

# Lamb Weston Reports Fiscal Fourth Quarter and Full Year 2019 Results; Provides Fiscal Year 2020 Outlook

July 23, 2019

## Fourth Quarter 2019 Highlights

- Net sales increased 9% to \$1,003 million
- Income from operations increased 11% to \$148 million
- Adjusted EBITDA including unconsolidated joint ventures (1) increased 6% to \$215 million
- Diluted EPS increased 10% to \$0.75 from \$0.68
- Adjusted Diluted EPS<sup>(1)</sup> increased 14% to \$0.74 from \$0.65

## Full Year 2019 Highlights

- Net sales increased 10% to \$3.757 million
- Income from operations increased 15% to \$668 million
- Adjusted EBITDA including unconsolidated joint ventures<sup>(1)</sup> increased 10% to \$904 million
- Diluted EPS increased 13% to \$3.18 from \$2.82
- Adjusted Diluted EPS<sup>(1)</sup> increased 21% to \$3.22 from \$2 lower tax rate as a result of U.S. tax reform
- Cash flow from operations increased 42% to \$681 million
- Returned \$145 million of cash to stockholders in the forn

Fiscal Year 2020 Outlook, Including the Contribution of a 53rd

- · Net sales expected to increase mid-single digits
- Adjusted EBITDA including unconsolidated joint venture.

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, I and full year 2019 results, and provided its outlook for fiscal 20

"In fiscal 2019, we delivered another year of record financial reas well as double-digit increases in earnings and cash flow fro CEO. "Our strong performance reflects our commercial, supplour operational and strategic objectives to support our custom

#### Attention!

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?

#### Yes, transfer me

Specifically, this includes, our commitment to uphold high leve additional manufacturing capacity."

## **Cookies Settings**

"For fiscal 2020, we believe the overall operating environment continued solid demand growth in our markets and that new industry capacity in room and Larope will allow processors to operate their factories at more normalized rates. We continue to take a prudent approach to our financial outlook and expect to deliver sales and earnings growth in line with our long-term targets. For sales, we anticipate solid volume growth as well as improvements in price/mix, which will enable us to offset input cost inflation. While we expect that increased spending to upgrade enterprise-wide information systems will temper earnings growth this year, we believe that these near-term investments to improve operating efficiencies, and our continued focus on executing on our strategies, will have us well-positioned to generate sustainable top- and bottom-line growth and create value for our shareholders over the long term."

## Summary of Fourth Quarter and FY 2019 Full Year Results

(\$ in millions, except per share)

			Year-Over-Year	Year-Over-Year			
	Q4 2019 Growth			th Rates FY 2019		Growth Rates	
Net sales	\$1	,003.4	9%	\$3	3,756.5	10%	
Income from operations	\$	148.0	11%	\$	668.4	15%	
Net income attributable to Lamb Weston	\$	110.4	10%	\$	478.6	15%	
Diluted EPS	\$	0.75	10%	\$	3.18	13%	
Adjusted EBITDA including unconsolidated joint ventures <sup>(1)</sup>	\$	215.4	6%	\$	904.3	10%	
Adjusted Diluted EPS <sup>(1)</sup>	\$	0.74	14%	\$	3.22	21%	

## Q4 2019 Commentary

Net sales increased \$85.2 million to \$1,003.4 million, up 9 percent versus the year-ago period. Volume increased 6 percent, primarily driven by growth in the Company's Global segment. Price/mix increased 3 percent due to pricing actions and favorable mix.

Income from operations rose 11 percent to \$148.0 million vers of pre-tax costs related to the Company's separation from Cor "Conagra") on November 9, 2016.

Excluding this comparability item, income from operations gre sales and gross profit. Gross profit increased \$17.8 million durchain efficiency savings. This increase was partially offset by it as well as approximately \$3 million of costs related to the start in Hermiston, Oregon. In addition, gross profit included a \$7.5 adjustments and realized settlements associated with commo compared with a \$1.2 million loss related to these items in the

The increase in gross profit was partially offset by a \$4.1 millio expenses ("SG&A"), excluding comparability items. The increarelated to information technology services and infrastructure, a marketing and operating capabilities, partially offset by an appromotional expenses.

Adjusted EBITDA including unconsolidated joint ventures<sup>(1)</sup> inc versus the prior year period, primarily due to growth in income

#### Attention!

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?

#### Yes, transfer me

incremental benefit from acquiring the remaining 50.01% equiracquisition"), Lamb Weston BSW, LLC ("Lamb Weston BSW") earnings.

Diluted EPS increased \$0.07, or 10 percent, to \$0.75. The increase largely relief signature from operations and an approximate \$0.02 benefit from the BSW Acquisition. The increase was partially offset by lower equity method investment earnings. The fourth quarter of fiscal 2019 included a \$0.02 incremental benefit related to a lower tax rate that was offset by a \$0.02 decrease in tax benefit comparability items arising from the U.S. Tax Cuts and Jobs Act (the "Tax Act") enacted in December 2017 <sup>(3)</sup>.

Adjusted Diluted EPS<sup>(1)</sup> increased \$0.09, or 14 percent, to \$0.74. The increase primarily reflects growth in income from operations, a \$0.02 incremental benefit related to a lower tax rate, and an approximate \$0.02 benefit from the BSW Acquisition, partially offset by lower equity method investment earnings.

The Company's effective tax rate<sup>(2)</sup> in the fourth quarter of fiscal 2019 was 18.9 percent, and includes a \$1.4 million, or \$0.01 per share, income tax benefit related to the true-up of the transition tax on previously untaxed foreign earnings under the Tax Act. Excluding this comparability item, the Company's effective tax rate for the fourth quarter fiscal 2019 was 19.9 percent. Tax expense in the fourth quarter of fiscal 2018 included a provisional \$4.4 million, or \$0.03 per share, net benefit attributable to the effects of the Tax Act. Excluding this comparability item<sup>(3)</sup>, the Company's effective tax rate for the fourth quarter of fiscal 2018 was 24.8 percent.

#### Q4 2019 Segment Highlights

Giodai	
--------	--

Global Segment Summary						
			Year-Over-Year			
		Q4 2019	Growth Rates	Price/Mix	Volume	
		(\$ in mil.)				
Net sales	\$	526.5	13%	3%	10%	
Segment product contribution margin <sup>(1)</sup>	\$	110.7	11%			

Net sales for the Global segment, which is comprised of the to customers as well as the Company's international business, ir percent compared to the prior year period. Volume increased customers in the U.S. and key international markets, as well as Price/mix increased 3 percent, largely reflecting pricing adjust

Global segment product contribution margin<sup>(1)</sup> increased \$11.0 to the prior year period. Favorable price/mix, volume growth a increase, more than offsetting input, manufacturing and transparent

_			
$-\infty$	ods	ervi	ce

	Foodservice Segment Su	ımmary
		Year-Over
	Q4 2019	Growth F
	(\$ in mil.)	
Net sales	\$ 313.1	7%

#### Attention!

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?

#### Yes, transfer me

Foodservice segment product contribution margin<sup>(1)</sup> increased \$14.6 million to \$108.3 million, up 16 percent compared to the prior year period, as favorable price/mix and supply chain efficiency savings more than offset input, manufacturing and transportation cost inflation.

netali					
Retail Se	gm	ent Sumn	nary		
			Year-Over-Year		
		Q4 2019	Growth Rates	Price/Mix	Volume
	(	(\$ in mil.)			
Net sales	\$	129.2	3%	(1%)	4%
Segment product contribution margin <sup>(1)</sup>	\$	21.0	(1%)		

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, increased \$4.2 million to \$129.2 million, up 3 percent compared to the prior year period. Volume increased 4 percent, primarily driven by increased sales of Grown in Idaho and other branded products, as well as private label products. Price/mix decreased 1 percent, largely due to increased trade support behind the Company's branded portfolio.

Retail segment product contribution margin<sup>(1)</sup> declined \$0.3 million to \$21.0 million, down 1 percent compared to the prior year period, as lower price/mix more than offset favorable volume and lower advertising and promotional expense.

### **Equity Method Investment Earnings**

Dotoil

Equity method investment earnings from unconsolidated joint and \$25.1 million for the fourth quarter of fiscal 2019 and 2018 million unrealized loss related to mark-to-market adjustments contracts in the current quarter and a \$3.3 million loss related these adjustments, earnings from equity method investments period, largely reflecting higher raw potato prices and lower sa

## Fiscal Year 2019 Commentary

Net sales were \$3,756.5 million, up 10 percent compared to fix driven by growth in the Company's Global segment. Price/mix favorable product and customer mix.

Income from operations rose 15 percent to \$668.4 million from related to the spinoff from Conagra.

Excluding these comparability items, income from operations gross profit. Gross profit increased \$124.0 million, due to favo savings. The increase was partially offset by transportation, we

#### Attention!

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?

#### Yes, transfer me

as well as higher depreciation expense primarily associated w Richland, Washington. In addition, gross profit included a \$10 adjustments and realized settlements associated with commo with a nominal gain related to these items in the prior year.

The rise in gross profit was partially offset by a \$44.4 million increase in SG&A, excluding comparability items. The increase in SG&A was largely driven by higher expenses related to information technology services and infrastructure, as well as investments in the Company's sales, marketing and operating capabilities. The increase was also driven by approximately \$8 million of unfavorable foreign exchange (reflecting an approximate \$3 million expense in fiscal 2019 compared to an approximate \$5 million benefit in fiscal 2018), an approximate \$2 million increase in incentive compensation expense that primarily reflected an increase in stock price and total shares outstanding, and an approximate \$1 million increase in advertising and promotional support, partially offset by an approximate \$4 million benefit from an insurance settlement.

Adjusted EBITDA including unconsolidated joint ventures<sup>(1)</sup> was \$904.3 million, up 10 percent versus the prior year, reflecting growth in income from operations, and an approximate \$8 million incremental benefit from the BSW Acquisition, partially offset by lower equity method investment earnings.

Diluted EPS increased \$0.36, or 13 percent, to \$3.18. The increase largely reflects growth in income from operations, partially offset by lower equity method investment earnings and an approximate \$0.02 net decrease related to the BSW Acquisition. Fiscal 2019 included a \$0.17 incremental benefit related to a lower tax rate that was offset by a \$0.17 decrease in tax benefit comparability items related to the Tax Act<sup>(3)</sup>.

Adjusted Diluted EPS<sup>(1)</sup> increased \$0.56, or 21 percent, to \$3.22. The increase was driven by growth in income from operations, a \$0.17 incremental benefit related to a lower tax rate, and an approximate \$0.05 benefit from the BSW Acquisition, partially offset by lower equity method investment earnings.

The Company's effective tax rate<sup>(2)</sup> was 21.5 percent for fiscal 2019, and includes a \$2.4 million decrease in income tax expense related to the true-up of the transition tax on previously untaxed foreign earnings under the Tax Act. Excluding this comparability item, the Company's effective tax rate for fiscal 2019 was 21.9 percent. Tax expense in fiscal 2018 included a provisional \$28.4 million net benefit attributable to the effects of the Tax Act. The Company's effective tax rate in fiscal 2018, excluding this comparability item, was 27.0 percent. The difference between the tax rates, excluding comparability items, primarily related to the phase in of the lower U.S. statutory rate under the Tax Act in fiscal 2018.

#### Fiscal Year 2019 Segment Highlights

Global

GIODAI			
Global Se	gn	nent Sumi	mary
			Year-Over
		FY 2019	Growth P
	(	(\$ in mil.)	
Net sales	\$	1,961.5	12%
Segment product contribution margin <sup>(1)</sup>	\$	446.3	19%

Net sales for the Global segment increased \$217.3 million to \$2018. Volume increased 7 percent, driven by growth in sales t international markets, as well as the benefit of limited time pro reflecting pricing actions and favorable customer mix.

Global segment product contribution margin<sup>(1)</sup> increased \$70.0 to fiscal 2018. Favorable price/mix, volume growth and supply

#### Attention!

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?

#### Yes, transfer me

than offsetting input, manufacturing and transportation cost in primarily associated with the addition of the new production lir

#### **Foodservice**

Foodservice Segment Summary							
			Year-Over-Year				
		FY 2019	Growth Rates	Price/Mix	Volume		
		(\$ in mil.)					
Net sales	\$	1,156.1	5%	5%	0%		
Segment product contribution margin <sup>(1)</sup>	\$	402.4	10%				

Net sales for the Foodservice segment increased \$57.0 million to \$1,156.1 million, up 5 percent compared to fiscal 2018. Price/mix increased 5 percent, primarily reflecting pricing actions initiated in the fall of 2018, as well as improved mix. Volume declined nominally, as the loss of some distributor and operator-label product volumes essentially offset growth in branded products.

Foodservice segment product contribution margin<sup>(1)</sup> increased \$36.5 million to \$402.4 million, up 10 percent compared to fiscal 2018, as favorable price/mix and supply chain efficiency savings more than offset input, manufacturing and transportation cost inflation, as well as higher depreciation expense primarily associated with the Richland production line.

#### Retail

Retail Segment Summary					
			Year-Over-Year		
	F	FY 2019	Growth Rates	Price/Mix	Volume
	(•	\$ in mil.)			
Net sales	\$	498.3	11%		
Segment product contribution margin <sup>(1)</sup>	\$	98.8	13%		

Net sales for the Retail segment increased \$49.1 million to \$4\$ Volume increased 7 percent, primarily driven by distribution gaprice/mix increased 4 percent, largely due to improved mix an

Retail segment product contribution margin<sup>(1)</sup> increased \$11.5 fiscal 2018, as volume growth and favorable price/mix more th cost inflation. Advertising and promotional expense also increasupport of *Grown in Idaho* and other branded products.

## **Equity Method Investment Earnings**

Equity method investment earnings from unconsolidated joint and \$83.6 million for fiscal 2019 and 2018, respectively. These related to mark-to-market adjustments associated with current and a nominal unrealized loss related to these items in fiscal 2 equity method investments declined \$21.6 million compared t potato prices and lower sales volumes associated with a poor

#### Attention!

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?

#### Yes, transfer me

#### Cash Flow

Net cash from operating activities increased \$199.7 million to Capital expenditures were \$334.2 million in fiscal 2019 as the production line in Hermiston, Oregon, in the fourth quarter. This represents a \$\pi\_{\infty} r\_{\infty} r

## Capital Returned to Shareholders

In fiscal 2019, the Company returned a total of \$145.1 million to shareholders, including \$113.3 million in dividends and \$31.8 million in share repurchases. The average price per share repurchased was \$69.40. The Company has \$218.2 million remaining under its current \$250 million share repurchase authorization.

#### Other Information

The Company expects to report a material weakness in internal control in its upcoming fiscal 2019 Form 10-K. The weakness relates to a deficiency in an information technology general control. The Company believes that this matter will not result in any changes to the financial results presented in this release or otherwise affect its consolidated financial statements. Remediation efforts are underway and the Company expects to complete the remediation of this material weakness prior to the end of fiscal year 2020.

#### 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 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's fiscal 2020 outlook includes the contribution of a 53<sup>rd</sup> week in the fiscal period, with the additional week falling in the fourth quarter.

FY 2020 Outlook Summary		
Net sales growth rate	Mid	-Single Digit Range
Adjusted EBITDA including unconsolidated joint ventures	s <sup>(1)</sup> \$95	
		Attention!
Interest expense	Ар	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?
Effective tax rate <sup>(2)</sup> excluding comparability items		
		Yes, transfer me
Cash used for capital expenditures, excluding acquisition	ns Ap	We care about your data, and we use cookies to improve your experience.
Depreciation and amortization	Ар	Please click "Accept", if you agree to our use of cookies.

- Net sales to grow mid-single digits, largely driven by volu
- Adjusted EBITDA including unconsolidated joint ventures '' in the range of \$950 million to \$970 million. The Company expects:
  - Volume-driven gross profit growth, with higher price/mix offsetting input cost inflation;
  - SG&A, excluding advertising and promotional expenses and investments to upgrade the Company's
    enterprise resource planning and other information systems infrastructure, to be 8.0 percent to 8.5 percent of
    net sales.
- Equity method investment earnings to improve versus fiscal 2019, reflecting the effect of a normalized raw potato cost environment in Europe.

#### **End Notes**

- (1) Adjusted EBITDA including unconsolidated joint ventures, Adjusted Income from Operations, Adjusted Diluted EPS and segment product contribution margin 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.

Q4 2019

(3) The Tax Act had the following effect during the fourth quarter and full year of fiscal 2019 and 2018, respectively, as follows (dollars in millions, except per share amounts):

Q4 2018

Diluted

**EPS** 

		Q4 2	201	9		u	4 2
	In	come			ln	con	ne
		Tax	D	iluted		Tax	
	В	enefit	ı	EPS	В	ene	fit
Incremental benefit from lower tax rate (a)	\$	2.8	\$	0.02	\$		
Comparability items, net (b)		1.4		0.01		_	
Impact of Tax Act	\$	4.2	\$	0.03	\$		
							T
		FY 2	201	9			C
	In	come			ln	L	
		Tax	D	iluted			
	В	enefit		EPS	В		
Incremental benefit from lower tax rate (a)	\$	24.8	\$	0.17	\$		
Comparability items, net (b)		2.4		0.02			
Impact of Tax Act	\$	27.2	\$	0.19	\$		
		•			Π		

## (a) Since our fiscal year-end is the last Sunday in May, the im the Tax Act was phased in during fiscal 2018, resulting in a

#### Attention!

Diluted

**EPS** 

Inc/(Dec)

Income

Tax

**Benefit** 

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?

#### Yes, transfer me

(b) The fourth quarter and fiscal 2019, included a \$1.4 million \$0.02 per diluted share, respectively, decrease in income tax on previously untaxed foreign earnings under the Tax Act.

The fourth quarter of fiscal 2018 included a provisional \$4.4 million, or \$0.03 per diluted share, net benefit, comprised of a \$3.2 million decrease in the Company's estimate of the transition tax owed on previously untaxed foreign earnings and a \$1.2 million benefit from the estimated impact of remeasuring the Company's net U.S. deferred tax liabilities on its balance sheet at a lower tax rate.

Fiscal 2018 included a provisional \$28.4 million, or \$0.19 per diluted share, net benefit, comprised of a \$39.9 million benefit from the estimated impact of remeasuring the Company's net U.S. deferred tax liabilities on its balance sheet at a lower tax rate, partially offset by an \$11.5 million transition tax on its previously untaxed foreign earnings.

#### Webcast and Conference Call Information

Lamb Weston will host a conference call to review its fourth quarter 2019 results at 10:00 a.m. ET today. Investors and analysts may access the call toll-free by dialing (800) 239-9838, and using the event confirmation code of 3218216. A listen-only webcast will be provided at <a href="https://www.lambweston.com">www.lambweston.com</a>.

#### **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.

#### Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws. Words such as "continue," "expect," "drive," "support," "grow," "will," "invest," "believe," "anticipate," "target," "focus,"

"improve," "create," "generate," and variations of such words forward-looking statements. Examples of forward-looking state regarding the Company's plans, execution, business outlook a weakness, the filing of the Form 10-K and the expectation that result in any changes to the financial results presented in this based on management's current expectations and are subject Readers of this press release should understand that these sta results. Many factors could affect the Company's actual finance the expectations contained in the forward-looking statements, risks and uncertainties include, among other things: the Comp value creation strategies; its ability to execute on large capital lines; the competitive environment and related conditions in th political and economic conditions of the countries in which it a factors related to its international operations; disruption of its a possible acquisitions, including its ability to complete acquisiti the availability and prices of raw materials; changes in its relat the success of its joint ventures; actions of governments and r ventures; the ultimate outcome of litigation or any product rec expenses; its ability to pay regular quarterly cash dividends ar the Company's ability to remediate the material weakness in ir fiscal year audit procedures and the audit of the Company's ir prior to filing its Form 10-K; other unexpected difficulties and/c other risks described in the Company's reports filed from time

#### Attention!

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?

#### Yes, transfer me

Commission. The Company cautions readers not to place uncincluded in this press release, which speak only as of the date responsibility for updating these statements, except as require

#### Non-GAAP Financial Measures

To supplement the financial information included in this press release, the Company has presented Adjusted Income from Operations, Adjusted EBITDA including unconsolidated joint ventures, Adjusted Diluted EPS, segment product contribution margin and adjusted income tax expense, net income, net income attributable to Lamb Weston and net income available to Lamb Weston stockholders, 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, cash flow from operations, 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 by removing the impact of certain items that management believes do not directly reflect the Company's underlying operations. 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 certain elements that are included in reported GAAP results, including items such as strategic developments, acquisition and integration costs, 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 non-GAAP Adjusted EBITDA including unconsolidated joint ventures to GAAP net income has not been provided.

	Lamb Weston Hold
	Consolidated Statemer
	(dollars in millions, except p
	1
Net sales	(
Cost of sales	
Gross profit	
Selling, general and administrative	ve expenses (2)
Income from operations	
Interest expense, net	
Income before income taxes and	equity method earnings

#### Attention!

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?

#### Yes, transfer me

Income tax expense					
Equity method investment earnings					
Net income					
Less: Income attributable to noncontrolling interests (3)	_		2.8	8.6	16.9
Net income attributable to Lamb Weston Holdings, Inc.	\$ 110.4	\$	100.0	\$ 478.6	\$ 416.8
Earnings per share					
Basic	\$ 0.76	\$	0.68	\$ 3.19	\$ 2.83
Diluted	\$ 0.75	\$	0.68	\$ 3.18	\$ 2.82
Dividends declared per common share	\$ 0.20000	\$	0.19125	\$ 0.78250	\$ 0.75750
Computation of diluted earnings per share:					
Net income attributable to Lamb Weston Holdings, Inc.	\$ 110.4	\$	100.0	\$ 478.6	\$ 416.8
Less: Increase in redemption value of noncontrolling interests in excess of earnings allocated, net of tax benefits	(0.0)		0.5	10.0	0.7
(4)	 (0.6)		0.5	 10.8	 2.7
Net income available to Lamb Weston common stockholders	\$ 111.0	\$	99.5	\$ 467.8	\$ 414.1
Diluted weighted average common shares outstanding	147.2	_	147.1	147.3	147.0
Diluted earnings per share (4)	\$ 0.75	\$	0.68	\$ 3.18	\$ 2.82

(1) On May 28, 2018, the Company adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("new revenue standard"), using the modified retrospective method. The Company recognized a \$13.7 million cumulative effect of initially applying the new revenue standard as an adjustment to opening retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Sales of customized products are generally recurring, thereby limiting the net impact of the adoption of the

new revenue standard. During the thirteen weeks ended N sales \$7.9 million, net income \$1.6 million, and diluted ear ended May 26, 2019, the new revenue standard increased diluted earnings per share \$0.03. See Note 2, Revenue fro Notes to Consolidated Financial Statements in "Part I, Iten 2019 Form 10-K, for more information.

- (2) The thirteen and fifty-two weeks ended May 27, 2018, incluence expenses related to the Company's separation from Conaprofessional fees and other employee-related costs.
- (3) The thirteen and fifty-two weeks ended May 26, 2019, inclures respectively, of incremental earnings from the acquisition 2018.
- (4) The fifty-two weeks ended May 26, 2019, included accretic share, which the Company recorded to increase the redec Company paid to acquire the remaining 50.01% interest in benefits, reduced net income available to Lamb Weston or not impact net income in the Consolidated Statements of I

#### Attention!

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?

## Yes, transfer me

Lamb Weston BSW's earnings beginning November 2, 20 agreement to acquire the remaining interest in Lamb West of the Condensed Notes to Consolidated Financial Stater Company's fiscal 2019 Form 10-K, for more information.

Lamb Weston Holdings, Inc.									
Consolidated Balance Sheets									
(dollars in millions, except share amounts)									
	1								
ASSETS									
Current assets:									
Cash and cash equivalents	\$								
Receivables, less allowance for doubtful accounts of \$1.3 and \$	50.6								
Inventories									
Prepaid expenses and other current assets									
Total current assets									
Property, plant and equipment, net									
Goodwill									
Intangible assets, net									
Equity method investments									
Other assets									
Total assets	\$								
LIABILITIES AND STOCKHOLDERS' EQUITY									
Current liabilities:									
Short-term borrowings	\$								
Current portion of long-term debt and financing obligations									
Accounts payable	Attention!								
Accrued liabilities									
Total current liabilities	This is a USA website. The products you are viewing are likely not available in your								
Long-term liabilities:	current location. Should we transfer you to								
Long-term debt, excluding current portion	your country website?								
Deferred income taxes									
Other noncurrent liabilities	Yes, transfer me								
Total long-term liabilities									
Commitments and contingencies	We care about your data, and								
Redeemable noncontrolling interest	we use cookies to improve								
Stockholders' equity:	your experience.								
Common stock of \$1.00 par value, 600,000,000 shares author	Please click "Accept", if you agree to our use of cookies.								
Additional distributed capital	agree to our use or countes.								
Retained earnings									
Accumulated other comprehensive loss									

Treasury stock, at cost, 585,794 and 63,534 common shares

Total stockholders' deficit

Total liabilities and stockholders' equity

**←** 

See footnote (1) to the Consolidated Statements of Earnings above for a discussion of the impact of adopting (1) the new revenue standard.

## Lamb Weston Holdings, Inc.

#### **Consolidated Statements of Cash Flows**

(dollars in millions)

	Fifty-Two Week			ks Ended		
	May 26,		١	/lay 27,		
		2019		2018		
Cash flows from operating activities						
Net income	\$	487.2	\$	433.7		
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of intangibles and debt issuance costs		162.4		143.3		
Stock-settled, stock-based compensation expense		18.8		13.5		
Earnings of joint ventures in excess of distributions		(13.8)		(35.1)		
Deferred income taxes		37.5		(3.6)		
Pension expense, net of contributions		5.5		(5.9)		
Other		7.7		(2.1)		
Changes in operating assets and liabilities, net of acquisition:						
Receivables		(25.1)		(40.4)		

#### Inventories

Income taxes payable/receivable, net

Prepaid expenses and other current assets

Accounts payable

Accrued liabilities

Net cash provided by operating activities

Cash flows from investing activities

Additions to property, plant and equipment

Acquisition of business, net of cash acquired

Other

Net cash used for investing activities

Cash flows from financing activities

Repayments of short-term borrowings, net

Debt repayments

Dividends paid

Acquisition of noncontrolling interest

## Attention!

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?

## Yes, transfer me

Repurchase of common stock and common stock withheld to
Cash distributions paid to noncontrolling interest
Other

Net cash used for financing activities	\$ (299.6)	\$ (178.9)
Effect of exchange rate changes on cash and cash equivalents	(1.7)	3.0
Net decrease in cash and cash equivalents	(43.4)	(1.5)
Cash and cash equivalents, beginning of the period	55.6	57.1
Cash and cash equivalents, end of period	\$ 12.2	\$ 55.6

## Lamb Weston Holdings, Inc.

## Segment Information

(unaudited, dollars in millions)

		Thirteen Weeks Ended						
			Year-Over-					
	May 26,	May 27,	Year Growth					
	2019	2018	Rates	Price/Mix	Volume			
Segment sales (1)								
Global	\$ 526.5	\$ 464.7	13%	3%	10%			
Foodservice	313.1	293.3	7%	6%	1%			
Retail	129.2	125.0	3%	(1%)	4%			
Other	34.6	35.2	(2%)	(5%)	3%			
	\$1,003.4	\$ 918.2	9%	3%	6%			

## Segment product contribution margin (1) (2)

Items impacting comparability (3)

Global	\$	110.7	\$	99.7	11%
Foodservice		108			
Retail		2			,
Other		(0	Т	his is a	USA web
Other selling, general, and administrative expenses (3)	)	9.			g are like ocation.
Income from operations	\$	14	`	urrenti	your co

Expenses related to the Separation	\$
	<u></u>
Adjusted income from operations (4)	\$ 14

## Attention!

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?

## Yes, transfer me

<sup>(1)</sup> See footnote (1) to the Consolidated Statements of Earnin the new revenue standard.

- (2) Product contribution margin is defined as net sales, less c expenses. Segment product contribution margin excludes because management believes these amounts are not dire period.
- (3) The thirteen weeks ended May 27, 2018 included \$0.8 million of expenses related to the Company's separation from Conagra. These expenses related primarily to professional fees and other employee-related costs.
- (4) Adjusted income from operations 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. This non-GAAP measure provides a means to evaluate the performance of Lamb Weston's segments and the Company on an ongoing basis using the same measures that are 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. The non-GAAP measures are not intended to be substitutes for GAAP financial measures and should not be used as such.

## Lamb Weston Holdings, Inc.

## Segment Information

(unaudited, dollars in millions)

\$

			Fifty-T
	IV	lay 26,	May 27,
		2019	2018
Segment sales (1)			
Global	\$	1,961.5	\$1,744.2
Foodservice	-	1,156.1	1,099.1
Retail		49{	
Other		140	
	\$3	3,750	
			This is a
Segment product contribution margin (1) (2)			viewin
Global	\$	44(	current
Foodservice		402	
Retail		98	
Other		20	
		97	W
Other selling, general, and administrative expenses (3)		302	
Income from operations	\$	668	

Items impacting comparability (3)

Expenses related to the Separation

#### Attention!

Price/Mix Volume

7%

0%

5%

5%

Fifty-Two Weeks Ended Year-Over-

Rates

12%

5%

May 27, Year Growth

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?

#### Yes, transfer me

(1) See footnote (1) to the Consolidated Statements of Earning the new revenue standard.	s above for a discussion of the impact of adopting
(2) Product contribution margin is defined as net sales, less co expenses. Segment product contribution margin excludes a because management believes these amounts are not direct period.	general corporate expenses and interest expense
(3) The fifty-two weeks ended May 27, 2018 included \$8.7 millions separation from Conagra. These expenses related primarily costs.	
(4) Adjusted income from operations is a non-GAAP financial no comparability between periods as it believes these items are operations of the Company. This non-GAAP measure provide Weston's segments and the Company on an ongoing basis by the Company's management and assists in providing a sanalysis of non-GAAP financial measures should be done of accordance with GAAP. The non-GAAP measures are not in measures and should not be used as such.	e not necessarily reflective of the ongoing des a means to evaluate the performance of Lamb using the same measures that are frequently used meaningful comparison between periods. Any only in conjunction with results presented in
	Lamb Weston Holdings, Inc.
	Reconciliation of Non-GAAP Financial Measures
	udited, dollars in millions, except per share amount
	Thirte
	Attention!
As reported	This is a USA website. The products you are
Items impacting comparability (1) (2):	viewing are likely not available in your
Tax benefits related to increase in redemption value of noncor	current location. Should we transfer you to your country website?
Tax reform (3)	your country website.
Total items impacting comparability	Yes, transfer me
Adjusted (5)	res, transfer me
	We care about your data, and we use cookies to improve your experience. Please click "Accept", if you agree to our use of cookies.
As reported	

\$ 668

Adjusted income from operations (4)

Items impacting comparability (1) (2):								
Expenses related to the Separation								
Tax reform (4)								
Total items impacting comparability			0.8		_		4.6	
Adjusted (5)		\$	134.3	\$	27.7	\$	32.7	\$
rajusted (0)		Ψ	10 1.0	<u> </u>		<u> </u>	OL.7	_
							Fift	v-Tv
							1 110	<u>y 10</u>
		In	come			In	come	
			-rom	In	terest		Tax	Inv
			erations					E
As reported		\$			107.1			_
Items impacting comparability (1) (2):		<u>'</u>						
Increase in redemption value of noncontrolling interests, net of t	ax benefits							
Tax reform (3)			_				2.4	
Total items impacting comparability					_		2.4	
Adjusted (5)		\$	668.4	\$	107.1	\$	136.0	\$
							<b>:</b> :4-	Tu
							Fift	y-1v 
		In	come			In	come	
			From	In	terest		Tax	Inv
			erations					
As reported		\$			108.8			
Items impacting comparability (1) (2):								
Expenses related to the Separation			8.7		_		3.0	
Tax reform (4)			_		_		28.4	
Total items impacting comparability								
Adjusted (5)								
			Attenti	on!				
4	This is a US					_		
	viewing a		-					
(1) See footnotes (1), (2), and (3) to the Consolidated Stateme	current loc		i. Snouic country			ier j	you to	
impacting comparability.	1 '	, 041	Junitry	,,,	~ > = • •			

(2) Items impacting comparability are tax-effected at the marg

(3) The thirteen and fifty-two weeks ended May 26, 2019, incli

decrease in income tax expense related to the true-up of t

earnings under the U.S. Tax Cuts and Jobs Act (the "Tax A

## Yes, transfer me

(4) During the fifty-two weeks ended May 27, 2018, the Tax Ac which consisted of a \$39.9 million non-cash benefit from the deferred tax liabilities using the new U.S. statutory tax rate the Company's previously untaxed foreign earnings.

The thirteen weeks ended May 27, 2018, included a \$4.4 million benefit from an adjustment to the estimated transition tax liability and from the estimated impact of remeasuring the Company's net U.S. deferred tax liabilities on its balance sheet at a lower tax rate.

(5) Adjusted income from operations, income tax expense, net income, net income attributable to Lamb Weston, 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. Any analysis of non-GAAP financial measures should be done only in conjunction with results presented in accordance with GAAP. The non-GAAP measures are not intended to be substitutes for GAAP financial measures and should not be used as such.

#### 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 Adjusted EBITD is considered a non-GAAP financial measure. The following table reconciles net income attributable to Lamb Westo joint ventures.

## Net income attributable to Lamb Weston Holdings, Inc.

Income attributable to noncontrolling interests

Equity method investment earnings

Interest expense, net

Income tax expense

Income from operations

Depreciation and amortization

Items impacting comparability (1)

Expenses related to the Separation

Adjusted EBITDA (2) (3)

Unconsolidated Joint Ventures (4)

#### Attention!

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?

#### Yes, transfer me

Equity method investment earnings	
Interest expense, income tax expense, and depreciation and a	
Add: EBITDA from unconsolidated joint ventures	
Consolidated Joint Ventures (4)	
Income attributable to noncontrolling interests	
Interest expense, income tax expense, and depreciation and an	nortization included in income attributable to nonce
Subtract: EBITDA from consolidated joint ventures	nortization included in income attributable to nortic
Capitadi. 251157 (nom conconación jonit vontareo	
Adjusted EBITDA including unconsolidated joint ventures (2)	
4	
(1) See footnotes (1) and (2) to the Consolidated Statements of impacting comparability.	f Earnings above for a discussion of the items
(2) Adjusted EBITDA including unconsolidated joint ventures is excludes items impacting comparability between periods as reflective of the ongoing operations of the Company. Lamb Company believes it provides a means to evaluate the perfousing the same measure frequently used by the Company's meaningful comparison between periods. Any analysis of n in conjunction with results presented in accordance with GA a substitute for GAAP financial measures and should not be	s it believes these items are not necessarily Weston presents this measure because the prmance of the Company on an ongoing basis is management and assists in providing a on-GAAP financial measures should be done only AAP. This non-GAAP measure is not intended to be
(3) Adjusted EBITDA includes EBITDA from consolidated joint	ventures.
(4) Lamb Weston holds equity interests in two potato process Weston/RDO Frozen and Lamb-Weston/Meijer v.o.f., which method of accounting. Prior to purchasing the remaining the venture, Lamb Weston consolidated the financial statement.	Attention!  This is a USA website. The products you are
purchase, Lamb Weston began recognizing 100% of Lam Statements of Earnings on November 2, 2018. See Note 8 Notes to Consolidated Financial Statements in "Part I, Iten 2019 Form 10-K, for more information.	viewing are likely not available in your current location. Should we transfer you to your country website?
	Yes, transfer me
View source version on businesswire.com: https://www.busine	We care about your data, and we use cookies to improve

Investors:

Dexter Congbalay

224-306-1535

Page 19 of 20

your experience.

Please click "Accept", if you agree to our use of cookies.

## dexter.congbalay@lambweston.com

Media:

Shelby Stoolman

208-424-5461

shelby.stoolman@lambweston.com

Source: Lamb Weston Holdings, Inc.



## Attention!

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?

## Yes, transfer me