues to emphasize what has been a key difference maker for us in recent years, our shift to an occasion's mindset with our commercial efforts. This is what has propelled us to expand successfully into Single Serve and Multi-Pack formats. It has informed much of our advertising, and it has led to many more on-the-go offerings.

Small Packs, whether for Single Serve occasions or for penetrating those high-frequency stores, or for offering lower price points, is an area in which we are still expanding. There is significant upside for our key brands just by catching up to the category in terms of percentage of sales coming from Small Packs for immediate consumption. This chart happens to show this opportunity for Pringles, but we have similar upside for other brands as well. We also have under-indexed shares in Multi-Packs, whose growth has outpaced our capacity for that format. All of this will be a focus for Kellanova, and we've already been investing in this capacity and in this capability.

We will also continue to delight our consumers with innovation. Even in the past few years while contending with supply chain disruptions, we sustained a strong pipeline of innovations. These went beyond new flavors and into new platforms like Cheez-It Snap'd and Cheez-It Puff'd. With supply disruptions finally receding, we can accelerate our innovation efforts. We will also continue to renovate our foods reducing sugar or sodium content, for example, or simply revamping for an overall better experience. And we will continue to innovate in packaging, investing in more Small Pack format capabilities. We will work to remain at the forefront of our industry on leading marketing capabilities.

Since 2019, we have shifted significantly from linear TV to digital media, aligning with our consumer shift in how they take in media. We raised our game on data and analytics a few years ago, leveraging our data to power insights and personalization of offers and messaging. We continue to refresh our data with first-party acquisition now at 47 million households. We are taking advantage of the data we collect to identify buying patterns and consumer affinities to better target our paid media. These actions are clearly paying off. We've driven a 30% uplift versus business as usual, and our AI-optimized creative is driving double-digit increases in our video completion rates.

The next pillar has a striving to deliver what we call Perfect Service & Store. This involves ensuring that our products are available wherever the consumer is shopping. Small Packs enable us to better penetrate those high-frequency stores I've mentioned several times, the mom-and-pops and the convenience stores. As you can see from the chart on the

left, we under-index in these channels in salty snacks actually clearly points to a real opportunity for us.

Another rising channel continues to be, for us, e-commerce. You can see from the chart on the right that our sales have been growing steadily and rapidly in this channel, with double-digit growth continuing through 2022 and into 2023. It is now up to more than 7% of our sales globally, and our shares in this channel are often as high or better than in physical channels. There is a capability required here to win, and it is one that we have enhanced in recent years from data and analytics to digital shelf, to pack formats.

Following the spin-off of WK Kellogg Co., our commercial teams in North America can focus solely on snacks and Frozen Foods. This enables our insights and analytics team to go deeper into fewer categories, draw out actionable shopper insights, and provide unmatched category and shelf guidance for our customers. We've also taken this opportunity to be more snacking-led in how we're organized and in how we prioritize the capabilities that we want to strengthen, with investments in retail sales force, execution measurement, and channel strategy. We've been equipping our salespeople around the world with better tools and technology, enabling insights and productivity through data and analytics that put them ahead of the competition. This better fits the new Kellanova. More impact throughout channels and outlets that are key to snacking-led growth and driven by more front-of-store presence, more displays, and more in-store service.

We'll also continue to make our supply chain more agile, flexible, and efficient. Even amidst the most difficult supply environment in memory, we continue to advance our Kellogg Work System, now Kellanova Work Systems, an operating model that has defined standards, improved identification and mitigation of losses, and built up our overall organizational capability. Now we're combining that ever-improving operating model with a substantial push into digitization. This includes everything from enhancing data and analytics to digitally connecting equipment and employees. It includes leveraging AI solutions to optimize our end-to-end planning processes. It includes partnering with technology companies to run simulations through a digital twin process that will help to optimize solutions. It also includes leveraging robotics and automating processes to simplify our operations everywhere. Chris Hood will go into some more detail in his section, but suffice it to say that we are making huge strides in this area. And the results are more productivity, better service, and faster cash flow conversion.

We are also investing in our supply chain to support our volume growth. Just as our innovation and brand building is more heavily behind our advantage brands, so is the growth portion of our capital investments. Pringles, Cheez-It, Pop-Tarts, and Rice Krispies Treats have grown rapidly enough in recent years that we are now adding capacity behind these high ROIC brands.

We are also investing in capabilities. In Europe, we are investing behind capacity and capability to expand our environmentally friendly Paper Can for Pringles. And in the U.S. and around the world, we are investing in capacity and capabilities around Small Pack and Multi-Pack formats whose demand has consistently reached our expanding capacity. Expanding margins is so important to us that our Differentiate, Drive & Deliver strategy calls it out specifically as its own pillar. A few of the key drivers are shown on this slide, and

Amit will provide you with more detail in a moment. And as you listen to our regions' presentations today, you will hear how central this profitability improvement is to our overall strategy. We have plans to expand operating margins in all four regions and the total company in the next few years.

The final pillar of our strategy is our Better Days Promise. This is more than a comprehensive ESG program. It is a manifestation of our founders' values, and it is part of our DNA. As such, it has always been recognized as a strength of the Kellogg Company, and it will continue to be so at Kellanova. Our targets have been refreshed for Kellanova, and in the spirit in the spirit of Differentiate, Drive & Deliver, we have increased these targets. It is also worth pointing out that our consumers and customers see the value in our good work in this area. So, you will see more commercial activity tying purpose and social and environmental action to our brands. Chris will discuss this in more detail a bit later. All of these pillars work together to produce a financial algorithm that is higher than we've targeted in the past, yet one we believe is achievable on a consistent basis. Amit will walk you through the algorithm a bit later. I'll just touch on some of the reasons why we are confident in this higher growth outlook.

One is that these Kellanova businesses have already been delivering growth performance similar to this. Two is that our portfolio is so much more oriented toward growth today, with 80% of our net sales coming from the combination of snacks brands and emerging markets. Three is that right away, Kellanova's mix of business is more profitable than that of total Kellogg, providing more favorable economics right out of the gate for us. And we have plans to improve our margins beyond this. And finally, our durable cash flow and solid balance sheet give us the flexibility to pursue high-return investments, return cash to shareowners, or even pursue value-enhancing M&A. This algorithm should outpace our peer group, and we're aiming for consistent dependable delivery of these financial results. Our objective is superior consistent returns for shareowners, and we will continue to be incentivized to deliver exactly that. Of course, all of this is powered by the competitive advantage that is our organization of talent -- talented dedicated people.

This slide shows my direct reports who comprise our Executive Committee. They provide continuity as there are no changes to this leadership team other than John Min being promoted internally to Chief Legal Officer, succeeding Gary Pilnick. This is an exceptionally experienced leadership team and it is a diverse leadership team. It's the best leadership team I have ever had the privilege of working with. They have all been architects and change agents in the transformation of our company during the last several years. Simply put, they are the right people to launch Kellanova into what is a bold new era. Meanwhile, we've refreshed our strategic HR priorities for Kellanova to recruit, retain, and develop the best people in the industry and to create the kind of culture that will propel Kellanova into the next era of very exciting growth. This Differentiate, Drive & Deliver strategy, sharpened to better fit the new Kellanova company, is driving the plans and actions being taken by all of our regions and the financial outlook that we strongly believe will produce top-tier financial returns.

So, let's now have -- hear how each region will put this strategy into action. We'll start with Chris Hood in Kellanova North America. So, if you could roll that Kellanova North America video right now, please. (AudioVideo Presentation).

A - Chris Hood {BIO 22683075 <GO>}

All right. Thanks, Steve, and hi, everybody. It's great to have the opportunity to be back with all of you on such an exciting occasion. My name is Chris Hood. I've been with the company for 11 years. Prior to that, I led the Pringles business at Procter & Gamble, and I was 19 years at P&G. So, you might say, I've been associated somehow with that beautiful brand for the last 20 years. It's been a great journey.

Going forward, I will be leading Kellanova's North America region. And I'm really excited to talk to you today about unleashing the potential of Kellanova in North America. And my goal today is to give you a sense for how Kellanova North America is a growth portfolio with a strategy perfectly aligned with the Differentiate, Drive & Deliver strategy that Steve just laid out. And a financial outlook that points to growing net sales in the low to mid-single-digits on an organic basis over time and operating profit at a mid-single-digit rate on a currency-neutral and adjusted basis over time. And we start really from an excellent place with a business that's already performing in line with that long-term algorithm on a three-year historical CAGR, driven by the strength of our brand portfolio.

So, let's talk about why we are confident and excited about our future. The Kellanova North American portfolio is now fully oriented toward growth. Steve mentioned that for the total company, snacks are 60% of sales. In Kellanova North America, snacks are more than 80% of our sales. On the left side of the slide, you see the categories that represent the Kellanova North America business as measured by the last 52 weeks of retail sales.

We operate in five very attractive categories, with crackers being the largest, 36% of total sales with brands like Cheez-It and Club Crackers. The salty categories are Pringles brand, which represents 16% of sales. Portable Wholesome Snacks is a category in which Kellanova is the share leader, with iconic brands like Pop-Tarts, Rice Krispies Treats, Nutri-Grain, and RXBAR, and Frozen Breakfast is the nearly \$1 billion Eggo brand. Veg/Vegan represents the Morningstar Farms brand, which remains a share leader in the Frozen Veg/Vegan category.

On the right-hand side of the slide, you see the net sales and operating profit growth that the Kellanova North American business has delivered over the past three years, excluding WK Kellogg Co. This performance benchmarks in line or better than many of our snacking competitors in North America businesses, and it should provide long-term confidence in our long-term targets.

Post-spin, Kellanova North America is immediately more profitable, due to product mix, reflecting the strong structural economics and advantaged assets in our portfolio. So, let's talk about how we plan to drive continued low-single-digit to mid-single-digit sales growth on this more profitable structure. We're operating in attractive categories. On the left side of the slide, you see the 2019 to 2022 compounded growth rates for the categories where we compete, each with a strong performance behind secular growth trends.

And on the right-hand side of the slide, you see the differentiated brands in the North American Kellanova portfolio. \$2 billion brands in Cheez-It and Pringles, two brands in Eggo and Pop-Tarts, which are each approaching \$1 billion dollars in sales. And Rice

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Krispies Treats and Morningstar Farms, each approaching \$0.5 billion in sales. These brands define the categories in which they compete. Yet, all continue to have significant runway for growth behind further household penetration, extending into new occasions through packaging formats and food innovation. And the refreshed Kellanova strategy shared earlier by Steve it's perfectly with what we're trying to do to continue the profitable growth of Kellanova North America.

The crackers and salty categories are anchored by Cheez-It and Pringles with emerging stars in Club and Townhouse. As previously mentioned, these are very attractive categories and you can see that in the upper right-hand side of the slide with 8%, 12% CAGR growth rates. Our portfolio has consistently grown ahead of the category with strong demand for core products, high-return brand-building investments, and expansion of occasion-based packaging formats. And we see even more runway for growth building on previously strong performance. We're making investments to expand our small format offerings, which serve as incremental occasions and we'll continue to create breakthrough marketing, all as part of a virtuous cycle of growing volumes and net sales, expanding our margins, and reinvesting back into our brands.

Kellanova is the share leader in Portable Wholesome Snacks with category-defining brands such as Pop-Tarts, Rice Krispies Treats, RXBAR, Nutri-Grain, and Special K. In the overall category, performance has grown mid-single-digits with rapid innovation, lots of new entrants continuously entering and exiting, and we've grown in line with the category during this period. As we look to the future, again, there's significant runway for growth in this category. The size and scale of brands like Pop-Tarts and Rice Krispies Treats allow for expansion of food formats and packaging to grow our share of occasions, while we look to amplify nutritional credentials on Nutri-Grain and Special K. And RXBAR has a distinct NO B.S. message, which we intend to bring further to life on the core bar and through relevant and incremental food innovation, like RXAM, which stays true to the NO B.S. brand identity, but extends the brand to a broader audience through a new food experience.

Our Frozen Foods portfolio contains the iconic Eggo brand, which is the share leader in From-the-Griddle breakfast offerings. It also contains Morningstar Farms, one of the founding members of the category and a leader in frozen plant-based meat alternatives. These categories have seen rapid development over the past three years. These categories are driven by relevant and impactful innovation that doesn't compromise on taste and that's what we are committed to doing behind innovation and renovation on core food forms, new highly incremental offerings that grow the category, and distinctive packaging to stand out and reach new occasions and consumers as well as offering convenience benefits like resealable freezer packaging.

We'll continue to fuel these brands with impactful consumer messaging and master brand campaigns, which leverage the strength of the equity. And we've improved supply and service, which allow us to regain lost distribution and expand into areas where constraints have impacted our in-market growth over the past couple of years. Previously I spoke about the significant opportunities we see in expanding our brands into new occasions and this slide illustrates the occasion-based formats, which were investing in behind Pringles and Cheez-It. Multi-

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Packs and Variety Packs support consumption occasions both at home and on the go and are typically purchased in traditional retail and club outlets. These offerings are highly incremental to our core pantry offerings and have been a disproportionate source of growth for the category and for our brands. The Grab & Go and Single Serve offerings are intended for immediate consumption and provide for a different vector of growth through non-traditional channels, convenience stores, and front-end grocery environments. Expansion of these formats via packaging capability investments is a significant source of sales growth and household penetration expansion for our snacking brands now and in the future.

Innovative Foods & Packaging is also a core tenet of our growth strategy. Delivering foods that amplify the core credentials of our highly differentiated brands allows us to expand the breadth of the brand while staying true to the underlying equity. And we're able to drive incrementality with exciting new foods and packaging to bring consumers into the brand and deepen the connection with already loyal consumers. These innovations drive premiumization of the brands and grow the total category, which excites our customers as well.

Last but not least, creating relevant commercial activations enables our brands to reach new consumers and occasions in culturally relevant moments, which further builds the relevance of the brands like the Eggo Stranger Things execution that you see pictured here. It takes world-class marketing to build world-class brands and for the Kellanova business, that means breakthrough campaigns funded sufficiently to make an impact.

Supporting our brand building, we've developed data-driven and agile measurement, which allows us to dynamically test and adapt our media plans and our messaging. These analytical capabilities coupled with our outstanding brands delivers a strong near in return on investment behind our brand building and supports building long-term brand equity.

Our analytics capabilities extend beyond brand building and into in-store capabilities in support of an outstanding retail salesforce, where we have invested as part of establishing Kellanova. Supporting that team, we're developing and deploying advanced capabilities, enabling our reps to scan the shelf and immediately identify compliance opportunities against shelving plans and fix them on the spot. In another example, we're developing augmented reality tools to visually model the in-store experience to enable a database conversation with a store manager about hotspots in the store for productive off-shelf merchandising.

We've also brought analytics to measuring and improving execution. One such instance is our dynamic rounding capabilities, which directs our retail sales reps to the optimal routes daily, correcting them to the biggest opportunities to improve on shelf availability and in-stock levels with the shortest windshield time. We've seen strong returns on this investment and we viewed it as best-in-class.

Another area of capability we've developed, which is yielding results is in e-Commerce. Last year almost a third of our sales growth was enabled by e-Commerce with the channel totaling 11% of total sales in 2022 and even higher in the first half of this year.

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These investments and capabilities have allowed us to move to an online share advantage in four out of five categories and strong share growth over the past two years. These gains were enabled by a choice to transform our omni-commerce organization and capabilities starting in 2019 and it's yielded excellent results.

Kellanova supply chain is a critical part of continuing our growth trajectory. We continuously focus on ensuring we have the capacity to grow our brands and reliably service our customers. We've unlocked capacity in recent years with strong productivity, new lines, and portfolio optimization efforts. And a great example of this is our Cheez-It plant Cary, North Carolina pictured here, where over the past several years we've made significant investments in new Cheez-It capacity across all pack formats and also in robot-enabled automation capability for Small Packs.

Cary is also our pilot plant for our Smart Factory program, which is driving performance visibility and faster line-level decision-making, and practices that are qualified here then deployed across our broader manufacturing network. In addition, we can continue to invest in capabilities within our network, we focused heavily on optimizing the logistics network, particularly as part of delivering the spin-off. We tested over 80 scenarios and landed on what we believe is the optimal footprint for our business today and for the growth we expect to deliver in the future.

Kellanova Work Systems, or KWS, is the foundation of our supply chain operating model, and it's driving autonomous maintenance, quickening the evolution of procurement planning and logistics, and supporting the development of high-performing teams to drive engagement. And as referenced on the previous slide, digitization and automation is a key feature of our manufacturing strategy. We're investing in our digital journey to leverage our data analytics and interconnectivity through initiatives such as our Smart Factory program where we digitized information and equipment and enabled employees at the line level with tablet technology.

All these initiatives provide real-time information that facilitates better visibility to line and plant-level performance and faster decision-making. In short, we're investing behind a more Agile, Flexible, digitally-powered world-class supply chain. The benefits of these efforts span quality, safety, natural resource conservation, and of course, efficiencies. They've created a more reliable and resilient network and also accelerated our margin initiatives.

Revenue growth management has been at the forefront of the strategy in the past few years due to the significant in-cost inflation that we've seen -- input cost inflation we have experienced. Going forward, we're focused on delivering benefit-led pricing, which adds new benefits to our foods and packing the consumers are willing to pay for. Promotional optimization, which seeks to make our promotional spending more impactful, and leveraging our packaging size strategy to hit critical price points, especially for lower-income consumers. Between revenue growth management, supply chain efficiencies, and a mix shift towards our advantaged brands, and overall operating leverage, we are confident in our ability to expand profit margins in Kellanova, North America.

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So, in summary, we have confidence in the future of Kellanova, North America. Our businesses perform very well over the past three years, and we believe our future plan will sustain strong top-line momentum on a more profitable platform. We play in very attractive categories, which have consistently grown over the last decade, and we compete with an amazing portfolio of highly differentiated foods and brands, which respond very well to marketing and innovation.

We have visibility to significant growth runway by doing what we do best, penetrating new occasions with new packs, generating consumer excitement behind new innovation, and driving world-class marketing to create brand differentiation and consumer love. We continue to focus on building winning capabilities such as data-driven marketing, revenue growth management, and a growth-oriented digitally-enabled supply chain to support our growth goals. And we have an outstanding leadership team and employees in place to create this exciting future. All of this adds up to low to mid-single-digit growth in net sales and mid-single-digit operating profit growth that we believe is sustainable over time.

So, with that, I'll now turn the podium over to Dave Lawlor and Kellanova Europe. Please play the video. (AudioVideo Presentation).

A - David Lawlor {BIO 19926431 <GO>}

Good afternoon, everybody. I'm David Lawlor. I'm based at our European headquarters in Dublin, which is in Ireland. And it's also where I'm from. It's also where I started my career in sales. I went on from sales in Ireland to work in setting up our Middle East business, our Turkey business, our Russian business, then our UK business, quite recently our European cereal business, and now I lead the region.

It's great to be with you. And I'm excited to share with you how Kellanova Europe is aligned to the company's Differentiate, Drive & Deliver strategy, and how Kellanova Europe is committed to achieving our long-term algorithm, which is low-single-digit organic net sales growth, and mid-single-digit operating profit growth a currency-neutral adjusted basis.

Okay. Strategy In-Flight success is about smart choices and our strategic choices push off from the new Kellanova strategies you can see here, and encouragingly, they are all In-Flight. Let's summarize this as growth portfolio means snacks-led and cereal enabled. Our ways of working are increasingly digitized both commercially and operationally. That evolving pivot enables the creation of end-to-end value pools that sustain as you can see the transformation or a precious customer engagement agenda all the while delivering and needs seeking the opportunities around our better days commitments.

As a reminder, yes, just look at who we are first and how we've been performing. Currently, just over half of our portfolio, 52%, is in snacks, and it's growing, as you can see, high-single-digit CAGR 8%. Cereal has also been growing, albeit low-single-digit, you can see that there at 2%. And our growth performance has been consistent, reliable, something we're very proud of. Our region has been growing for close on six years now, and we're doing so, as you can see both top and bottom line. Gives us enormous pride, okay. So that's the heart.

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What is at the heart of sustaining those six years of growth? It's Pringles, enriching asset-rich portfolio. Pringles is such a unique, differentiated, and distinctive brand, and these are the key attributes of value creation, pretty much in any category. And not surprisingly, therefore, it's our growth engine. As you can see, our trajectory has been accelerating beyond mid-single-digit most recently. What's more? Its region-wide growth with consistent double-digit growth in recent years in the UK, Ireland, continental Europe, and Eastern Europe, and driven by award-winning marketing combined with best-in-class in-store execution. And whilst our Pringles distribution has also been increasing impressively in recent times, we still see further opportunities for growth and expansion and are busy preparing the ground to pursue that untapped potential.

With that robust performance means we now have a sizable share in our key markets. So Kellanova question begs the strategy for us, can we push on even further? And the short answer to that is yes, yes, we can. You heard from Chris just now about the success of Cheez-It in the U.S. We see that as a big opportunity in our region. Steve alluded to it. And we are developing plans to make it our biggest new brand launch in recent times. We will, of course, bring you more specifics on that exciting opportunity in future engagements, but now, it's an opportunity to get to double-digit share regionally in the salty category. Indeed, in some markets, we'll be looking at Kellanova as a circuit[ph] 15% share player in the salty category. It's a notable performance and consistent with that company vision that Steve outlined of us being a best-performing snacks player.

So, differentiation is clearly a strength for us in snacks, and that extends into our portable wholesome business also where our performance in our key markets of UK, Italy, Ireland has been running at double-digit. Our current run rates have kept up with these CAGRs, and that signals to us sustained untapped potential. And we have other distinctive U.S. snacks assets to explore for growth in the region, including our enthusiasm RX.

Distinctive brands are also much in evidence in our cereal portfolio in Europe. Brands that enrich a total portfolio asset base. Our cereal brands are loved by consumers across the region. These six brands that you see on this slide alone represent 60% of our cereal sales and they've been growing mid-single-digits on average of late. We continue to lead the brand performance in the category, eight of the top 20. Tresor/Krave is a number one branded cereal in continental Europe. Krave and Coco Pops, up two kids tweens brands. And have grown volume share while holding value share, which is no small achievement to our recent fly inflationary cycle.

And our brand has scale -- the opportunity further advance hour and our customers' financial and just cost inflationary cycle as something that we are going to laser focus on actively planning for examples. As you can see on this slide, include common recipes artworks, queue size simplification, and a consumer-centric news cycle will very much drive our focus as we go forward as focused agenda and its scale with our customers and their shoppers adds fuel. So that's what our portfolio is going to look like in Europe. Let me shift gears, and I'll talk about how we are delighting and engaging with our consumers.

We are focused on strengthening our relevancy, our presence, and our availability. And there's a lot of growth to get after from that point of view. Singles formats deliver a creative economic return and are a muscle, and activation opportunity first. Channel ready

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and specific formats also, the global duty-free market, for example, it's forecasted almost double by the end of the decade and we have a portfolio and activation opportunity there too, which we have begun to progress recently.

Deliberate growth channel penetration. It's an area we've been progressing well, combined with our standards for upper-tier execution all point to a refer to our landscape for growth and disproportionately so in our snacks portfolio. How this also driven by the power of partnerships. Our scale, scale that I mentioned and reputation enable a compelling alliance agenda like in the consumers across the reasons and create value for all. Continental Europe, we've just cemented an alliance with MBA. That's an alliance we intend to activate over multiple years and multiple markets.

We have long-standing Cul Camp partnership with a GAA in Ireland and we anticipate and equally compelling sports alliance in the UK as we go forward. Our multiple gaming partnerships in recent years in our snacks business have been a proven success, helping us drive penetration and share, and in cereal relationships like the one you see here with Alpro, advanced our and the category's wellness credentials.

An additional proof point where our ambition's been grounded is our elevated marketing performance. Chris also alludes to it. Even going back five years, our marketing has stepped change for today's digitized consumers and shoppers. Our marketing has been externally recognized as best in class, and we have plans to keep stretching ourselves in that respect beyond '23.

The clear consumer understanding through data comes shoppers (inaudible) and with that elevated activation effectiveness, this will continue beyond '24. Our ambition is not stop there because it's not just top-line growth momentum we're unlocking, it's profitable top-line growth momentum. Digitization and the evolved ways of working at ripples for us internally, as you can see referenced on the right-hand graph, will help ensure our margins advance through this growth journey also.

What's at the heart of this? Partnerships, ambition, and big questions. Asking ourselves those bigger questions that elevate confidence in the returns from our capital and our operational planning. So, whether it's new partners like Siemens or existing but evolving long-standing partnerships with companies like Sonoco or Kantar, we have the relationships expertise and ambition to advance and evolve more profitably. And these aren't could dos, might dos, should dos. These are happening and In-Flight as I stand here with you today, which is way, as you see we're confident in our strategy. We have the portfolio and the capabilities to continue to grow ourselves forward.

Creative snacks-led growth with cereal providing the profit and scale to enable it. Margin expansion through operating leverage, mixed shifts through our most advantaged brands, categories channels and markets, improved productivity, and of course revenue growth management. The result is a continuation of that dependable, reliable growth, edging our way indeed after a decade of growth, generating that low-signal-digit net sale and mid-single-digit operating growth through time.

That's it from Europe. And with that, let me introduce Nicolas Amaya, he's going to tell you Kellanova Latin America. Play the video. (AudioVideo Presentation).

A - Nicolas Amaya {BIO 21371446 <GO>}

Excellent. Thank you, Dave. Buenas tardes, everyone. My name is Nicolas Amaya. I've been with the company 22 years both in North America and Latin America. And currently, I lead the Latin American region. So just as we saw in North America and Europe, in Latin America, we also have an exciting agenda to continue to develop our business in the region, sustaining our accelerated growth momentum. This momentum should generate mid-single-digit organic net sales growth over time and high-single-digit operating profit growth over time on a currency-neutral and adjusted basis.

So, let me explain how? So, without doubt, we see Latin America as an attractive region, with immense potential for our business. It is a sizable region, not only because of its population of more than 640 million people but also with big and growing food categories. While Latin America is known for its volatility over the past couple of decades, we've seen a region that has progressed economically, with a growing middle class increasing its purchasing power, over a wide range of retail environments that continue to evolve and increase in sophistication. And we have already been capitalizing on this opportunity, sustaining accelerated growth, not only at a regional level but across each of our four business units.

Mexico and Brazil, our largest business units, which are two of the top 15 world economies, and represent more than 60% of the region's economy. And our Central American, Caribbean, and Pacific region are organized as scalable, commercial, and operational clusters to serve our consumers and customers in a strong and efficient way. We have been also transforming the shape of our portfolio, moving from a cereal-led business to a more balanced portfolio where snacks has become a bigger portion of our business. And while this transformation has been intentional, this hasn't come at the expense of our core portfolios. We have sustained accelerated growth across all our key categories.

Our top and bottom-line performance reflects the strategic direction taken combined, with an unwavering executional focus from everyone in Latin America, day in and day out. And while we have seen strong performance, we continue to stay focused on our long-term ambition set in 2020 of doubling the size of our business by 2030. By providing all-day solutions to our consumers, increasing our availability for shoppers and customers, all delivered through the strength of our brands, our capabilities, and our people.

Align to the global strategic areas, our priorities reflect the choices made to drive towards this ambition. We drive our growth portfolio, we are focused on continuing to advance our snacks transformation, build scale in Brazil by maximizing its's portfolio, expanding the cereal category throughout the region all by leveraging our global and regional brands behind selective opportunities.

On delighting our consumer focuses on driving innovation to capture new segments, occasions, and retail opportunities while continuing to strengthening our brand engagement and superior data and analytics. On perfect service and store, beyond all the point-of-sale

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work and collaboration with our customers, we're focused on driving growth in underdeveloped retail environments. And finally, to expand our margins, we're focused on efficiently aligning our supply chain to our portfolio and geographical priorities, while driving specific efficiency actions across our business.

Now, diving to solve these opportunities. On snacks, let's start with Pringles. It's the largest Kellanova brand in Latin America, and it has been growing at exceptional rates over the past few years, gaining share in our key markets led by our commercial and innovation programs. This has also combined come from a combination of increasing distribution critical for this category while expanding production capacity to keep pace with demand. Moving forward we're new focus on the building the breath and depth of our portfolio, continuing to connect with our core consumer, leveraging the power of our brand, expanding our footprint with particular attention to high-frequency stores, and continuing to build the right pack value to offer consumers for the different occasions.

Also, to complement our salty snacks presence, we have lunch Cheez-It in our core markets, Brazil and Mexico. While still early stages, we continue to build trial awareness and distribution. Moving forward, we will focus on solidifying our lunch, expanding our offerings across formats and retail environments, while rolling this out across the rest of the region.

We also continue to build our portable snacks portfolio. We have a solid presence and share in the Caribbean, Mexico, and Central America. We're focused here on continuing to drive scale behind our core portfolio, expand the presence of our global brands like Pop-Tarts and Rice Krispies Treats. While also evolving our portfolio into new relevant segments and formats, all this while expanding regionally into the rest of the markets.

In cereal, we have a shared leadership in Latin America that continues to grow over time. We have a very strong portfolio of leading brands across key category segments, which have been strengthening and growing over time. Yet, we have a head space to continue to grow and develop this category. Our capital consumption to be much lower than developed cereal markets. We'll continue to expansion consumption into additional occasions and we'll continue to build distribution across the different retail environment.

Looking forward, our focus to continue to build the relevancy of the category. This involves elevating functional benefits and strengthening our commercial brand programs and driving innovation. While continuing to offer affordable solutions that support our distribution expansion. We also have opportunities to continue to broaden our scale, leverage the strength of our global portfolio. We have been introducing our frozen Eggo business across the region with very encouraging results. As part of our acquisition of the parity business, we're leveraging some of the great seasonal offerings that we have, like Panettone, expanding our presence in key locations and geographies.

We have also continued to expand our dairy partnerships across the region, as also successfully done in Europe, co-developing cereal and yogurt-branded solutions. As I have referenced, across our category's innovation is a key pillar of our growth strategy to ensure we continue to develop our business in current and new segments. We'll continue

to evolve the debt of our portfolio through packaging innovation, we ensure we drive the right affordable price pack architecture for the right location and retail environment.

We're also driving food solutions for our key categories and brands into new relevant locations. All supporting is our push into new technology and capabilities. This creates differentiated solutions for our consumers. We have also been developing our capabilities in the digital and analytical space, and we will continue to do so to support not only our consumer and shopper activation but also efficiencies across our end-to-end operations.

Latin America has more than 4 million retail outlets. 70% of those are small, high-frequency stores, which are highly fragmented. While we continue to solidify our presence in big retail formats, we also need to efficiently reach these high-frequency stores through a combination of our own routes and a powerful partnership network. We're also seeing the rapid growth of different digital channels that have accelerated by the pandemic, and value-driven formats like cash and carry, discounters, and clubs, where we need to continue to increase reach, our portfolio, and activation.

Our customer service focus is critical to winning the market. We're focused on ensuring that internally we're keeping up with our capacity, evolving and optimizing our logistic network. And externally, we will further develop collaborative models and tools to continuously optimize the joint operation with our customers.

And finally, we're focused on driving sustainable margin improvement. We will continue to excel in our RGM capabilities. We'll continue to make operation more efficient end-to-end. We'll continue to drive toward a scale and efficient operation in Brazil, and we will have opportunities to optimize our portfolio and redesign our sourcing. All of these will drive margin expansion for us.

So, in summary, Latin America is and will continue to be an attractive region with immense potential for our business. We have been consistently driving and accelerating our growth across our region, and we believe our growth is sustainable. We have a big ambition with a clear set of choices to achieve this sustainable growth. Over time, this should translate into net sales at mid-single-digit growth and operating profit at high mid-single-digit growth.

And now, we'll hear from Shumit Kapoor about Kellanova AMEA. Play the video.
(AudioVideo Presentation).

A - Shumit Kapoor {BIO 21883683 <GO>}

Thank you, Nicolas, and hello, everyone. My name is Shumit Kapoor and I've been with Kellogg for the last three years. Prior to that, I worked with Procter & Gamble, Nokia, and at Mars predominantly across Asia Pacific and parts of time in Europe. I am from New Delhi, India and I lead Kellanova for the Asia-Pacific Middle East, and Africa businesses.

The Kellanova differentiate drive and deliver strategy is already alive in AMEA. Kellanova AMEAs had an important growth engine for this company with so much opportunity in the present and in the future, and we believe we have a clear path to high-single-digit SV

growth over time on an organic basis and an operating profit on a currency-neutral and adjusted basis. Allow me to explain what that means.

The population, the demographic dividend, and the GDP are all indicators of the potential of Asia-Pacific, Middle East, and the Africa region. We have a route-to-market presence across our geographies with a broad presence across emerging markets. That route-to-market now allows us to expand our portfolios across these markets to meet the consumer needs across multiple price points.

Our portfolio in AMEA is balanced across three growing categories, noodles and others, which is based in Africa is the largest. Cereal and snacks are not far behind. On a three-year CAGR basis, the region has shown consistent growth across all the categories. The low penetration for categories such as cereal, and for brands like Pringles, provides significant opportunity over the years to come for us. Add to that the possibility of expanding global snacking brands like Cheez-It, and we're looking at sustained upside potential.

Our business is broad-based, geographically as well as relatively diversified across Africa, Asia-Pacific, and the Middle East, North Africa, Turkey regions. We've developed and emerging markets all being key contributors to our existing sales. At the same time, it's not just potential, the region has consistently delivered solid growth. As you can see from the slide, we've delivered double-digit growth in both net sales and operating profits since 2021. And that growth hasn't come from a particular category or geography. It has been broad-based.

Now, let's dive into some of the key choices we are making AMEA, all align to our Differentiate, Drive & Deliver strategy that we've talked about. Looking forward, we expect to see growth across all our categories. At the same time, our portfolio will evolve with our snacks and noodles categories expected to grow at a faster pace. This will shift our portfolio towards these categories as you can see on the slide.

Now let's take a look at each category starting with snacks and our powerhouse grind of Pringles. Pringles has been a star performer in the region over the past few years, growing double-digits in recent years and gaining share. This growth has come from both developed as well as emerging markets. At the same time, the potential for the brand is immense given its relatively low category shares and considerable distribution expansion opportunities that we have.

We want to use the success of Pringles to expand our snacks business. Our strategy is simple, the first is to grow our core through expanding locations, superior food and building a presence across price points. The second is to expand. Expansion of the portfolio and geographic expansion. We'll bring our global winners like Cheez-It and launch it by leveraging our successful Pringles route to market in the region. At the same time, we will accelerate our investments in emerging markets through distribution expansion and increase investments in the brand.

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Our second focus category is the ready-to-eat cereal category. This category remains the cornerstone for the region. We have significant share and presence across our markets. We will continue to win through our portfolio and in-store execution capabilities. Our ready-to-eat cereal is based and focused on our Better For You platform with the intent of having a portfolio across multiple price points as you can see on the affordability pyramid.

Our Africa joint venture is a competitive advantage for us through the scale that we've created in Nigeria. It allows us to further expand our portfolio, particularly snacks and cereal as a complement to our noodles position. We are also expanding our Kellogg's noodle brand beyond the existing geographies and across Middle East, North Africa, and Turkey.

And now we pivot to our portfolio and how we delighted consumers. So let me focus a little bit more on innovation. Our Innovation strategy focuses on taste superior food and caters to local tastes and preferences. This strategy extends across all our categories that we compete in ensuring that we're meeting the needs of consumers across different price points. We can top this up by getting into pack sizes. That suit our emerging markets, route to market capabilities and distribution.

Let's break this down into greater detail, starting with affordability. Our intent is to deliver superior food at the right price points and drive growth across all tiers of the affordability pyramid. We believe we have the distribution strength in our route to market to continuously expand our distribution presence, particularly in our emerging markets. At the same time, we continue to innovate our ways to engage with our consumers through the digital medium. To do so, we are upgrading our digital capabilities and we are creating use cases that allow for more targeted consumer communications across the region.

While winning with consumers remains our primary focus, we are also focused on being the preferred supplier of choice to our customers, and the starting point to that is to ensure product availability. We're investing in growth and we're setting up the state of our Pringles manufacturing facility in AMEA, to handle our strong volume growth. At the same time, we are digitizing our plans of planning and logistics platforms. We are investing in advanced analytics from being reactive to predictive for better planning purposes. And we are ensuring we are maintaining the high service levels that we have and optimizing our inventory levels.

We continue to engage and focus on customer collaboration through our joint business planning, and we are strengthening our sourcing strategies and supplier partnerships to ensure business continuity, which then brings us to our abilities to actually execute in-store with excellence.

As our business grows, we continually recast our route to market to ensure superior sales fundamentals with relevant cost-to-serve capabilities in our distributor markets. Our objective is to drive growth across the channels in our retail environment, investing behind the winning channels market by market. The intent behind recasting our route to market is

to expand our reach, and we are targeting adding upwards of a million distribution points across India, Africa, and the southeast of Asia.

We aim to drive a high level of consistency in our in-store executions through the perfect store execution across channels. Our in-store tracking systems are now being deployed to more markets, allowing for better customer management and improved return on investment in our coverage of these stores.

Similarly, we are collaborating with our customers to enable digital capabilities and allow for better and faster decision-making. Our integrated business planning process is coming to drive customer service and ensuring sales fundamentals and in-store execution. If we are able to deliver against these strategies of bidding with our consumers and partnering with our customers, it has an immediate impact on our bottom line.

As you can see, we are focusing on end-to-end productivity to expand our margins. Whether it's driving revenue growth management or building scale in emerging markets, we expect our initiatives to improve our profitability while growing scale. And so, we're confident that we have the building blocks in place to maintain the strong momentum we have in AMEA.

We start with a broad geographic presence in a region of population and economic growth. We add to that a balanced portfolio comprised of growing categories and strong brands. We invest in Pringles, even adding much-needed capacity to lead our growth and leverage a competitively advantaged business to grow in Africa. We invest in digital capabilities and tools for greater efficiencies, adding to the margin-expanding benefits of operating leverage, scale, productivity, and revenue growth management. And the result should be the delivery of high-single-digit organic growth and net sales and currency-neutral adjusted operating profit in the years to come.

And with that, I'll turn the podium over to our CFO, Amit Banati to talk to you about our compelling financial plans.

A - Amit Banati {BIO 16339861 <GO>}

Thanks, Shumit. Good afternoon, everyone. You've just heard how each of the regions will leverage our Differentiate, Drive & Deliver strategy. Now, I'm going to explain our raised financial outlook, which we believe can be delivered consistently.

As Steve mentioned, we have several reasons to be confident in these long-term growth targets. Kellanova already has a track record of strong growth in sales and profit. This growth has been and will continue to be driven by a portfolio that is very much oriented toward growth categories and markets. From business mix alone Kellanova starts out on Day 1 with higher top-line growth and higher profit margins. And margin improvement plans are in place in all of our regions as you just heard. We also overcome any stranded margin almost immediately. Durable cash flows and a solid balance sheet give us the flexibility to invest in our business, pursue M&A, and return cash to shareowners. I'll now walk through each of these items in a little bit more detail.

As Steve mentioned, Kellanova already has a track record of growth as you can see. In fact, our top line growth would have been comparable or better than snacking focus companies in our peer group over the past four years. This is because of the growing categories we play in as well as the strength of the brands with which we compete. Not only has this led to strong net sales growth but it also has led to consistent growth in operating profit. Though often difficult to see when it was embedded in the Kellogg Company, this business has been on a consistently upward trajectory for quite some time, both on net sales and operating profit. In other words, our financial algorithm builds off performance that we've already successfully achieved.

Confidence in our ability to sustain above-average growth starts with Kellanova's growth-oriented portfolio. All the global categories we participate in have sustained above-average growth, both before the pandemic and during the past few years. When you add into the equation to the strength of brands in those categories and a mix of developed and emerging markets you draw confidence in our outlook. This chart covers only projections for the next three-year period but gives an idea as to how we think about the long-term as well.

Snacks globally to generate mid-single growth over time, and possibly a bit higher than that in the next few years given our momentum. This growth is supported by snacks category growth rates globally, and we've discussed Pringles' runaway for growth around the world and the international potential of Cheez-It, Pop-Tarts, and Rice Krispie Treats.

Our noodles and other business in Africa and the Middle East generates nearly \$1 billion of net sales and is growing rapidly as Shumit just discussed. We're extremely well-positioned in Africa's largest market, Nigeria, with a partnership that includes the leading branded noodles player and the ultimate comparative mode, the largest packaged goods distributor in that country. Between category growth, the strength of our business and the opportunity to expand Kellogg's noodles outside of West Africa, noodles and other should be a double-digit grower.

Our frozen foods business is principally in North America, where Eggo and its From-the-Griddle category have demonstrated consistent growth over the years, and where Morningstar Farms is well-positioned as the plant-based category consolidates and resumes growth. We see our frozen foods business growing at a low-single-digit growth rate. We expect international cereal to grow at a low single-digit rate as well. Remember, half of our international cereal sales come from emerging markets, whose consistent mid-single-digit growth should more than make up for the stable nature of developed markets in Europe and Australia. Put it all together and you can see why we project mid-single-digit net sales growth for the total company.

Now, let's turn to margins. The minute we spin-off WK Kellogg Company, our margins improve due to our remaining product mix. So right out of the gate, Kellanova is a more profitable company, and we will become even more profitable. Specifically, we have plans to improve our operating profit margin from a level today, excluding estimates for WK Kellogg of just over 13%, up to 15% within the next few years. Each of our regions has planned to improve margins, as you just heard, while still incorporating rising investment in our brands, with advertising and promotion rising faster than net sales growth.

Some of the drivers of this margin expansion are shown on this slide. Top-line growth in our business generates meaningful operating leverage and that will be a key driver of our margin expansion. In addition, we are already taking action to mitigate the standard margin impact of spinning off a portion of our net sales. As Steve mentioned earlier, we have taken a very proactive approach to eliminating as much stranded margin as we can. For instance, we made deliberate choices on talent placement into WK Kellogg Company and backfills in Kellanova.

We have redesigned our Kellanova organization, both in North America and in corporate. We've made changes to processes and contracts. We also have a transition services agreement for up to two years, covering a number of processes, which effectively neutralizes stranded margin. As you can see from the chart, we expect to improve margins right away in 2024. Another margin driver will be the makeshift towards our most advantaged brands, which you can see on the chart to the left. These are highly differentiated brands that account for a little more than half of our net sales. As they continue to outpace our portfolio, they will have a positive impact on our margins.

The right-hand side of the chart shows another important margin driver, increasing our scale in emerging markets, which you just heard from Nico and from Shumit. Our emerging markets have well outpaced our overall sales growth in recent years, and we believe they will continue to do so. This growth generates important scale, both within our manufacturing and distribution, as well as on our overhead and brand investment.

This slide shows three key emerging markets that for us are at different stages. Mexico has, through our roughly seven decades of presence there, achieved scale, and its margins are comparable or even better to our developed markets. India, where we've been for a little over three decades, is approaching that of developed markets with room to expand further. And in Brazil, where we've been relatively small until recent years, we still have significant room for expansion and have made good headway in the past couple of years. And there are plenty of markets like Brazil where our infrastructure is in place and where growing our sales will cover more of that infrastructure expense.

Brand mix and emerging market scale will be bigger margin drivers for Kellanova. Productivity and revenue growth management will also be important for improving our margins. Our supply chain has an annual productivity target of 3.5% to 4% of cost of goods sold through our ongoing Kellanova integrated margin management program. Our track record is good in this area and we expect to get back to that range as the bottlenecks and shortages of recent years receipt.

Our KWS program has become not only an important driver of realizing this productivity, but it is also enabling our supply chain to advance the digital transformation that Steve discussed earlier, and that represents a next leg in our annual productivity effort. And we are constantly assessing opportunities to realign our supply networks, always ensuring that we are producing the right products on the optimal production lines in the optimal plants.

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Revenue growth management will also remain a margin driver. We invested in RGM capabilities back in 2017 all the way through 2019. Obviously, this was a critical capability over the past couple of years when input cost sold beyond what we could cover with productivity. And the chart shows how all regions were able to tap into this capability in order to keep up with this accelerating cost inflation. RGM is much more than just list price increases. It is a set of multiple levers.

Price pack architecture can improve economics while also ensuring suitable formats or price points for specific occasions, channels, and markets. We will utilize our improved data and analytics to optimize our promotional ROIs. We will design and renovate products to eliminate features and ingredients that consumers won't pay for, and instead add features and ingredients that they will pay for. All of these will contribute to better margins.

Let's now turn to our cash flow. We will get past upfront costs, a cash outlays related to the spin-off in 2023 with some spillover on into 2024. We expect to grow cash flow in 2024 to roughly \$1 billion. Thereafter, our cash flow is projected to increase steadily as our operating profit and net income grow and as we continue to improve our cash flow conversion. Driving improving conversion will be our increasing profit margins and sustained discipline on working capital. This improved cash flow puts us in a very good position. It gives us flexibility to invest more into the business, be it in capacity or rapidly growing snacks brands, or in capabilities around small pack formats. In fact, we expect to grow cash flow over the next few years, even as we raise our capital expenditure to expand capacity globally behind Pringles, Cheez-It, and Pop-Tarts.

Now let's discuss what you should use as the base for your focus. This slide starts with estimates for 2023, excluding WK Kellogg Company that we believe is close enough to an apples-to-apples base that you can use it to roughly calculate year-on-year growth rates for 2024. Our guidance for 2024 is more fully representative of the new Kellanova. Keeping in mind that it is very early to be giving outlooks for next year. Our guidance will start out with a fairly broad range.

We look for net sales to be in the range of \$13.4 billion to \$13.6 billion in 2024, which on an estimated x-WKCC23 base of around \$13 billion would imply organic growth that is in line with our long-term target. This will be led by sustained momentum in stacks and emerging markets, and it will feature a better balance between recovering maturity price mix.

Operating profit is projected to be in the range of \$1.85 billion to \$1.9 billion in 2024, which on an estimated x-WKCC 2023 base would imply currency-neutral growth that is in line with our long-term target. This will be driven by our top-line growth, as well as by continued improvement in gross profit margin. If you are calculating EBITDA, you should add to this operating profit range a depreciation and amortization figure that remains at roughly 3% of net sales, and you'll derive a range of \$2.25 billion to \$2.3 billion of EBITDA. Our preliminary projection for earnings per share is somewhere in the range of \$3.55 to \$3.65, which on an estimated x-WKCC 2023 base would imply that is in line with our long-term target.

Interest expense will likely be somewhere close to \$300 million, while other income will remain low, despite stronger financial markets in 2023. This is because we plan to continue to de-risk this line item. For now, we are assuming an effective tax rate of about 23%, though this will depend on the direction of global rates. And we've already discussed cash flow, which is expected to remain strong in spite of some remaining outlays related to the spin-off and increasing capital investment behind growing brands and pack formats.

In summary, we expect a strong first year out of the gates for Kellanova. So, let's put all of this together with a summary of how we view Kellanova's new long-term algorithm. Our net sales growth target of 3% to 5% over time is an acceleration that reflects our more growth-oriented portfolio. And to deliver this consistently, we are focused on restoring balance between volume growth and price-mix growth. Our operating profit growth target of 5% to 7% over time is also an acceleration. It reflects the better top-line growth of Kellanova, as well as our confidence in both near-term margin recovery and the various drivers that should expand margins across our regions. We've got a medium-term target of 15% operating profit margin.

Our earnings per share growth target of 79% is another acceleration, and it should become more durable as we continue to de-risk the non-cash, non-operating pension income line. It's important to remember that our goal is not just to deliver one year of good growth, but to produce growth that is balanced and sustainable. Meanwhile, we plan to continue to pay an attractive dividend targeting a 50% payout over time. Put it all together, Kellanova is a faster-growing, higher-margin company with the ability to generate above pure-average results and shareowner return.

Importantly, each region contributes to this long-term algorithm as you just heard from each of the regions. Our more developed market regions, North America and Europe, provide the steady foundation for our growth. North America grows top-line a little faster, owing to its higher snacking mix, while both expand their margins and deliver mid-single-digit operating profit growth over time. Latin America and AMEA are larger contributors to top-line growth as we would expect their heavy emerging market exposure, and their margin expansion drives operating profit growth that is in the high-single-digits. So, these are our long-term targets.

Durable cash flows and decreasing debt leverage give Kellanova strong financial flexibility. Kellanova will start out with a leverage ratio roughly similar to where Kellogg Company is today, and it will continue to decrease as our EBITDA grows and as we continue to reduce debt with our strong cash flows. We will continue to use our investment grade credit rating as a guardrail, continuing to give us access to commercial paper and targeting a debt leverage ratio to remain below three.

Our dividend will remain an important feature of our stock. We start by keeping our dividend whole for 2024 between Kellanova and W.K. Kellogg Company. This initially raises Kellanova's payout ratio to around 60%, but this will be reduced over time, getting back towards a long-term target of 50% within the next few years. We will continue to use share buybacks to offset the dilutive impact of equity-based compensation. And at times,

we will buy back shares opportunistically beyond that, in order to return more cash to shareowners.

We will remain on the lookout for compelling M&A opportunities, particularly in the areas of scale in emerging markets, access to incremental snacking occasions and capabilities globally, and cost synergies. And as always, we will remain very selective and disciplined.

And with that, I'll turn the podium to Kris, who will update you on our Better Days Promise.

A - Kris Bahner {BIO 20870425 <GO>}

Thank you, Amit, and good afternoon, everyone. It's great to be with you all today. I'm Kris Bahner. I've met many of you over the years, but for those of you who haven't met me or I haven't met you, I'm Chief Global Corporate Affairs Officer for Kellogg Company, and I've been with the company for 17 years. I have the honor of overseeing and leading a fantastic group of folks who see communications, philanthropy, government relations, and sustainability. And I'm delighted to be here today to talk to you a little bit more about our social responsibility strategy. Let me be clear, this is a team sport at our company. Steve talked about our deep commitment here, and I represent the work of so many functions across our global entity.

At Kellogg Company, we've had a deep commitment to social responsibility for more than a century, long before it became a trend. And I can assure you that at Kellanova we will continue this deep commitment to our Better Days Promise and we're going to take that baton and take the work to the next level, leading through purpose. And our particular purpose is ensuring sustainable and equitable access to food for all.

We do so by addressing the intersection of four key areas that are material to our business. They are hunger, well-being, sustainability, and equity, diversity, and inclusion. And as we move ahead as Kellanova we not only have renewed focus on our purpose but a bigger ambitions. Building upon our amazing work and our commitment to people and planet, we are excited to elevate our ambition for creating better days for 3 billion people by the end of 2030 to 4 billion people by the end of 2030, working from our baseline year of 2015.

So, let's take a quick look at our commitment in each of these four areas. Beginning with nourishing 1.5 billion people. For Kellanova, well-being is all about the importance of the eating occasion. As science continues to advance and people's tastes change, we are focused on innovative solutions to continue to provide enhanced nutrition profiles in our products while maintaining great tastes.

Our second area of focus, as I mentioned, is hunger, and our goal here is to feed 400 million people globally. And these are people in need around the world. We do so by partnering with food banks on six continents and providing essential food to those in need who are facing natural disasters. We also have feeding programs around the world in 20 countries to help ensure children in need don't have to wonder where their next meal is going to come from, and they can reach their full potential.

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Our third area of focus is equity, diversity, and inclusion, and it will remain a top priority for Kellanova going forward. Two aspirational goals in this space, as you can see, one, by the end of 2025, we aim to achieve our aspirational goal of gender parity, 50-50 at the management level globally, and 25% people have color at the management level and the part of in the U.S. Externally we continue to have a focus on supplier diversity and that is global and we continue to do so going forward.

And fourth that brings me to sustainability where we'll continue to strive to be leaders. We are excited to announce that we are committing to set new company-wide emissions reductions targets in line with the science-based initiative -- targets initiative net-zero standard. We'll do this in several ways. One, by increasing our existing climate targets. Two, continuing our commitment to responsibly sourcing our ingredients. Three, reducing waste. And four, by continuing to offer sustainable packaging that is reusable, recyclable, and compostable.

We truly believe that the integration of our Better Days Promise with our broader company strategy is the right thing to do and helps us achieve our commercial objectives and make an impact in the world. We continue to embed this work, for example, in our purpose-driven brand campaigns and customer programs to great effect, and you saw our region presidents share many of those examples with you today.

Ultimately, we see Better Days as a long-term benefit across our entire value chain. It's our conviction that a more sustainable and equitable food system has many advantages for our business. It makes our supply chain more resilient and our partnerships with suppliers stronger, protecting the availability of the ingredients that we rely upon. It makes our manufacturing more efficient as we make the most of finite resources. It drives our reputation, brand equity, sales, as more and more customers and consumers want to buy from brands who share their values. And of course, it helps us attract and retain top talent as more and more individuals want to work for companies that reflect their beliefs as well. And it protects our right to operate by ensuring we remain close to the communities that we serve and stay ahead of fast-moving regulations.

I would share that in the last two years alone, we have increased our commercial activations in line with our Better Days Promise strategy, more than 47%, and we're committed to continuing this track record going forward. As we said earlier today, and as I'd share with you today, we're already seeing the benefits of this work. Commercial activations are helping drive our top and bottom-line objectives, all while driving meaningful impact in the communities that where we live and work.

Finally, awards in this space are one sign, we believe, that our approach is the right one. We're proud to have received a number of prestigious recognitions. I'd name just a few. World's Most Ethical Company by Ethisphere, a Most Reputable Company by RepTrak. We're on the Dow Jones Sustainability Index, and we're a Top 50 Companies from DiversityInc And we aim to continue to receive these types of recognitions as a responsible company driving this work. And we will remain focused on creating sustainable and equitable access to foods for all for years to come.

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And with that, I'll turn it back over to Steve, for final remarks. Steve?

A - Steven Cahillane {BIO 4718688 <GO>}

Thank you, Kris. So, as we wrap today's presentations, let me summarize with just a few key takeaways. First, that Kellanova is a strong company that is going to get even stronger. It comes into existence from a position of strength, strong top-line momentum, recovering profit margins, and durable cash flow. And it begins this new era with a portfolio more oriented toward growth than ever. And we believe more oriented toward growth than most of our peers on top of that.

More than 80% of our sales come from snacks or emerging markets, which means the vast majority of our portfolio participates in categories and markets that have led and will continue to lead overall packaged food growth. We compete in these markets with leading share brands that are highly differentiated and have demonstrated exceptional growth in recent years and still have plenty of runway ahead of them.

And we add to this portfolio and track record of growth by sharpening our Differentiate, Drive & Deliver strategy. Making our strategy more fit for purpose for the new Kellanova portfolio and the new Kellanova organization. And that is why we believe Kellanova is such an extremely compelling investment opportunity. We get to build on what is already a strong base. But it is already a proofing track record of growth and apply it to a greater focus and a newly refreshed strategy.

We now make our enviable portfolio even more growth-oriented, directing resources to the biggest growth elements of our portfolio. We have targets and plans in place to leverage what is inherently a high-return on invested capital business and strive to even improve those profit margins. And we anticipate this will drive faster growth in net sales and faster growth in profit, faster than Kellogg Company, faster than our peer group. And doing it in a way that is sustainable and that is very dependable.

The result is a compelling investment opportunity for all stakeholders. We really appreciate the time that you've spent with us. Part of delivering is delivering a good meeting, and we're finishing so far ahead of schedule that I am now going to ask my colleagues, my leadership colleagues, to come up on stage and we're happy to answer the questions that you have.

A - John Renwick {BIO 19769692 <GO>}

All right. Ken, you want to lead us off?

Q - Ken Goldman {BIO 15002920 <GO>}

Hi. Thank you for the presentation. Ken Goldman, J.P. Morgan. In the regions where you're keeping cereal, you're also generally trying to grow snacks. It seems at a faster pace than cereal, at least that's what some of the pie charts would suggest. This morning, we heard about the benefits to WK Kellogg of being separated from snacks, in part because it'll be properly resourced. So, I'm just curious, what prevents Kellanova from falling into the same pattern of resourcing that inspired you to maybe divest WKK in the first place, if that makes sense?

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A - Steven Cahillane {BIO 4718688 <GO>}

I'll start and invite the regions to also pipe in. So, we get asked the question, so why did you keep the international cereal when you spun off the North American cereal? And I think it's a very logical-sounding question. Remember that international cereal, half of it is in developing markets. And the developing market cereal, we think is a terrific growth driver for us. In the developed market cereal, there's clearly an element of scale that really matters to us. So, you think about the European business and the scale that gives us to really drive our snacks agenda and drive that necessary things with customers and so forth. We think it's very beneficial.

In North America, it's already -- they're both scaled businesses, right? And so, North America cereal at \$2.7 billion in sales, as I talked about this morning, very important category to retailers, highly penetrated. They can go talk to any customer they want to. They can be category captains with any retailer they want to because they've got that scale. And so, that's really the basic difference there.

You look at Mexico and the types of success we've had in Mexico cereal, the scale that it gives us there as well when we've been growing Pringles for the last five years at double-digits. So, it works very differently outside the North American region and hence why we decided to keep it. And it wasn't a close call for us. It was really a very compelling rationale that we found. Anybody want to add?

A - Nicolas Amaya {BIO 21371446 <GO>}

Yes. I think to add talking about Mexico and Latin America, in particular, I talked about high-frequency stores in the importance of these stores, and really, it's the actually the opposite, coming with a Y portfolio because more efficient. I only give us a lot of power to execute our point of sale.

A - Steven Cahillane {BIO 4718688 <GO>}

Shumit wants to add.

A - Shumit Kapoor {BIO 21883683 <GO>}

I was just going to add is the size of the category and the penetration levels in emerging markets is very small. And so effectively the opportunity that exists of the category itself expanding and we have scale in a significant presence in those markets, there's quite a lot of upside potential. So, we expect growth for us.

Q - Bryan Spillane {BIO 2147799 <GO>}

All right. Bryan Spillane from Bank of America Securities. So just a couple of cleanup questions. First for you, Amit, just on cash flow. I don't know if you gave a CapEx outlook, just kind of how we should think about CapEx and also working capital just kind of how it is a use of cash?

A - Amit Banati {BIO 16339861 <GO>}

So, I think working capital should be at similar levels. We're doing very well on working capital, so continuing to sustain that with continuous improvement what similar levels. CapEx I'd say, long-term focus kind of sales like right now. In the short-term, as we expand behind two new greenfields in Latin America and in Asia-Pacific in Pringles, we'll probably see a step up closer to 5%, but then a step down back to 4%, which is kind of where we are and where our peers are.

Q - Bryan Spillane {BIO 2147799 <GO>}

Thank you. And then for you and Steve, just in the charts, it's at least in the medium-term aspiration is about a 15% EBIT margin. And if we compare that to the peers that you are in the footnotes to the slide, it's actually much lower margins. So, if you could kind of talk about what would close the gap to those peers? Is the longer-term aspiration that you could be closer to a 20% type EBIT margin?

A - Steven Cahillane {BIO 4718688 <GO>}

So I'll start and Amit can add. And I think he said during the presentation, 15% is a signpost along the way to something greater, right? It's a point that we will pass. There's nothing structural that keeps us in the way of performing better than that. We've also talked about the scale in emerging markets, and that's a big part of it. The one slide that showed where Brazil is compared to Mexico and India on that path. So, as we continue to develop our businesses in Emerging Markets, that's going to make a big difference. And you see our aspirations around the top line and our gross margin aspirations and improvements, all those things working together suggest that 15% will be a stop point. It will pass by that on the way to something greater.

A - Amit Banati {BIO 16339861 <GO>}

The only other thing I'd add is the multi-pros about 100% dilutive impact on margins, just because of the distributor and the size of that business. And so, I think, if you had that 100%, you kind of already we're targeting this getting to that 16, which is getting as close to the medians. But as Steve said, obviously how going beyond that on a longer-term basis.

Q - David Palmer {BIO 6061984 <GO>}

Thanks. Dave Palmer, Evercore ISI. Adding up the high end of the EBITDA guidance for both parts. You get, I think, it's \$2.57 billion for 2024, that's a little lower than the consensus at \$2.62 billion. Obviously, the street's not perfect on modeling. But can you maybe help us think about maybe what sort of dis-synergies or friction costs might have been a drag versus that '24 number for the two companies combined or even divied up per?

And then I also had a separate one, maybe this would be for Chris, just looking at some of the snack numbers recently, like a Cheez-It, for example, that's really slowed down quite a bit. I wonder to what degree do you think some of your snack businesses are feeling a little bit more of the drag from COVID comparisons? Maybe less of that at-home snacking occasion relative to that more on the go that like a Rice Krispies Treats will be doing pretty well with? Thanks.

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A - Amit Banati {BIO 16339861 <GO>}

I mean, I think the teams have done exceptional work, right, as we've gone through the separation. And I think to be standing here, I mean right off the gate, Kellanova will have higher margins, with margins to -- with plans to expand margins further. So, the fact that we have no stranded margins, right, and we have plans to grow, I think the teams have really done exceptional work, very careful work, very deliberate work. I think we've taken the opportunity. There are incremental stand-up costs, and I think, you'll see WKKC dimensionalize that as they publish the next version of their Form 10. It's not significant, but obviously, there are incremental costs. But we've taken the opportunity to relook at our processes. Chris and the KNA team redesigned Kellanova North America. We've done something similar in corporate. And I'd say broadly the dis-synergies are minimal.

A - Chris Hood {BIO 22683075 <GO>}

And then on Cheez-It, I would just say that the elasticity that we're seeing relative to the pricing we've taken are about in line with what we expected. We were pretty measured in terms of our return to promotional activity because we wanted to make sure that our supply chain was able to deliver the service levels to customers and get to the on-shelf availability we want to get to at retail. And so, in the first half of the year, what we saw was some of our peer set returning more rapidly than we did to promotional activity. You can see that in the data in terms of share of display, share of promotion across our snacking business. We're pretty confident that we're going to exit 2023 with strong momentum.

Q - Michael Lavery {BIO 20141239 <GO>}

Thank you. Michael Lavery from Piper Sandler. You've laid out quite a few markets for your planning to launch and push Cheez-It internationally, and just saying some of the momentum it's had in the U.S., certainly that could be a big driver of growth. But I guess how patient maybe should we be? You also pointed out some of the shares for Pringles being lower than you'd think or like, and in some cases, they've been in those markets for some time. So, any sense of just how that runway might look? How long it takes? What are some of the maybe market research you've done or ways to think about how you expect it to progress?

A - Steven Cahillane {BIO 4718688 <GO>}

Yes. So, I'll start and we can talk with Chris about Canada and Nico about Mexico. But Pringles obviously is a very global brand right now. So, starting with that, the reason we pointed out the shares is the brand's done terrifically well. And we often get the question, well, what's the ceiling for Pringles? How long can it continue to grow like that? And that's why it's important to point out in many of these markets, a three share means there's 97 left to go, right? So, there's lots and lots of opportunity for Pringles.

And for the last several years, that's been the big opportunity for us internationally. But we do know that Cheez-It has legs outside the United States. We know that Pop-Tarts and Rice Krispies Treats does as well because in-market performance has shown that. And so, over the course of the three-year horizon that you're seeing here, we'll continue to drive in Canada, Mexico, Brazil for Cheez-It. We're looking for other markets in Europe as well, but it's embedded in the type of percentage against top-line sales for A&P that you see.

And so, there's no reset coming that says we're going to launch Pringles or excuse me, Cheez-It into 25 new markets in one year. We're going to take an approach. We're going to learn from that approach and then continue to improve upon that approach.

And the pipeline does exist. Cheez-It is next in the pipeline, but even still you have Pop-Tarts and Rice Krispies Treats, which are already in four or five markets and growing off that. So, we'll take that measured approach with Cheez-It next, Pringles and Pop-Tarts vying for -- or excuse me, Rice Krispies Treats and Pop-Tarts vying for who comes next in that. But Chris, maybe you want to talk about--

A - Chris Hood {BIO 22683075 <GO>}

Yes. Perhaps just as a bit of a proof point on Cheez-It's expandability outside of the U.S., we launched it in Canada several years ago. It's done very, very well and we think still has significant headroom for growth within the Canadian market. The rule of thumb we use between sort of the U.S. and Canada is sort of 8% to 10% is what you would expect in Canada based on a U.S. comparison. So, if you just apply that to Cheez-It brand, you would think that Cheez-It in Canada should be able to get to \$100 million plus business over time. It's obviously taken us quite a number of years to build a scale business in the U.S., but it's very well received by retailers, well received by consumers, and we're very optimistic about the future potential business in Canada.

A - Nicolas Amaya {BIO 21371446 <GO>}

Yes. And in Latin America, probably Brazil is where we've been the longest, Mexico we just introduced. And we're seeing good momentum. So, velocity increasing, trial increasing, good repeat numbers. So, this is about really continue doing what we know that we can do, both in Brazil and Mexico and the rest of the region. And all this is rolling up to our double-digit growth expectation in salty snacks.

Q - Alexia Howard {BIO 15082983 <GO>}

Thank you. Alexia Howard from Bernstein. So, I'm curious about a couple of comments about building scale in emerging markets like Brazil. I seem to remember that the JV with Wilmar in China 13 years ago just hasn't come to that much. But it sounds as though Turkey worked really well, Nigeria has obviously worked really well. What have you learned about the way that these things have played out that informs how you'll get into these new markets or at least build scale in them, JVs, acquisitions, et cetera? Thank you.

A - Steven Cahillane {BIO 4718688 <GO>}

Yes. I'll start. I mean, you need the right partner, right, which is not to say places where we haven't had success, we've had the wrong partner, but you look at Nigeria and the Tolaram partners there, they've been doing business in that continent -- on that continent for 40 years, have tremendous capabilities. And you couple that then with the brand portfolio that we have and the capabilities that we have, and it forms a really nice opportunity for us.

And Turkey has worked extremely well for us. Nigeria has worked extremely well for us. And China is a unique set of challenges, I think, for any business there, and one where it's a -- we're lucky it's a very small business for us at the moment.

Q - Nik Modi {BIO 7351672 <GO>}

Thanks. Nik Modi, RBC Capital Markets. So just two quick questions. Steve, as you guys look to redesign, the company as you separate from WK Kellogg. Did you tweak or make any adjustments to the organizational design, decision-making, kind of how you go to market, how you make choices? And then the second question is just does Kellanova have a capability to use different substrates? And I'm just asking this from an innovation standpoint, when you think about other snacking, cauliflower substrates, and the like.

A - Steven Cahillane {BIO 4718688 <GO>}

I tell you that the things that we learned were incredible through this journey. It's been over a year that we've been embarking on this. And as I said during the prepared remarks, and we delved into everything. And so, there's certain things when you're a company that's as old as ours, been doing business the way we have for so long, that you start to take for granted. And when you unpack everything, you get to ask a lot of very simple questions like, why do we do this? And you get the classical, it's the way we've always done this, and perhaps there's a better way.

And so, a lot of the dis-synergies avoidance and the stranded margin avoidance has come from changes in the way we work. Chris Hood took the opportunity to look at his North American structure and say there's probably a flatter organization that gets us to answers faster and gets to decision-making in a speedier way. So, there's been a lot of that, and you can actually see it in the forecasts. And I think you'll see it in the way that we go to market internationally as well because we're applying those same learnings to the rest of the business. So very few companies get such a unique opportunity to unpack everything that they do in such a fundamental way. And that's, I think, been a big driver in the reduction of stranded margins for us.

In terms of other stuff, I mean, in our innovation capability, I think we'll only grow from here for obvious reasons. We've had a lot of work in front of us that we've been doing that's nearly completed, as you saw in the timeline. COVID led to a whole unique set of circumstances around what you needed to do to manage an effective supply chain, which in essence puts some pressure on innovation. But we will continue to look at all opportunities that are consumer-led that lead to snacking -- delicious snacking opportunities. Whether that's a new cauliflower Pringles you'll have to watch this space. But I think we've shown internationally, especially there's a lot of ways that we innovate with our food and with our ingredients.

Q - Steve Powers {BIO 20734688 <GO>}

Thanks. It's Steve Powers from Deutsche Bank. Two questions for Amit. The first one is, why didn't you get an intro video? You didn't get an intro video, only one.

A - Shumit Kapoor {BIO 21883683 <GO>}

We were going to play Sandman for him, for you New York Yankees fans.

Q - Steve Powers {BIO 20734688 <GO>}

Very good. Follow up on the free cash flow. It looks like the free cash flow conversion target looking at the '24 is about 80%. And your comments implied that you aspire to go higher. I guess, is there a way to think about what the aspirational goal is, what the pathway to get there is, and any limitations that we should be thinking about?

A - Amit Banati {BIO 16339861 <GO>}

No, I don't think there are any limitations. I think the pension income, which was a structural limitation on the conversion ratio has gone away because the pension income has become a lot smaller for us in 2023. I think, once the spin-off costs, obviously that's significant this year. It'll kind of, there'll be some spillover into 2024, and then once we're past that, there's no reason why we shouldn't get into the 90s.

Q - Jason English {BIO 16418106 <GO>}

Okay. Thanks, folks. A couple of questions. First, probably Dave and Chris, we're looking at the food industry and developed markets. It's been growing well above full-cycle trends for a while with all the inflation that's in the system, and we're quickly on the brink of undershooting on the back end as volume's not really coming back and price is rapidly evaporating to zero or in some pockets, perhaps even negative. Is that similar with the situation that you expect for your businesses in the short-term in the next 12 months? In other words, are you expecting to maybe undershoot your full cycle growth because of these dynamics in 2024?

A - David Lawlor {BIO 19926431 <GO>}

I'll go first. I'll pass to Chris. From a European point of view -- can you hear me, okay? I don't think there's one read on this because as you go from market-to-market, category-to-category, I think you can see very different things. So, I think we've been going up this mountain of inflation and now we're kind of coming down the other side, dust is going to settle and we'll see what happens and evolves from that. But I think dashing back in is something we'd be cautious around. And as I said, I think there's multiple reads across categories and markets. And that's how I'm seeing it at the moment.

A - Chris Hood {BIO 22683075 <GO>}

Yes. I would just say, I think we are anticipating a return to an operating environment and looks a lot more like 2018 and 2019, pre-COVID. We're still operating with the elasticities that are below where they were back then. We expect those to normalize over time. We're looking very closely at the balance between price and promotion to make sure that we have that balance right in the marketplace so that we are measured in our approach, yet still competitive in the marketplace. So that's something we do on a continuous basis.

Q - Jason English {BIO 16418106 <GO>}

Okay. And one question for Nicolas, because I still have the mic and he's there. So, I was surprised to see your aspiration or expectation to grow margin when at the same time, you're showing us all these great growth opportunities, the ability to drive more distribution for Pringles, more high frequency, all that costs money, right? All of it's expensive, particularly the DSD and getting to those high-frequency accounts. So why don't you -- why aren't you showing us an algorithm that takes all those savings, efficiency,

scale benefits, and is plowing that money back into driving the growth? Why are you confident you can drive the growth and still deliver margins at the same time?

A - Nicolas Amaya {BIO 21371446 <GO>}

Sure. Great question, Jason. I think it's a combination of different things. Remember, we have some mature categories versus others, so that is helping us also fuel a lot of the growth, but we also are conscious that we need to continue to drive that across the region and across the different categories. So, we're really focused on making sure that we have the right portfolio, the right offerings, but also a lot of that coming from the way we are going to source our products moving forward. That is going to give us a lot of that growth.

Now, the investments that we have here, and the way we have built that in the algorithm are all inclusive of the investments that we need to do to continue to drive that business forward. So, we feel good about what we have here and the fact that we can do both.

Q - Cody Ross {BIO 22763447 <GO>}

Hi. Cody Ross from UBS. I just want to unpack your top-line outlook a little bit. On the top line, can you give us an idea of how you think about volume versus price in your outlook? And then also within the volume portion of it, how much is just expansion into white space opportunities that you guys outlined today? Thank you.

A - Steven Cahillane {BIO 4718688 <GO>}

Yes, I'll start. And if anybody wants to add. I'd start by saying, obvious may be stating the obvious, but if you would rewind, the tape three years ago and say that as an industry are categories. If you could raise price over 30% in a three-year span and have volumes down in the 426, you'd be pretty well astonished and say that's probably not going to happen because there's never been a time in life where elasticities didn't respond or responded - did not respond in that way.

And so, I think the consumer obviously has been incredibly resilient, but what you're seeing now is finally, elasticities are starting to show up in a way that is a little bit more pre-COVID like, although not all the way back. And it's very difficult to find where that volume is actually going. And there's a lot of theories out there and so forth because it's not really going in our categories to private label in a meaningful way. It's not really going to away from home and people aren't really eating a whole lot less.

And so, I think there's been a whole lot of creativity that's happened in pantries, that's eliminated food waste, that's probably run its course, but also inflation is now pretty much become much more benign relative to what it's been. And so, we see a better volume value equation outlook going forward. And it is our intention to definitely drive a better volume performance than we've seen, because it's important to get things to mouth, people eating the food, but also factory absorption and things of that nature, it's important to have that relative balance.

So, everything that you've seen here, we don't -- we are not forecasting the type of RGM activity and pricing activity that we've seen for the last couple of years. And we believe

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that that mitigates the pressure on volume. A lot of the volume that we're seeing is not necessarily white space, but it's stepped-up innovation, its increased household penetration, it's getting back to so many of the basics around the building blocks that create that better value volume equation. And we don't have the same pressure that we've had over the course of the last 24 months in terms of pricing.

And I guess the final think also it's a bit rewinding the tape I said, you'd probably sign up for that level of pricing increase with the degradation of volume being fairly minimal but there was a lot of skeptics everywhere, that said there's no way that the food industry can take the level of price necessary to cover these input costs, it's just not going to happen. And then it happened, and it happened again, and again, and again through so many cycles. And so, there's been a resilience all around that I think has served us well, but in the future, I think there's going to be a better opportunity to balance that value volume equation than there certainly has been the last 18 months.

A - Amit Banati {BIO 16339861 <GO>}

I think the only other thing I'd add is we've got capacity coming on stream in certain areas where we've been capacity constrained. So, Pringle stacks in the U.S., some of the small sizes, some of the variety packs. So that capacity is coming on stream. And then I think on a more medium-term basis, we're capacity constrained in Shumit's region on Pringles, we're selling every can we make. And so, we're putting in a new facility there because we are totally sold out. And that should be a volume driver likewise in the Latin America region. So, I think there is some short-term capacity, which is coming on stream right now. And then there'll be more that'll take a little longer as the greenfield sites come onto play.

Q - Pamela Kaufman {BIO 18021242 <GO>}

Hi. Pam Kaufman, Morgan Stanley. So, part of the rationale for the WKK Separation is that - it gives them greater flexibility to focus on their strategic priorities. Has been part of the combined company in any way held back the Kellanova business? And does this separation unlock any opportunities that you wouldn't have had otherwise? And I guess on the flip side, does it create any impediments?

A - Steven Cahillane {BIO 4718688 <GO>}

I think from my perspective and I think from all of our perspectives the benefit of focus does work both ways, so Chris' organization, for example, is a 100% focused on the remaining portfolio and not necessarily trying to figure out how are we going to grow cereal in what has been a bit more of a challenging environment. And so, certainly, some benefits to focus, but the real benefit to focus does go to WKKC, right? I mean, they're 100% on winning in North American cereal, and one of the dis-synergies that is very well worthwhile is having two separate sales organizations. We already have a scaled-up sales organization for our portfolio, obviously, but having a selling organization that's 100% dedicated to just cereal, I think, is a meaningful difference and will be a meaningful difference.

The other thing I think, and we've tried to highlight it here, is I think our portfolio's growth is underappreciated and it is absolutely up against any peers in terms of the best snacking companies historically the last several years and we think on a go-forward basis as well.

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And I only semi-flippantly say, Chris mentioned in his presentation, I'm not remembering it was Chris, somebody said when you -- maybe it was Gary, when you say you work for Kellogg, you're greeted with a smile, right? Nobody says, what is that? Well, the other side of that coin is you tell somebody you work for Kellogg and immediately it's all, you work for the cereal company. Well, Kellanova is a brand-new day. We're actually -- look at this portfolio, and I think this portfolio has a chance to shine through and be appreciated in ways that it just hasn't been appreciated in the past.

Q - Robert Moskow {BIO 6299775 <GO>}

Thanks. Rob Moskow, TD Cowen. Now that you have 28% of your sales coming from emerging markets, and those markets are very inflationary, there's been currency devaluations. What kind of pricing should we expect from that part of the business? Because it obviously can inform a lot of the 3% to 5% top-line right away.

A - Amit Banati {BIO 16339861 <GO>}

Yes. Maybe I'll invite Nico and Shumit to just give a little bit of perspective in their markets, and then I'll come back.

A - Nicolas Amaya {BIO 21371446 <GO>}

Yes. Well, we certainly watch very closely what we need to do from a pricing perspective, so I won't be able to share specifics. But certainly, something that we look at and we use all the RGM lab responsible -- RGM sorry, price increases, promo prices price pack architecture all those levers we use. But the important thing here and we have done in the past throughout the different cycles of inflation is making sure that we're looking at the different retail environments, and making sure that we have the right price points to make sure that we are competitive in the market. And that's exactly what we do and what we will continue doing.

A - Shumit Kapoor {BIO 21883683 <GO>}

Very similar is we want to just make sure we have a presence across the whole pricing pyramid. And so effectively that ensures that we have -- we're approaching the right consumer segments and we have the route to market to deliver against it, which allows us to manage the volume forecast that we're looking for moving forward.

A - Amit Banati {BIO 16339861 <GO>}

So I think just from an assumption standpoint, a gradual recovery of volume into '24, right, obviously balance between price mix and '24, but a gradual recovery of volume. And then I think as you go later on into the cycle, probably more volume-led as some of the bigger investments, bigger the greenfield's investments come through for the entire company.

Q - KC Parker {BIO 15058063 <GO>}

KC Parker, Beutel Goodman. I had two questions. I'm not sure for who, but the first had to do with a little bit of the timing of the transaction. Just now that there's more light on the next two years for WK in terms of a pretty bad margins trying to climb the hill, and make some big investments. I mean, was there any thought of maybe waiting a little bit longer until they're in a better footing? That's the first question.

And the second had to do with the payout ratio. I think for a growth company, a 50% payout ratio almost says that it's a little bit more mature. So, was there any debate about taking the opportunity to reset the payout ratio to have more cash to either buy back your stock or reinvest?

A - Steven Cahillane {BIO 4718688 <GO>}

Yes, I'll start and Amit may want to add. In terms of the timing, we actually really like the timing for WKKC. And I think, you saw it this morning and the feedback that I've been getting is very credible plan. Absolutely clear what they need to do. And I think we've assembled the team to actually go and do it. And they've got real momentum. Now some of that is clearly flattered by what they're cycling. But human beings being what they are, it's really great to be on a positive trajectory. And they're on a positive trajectory for revenue, certainly for share. And so, they've got this momentum coming out of what will be a fourth quarter spin that I think will serve them very well.

And an absolute understanding of their capital structure and how they're going to fund exactly what they want to go and do. And so, I think the value creation for them is very real, very tangible, and very action-oriented for them to go do that. So, I really like the timing. I think we never really had the debate around, given the challenges that they faced, did that create any unnecessary challenges? In fact, we saw the momentum and everything that I just mentioned being a positive.

In terms of the payout ratio, I mean, I take your point, but obviously, we've been a company that's been in business for quite a very, very long period of time. And our dividend has been an important part of the way we manage our capital. We're an investment-grade company that pays out a dividend quarter in, quarter out and we've never deviated from that. And out of the gates, we wanted to make sure that our dividend between WKKC and Kellanova remained whole. And we didn't want to overburden WK with a heavy payout that would put too much burden on them to get what they needed to get done or lever them up in a way that we didn't think was responsible. And so that's what come into play.

Now, as Amit said, we have the ability as we grow profit to bring that payout ratio down from where it is, not cutting the dividend by any stretch of the imagination, but perhaps growing in a slower pace than our overall cash is growing. And so, we still think of ourselves clearly as a growth company, but we have a heritage of a dividend that we think is very important to maintain.

A - Amit Banati {BIO 16339861 <GO>}

Yes. And I think the only thing I'll add is, we obviously did study it. It's in line with our snacking peers. So, we're not hugely deviant, right, in terms of where the 50% target is. It takes us a few years to get that. From a CapEx standpoint, we have all the cabin, we need to fund the growth and the plan that you heard, so that's been built in. So, we feel good about our ability to drive the growth.

Q - Rob Dickerson {BIO 19993946 <GO>}

Thanks. Rob Dickerson from Jefferies. Steve, you call out the core five brands, I think it's about half of total company sales and then there's also opportunity to scale that I'll put a geographic basis sounds like almost across all regions, but then you comment on the potential to potentially kind of expand geographically with some of these brands. So just simplistically, I'm curious, is it a Pringles is already done it well. So, we'll continue to push on Pringles and maybe that's still the real opportunity, or if you already done the work and said, maybe there are opportunities clearly in parts of Western Europe where we can expand Rice Krispies Treats. So very basic, but it always seems like you continue to focus on what's worked versus putting a lot of eggs and kind of what you haven't done yet.

A - Steven Cahillane {BIO 4718688 <GO>}

Yes. I think it's a balance of both. And as we go through our planning cycle every year, it's about making choices and where we want to allocate our resources, right? And so, Pringles has clearly been a winner for us. And as we invest capital in Pringles, for example, it's got a very high ROIC. And again, when you look at our shares across many of these markets and our growth rates, it points towards investing enough in Pringles to make sure that we continue to do that.

However, we also recognize that we're looking at Cheez-It and we see an opportunity, and we know it plays in other markets. But that's why we're taking a more measured approach. And as I said to Michael, we're not adding 25 markets overnight, because that would distort resources in such a way that our obvious organic opportunities in front of us that we're executing, i.e., Pringles internationally. But also, Cheez-It in its home market. Rice Krispies Treats in its home market would perhaps be they'd be starved for resources. We don't want to do that. So, it's iteratively going through that resource allocation in coming up plan with plans that expand us outside the United States that are meaningful. But don't distort the resources in such a way that the very real organic opportunities for these brands, in their home markets are not underfunded.

Q - Priya Ohri-Gupta {BIO 15889787 <GO>}

Priya Ohri-Gupta with Barclays. Thanks for the question. Amit, you touched a little bit about on the select M&A opportunities, as you think about that in the context of the net leverage target that you've outlined. Should we expect that to be accommodated within that, or is there room to flex that up for selective opportunities? Thank you,

A - Amit Banati {BIO 16339861 <GO>}

Yes. I think we normally would flex it up for selective opportunities, and then rapidly come back to the levels we've said.

Q - Analyst

I mean, so what we heard this morning was from WK was kind of going back to the Kellogg master brand strategy. And so given that you've got some brands in your portfolio that also have the Kellogg brand. Kind of how do you -- a, is that something you'll integrate into what you're doing with Eggo and Rice Krispie Treats and Pop-Tarts, or perhaps does the Kellogg brand really fade in terms of its sort of being attached to those brands?

FINAL

A - Steven Cahillane {BIO 4718688 <GO>}

So a couple of things and Doug articulated this in terms of master brand versus multi-brand. And so there really is a multi-brand. Kellogg's is important obviously, but there's a multi-brand approach, so give the chicken a night off for dinner is about Frosted Flakes, Pop-Tarts, and mini-wheats, right? So, you have the brands actually that people care about embedded in that whereas historically, it was the Kellogg master brand being advertised hoping that then had enough of a Halo that drove you to purchase Frosted Mini-Wheats, Frosted Flakes, and so forth. And wasn't as compelling. And so that's where they're going multi-brand approach and it's shown good effectiveness.

We have had a master brand multi-brand approach in Europe, quite recently that has served us pretty well. It may be leaning a little bit more towards master but really incorporates on the multi, not to get too cute about it, but it really is important. Where master brand works for us is outside the United States in brands like noodles and Africa. So, when you go to Africa and Shumit, can talk about I mean Kellogg is an aspirational brand, that is very dependable, very affordable, and very loved. And so, putting that on a noodles immediately gives it legitimacy and it's helped us grow our noodles business outside of West Africa. And so, as we think about master brand outside the United States, there's real opportunities to leverage Kellogg in that way, but it's different than the way that they're thinking about in the United States.

A - John Renwick {BIO 19769692 <GO>}

All right. We really appreciate your time and your interest. I do want you to know that your IR team has not changed to Kellanova, so you still have Amanda Terpstra, you still have Ellen Leithold. And of course, you still have Jamie Duies. So please, if you do have follow-ups and I suspect many of you will please do not hesitate to call. Thanks very much.

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