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Lamb Weston Third Quarter Fiscal 2026

Financial Results Conference Call Management Remarks

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Debbie Hancock, Lamb Weston Vice President, Investor Relations

Slide 2 – Forward-looking Statements

Good morning and thank you for joining us for Lamb Weston's third quarter fiscal 2026 earnings call. I am Debbie Hancock, Lamb Weston’s vice president of investor relations. Earlier today, we issued our press release and posted slides that we will use for our discussion today. You can find both on our website, lambweston.com.

Please note that during our remarks, we will make forward-looking statements about the company's expected performance that are based on our current expectations.

Actual results may differ materially due to risks and uncertainties. Please refer to the cautionary statements and risk factors contained in our SEC filings for more details on our forward-looking statements.

Some of today's remarks include non-GAAP financial measures. These non-GAAP financial measures should not be considered a replacement for and should be read together with our GAAP results. You can find the GAAP to non-GAAP reconciliations in our earnings release and the appendix to our presentation.

Slide 3 – Today's Presenters

Joining me today are Mike Smith, our President and CEO and Bernadette Madarieta, our Chief Financial Officer. Mike and Bernadette will provide prepared remarks and then will be available to take your questions.

Let me now turn the call over to Mike.

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Mike Smith, Lamb Weston President and CEO

Thank you, Debbie. Good morning and thank you for joining us today.

Slide 4 – Key Messages

I want to start by thanking the Lamb Weston team around the world for their hard work in what continues to be a dynamic market. Their expertise, disciplined execution and willingness to embrace change and act with urgency have been instrumental in the progress we are making.

In the third quarter, we delivered another solid performance - the fifth quarter in a row of in line or better results, demonstrating that we continue to do what we said we would do.

This strength supports our updated fiscal 2026 outlook, including a tighter guidance range and higher midpoint of net sales and EBITDA.

This was led by ongoing momentum and a strong sales performance in our North America business, where customer wins, share gains and strong retention delivered 12% volume growth and 5% net sales growth in the segment.

Over the past year, we have made considerable progress in this business across our operations and, most importantly, with our customers. This has enabled us to grow while restaurant traffic and consumer sentiment have been soft. Overall QSR traffic was up 1% in the third quarter. Bernadette will speak to this in more detail.

- In North America, our focus this year was on strengthening our customer partnerships and consistently executing.
- We finished our customer contracting season with a higher retention rate and solid new customer acquisition.
- At our production facilities, we've delivered improvement in our run rates and core operational KPIs.
- We are generating cost savings ahead of plan across our business.
- And, our employee engagement scores have improved significantly.

Our international business, as expected, was challenged by an evolving market environment resulting from

- A significant surplus in the European potato market due to expanded potato acreage and a robust crop of potatoes during the last growing season;

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- local sourcing in developing regions such as the Middle East, China and India, which is affecting exports from Europe to those markets; and
- persistently lower restaurant traffic in key countries;

We are taking decisive actions to manage our business in the near term and protect profitability:

- During the third quarter we announced the closure of our Munro, Argentina plant and consolidated production for the Latin America region in our new, modern Mar del Plata Argentina facility.
- As we had previously announced, we began temporarily curtailing a production line in the Netherlands at the beginning of the fourth quarter.
- Further, the company doesn't plan to resume production in one of its previously curtailed Australia locations.

While we believe the competitive backdrop in certain international markets may result in less capacity expansion than was anticipated, we are focused on controlling what we can control, acting with urgency across the company and being disciplined in our capital investments.

Slide 5 – First Year Progress

It has been one year since I joined you for my first earnings call as CEO. Over that time, we have taken significant actions to improve our performance.

- We developed, and in July, began executing our Focus to Win strategy to drive targeted decision-making and actions. This strategy is a departure from Lamb Weston's previous focus on growth and scale.
- Instead, we are taking a more thoughtful approach to where we are geographically, and from a capability perspective, positioned to win long term, including where our customer proposition is strongest, and making sure any investments we make are evaluated through this customer and returns centric framework.
- As we near a year working within this paradigm, the changes are significant and inform our decision making and how we compete for business on a daily basis.
- As part of these efforts, we set a target of $250 million in cost savings by fiscal year end 2028. Our first goal was to achieve $100 million in savings in fiscal 2026. As of the end of Q3, we have already delivered on those full year savings and are tracking ahead of our program target.

- These savings have afforded us the opportunity to make selective investments in support of our customers. We believe these targeted reinvestments have been the right long-term choice for our business and have been particularly powerful as they are paired with the improvements we have made in execution to deliver higher consistency and quality for customers and our continued commitment to product innovation. Altogether, these have combined to drive substantial improvement in our positioning with customers, which is reflected both in strengthened retention and new customer acquisition.

- But to be clear, the actions we have taken – and will continue to take – on costs and capital deployment opportunities are structural. As we move forward, we believe they make us a more competitive organization while also positioning us for improved operating leverage in a more favorable price/mix environment.

- We are also evaluating additional opportunities for improvement and savings across the organization, the details of which we will share in the future.

- Perhaps most importantly, we believe we are just getting started. Our new Executive Chair Jan Craps brings extensive experience and an intense focus on operational execution from his time at ABInbev. Jan is highly focused on helping us evaluate opportunities to improve in international markets, where his experience in a leading global company is providing valuable perspective on how to navigate a dynamic environment.

- We will also soon welcome Jim Gray, our incoming CFO, who will bring an additional fresh perspective to our work.

- We also have a refreshed board, with seven new members since July, with expertise in food, consumer goods, agriculture, supply chain and finance. This group is focused on improving performance, driving better returns on capital and driving long-term shareholder value creation.

As I have said before, business turnarounds are not linear. But nine months into Focus to Win, we are making clear progress against our key business objectives. We have significantly improved our position with customers. We are improving our North America operations and are controlling the controllables internationally in a dynamic market, while we work to deliver on the cornerstone of our strategy: prioritizing markets and channels. With that, let me get to some specifics to illustrate the progress we are making.

Slide 6 - Focus to Win Progress

First, strengthening customer partnerships is central to executing our strategy. We've made meaningful progress in deepening and strengthening our relationships with customers this past year.

As part of the analysis we did last year, we evaluated and streamlined our U.S. commercial go-to-market strategy and structure.

- Importantly our direct sales team has positively impacted our selling on the street, including execution of pricing and working through challenges directly with customers.
- This is a key market differentiator and a core component of our customer partnership model.
- Our team is 100% focused on fries and the attractive financial role that they serve our customers.
- We have also augmented our direct team with a broker model in key channels where we saw this to be the most efficient way to immediately accelerate our near-term competitiveness.

Second, in our achieving executional excellence pillar, we are focused on continuing to build an agile and best-in-class supply chain that allows us to operate efficiently and consistently while balancing supply and demand - this includes curtailing production when needed, closing production facilities that don't meet our customer and efficiency standards, and restarting production seamlessly as we did in North America.

Slide 7: Focus to Win Progress: Innovation

Finally, within our efforts to set the pace for innovation, I want to highlight the *Grown In Idaho* brand. We invested in a landmark category study highlighting how consumers think, feel, and shop for frozen potatoes.

This work led to a reinforcement of the *Grown In Idaho* brand essence. As a result, we are launching a new brand positioning that is rooted in "Real" and created for people who value where their food comes from. Shortly, you'll begin to see this brand show up on shelf with new packaging and a new clear message tied to made with real Idaho potatoes.

Slide 8 – Potato Crop

Moving to slide 8, as you know, over the past several months we were engaged in contract negotiations for the 2026 potato crop.

In North America, contract negotiations are nearly complete. Overall, we expect a low to mid-single digit percent decline in raw potato price in the aggregate and have largely secured the targeted number of acres across our primary growing regions. Planting is on schedule for the early potato varieties, and we expect planting for the main harvest to be completed by the end of April.

In Europe, fixed-price contract negotiations for the 2026 crop are underway and progressing as planned. Based on current indications, overall pricing is pointing toward a mid-teen percent decline in our contracted agreements from 2025. Fixed-price contract planning across the European growing regions will continue through the end of April. We will provide our customary update on the outlook for the North American and European potato crops when we report fourth quarter earnings in July.

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In addition, we do not currently anticipate a material impact from recent fuel and fertilizer inflation to impact our fiscal 2026.

Slide 9: Focus to Win Image

In closing, our Focus to Win strategy is taking hold.

Our focus is solidly on our customers - as we strive to strengthen our partnerships around the world; It is on executing exceptionally well and delivering on our cost savings work.

We are identifying and driving opportunities created from heightened accountability around our goals and by building a culture of continuous improvement in cost and capital management, agility and improving our capital efficiency.

I will now turn the call over to Bernadette to review the quarter and our outlook.

Bernadette Madarieta, Lamb Weston Chief Financial Officer

Slide 10 – Financials & Outlook

Thank you, Mike and good morning, everyone.

Slide 11 – Q3 '26 vs Q3 '25 Net Sales

I'm starting on slide 11

Third quarter net sales increased 3 percent, including a $47 million dollar benefit from foreign currency translation. On a constant currency basis, net sales were essentially flat with last year.

Volume increased 7 percent, led by solid execution in North America, including customer wins, share gains, and strong retention. This more than offset softer demand in key markets in our International segment.

Price/mix declined 7 percent at constant currency, reflecting:

- The targeted investments in our customers for price and trade support that Mike mentioned earlier;
- Adverse product mix as consumers shift toward value-oriented channels and brands - and chain restaurants, which typically carry lower prices; and
- Softer industry demand in key international markets as well as increased competitive export dynamics, which most notably affected our EMEA business.

Let me provide context on what we are seeing in traffic trends.

In the U.S., QSR traffic turned positive for the first time since late fiscal 2024, up 1% for the quarter. QSR burger traffic grew in February, although it was down 1% for the full quarter. QSR chicken remained a bright spot with continued growth.

Internationally, most markets saw low-single-digit declines in restaurant traffic. In the UK, our largest international market, QSR traffic declined approximately 1 percent, showing improvement versus recent quarters.

Looking at our segments…

North America net sales increased 5 percent.

Volume increased 12 percent, driven by recent customer contract wins, share gains and strong retention across our customer base, as well as the relatively lower volume comparisons this quarter last year.

Price/mix declined 7 percent, with roughly half of the decline coming from price and trade support.

The remaining half reflects mix, as growth with both new and legacy chain customers continues - and as consumers shift from branded to private label products.

In our **International** segment, net sales declined 1 percent, including a 44 million benefit from foreign currency. At constant currency, net sales declined 9 percent.

Volume declined 2 percent, primarily due to softer demand in key markets, and a more challenging comparison. Last year, third quarter volume grew 12 percent.

Outside of EMEA, volume grew in China and Latin America, and year-to-date volume is up across every region outside of EMEA.

Price/mix declined 7 percent at constant currency, reflecting:

- price and trade support for customers, and
- unfavorable geographic and customer mix as lower-priced regions and customers are growing.

We also expect some impact from the conflict in the Middle East, and excess international capacity remains a factor. We'll continue managing these dynamics with a disciplined approach.

Slide 12 – Q3 '26 vs Q3 '25 Adjusted EBITDA

On slide 12, Adjusted EBITDA declined $101 million compared to last year, to $272 million.

Adjusted Gross Profit declined $93 million. The primary drivers were:

- unfavorable price/mix
- A $33 million net pre-tax charge to write off excess raw potatoes in the International segment due to lower than planned sales and a stronger than expected crop yield.
- And higher fixed factory absorption costs in Europe and Latin America as underutilized production facilities carried higher costs.
- And finally, a year-over-year headwind: Last year, we realized the benefit of processing directly from the field in the third quarter; this quarter, given lower inventory levels, we realized the benefit beginning in the second quarter, which created a tougher comparison against last year's unusually strong third-quarter gross margin.

These headwinds were partially offset by higher sales volume, benefits from our cost savings initiatives, and improved operating efficiencies in North America.

Input costs, excluding raw potato prices, increased year-over-year driven by tariffs; edible oils, notably Canola oil; as well as increased fuel, power, and water; labor; and transportation costs. As Mike mentioned, we expect potato input costs to decline in the upcoming crop year.

Most of our tariff exposure relates to imported Palm Oil. Recent trade agreements eliminated that tariff, which is a positive development for our cost structure going forward. We will see some tariff expense in the fourth quarter as we sell through existing inventory that was purchased before the change. In the

third quarter, we recognized approximately $4 million of tariff expenses, and unless the agreements change, we don’t expect to incur this cost after the fourth quarter.

Turning to SG&A...

Adjusted SG&A increased $9 million versus last year. The cost savings we delivered in the quarter, were more than offset by normalized compensation and benefit accruals tied to performance achievement, along with the write-off of $13 million of capitalized costs from projects no longer under development.

To help show these dynamics and the underlying drivers of SG&A performance, turn to slide 13, which outlines SG&A trends and the actions underway.

Slide 13: Driving SG&A Efficiency

In the last year, we reviewed our SG&A efficiency, including input from outside advisors. Building on that work, we developed targeted action plans to reduce SG&A through our Cost Savings Program that will continue to drive improvement over time.

As a reminder, Adjusted SG&A includes several strategic items – revenue-linked advertising and promotion, royalties from growing our retail business, miscellaneous income and expense items, such as asset write-downs, and non-cash depreciation and amortization.

Revenue-linked expenses have remained relatively flat as a percent of sales while amortization has increased as we've implemented new cloud-based and ERP platforms.

Adjusted SG&A as a percentage of sales peaked in fiscal 2023, driven largely by the European joint venture consolidation and ERP implementation costs that were incurred ahead of go-live. On a normalized basis, excluding amortization, asset impairments and normalizing incentives at a 1-times payout, fiscal 2023 SG&A as a percentage of sales was 8.5 percent.

Since then, we have taken action to streamline our cost structure. SG&A now stands at 7.8 percent, a 70-basis point improvement versus fiscal 2023, and about 70 basis points above the 7.1 percent level we saw in fiscal 2019, before Covid and our major global expansions.

The increase relative to 2019 primarily reflects investments to enhance our IT capabilities.

While we’ve made meaningful SG&A progress, we continue to identify and execute against additional SG&A efficiency opportunities within the framework of our Cost Savings Program. We will provide an update on our plans and progress as we proceed.

Turning to segment EBITDA on slide 14

Slide 14 – Q3 '26 vs Q3 '25 Adjusted EBITDA by Segment

In the North America segment, Adjusted EBITDA declined 4%, or $13 million, to $290 million. This was fully driven by customer price/trade support and mix, while the underlying fundamentals of the business - volume growth, lower manufacturing costs per pound, and lower segment SG&A partially offset the increase in price/mix.

In our International segment… Adjusted EBITDA declined $76 million to $19 million, primarily reflecting:

- Lower sales, namely in Europe where restaurant traffic and softer exports from excess industry capacity remains challenging;
- Higher manufacturing costs per pound including the $33 million net pre-tax charge to write off excess raw potatoes;
- Higher fixed factory burden from underutilized production facilities in Europe and Latin America; and
- Input cost inflation outside of raw potatoes.

To mitigate these headwinds, we took the actions Mike spoke about to temporarily curtail production of a line in the Netherlands and permanently close a production facility in Argentina.

These impacts were also partially offset by our cost savings initiatives.

Turning to the balance sheet and cash flow, Slide 15 summarizes the strong cash flow generation that continues to support our strategic and financial priorities.

Slide 15– Focus on Cash Flow and Disciplined Capital Deployment

Cash generation has improved meaningfully this year. Through the first three quarters of fiscal 2026, we generated $596 million of cash from operations… that's up $110 million versus last year. This improvement reflects strong working capital execution, driven primarily by lower inventories in North America and to a lesser extent, the timing of accounts receivable collections.

Our focus on execution and capital stewardship enabled us to deliver $339 million year-to-date in free cash flow, an increase of $417 million year-over-year.

Capital expenditures were $257 million in the first three quarters, down $307 million from last year. We now estimate full year cash spend to be approximately $400 million, aligned with our focus on maintenance, modernization and environmental projects.

Our liquidity remains strong. We ended the quarter with approximately $1.3 billion of liquidity.

Net debt was $3.9 billion, and our Net Debt-to-Adjusted EBITDA leverage ratio was 3.4 times on a trailing 12-month basis - consistent with last year's third quarter and aligned with our balance sheet priorities.

Turning to Slide 16, we remain committed to returning cash to our shareholders through our dividend and opportunistic share repurchases.

Slide 16 – Returning Cash to Shareholders

During the first three quarters of the year, we returned $205 million to shareholders including:

- $155 million in cash dividends and
- $50 million of stock repurchases

We did not repurchase shares during the third quarter. After the quarter ended; however, and through March 30, we have repurchased approximately $44 million of stock or 1.1 million shares at a weighted-average price of $41.50 under a 10b5-1 trading plan.

And, earlier this week, the Board approved the next quarterly dividend of $0.38 per share, payable on June 5th.

Turning to our outlook on slide 17

Slide 17– Updating Fiscal 2026 Outlook

Net Sales

We are raising the low end of our net sales guidance and increasing the midpoint. We currently expect net sales in the range of $6.45 billion to $6.55 billion, including an approximate 1.8% foreign exchange benefit - or about $95 million year-to-date.

Adjusted EBITDA

Adjusted EBITDA is now expected to be in the range of $1.08 billion to $1.14 billion, which includes our current assessment of the additional risk associated with the ongoing Middle East conflict.

Segments

In North America, we expect high single-digit volume growth in the second half, which also includes the benefit of an additional week of sales in the fourth quarter. As I noted earlier, third quarter growth was elevated because we were lapping an unusually low quarter last year.

In our International segment, full-year volumes are still expected to grow; however, we anticipate year-over-year declines in the second half, as we lap unusually strong performance last year, and as the fourth quarter is further pressured by the evolving conflict in the Middle East. For reference, sales to the Middle East represents a high-single digit percentage of the International segment's volume year-to-date.

Price/Mix

Price/mix in the fourth quarter will remain unfavorable at constant currency. We expect the price declines to moderate slightly in the quarter, supported in part by the recent price increase we implemented in early March to offset inflation. The price increase affects our non-contracted North American business.

On mix, we assume ongoing pressure to persist for now, reflecting continued growth with chain restaurant customers and a shift toward private-label offerings with retail customers.

In our International segment, we expect to continue to face headwinds from the dynamics we've discussed.

Margins, SG&A and Other

Adjusted Gross Margin is expected to decline seasonally in the fourth quarter, down 250 to 300 basis points from the third quarter's 20.9%, including our current estimate of the potential impact from the conflict in the Middle East.

Adjusted SG&A continues to benefit from our cost savings initiatives. In the fourth quarter, SG&A dollars are expected to increase slightly from the third quarter due primarily to an extra week of expenses as well as incremental innovation and technology investments.

We expect a full-year tax rate of approximately 28%, with fourth quarter in the mid-teens. The full-year tax rate includes approximately $20 million of adjusted tax impact from losses in jurisdictions where we do not expect to receive tax benefits.

We now anticipate full-year depreciation and amortization of approximately $395 million compared with the prior estimate of $390 million.

Closing Remarks

The team continues to execute well in what remains a dynamic environment. We are entering the final quarter with a strong balance sheet, disciplined cost management, and a sharp focus on operational performance.

Before I hand it over, I do want to acknowledge the leadership transition. This is my final call as CFO, with Jim stepping into the role tomorrow. I’m fully committed to ensuring a smooth transition, and I’m incredibly proud of the work this team delivers every day.

With that, I’ll turn it over to Mike.

Mike Smith

Slide 18 - Closing Remarks

Thank you, Bernadette.

As we shared today, we are committed to doing what we say we will do, recognizing that the environment is evolving quickly.

- North America is executing well, and we continue to have room to grow that business.
- Internationally we are taking actions to manage our costs and position us in a fluid market. Our international focus is fortified with Jan being on board.
- And finally, we are remaining disciplined in our capital investments and evolving Lamb Weston into a business that can enjoy strong and growing returns on capital.

Before we turn the call over to Q&A, I want to thank Bernadette. During her time with the Company, she has been a dedicated partner and leader - including the past five years as CFO - during a period of

tremendous change in our industry. We appreciate all she has contributed to Lamb Weston and wish her continued success moving forward.

We are now happy to take your questions.