

Lamb Weston Reports Fiscal Third Quarter 2022 Results; Updates Fiscal Year 2022 Outlook

April 07, 2022

Third Quarter Fiscal 2022 Highlights

- Compared to Third Quarter Fiscal 2021:
 - Net sales increased 7% to \$955 million
 - Income from operations increased 33% to \$134 million
 - Net income increased 61% to \$107 million
 - Diluted EPS increased 62% to \$0.73 from \$0.45
 - Adjusted EBITDA including unconsolidated joint ventures⁽¹⁾ increased 31% to \$220 million
- Capital Returned to Shareholders:
 - Paid \$34 million in cash dividends
 - Repurchased \$50 million of common stock

Updated Fiscal 2022 Outlook

- Net sales growth above long-term target range of low-to-mid single digits
- Net income and Adjusted EBITDA including unconsolidated joint ventures⁽¹⁾ increased through the remainder of fiscal 2022 due to higher potato, income from operations
- Gross margin of 19% to 20%; previous gross margin estimate of 18% to 19%

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, Inc. today reported its third quarter 2022 results and updated its fiscal 2022 outlook.

"We continued to make financial and operating progress in the third quarter as we continue to manage significant input, manufacturing and supply chain cost inflation. Our pricing actions, along with manufacturing productivity and operational efficiency, drove over-year improvement in our gross margin despite the Omicron impact in retail and foodservice channels, and disrupting production and distribution. In addition, constraints in global logistics networks continued to impact our cost of goods sold."

"We are managing through this challenging macro environment and remain on track with our targets for fiscal 2022. The increase in our potato costs resulting from the drought in 2021 in the Pacific Northwest is in line with expectations, and we have a strong near-term production forecast. We plan to continue to execute our strategy to drive long-term growth and profitability."

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actions to mitigate the effect of inflation, and drive run-rate and capacity expansions in Idaho and China are on schedule, and business and executing on our strategies will have us well positioned for long-term growth.”

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Summary of Third Quarter Fiscal 2022 Results

(\$ in millions, except per share)

| | | Year-Over- Year | YTD | Year-Over- Year |
|--|----------|--------------------|------------|--------------------|
| | Q3 2022 | Growth Rates | FY 2022 | Growth Rates |
| Net sales | \$ 955.0 | 7% | \$ 2,945.8 | 11% |
| Income from operations | \$ 133.8 | 33% | \$ 308.4 | (18%) |
| Net income | \$ 106.6 | 61% | \$ 168.9 | (33%) |
| Diluted EPS | \$ 0.73 | 62% | \$ 1.16 | (33%) |
| Adjusted Diluted EPS ⁽¹⁾ | \$ 0.73 | 62% | \$ 1.43 | (17%) |
| Adjusted EBITDA including unconsolidated joint ventures ⁽¹⁾ | \$ 219.6 | 31% | \$ 523.9 | (10%) |

Q3 2022 Commentary

Net sales increased \$59.2 million to \$955.0 million, up 7 percent versus the prior year quarter. Price/mix increased 12 percent, primarily reflecting the benefit of pricing actions across each of the Company’s business segments to offset input, manufacturing, and transportation cost inflation. Volume declined 5 percent, reflecting lower export volume and lower shipments to retail channels. The Company increased shipments to restaurant and foodservice channels in North America, although growth was tempered by softer restaurant traffic as a result of the effects of the Omicron variant of the COVID-19 virus and an inability to fully serve customer demand due to widespread industry supply chain constraints, including labor and commodities shortages, that resulted in lower production run-rates and throughput in the factories.

Income from operations increased \$33.2 million to \$133.8 million, up 33 percent versus the prior year quarter, reflecting higher gross profit and lower selling, general and administrative expenses. Gross profit increased \$24.3 million, as the benefits from higher price/mix and lower selling, general and administrative costs on a per pound basis, as well as lower selling, general and administrative costs reflected double-digit cost inflation from key inputs, particularly grains and starches used in product coatings, and raw potato and labor costs. The increase in costs per pound also reflected production run-rates, as well as lower raw potato utilization rates, which were partially offset by supply chain productivity savings. The increase in gross profit was partially offset by unrealized mark-to-market adjustments associated with commodity prices, resulting in a \$1.9 million gain in the current quarter, compared with a \$1.9 million loss in the prior year quarter.

SG&A declined \$8.9 million compared to the prior year quarter, primarily reflecting a \$1.9 million decrease in advertising and promotion expense, a \$1.9 million decrease in advertising and promotion expense, and a \$1.9 million decrease in advertising and promotion expense. SG&A was partially offset by higher information technology infrastructure costs, higher depreciation and amortization expense, and higher foreign exchange expense. Approximately \$2 million of the EBITDA increase consisted primarily of consulting expenses that will not continue in the current quarter, compared to approximately \$1 million of ERP-related expenses in the prior year quarter.

Net income was \$106.6 million, up \$40.5 million versus the prior year quarter. The increases were driven primarily by higher income from operations, partially offset by higher taxes and higher interest expense.

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method investment earnings.

Adjusted EBITDA including unconsolidated joint ventures⁽¹⁾ increased versus the prior year quarter, driven by higher income from operations.

The Company's effective tax rate⁽²⁾ in the third fiscal quarter was 22.6 percent, versus 19.8 percent in the prior year quarter. The Company's effective tax rate varies from the U.S. statutory tax rate of 21 percent principally due to the impact of U.S. state taxes, foreign taxes, permanent differences, and discrete items.

Q3 2022 Segment Highlights

Global

| Global Segment Summary | | | | |
|--|-----------------------|----------------|-----------|--------|
| | Q3 2022 | Year-Over-Year | | |
| | | Growth Rates | Price/Mix | Volume |
| | (dollars in millions) | | | |
| Net sales | \$ 487.9 | 2% | 8% | (6%) |
| Segment product contribution margin ⁽³⁾ | \$ 73.0 | (8%) | | |

Net sales for the Global segment, which is generally comprised of the top 100 North American based quick service ("QSR") and full-service restaurant chain customers as well as all of the Company's international sales, increased \$9.4 million to \$487.9 million, up 2 percent versus the prior year quarter, with price/mix up 8 percent and volume down 6 percent. The benefit of domestic and international product and freight pricing actions to offset inflation, as well as favorable mix, drove the increase in price/mix. Lower export shipments due to limited shipping container availability and disruptions to ocean freight networks drove the decline in sales volumes. Sales volumes to North American large QSR and casual dining restaurant chain customers increased, although this increase was tempered by softer consumer traffic as a result of the effects of the Omicron variant.

Global segment product contribution margin declined \$6.3 million to \$73.0 million, down 8 percent versus the prior year quarter. Higher manufacturing and distribution costs per unit offset the benefit of favorable price/mix.

Foodservice

| Foodservice Segment | |
|--|-----------------------|
| | Q3 2022 |
| | (dollars in millions) |
| Net sales | \$ 294.5 |
| Segment product contribution margin ⁽³⁾ | \$ 106.0 |

Net sales for the Foodservice segment, which services North American restaurant chains generally outside the top 100 North American based restaurants, increased \$29.5 million to \$294.5 million, up 34 percent versus the prior year quarter, with

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percent. The benefits of product and freight pricing actions taken in the third quarter, along with a more favorable mix, drove the increase in price/mix. The ongoing re-opening of non-commercial channels (such as lodging and hospitality, health and wellness, entertainment, and workplace environments) drove the increase in demand. As demand have essentially returned to pre-pandemic levels, demand in the foodservice segment has returned to pandemic levels. The segment's overall volume growth was tempered by softer restaurant and non-commercial traffic as a result of the effects of the Omicron variant, as well as an inability to fully serve customer demand due to widespread industry supply chain constraints, including labor shortages, that resulted in lower production run-rates and throughput in the factories.

Foodservice segment product contribution margin increased \$36.5 million to \$106.7 million, up 52 percent compared to the prior year quarter. Favorable price, volume and mix drove the increase, and were partially offset by higher manufacturing and distribution costs per pound.

Retail

| Retail Segment Summary | | | | |
|--|-----------------------|----------------|-----------|--------|
| | Q3 2022 | Year-Over-Year | | |
| | | Growth Rates | Price/Mix | Volume |
| | (dollars in millions) | | | |
| Net sales | \$ 143.6 | (12%) | 12% | (24%) |
| Segment product contribution margin ⁽³⁾ | \$ 31.6 | (5%) | | |

Net sales for the Retail segment, which includes sales of branded and private label products to grocery, mass merchant, and club customers in North America, declined \$18.9 million to \$143.6 million, down 12 percent versus the prior year quarter, with volume down 24 percent and price/mix up 12 percent. Lower shipments of private label products, resulting from incremental losses of certain low-margin business, as well as lower shipments of branded products, drove the sales volume decline. The decline in branded product shipments reflected an inability to fully serve customer demand due to lower production run-rates and throughput in the factories. Product and freight pricing actions across the branded and private label portfolios to offset inflation, as well as improved mix, drove the increase in price/mix.

Retail segment product contribution margin declined \$1.5 million to \$31.6 million, or 5 percent, in the third quarter year quarter. Lower sales volumes and higher manufacturing and distribution costs per pound were partially offset by favorable price/mix and a \$1.6 million decrease in freight costs.

Equity Method Investment Earnings

Equity method investment earnings from unconsolidated joint ventures were \$29.7 million and \$11.1 million for the third quarter of fiscal 2022 and 2021, respectively. Investment earnings included a \$19.6 million unrealized gain related to currency and commodity hedging contracts in the current quarter, compared to a \$10.1 million loss related to these items in the prior year quarter. The increase in earnings for the third quarter of fiscal 2022, primarily relates to changes in the value of natural gas and other commodity markets in Europe have experienced significant volatility.

Excluding the mark-to-market adjustments, earnings from equity method investments were \$10.1 million and \$11.1 million for the third quarter of fiscal 2022 and 2021, respectively. The increase reflects the higher sales volumes, largely offset by input cost inflation and higher manufacturing and distribution costs in the U.S.

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Cash Flow and Liquidity

In the first three quarters of fiscal 2022, net cash from operating activities was \$100.0 million, compared to \$100.0 million versus the prior year period, primarily due to unfavorable changes in working capital, partially offset by lower capital expenditures, including information technology expenditures, versus the prior year period, reflecting increased investments to support capacity expansion projects.

At the end of the third quarter of fiscal 2022, the Company had \$428.6 million of cash and cash equivalents and no borrowings outstanding under its \$1.0 billion revolving credit facility.

Capital Returned to Shareholders

In the third quarter of fiscal 2022, the Company returned a total of \$84.3 million to shareholders, including \$34.3 million in cash dividends and \$50.0 million through share repurchases. The Company repurchased 763,777 shares during the quarter at an average price per share of \$65.46.

Fiscal 2022 Outlook

The Company continues to expect fiscal 2022 net sales growth will be above its long-term target of low-to-mid single digits. The Company anticipates net sales growth in the fourth quarter of fiscal 2022 will be driven largely by price/mix, reflecting the Company's pricing actions to offset input and transportation cost inflation. The Company expects sales volumes in the fourth quarter will continue to be tempered by disruptions to the Company's production and logistics networks, as well as the effects of inflation and COVID-19 variants on restaurant traffic and consumer demand.

The Company expects net income and Adjusted EBITDA including unconsolidated joint ventures⁽¹⁾ in the fourth quarter of fiscal 2022 will continue to be pressured, as it manages through significant inflation for key production inputs, transportation and packaging, as well as industrywide operational challenges, including labor and commodities shortages, resulting from volatility in the broader supply chain. In addition, the Company expects higher raw potato costs on a per pound basis due to the impact of extreme summer heat that negatively affected the yield and quality of potato crops in the Pacific Northwest.

Taking these headwinds into account, the Company expects its full year fiscal 2022 gross margin to be 19 percent to 20 percent. The Company previously expected its full year fiscal 2022 gross margin to be 18 percent to 20 percent.

For the fourth quarter of fiscal 2022, the Company is targeting a gross margin of 19 percent to 21 percent. In addition, the Company expects that ongoing investments in its ERP project, will increase SG&A expenses as compared to the prior year. The Company expects that these investments will improve its ability to support long-term growth.

In addition, for fiscal 2022, the Company continues to expect:

- Depreciation and amortization of approximately \$190 million
- Interest expense of approximately \$163 million, which includes a premium of \$39.6 million of cash and a write-off of \$13.7 million (associated with the redeemed senior notes) on the extinguishment of the second quarter of fiscal 2022, and
- Effective tax rate of approximately 22 percent.

The Company reduced its estimate for cash used for capital expenditures to \$325 million from its previous estimate of \$450 million, due to certain capacity expansion projects.

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End Notes

(1) Adjusted Diluted EPS and Adjusted EBITDA including unco measures. Please see the discussion of non-GAAP financial 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 "Non-GAAP Financial Measures" and the table titled "Segment Information" included in this press release.

Webcast and Conference Call Information

Lamb Weston will host a conference call to review its third quarter fiscal 2022 results at 10:30 a.m. EDT today, April 7, 2022. Participants in the U.S. and Canada may access the conference call by dialing 888-204-4368 and participants outside the U.S. and Canada should dial +1-323-994-2093. The confirmation code is 1882707. The conference call also may be accessed live on the internet. Participants can register for the event at: https://globalmeet.webcasts.com/starthere.jsp?ei=1531544&tp_key=6212cb795b.

A rebroadcast of the conference call will be available beginning on Friday, April 8, 2022 after 2:00 p.m. EDT at <https://investors.lambweston.com/events-and-presentations>.

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 70 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.

Forward-Looking Statements

This press release contains forward-looking statements within such as "expect," "improve," "will," "continue," "remain," "sup "outlook," and variations of such words and similar expression statements. Examples of forward-looking statements include, Company's plans, execution, capital expenditures and invest business outlook and prospects, as well as supply chain cons pandemic on the Company's industry and the global economy management's current expectations and are subject to uncert this press release should understand that these statements are factors could affect the Company's actual financial results and contained in the forward-looking statements, including those s uncertainties include, among other things: the availability and operational challenges; disruptions in the global economy cau possible related heightening of the Company's other known ri health pandemics or other contagious outbreaks, such as the for its products, increased costs, disruption of supply, other co other necessary services or restrictions imposed by public hea labor and people-related expenses; the Company's ability to s strategies; the Company's ability to execute on large capital p lines or facilities; the competitive environment and related con joint ventures operate; political and economic conditions of th ventures conduct business and other factors related to its inte

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access to export mechanisms; risks associated with possible complete acquisitions or integrate acquired businesses; its dependence on its growers or significant customers; the success of the Company's operations and regulatory factors affecting the Company's businesses or any product recalls; the Company's ability to pay regular quarterly dividends; any future dividends; and other risks described in the Company's reports filed from time to time with the Securities and Exchange Commission. The Company cautions readers not to place undue reliance on any forward-looking statements included in this press release, which speak only as of the date of this press release. The Company undertakes no responsibility for updating these statements, except as required by law.

Non-GAAP Financial Measures

To supplement the financial information included in this press release, the Company has presented product contribution margin on a consolidated basis, Adjusted EBITDA, Adjusted EBITDA including unconsolidated joint ventures, Adjusted Diluted EPS, and adjusted interest expense, income tax expense, and net income, 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. These measures are not substitutes for their comparable GAAP financial measures, such as gross profit, net income, diluted earnings per share, or other measures prescribed by GAAP, and there are limitations to using non-GAAP financial measures. 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.

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 affecting comparability between periods, (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.

| Lamb Weston Holdings, Inc. Consolidated Statement of Operations (unaudited, in millions, except per share amounts) | |
|--|--|
| | |
| | |
| | |
| | |
| | |
| | |
| Net sales | |
| Cost of sales | |
| Gross profit | |
| Selling, general and administrative expenses | |
| Income from operations | |
| Interest expense, net (1) | |
| Income before income taxes and equity method earnings | |
| Income tax expense | |

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| | | | | |
|---|----------|----------|----------|----------|
| Equity method investment earnings | | | | |
| Net income | | | | |
| Earnings per share | | | | |
| Basic | \$ 0.73 | \$ 0.45 | \$ 1.16 | \$ 1.72 |
| Diluted | \$ 0.73 | \$ 0.45 | \$ 1.16 | \$ 1.72 |
| Dividends declared per common share | \$ 0.245 | \$ 0.235 | \$ 0.715 | \$ 0.695 |
| Weighted average common shares outstanding: | | | | |
| Basic | 145.1 | 146.5 | 145.8 | 146.4 |
| Diluted | 145.5 | 147.2 | 146.2 | 147.1 |

Computation of diluted earnings per share:

| | | | | |
|--|----------|---------|----------|----------|
| Net income | \$ 106.6 | \$ 66.1 | \$ 168.9 | \$ 252.3 |
| Diluted weighted average common shares outstanding | 145.5 | 147.2 | 146.2 | 147.1 |
| Diluted earnings per share | \$ 0.73 | \$ 0.45 | \$ 1.16 | \$ 1.72 |

(1) Interest expense, net, for the thirty-nine weeks ended February 27, 2022, includes a loss on the extinguishment of debt of \$53.3 million, which includes an aggregate call premium of \$39.6 million related to the redemption of the Company's 4.625% senior notes due 2024 and 4.875% senior notes due 2026, and the write-off of \$13.7 million of previously unamortized debt issuance costs associated with those notes.

Lamb Weston Holdings, Inc.
Consolidated Balance Sheets
(unaudited, dollars in millions, except share data)

ASSETS

Current assets:

Cash and cash equivalents

Receivables, less allowance for doubtful accounts of \$1.1 and

Inventories

Prepaid expenses and other current assets

Total current assets

Property, plant and equipment, net

Operating lease assets

Equity method investments

Goodwill

Intangible assets, net

Other assets

Total assets

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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | |
|---|--------------|--------------|
| Current portion of long-term debt and financing obligations | \$ 32.2 | \$ 32.0 |
| Accounts payable | 349.3 | 359.3 |
| Accrued liabilities | 231.4 | 226.9 |
| Total current liabilities | 612.9 | 618.2 |

Long-term liabilities:

| | | |
|---|----------------|----------------|
| Long-term debt and financing obligations, excluding current portion | 2,697.0 | 2,705.4 |
| Deferred income taxes | 171.9 | 159.7 |
| Other noncurrent liabilities | 226.7 | 245.5 |
| Total long-term liabilities | 3,095.6 | 3,110.6 |

Commitments and contingencies

Stockholders' equity:

| | | |
|--|-------------------|-------------------|
| Common stock of \$1.00 par value, 600,000,000 shares authorized; 148,038,020 and 147,640,632 shares issued | 148.0 | 147.6 |
| Additional distributed capital | (819.4) | (836.8) |
| Retained earnings | 1,309.1 | 1,244.6 |
| Accumulated other comprehensive income (loss) | (7.4) | 29.5 |
| Treasury stock, at cost, 3,593,439 and 1,448,768 common shares | (238.0) | (104.3) |
| Total stockholders' equity | 392.3 | 480.6 |
| Total liabilities and stockholders' equity | \$ 4,100.8 | \$ 4,209.4 |

Lamb Weston Holdings, Inc. Consolidated Statements of Cash Flows (unaudited, dollars in millions)

Cash flows from operating activities

| |
|---|
| Net income |
| Adjustments to reconcile net income to net cash provided by operating activities: |
| Depreciation and amortization of intangibles and debt issuance costs |
| Loss on extinguishment of debt |
| Stock-settled, stock-based compensation expense |
| Earnings of joint ventures in excess of distributions |
| Deferred income taxes |
| Other |
| Changes in operating assets and liabilities: |
| Receivables |

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Segment product contribution margin (1)

| | | | | | |
|---|----|-------|----|-------|-------|
| Global | \$ | 73.0 | \$ | | |
| Foodservice | | 106.7 | | 70.2 | 52% |
| Retail | | 31.6 | | 33.1 | (5%) |
| Other (2) | | 6.2 | | 8.7 | (29%) |
| | | 217.5 | | 191.3 | 14% |
| Add: Advertising and promotion expenses | | 3.5 | | 5.4 | (35%) |
| Gross profit | \$ | 221.0 | \$ | 196.7 | 12% |

Thirty-Nine Weeks Ended

| | Year-Over- | | | | |
|-------------------|--------------|--------------|--------|-----------|--------|
| | February 27, | February 28, | Year | | |
| | 2022 | 2021 | Growth | | |
| | | | Rates | Price/Mix | Volume |
| Segment net sales | | | | | |
| Global | \$ 1,505.8 | \$ 1,401.9 | 7% | 5% | 2% |
| Foodservice | 929.8 | 697.3 | 33% | 10% | 23% |
| Retail | 418.7 | 457.1 | (8%) | 6% | (14%) |
| Other | 91.5 | 107.1 | (15%) | 8% | (23%) |
| | \$ 2,945.8 | \$ 2,663.4 | 11% | 7% | 4% |

Segment product contribution margin (1)

| | | | | | |
|---|----|-------|----|--|--|
| Global | \$ | 196.5 | \$ | | |
| Foodservice | | 307.5 | | | |
| Retail | | 67.8 | | | |
| Other (2) | | (6.6) | | | |
| | | 565.2 | | | |
| Add: Advertising and promotion expenses | | 12.6 | | | |
| Gross profit | \$ | 577.8 | \$ | | |

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(1) Product contribution margin is one of the primary measures of performance for the Company. Product contribution margin represents net sales less cost of goods sold. Product contribution margin includes advertising and promotion expenses.

associated with the performance of the Company's segment on a consolidated basis, is a non-GAAP financial measure. See the release for a description of non-GAAP financial measures and contribution margin on a consolidated basis to gross profit.

(2) The Other segment primarily includes the Company's vegetable and dairy businesses and unrealized mark-to-market adjustments associated with commodity hedging contracts. Unrealized mark-to-market adjustments and realized settlements associated with commodity hedging contracts reported in the Other segment included a gain of \$2.8 million and a gain of \$4.3 million for the thirteen weeks ended February 27, 2022 and February 28, 2021, respectively; and a loss of \$14.1 million and a gain of \$16.3 million for the thirty-nine weeks ended February 27, 2022 and February 28, 2021, respectively.

Lamb Weston Holdings, Inc.
Reconciliation of Non-GAAP Financial Measures
(unaudited, dollars in millions)

There were no items impacting comparability during the thirteen weeks ended February 27, 2022, or during the thirteen and thirty-nine weeks ended February 28, 2021.

| Thirty-Nine Weeks Ended February 27, 2022 | | | | | | |
|---|------------|----------|---------|----------|------------|---------|
| | Income | | Income | | Equity | |
| | From | Interest | Tax | Expense | Method | Diluted |
| | | | | | | |
| | Operations | Expense | (1) | Earnings | Net Income | EPS |
| As reported | \$ 308.4 | \$ 136.1 | \$ 49.4 | \$ 46.0 | \$ 168.9 | \$ 1.16 |
| Items impacting comparability: | | | | | | |
| Loss on extinguishment of debt (2) | — | (53.3) | 12.8 | — | 40.5 | 0.27 |
| Adjusted (3) | \$ 308.4 | \$ 82.8 | \$ 62.2 | \$ 46.0 | \$ 209.4 | \$ 1.43 |

(1) Items impacting comparability are tax effected at the margin

(2) See footnote (1) to the Consolidated Statements of Earnings for more information on items impacting comparability.

(3) Adjusted interest expense, income tax expense, net income and net earnings are non-GAAP financial measures. Management excludes items impacting comparability from these measures. These measures provide a means to evaluate the performance of the Company's operations and are frequently used by the Company's management for internal comparison between periods. See also "Non-GAAP Financial Measures" in the release.

Lamb Weston Holdings, Inc.
Reconciliation of Non-GAAP Financial Measures
(unaudited, dollars in millions)

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To supplement the financial information included in this press release, we have included EBITDA and Adjusted EBITDA including unconsolidated joint ventures. The following table reconciles net income to Adjusted EBITDA including unconsolidated joint ventures.

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | February 27, 2022 | February 28, 2021 | February 27, 2022 | February 28, 2021 |
| Net income | \$ 106.6 | \$ 66.1 | \$ 168.9 | \$ 252.3 |
| Equity method investment earnings (1) | (29.7) | (11.1) | (46.0) | (42.2) |
| Interest expense, net (2) | 25.8 | 29.3 | 136.1 | 89.6 |
| Income tax expense | 31.1 | 16.3 | 49.4 | 76.2 |
| Income from operations | 133.8 | 100.6 | 308.4 | 375.9 |
| Depreciation and amortization | 46.6 | 46.3 | 138.8 | 138.5 |
| Adjusted EBITDA (3) | 180.4 | 146.9 | 447.2 | 514.4 |
| Unconsolidated Joint Ventures (4) | | | | |
| Equity method investment earnings | 29.7 | 11.1 | 46.0 | 42.2 |
| Interest expense, income tax expense, and depreciation and amortization included in equity method investment earnings | 9.5 | 9.1 | 30.7 | 25.5 |
| Add: Adjusted EBITDA from unconsolidated joint ventures | 39.2 | 20.2 | 76.7 | 67.7 |
| Adjusted EBITDA including unconsolidated joint ventures (3) | \$ 219.6 | \$ 167.1 | \$ 523.9 | \$ 582.1 |

(1) Unrealized mark-to-market adjustments associated with our equity method investment earnings include a gain of \$3.6 million for the weeks ended February 27, 2022 and February 28, 2021, respectively, and a loss of \$11.9 million for the thirty-nine weeks ended February 27, 2020.

(2) See footnote (1) to the Consolidated Statement of Earnings comparability.

(3) Adjusted EBITDA and Adjusted EBITDA including unconsolidated measures. Lamb Weston presents these measures because they are useful to evaluate the performance of the Company on an ongoing basis, as determined by the Company's management and assist in providing a meaningful comparison of the Company's performance to non-GAAP financial measures should be done only in conjunction with GAAP. These non-GAAP financial measures are not intended to be used as such. See also "Non-GAAP Financial Measures" in the accompanying Management's Discussion and Analysis.

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(4) Lamb Weston holds equity interests in three potato process
Weston/Meijer v.o.f., Lamb-Weston/RDO Frozen, and Lamb
these investments under the equity method of accounting. 3
Notes to Consolidated Financial Statements in "Part II, Item
in the Company's fiscal 2021 Form 10-K, for more information...

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