

# Lamb Weston Reports Fiscal Second Quarter 2020 Results; Updates Fiscal Year 2020 Outlook

January 03, 2020

## Second Quarter 2020 Highlights

- Net sales increased 12% to \$1,019 million
- Income from operations increased 11% to \$194 million
- Net income increased 18% to \$140 million
- EBITDA including unconsolidated joint ventures<sup>(1)</sup> increased 17% to \$261 million
- Diluted EPS increased 28% to \$0.95 from \$0.74
- Adjusted Diluted EPS<sup>(1)</sup> increased 19% to \$0.95 from \$0.80

## Updated FY 2020 Outlook

- Net sales expected to increase at the high end of the Company's estimate of mid-single digit growth
- Adjusted EBITDA including unconsolidated joint ventures<sup>(1)</sup> expected to be \$965 million-\$985 million, up from the previous estimate of \$950 million-\$970 million

## Capital Deployment Highlights

- Increased quarterly dividend by 15% to \$0.23 per share,
- Returned \$72 million of cash to shareholders in the first quarter
- Invested \$17 million of cash in the quarter for a 50% interest in a new joint venture

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, Inc. today reported its fiscal second quarter 2020 results.

"In the second quarter, we delivered strong sales, volume and margins across all segments by continuing to execute well across the organization, generating strong cash flow, and we're investing that cash back into the business to improve manufacturing operations and systems, and bolster our presence in South America. We're also returning more cash to shareholders through a 15 percent increase in our quarterly dividend."

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“Because of our strong performance in the first half of fiscal 2020, we anticipate delivering solid results in the second half, supported by favorable restaurant traffic trends. While overall raw potato supply was impacted by relatively poor weather late in the growing season and during the winter months, we expect to support our volume growth targets for the year. We’ll continue to focus on our mix in each of our business segments. Over the long term, we remain committed to executing on our strategies, driving growth and creating value for all our stakeholders.”

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### Summary of Second Quarter FY 2020 Results

(\$ in millions, except per share)

	Year-Over-Year		Year-Over-Year	
	Q2 2020	Growth Rates	YTD 2020	Growth Rates
Net sales	\$1,019.2	12%	\$ 2,008.2	10%
Income from operations	\$ 193.5	11%	\$ 363.5	11%
Net income attributable to Lamb Weston	\$ 140.4	18%	\$ 256.1	13%
EBITDA including unconsolidated joint ventures <sup>(1)</sup>	\$ 260.9	17%	\$ 493.8	13%
Diluted EPS	\$ 0.95	28%	\$ 1.74	18%
Adjusted Diluted EPS <sup>(1)</sup>	\$ 0.95	19%	\$ 1.74	14%

### Q2 2020 Commentary

Net sales increased \$107.8 million to \$1,019.2 million, up 12 percent versus the year-ago period. Volume increased 10 percent, primarily driven by growth in the Company’s Global and Foodservice segments, and includes an approximate 1.5 percentage point benefit from acquisitions, as well as an approximate 1 percentage point benefit from additional shipping days related to the timing of the Thanksgiving holiday. Price/mix increased 2 percent due to pricing actions and favorable mix.

Income from operations rose 11 percent to \$193.5 million versus the year-ago period, driven by higher sales and gross profit. Gross profit increased \$36.1 million due to volume growth, favorable price/mix and lower transportation costs, which more than offset input cost inflation; higher manufacturing costs due to inefficiencies, which were primarily driven by higher maintenance and related costs associated with the Company’s french fry production line in Hialeah, FL, at the end of the fourth quarter of fiscal 2019. In addition, gross profit was also benefited by unrealized mark-to-market adjustments and realized settlements of foreign currency in the current quarter, compared with a \$1.7 million loss related to the prior year period.

The increase in gross profit in the current quarter was partially offset by an increase in selling, general and administrative expenses (“SG&A”). The increase was largely driven by incentive compensation expense accruals based primarily on performance in the Company’s sales, marketing, operating and manufacturing segments, and a \$1.7 million of expense associated with designing and implementing a new ERP system. These increases were partially offset by an approximate \$1.7 million benefit from the prior year period also included an approximate \$4 million benefit from the prior year period.

Net income attributable to Lamb Weston increased \$21.4 million versus the prior year period, reflecting growth in income from operations and higher equity income from the acquisition of BSW, LLC (“Lamb Weston BSW”) in November 2018 (the “BSW Acquisition”).

EBITDA including unconsolidated joint ventures<sup>(1)</sup> increased \$51.9 million versus the prior year period, primarily due to growth in income from operations and higher equity income from the acquisition of BSW, LLC (“Lamb Weston BSW”) in November 2018 (the “BSW Acquisition”).

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benefit from the BSW Acquisition, and higher equity method in

Diluted EPS increased \$0.21, or 28 percent, to \$0.95. The incr  
operations and higher equity method investment earnings, as  
Acquisition, and a \$0.06 charge related to the BSW Acquisition.

Adjusted Diluted EPS<sup>(1)</sup> increased \$0.15, or 19 percent, to \$0.95. The increase in Adjusted Diluted EPS reflects growth in income from operations, an approximate \$0.04 benefit from the BSW Acquisition, and higher equity method investment earnings.

The Company's effective tax rate<sup>(2)</sup> in the second quarter of fiscal 2020 was approximately 23.3 percent, versus 21.5 percent in the prior year period. The effective tax rate varies from the U.S. statutory tax rate of 21% principally due to the impact of U.S. state taxes, foreign taxes, permanent differences, and discrete items.

Cash Flow

Through the first half of fiscal 2020, net cash from operating activities increased \$28.5 million to \$345.3 million, primarily driven by earnings growth. Capital expenditures, including for information technology items, were \$107.4 million in fiscal 2020, down \$63.0 million versus the prior year period due to investments for the construction of a new production line in Hermiston, Oregon, which was completed in the fourth quarter of fiscal 2019.

Capital Returned to Shareholders

In the first half of fiscal 2020, the Company returned a total of \$71.9 million to shareholders, including \$58.5 million in dividends and \$13.4 million in share repurchases. The average price per share repurchased was \$72.61. The Company has approximately \$205 million remaining under its current \$250 million share repurchase authorization.

Q2 2020 Segment Highlights

Global

Global Segment Summary	
	Year-Over-Year
	Q2 2020
	(dollar million)
Net sales	\$
Segment product contribution margin <sup>(3)</sup>	\$

Net sales for the Global segment, which is comprised of the to customers as well as the Company's international business, in percent compared to the prior year period. Volume increased benefit of limited time product offerings, to strategic customers an approximate 3 percentage point benefit from acquisitions. Increase reflected the benefit of additional shipping days relate Price/mix increased 1 percent, largely reflecting pricing adjust

Global segment product contribution margin increased \$16.5 the prior year period. Favorable volume growth, higher price/n increase, more than offsetting input cost inflation, higher manu depreciation expense primarily associated with the new Hermi

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Foodservice Segment				
	Q2 2020 <i>(dollars in millions)</i>	Year-Over-Year		
		Growth Rates	Price/Mix	Volume
Net sales	\$ 304.9	9%	4%	5%
Segment product contribution margin <sup>(3)</sup>	\$ 111.3	14%		

Net sales for the Foodservice segment, which services North American foodservice distributors and restaurant chains outside the top 100 North American based restaurant chain customers, increased \$25.2 million to \$304.9 million, up 9 percent compared to the prior year period. Volume increased 5 percent, led by growth in distributor private label and *Lamb Weston* branded products. Approximately half of the volume increase reflected the benefit of additional shipping days related to the timing of the Thanksgiving holiday. Price/mix increased 4 percent, primarily reflecting pricing actions initiated during the quarter, and improved mix.

Foodservice segment product contribution margin increased \$13.9 million to \$111.3 million, up 14 percent compared to the prior year period, as favorable price/mix, volume growth and lower transportation costs more than offset input cost inflation, higher manufacturing costs due to inefficiencies, and higher depreciation expense primarily associated with the new Hermiston production line.

Retail

Retail Segment Summary				
	Q2 2020 <i>(dollars in millions)</i>	Year-Over-Year		
		Growth Rates	Price/Mix	Volume
Net sales	\$			
Segment product contribution margin <sup>(3)</sup>	\$			

Net sales for the Retail segment, which includes sales of brand name and private label products to grocery merchant and club customers in North America, increased \$8.1 million to the prior year period. Volume increased 4 percent, driven by growth in brand name products as well as private label products. Approximately half of the volume increase reflected the benefit of additional shipping days related to the timing of the Thanksgiving holiday. Price/mix increased 3 percent, driven by favorable mix and pricing actions.

Retail segment product contribution margin increased \$2.6 million to the prior year period, as favorable price/mix, volume growth and lower transportation costs more than offset input cost inflation, higher manufacturing costs due to inefficiencies, and higher depreciation expense associated with the new Hermiston production line.

Equity Method Investment Earnings

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Equity method investment earnings from unconsolidated joint and \$10.2 million for the second quarter of fiscal 2020 and 20 million unrealized loss related to mark-to-market adjustments contracts in the current quarter and a \$1.1 million loss related these adjustments, earnings from equity method investments period, largely reflecting lower raw potato prices in Europe.

Outlook

The Company provides guidance on its financial outlook on a non-GAAP basis and does not reconcile guidance to GAAP as the Company cannot predict the effects of items impacting comparability that are included in reported GAAP results. These items are discussed in more detail in the notes to this press release.

The Company is updating its fiscal 2020 outlook, which includes the contribution of a 53<sup>rd</sup> week in the fiscal 2020 period, with the additional week falling in the fourth quarter, as follows:

FY 2020 Outlook Summary	
Net sales growth rate	High end of Mid-Single Digit Range
Adjusted EBITDA including unconsolidated joint ventures <sup>(1)</sup>	\$965 million to \$985 million
Interest expense	Approximately \$110 million
Effective tax rate <sup>(2)</sup> excluding comparability items	Approximately 24%
Cash used for capital expenditures, excluding acquisitions	
Depreciation and amortization	

As summarized in the table above, for fiscal 2020, the Company

- Net sales to grow at the high end of the mid-single digit higher price/mix.
- Adjusted EBITDA including unconsolidated joint ventures increase from the Company’s previous estimate of \$950 million
  - Volume-driven gross profit growth, with higher price/mix
  - SG&A, excluding advertising and promotional expenses, enterprise resource planning and other information system net sales.

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- Equity method investment earnings to improve versus fiscal costs in Europe.
- An effective tax rate of approximately 24 percent versus 18 percent.

## End Notes

(1) Adjusted EBITDA including unconsolidated joint ventures, EBITDA including unconsolidated joint ventures, and Adjusted Diluted EPS are non-GAAP financial measures. Please see the discussion of non-GAAP financial measures, including a discussion of earnings guidance provided on a non-GAAP basis, and the reconciliations at the end of this press release for more information.

(2) The effective tax rate is calculated as the ratio of income tax expense to pre-tax income, inclusive of equity method investment earnings.

(3) For more information about product contribution margin, please see the table titled "Segment Information" in this press release.

## Webcast and Conference Call Information

Lamb Weston will host a conference call to review its second quarter 2020 results at 10:00 a.m. ET today. Investors and analysts may access the call toll-free by dialing (800) 367-2403, and using the event confirmation code of 6281338. A listen-only webcast will be provided at [www.lambweston.com](http://www.lambweston.com).

## About Lamb Weston

Lamb Weston, along with its joint venture partners, is a leading supplier of frozen potato, sweet potato, appetizer and vegetable products to restaurants and retailers around the world. For more than 60 years, Lamb Weston has led the industry in innovation, introducing inventive products that simplify back-of-house management for its customers and make things more delicious for their customers. From the fields where Lamb Weston potatoes are grown to proactive customer partnerships, Lamb Weston always strives for more and never settles. Because, when we look at a potato, we see possibilities. Learn more about us at [lambweston.com](http://lambweston.com).

## Forward-Looking Statements

This press release contains forward-looking statements within such as "continue," "expect," "support," "grow," "anticipate," "invest," "raise," "drive," and variations of such words and similar forward-looking statements. Examples of forward-looking statements include the Company's plans, execution, business outlook and prospective management's current expectations and are subject to uncertainty. This press release should understand that these statements are based on factors that could affect the Company's actual financial results and are contained in the forward-looking statements, including those uncertainties include, among other things: the Company's ability to execute on its creation strategies; its ability to execute on large capital projects in the competitive environment and related conditions in the market; political and economic conditions of the countries in which it operates; factors related to its international operations; disruption of its supply chain; possible acquisitions, including its ability to complete acquisitions; the availability and prices of raw materials; changes in its relationships; the success of its joint ventures; actions of governments and regulatory bodies; the ultimate outcome of litigation or any product recall; expenses; its ability to pay regular quarterly cash dividends and other factors; the Company's ability to remediate the material weakness in its internal control over financial reporting; and other risks described in the Company's reports filed from time to time with the Commission. The Company cautions readers not to place undue

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included in this press release, which speak only as of the date of this press release, and do not constitute a commitment of responsibility for updating these statements, except as required by applicable laws.

**Non-GAAP Financial Measures**

To supplement the financial information included in this press release, the Company has presented EBITDA including unconsolidated joint ventures, Adjusted Net Income Available to Lamb Weston Common Stockholders, and Adjusted Diluted EPS, each of which is considered a non-GAAP financial measure. The non-GAAP financial measures provided should be viewed in addition to, and not as an alternative for, financial measures prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") that are presented in this press release. The non-GAAP financial measures presented may differ from similarly titled non-GAAP financial measures presented by other companies, and other companies may not define these non-GAAP financial measures the same way. These measures are not substitutes for their comparable GAAP financial measures, such as net income, diluted earnings per share, or other measures prescribed by GAAP, and there are limitations to using non-GAAP financial measures.

Management uses these non-GAAP financial measures to assist in comparing the Company's performance on a consistent basis for purposes of business decision making. Management believes that presenting these non-GAAP financial measures provides investors with useful information because they (i) provide meaningful supplemental information regarding financial performance by excluding certain items, (ii) permit investors to view performance using the same tools that management uses to budget, make operating and strategic decisions, and evaluate historical performance, and (iii) otherwise provide supplemental information that may be useful to investors in evaluating the Company's results. The Company believes that the presentation of these non-GAAP financial measures, when considered together with the corresponding GAAP financial measures and the reconciliations to those measures, provides investors with additional understanding of the factors and trends affecting the Company's business than could be obtained absent these disclosures.

The Company also provides guidance on its financial outlook on a non-GAAP basis. The Company cannot predict the effects of certain elements that are included in reported GAAP results, including items such as strategic developments, potentially significant costs associated with acquisitions and integration of acquired businesses, and other items impacting comparability. This list is not inclusive of all potential items, and the Company will update as necessary as these items are evaluated on an ongoing basis, can be highly variable and could be significant to its GAAP measures. As such, prospective quantification of these items is not feasible and a full reconciliation of Adjusted EBITDA including unconsolidated joint ventures to GAAP net income has not been provided.

Lamb Weston Holdings, Inc.	
Consolidated Statement of Operations	
(unaudited, dollars in millions, except per share amounts)	
Net sales	
Cost of sales	
Gross profit	
Selling, general and administrative expenses	
Income from operations	
Interest expense, net	
Income before income taxes and equity method earnings	
Income tax expense	
Equity method investment earnings	

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Net income				
Less: Income attributable to noncontrolling interests (1)				
Net income attributable to Lamb Weston Holdings, Inc.				
Earnings per share				
Basic	\$ 0.96	\$ 0.74	\$ 1.75	\$ 1.47
Diluted	\$ 0.95	\$ 0.74	\$ 1.74	\$ 1.47
Dividends declared per common share	\$ 0.20000	\$ 0.19125	\$ 0.40000	\$ 0.38250

Computation of diluted earnings per share:

Net income attributable to Lamb Weston Holdings, Inc.	\$ 140.4	\$ 119.0	\$ 256.1	\$ 226.8
Less: Increase in redemption value of noncontrolling interests in excess of earnings allocated, net of tax benefits (1)	—	10.0	—	10.9
Net income available to Lamb Weston common stockholders	\$ 140.4	\$ 109.0	\$ 256.1	\$ 215.9
Diluted weighted average common shares outstanding	147.1	147.4	147.1	147.3
Diluted earnings per share (1)	\$ 0.95	\$ 0.74	\$ 1.74	\$ 1.47

(1) In November 2018, we entered into an agreement to acquire the remaining 50.01% interest in Lamb Weston BSW, LLC ("Lamb Weston BSW"). Our Consolidated Statements of Earnings includes 100% of Lamb Weston BSW's earnings beginning November 2, 2018. See Note 7, Investments in Joint Ventures, of the Notes to Combined and Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" of the Company's fiscal 2019 Form 10-K, for more information.

During the thirteen and twenty-six weeks ended November 25, 2018, net income available to common stockholders and earnings per share included accretion expense, net of estimated tax benefits, of \$9.5 million, or \$0.06 per share, to increase the redeemable noncontrolling interest to the amount the Company agreed to pay to acquire the remaining 50.01% interest in Lamb Weston BSW. While the accretion, net of estimated tax benefits, reduced net income available to Lamb Weston common stockholders and earnings per share, it did not impact net income in the Consolidated Statements of Earnings.

Lamb Weston Holdings, Inc.

Consolidated Balance Sheet

(unaudited, dollars in millions)

ASSETS

Current assets:

Cash and cash equivalents

Receivables, less allowance for doubtful accounts of \$1.3 and

Inventories

Prepaid expenses and other current assets

Total current assets

Property, plant and equipment, net (1)

Operating lease assets (1)

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Equity method investments		
Goodwill		
Intangible assets, net		
Other assets	39.4	20.7
<b>Total assets</b>	<b>\$ 3,466.8</b>	<b>\$3,048.1</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

### Current liabilities:

Short-term borrowings	\$ 9.9	\$ 8.4
Current portion of long-term debt and financing obligations	36.1	38.0
Accounts payable	406.0	289.2
Accrued liabilities (1)	217.4	217.2
<b>Total current liabilities</b>	<b>669.4</b>	<b>552.8</b>

### Long-term liabilities:

Long-term debt and financing obligations, excluding current portion (1)	2,203.7	2,280.2
Deferred income taxes	149.5	125.7
Other noncurrent liabilities (1)	243.1	94.0
<b>Total long-term liabilities</b>	<b>2,596.3</b>	<b>2,499.9</b>

### Commitments and contingencies

### Stockholders' equity:

Common stock of \$1.00 par value, 600,000,000 shares authorized; 146,837,024 and 146,654,827 shares issued	146.8	146.7
Additional distributed capital	(877.0)	(890.3)
Retained earnings (1)	1,021.9	803.6
Accumulated other comprehensive loss	(33.5)	(25.3)
Treasury stock, at cost, 833,820 and 585,794 common shares	(57.1)	(39.3)
<b>Total stockholders' equity (deficit)</b>	<b>201.1</b>	<b>(4.6)</b>
<b>Total liabilities and stockholders' equity</b>		

(1) Effective May 27, 2019, the Company adopted Accounting amendments, using the modified retrospective transition method for recording the cumulative effect of initially applying the guidance. The standard resulted in the recognition of an operating lease asset of \$155.5 million. The adoption also resulted in a cumulative effect of \$155.5 million, net of tax, to increase retained earnings, as a result of the adoption of the leaseback and the elimination of \$38.7 million of property, plant and equipment and financing obligations also related to the sale leaseback. The adoption did not affect the Company's results of operations or cash flows. See Notes 1 and 2 of the Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of the Company's 2019 10-Q for more information.

Lamb Weston Holdings Inc.  
Consolidated Statements of Financial Position  
(unaudited, dollars in millions)

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### Cash flows from operating activities

Net income	\$	256.1	\$	235.4
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangibles and debt issuance costs		91.7		77.2
Stock-settled, stock-based compensation expense		12.6		9.2
Earnings of joint ventures in excess of distributions		(7.6)		(4.5)
Deferred income taxes		17.2		27.9
Other		2.0		6.2
Changes in operating assets and liabilities, net of acquisition:				
Receivables		(55.2)		(28.2)
Inventories		(133.4)		(149.4)
Income taxes payable/receivable, net		17.5		3.7
Prepaid expenses and other current assets		46.3		51.0
Accounts payable		126.4		114.8
Accrued liabilities		(28.3)		(26.5)
<b>Net cash provided by operating activities</b>	<b>\$</b>	<b>345.3</b>	<b>\$</b>	<b>316.8</b>

### Cash flows from investing activities

Acquisition of business, net of cash acquired		(116.7)		—
Additions to property, plant and equipment		(88.1)		(170.4)
Additions to other long-term assets		(19.3)		—
Investment in equity method joint venture		(17.1)		—
Other		1.0		1.7
<b>Net cash used for investing activities</b>	<b>\$</b>	<b>(240.2)</b>	<b>\$</b>	<b>(168.7)</b>

### Cash flows from financing activities

Proceeds from issuance of debt
Repayments of debt and financing obligations
Dividends paid
Repurchase of common stock and common stock withheld to
Proceeds (payments) of short-term borrowings, net
Cash distributions paid to noncontrolling interest
Other
<b>Net cash used for financing activities</b>
Effect of exchange rate changes on cash and cash equivalents
<b>Net increase in cash and cash equivalents</b>
<b>Cash and cash equivalents, beginning of the period</b>
<b>Cash and cash equivalents, end of period</b>

Lamb Weston Hold

Segment Inform

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(unaudited, dollars

	Year-Over-					
	November 24,		November 25,		Year Growth	
	2019		2018		Rates	Price/Mix    Volume
Segment sales						
Global	\$	539.6	\$	470.0	15%	1%    14%
Foodservice		304.9		279.7	9%	4%    5%
Retail		132.1		123.9	7%	3%    4%
Other		42.6		37.8	13%	(9%)    22%
	\$	1,019.2	\$	911.4	12%	2%    10%

**Segment product contribution margin  
(1)**

Global	\$	128.9	\$	112.4	15%	
Foodservice		111.3		97.4	14%	
Retail		28.5		25.9	10%	
Other		10.4		7.2	44%	
		279.1		242.9	15%	
Advertising and promotion expenses		6.0		6.1	(2%)	
Gross profit	\$	285.1	\$	249.0	14%	

**Twenty-Six Weeks Ended**

	Year-Over-		
	November 24,	November 25,	Year Growth
	2019		
Segment sales			
Global	\$ 1,057.2	\$	<div>Attention!</div> <div>This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?</div>
Foodservice	610.3		
Retail	261.4		
Other	79.3		
	\$ 2,008.2	\$	

**Segment product contribution margin  
(1)**

Global	\$	231.6	\$	
Foodservice		213.8		
Retail		57.4		
Other		20.1		
		522.9		
Advertising and promotion expenses		10.8		

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Gross profit	\$	533.7	\$
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(1) Product contribution margin represents net sales less cost

Product contribution margin includes advertising and promotion expenses because the amounts are directly associated with segment performance; it excludes general corporate expenses and interest expense because management believes these amounts are not directly associated with segment performance.

### Lamb Weston Holdings, Inc.

#### Reconciliation of Non-GAAP Financial Measures

(unaudited, dollars in millions, except per share amounts)

There were no items impacting comparability during the thirteen and twenty-six weeks ended November 24, 2019.

#### Thirteen Weeks Ended November 25, 2018

	Income		Income		Equity		Net Income		Net Income	
					Method		Attributable		Available to	
	From		Interest		Tax		to Lamb		Lamb Weston	
	Operations	Expense	Expense	Earnings	Investment	Income	Weston	Stockholders	Diluted	EPS
As reported	\$ 174.0	\$ 26.2	\$ 34.0	\$ 10.2	\$ 124.0	\$ 119.0	\$ 109.0	\$ 0.74		
Items impacting comparability (1) (2):										
Increase in redemption value of noncontrolling interests, net of tax benefits	—	—	—	—	—	—	9.5	0.06		
Total items impacting comparability	—	—	—	—	—	—	9.5	0.06		
Adjusted (3)	\$ 174.0	\$ 26.2	\$ 34.0	\$ 10.2	\$ 124.0	\$ 119.0	\$ 118.5	\$ 0.80		

#### Twenty-Six We

	Income		Income		Equity		Net Income		Net Income	
					Method		Attributable		Available to	
	From		Interest		Tax		to Lamb		Lamb Weston	
	Operations	Expense	Expense	Earnings	Investment	Income	Weston	Stockholders	Diluted	EPS
As reported	\$ 326.6	\$ 53.0	\$ 68.3	\$						
Items impacting comparability (1) (2):										
Increase in redemption value of noncontrolling interests, net of tax benefits	—	—	—	—	—	—	—	—	—	—
Total items impacting comparability	—	—	—	—	—	—	—	—	—	—

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Adjusted (3)	\$ 326.6	\$ 53.0	\$ 68.3	\$
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(1) See footnote (1) to the Consolidated Statements of Earnings above for a discussion of the items impacting comparability.

(2) Items impacting comparability are tax effected at the marginal rate based on the applicable tax jurisdiction.

(3) Adjusted net income available to Lamb Weston stockholders and diluted earnings per share are non-GAAP financial measures. Management excludes items impacting comparability between periods as it believes these items are not necessarily reflective of the ongoing operations of Lamb Weston. These non-GAAP measures provide a means to evaluate the performance of Lamb Weston on an ongoing basis using the same measures that are frequently used by the Company's management and assist in providing a meaningful comparison between periods. See also "Non-GAAP Financial Measures" in this press release.

### Lamb Weston Holdings, Inc.

#### Reconciliation of Non-GAAP Financial Measures

(unaudited, dollars in millions)

To supplement the financial information included in this press release, the Company has presented EBITDA including unconsolidated joint ventures, which is considered a non-GAAP financial measure. The following table reconciles net income attributable to Lamb Weston to EBITDA including unconsolidated joint ventures.

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	November 24,	November 25,	November 24,	November 25,
	2019	2018	2019	2018
Net income attributable to Lamb Weston Holdings, Inc.	\$ 140.4	\$ 119.0	\$ 256.1	\$ 226.8
Income attributable to noncontrolling interests	—	5.0	—	8.6
Equity method investment earnings	(15.0)	(10.2)	(25.6)	(30.1)
Interest expense, net	25.4	26.2	53.6	53.0
Income tax expense	42.7			
Income from operations	193.5			
Depreciation and amortization	44.7			
EBITDA (1) (2)	238.2			
Unconsolidated Joint Ventures (3)				
Equity method investment earnings	15.0			
Interest expense, income tax expense, and depreciation and amortization included in equity method investment earnings	7.7			
Add: EBITDA from unconsolidated joint ventures	22.7			
Consolidated Joint Ventures (3)				
Income attributable to noncontrolling interests	—			

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Interest expense, income tax expense, and depreciation and				
amortization included in income attributable to noncontrolling interests				
Subtract: EBITDA from consolidated joint ventures	—	(5.8)	—	(10.3)
EBITDA including unconsolidated joint ventures (1)	\$ 260.9	\$ 222.8	\$ 493.8	\$ 435.7

(1) EBITDA including unconsolidated joint ventures is a non-GAAP financial measure. Management excludes items impacting comparability between periods as it believes these items are not necessarily reflective of the ongoing operations of the Company. Lamb Weston presents this measure because the Company believes it provides a means to evaluate the performance of the Company on an ongoing basis using the same measure frequently used by the Company's management and assists in providing a meaningful comparison between periods. Any analysis of non-GAAP financial measures should be done only in conjunction with results presented in accordance with GAAP. This non-GAAP measure is not intended to be a substitute for GAAP financial measures and should not be used as such. See also "Non-GAAP Financial Measures" in this press release.

(2) EBITDA includes EBITDA from consolidated joint ventures for the thirteen and twenty-six weeks ended November 25, 2018.

(3) Lamb Weston holds equity interests in three potato processing joint ventures, including 50% of Lamb-Weston/Meijer v.o.f., Lamb-Weston/RDO Frozen, and Lamb Weston Alimentos Modernos S.A., which it accounts for its ownership under the equity method of accounting. Prior to purchasing the remaining 50.01% interest in its Lamb Weston BSW joint venture, Lamb Weston consolidated the financial statements of Lamb Weston BSW. In connection with the purchase, Lamb Weston began recognizing 100% of Lamb Weston BSW's earnings in its Consolidated Statements of Earnings on November 2, 2018. See Note 7, Investments in Joint Ventures, of the Notes to Combined and Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in the Company's fiscal 2019 Form 10-K, for more information.

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