Lamb Weston Holdings, Inc. Reports Fiscal Third Quarter 2018 Results and Updates Full Year Outlook

April 05, 2018

Third Quarter 2018 Highlights

- *Net sales increased 12% to $863 million*
- *Income from operations increased 17% to $169 million; Adjusted Income from Operations(1) increased 14% to $171 million*
- *Adjusted EBITDA including unconsolidated joint ventures(1) increased 25% to $238 million*
- *Diluted EPS increased to $1.06 from $0.57 in third quarter 2017; $0.31 of the increase related to U.S. tax reform, including a $0.16 benefit from discrete items and a $0.15 benefit from a lower tax rate*
- *Adjusted Diluted EPS(1) increased to $0.91 from $0.59 in third quarter 2017, and includes a $0.15 benefit from a lower tax rate as a result of U.S. tax reform*

Updated FY 2018 Outlook

- *Net sales expected to increase at upper end of mid-sing single digits*
- *Adjusted EBITDA including unconsolidated joint venture from a previous estimate of $780 million-$790 million*

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, I 2018 results and updated its outlook for fiscal 2018.

"Our strong top- and bottom-line performance in the third qua investments, our focus on delivering industry-leading custome excellence," said Tom Werner, President and CEO. "Across ea improved price/mix to drive profit growth and expand margins up and running, providing us with greater flexibility across our innovation and limited time offerings for our customers, as wel utilization and service levels. In Europe, our joint venture deliv reducing costs. As a result of our strong year-to-date performa operating environment, we've raised our annual outlook for sa

Summary of Third Quarter F

($ in millions, except p

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	Q3 2018	Year-Over-Year Growth Rates	YTD 2018	Year-Over-Year Growth Rates
Net sales	$ 863.4	12%	$ 2,505.5	7%
Income from operations	$ 169.2	17%	$ 446.6	13%
Net income attributable to Lamb Weston	$ 156.8	86%	$ 316.8	26%
Diluted EPS	$ 1.06	86%	$ 2.14	26%
Adjusted EBITDA including unconsolidated joint ventures[1]	$ 237.6	25%	$ 617.9	16%
Adjusted Diluted EPS[1]	$ 0.91	54%	$ 2.01	12%

Q3 2018 Commentary

Net sales were $863.4 million, up 12 percent versus the year-ago period. Price/mix increased 7 percent due to pricing actions and favorable product and customer mix. Volume increased 5 percent, with growth in each operating segment.

Income from operations rose 17 percent to $169.2 million from the prior year period, and included $1.7 million of costs related to the spinoff from Conagra Brands, Inc. (formerly ConAgra Foods, Inc., "Conagra"), compared with $5.1 million of expenses incurred in the prior year period related to the spinoff from Conagra.

Excluding these comparability items, income from operations grew $20.6 million, or 14 percent, driven by higher gross profit. Gross profit increased $36.9 million, due to favorable price/mix and volume, partially offset by packaging, commodity, manufacturing, transportation and warehousing cost inflation, and higher depreciation expense primarily associated with the Company's new french
in gross profit was partially offset by a $16.3 million increase in
excluding comparability items. The higher SG&A was largely a
infrastructure costs associated with being a stand-alone comp
accruals based on operating performance and increased inve

Adjusted EBITDA including unconsolidated joint ventures[1] wa
quarter, reflecting growth in income from operations and equit

Diluted EPS increased $0.49 to $1.06 from $0.57 in the prior y
relates to the Tax Cuts and Jobs Act (the "Tax Act") enacted in
discrete items and a $0.15 benefit related to adopting a lower
growth in income from operations and equity method investm

Adjusted Diluted EPS[1] increased $0.32 to $0.91 from $0.59 in
related to adopting a lower tax rate as a result of the Tax Act. T
income from operations and equity method investment earnin

The effective tax rate[2] was 4.5 percent in the third quarter of fi
period. Compared with the third quarter of fiscal 2017, the Tax
approximately $47 million. This decrease includes a provision
$38.7 million non-cash benefit from the re-measurement of the

new U.S. statutory tax rate, partially offset by a $14.7 million tr
foreign earnings, which is payable over eight years. In additior
includes an approximate $23 million tax benefit related to the I
approximately $14 million benefit related to earnings reported
fiscal third quarter earnings. In the third quarter of fiscal 2018, the Company's effective tax rate, excluding $2.1
million of comparability items arising from the Tax Act, was 18.9%. The Company will continue to refine these amounts within the measurement period allowed by Staff Accounting Bulletin ("SAB") No. 118, which will not exceed one year from the enactment date of the Tax Act.

Q3 2018 Segment Highlights

Global

Global Segment Summary

			Year-Over-Year		
		Q3 2018	Growth Rates	Price/Mix	Volume
		($ in mil.)			
Net sales	$	448.7	15%	9%	6%
Segment product contribution margin(1)	$	114.8	23%		

Net sales for the Global segment, which is comprised of the top 100 North American based restaurant chain customers as well as the Company's international business, increased 15 percent to $448.7 million. Price/mix increased 9 percent, reflecting price increases as well as improvement in customer and product mix. Volume increased 6 percent, driven by the benefit of significant limited time product offerings and solid growth in sales to strategic customers in the U.S.

Global segment product contribution margin(1) increased 23 percent to $114.8 million, driven by favorable price/mix and volume growth. The increase was partially offset by packaging, commodity, manufacturing, transportation and warehousing cost inflation, as well as higher depreciation expense associated with the new Richland production line.

Foodservice

Foodservice Segment Summary

			Year-Ov
		Q3 2018	Growth
		($ in mil.)	
Net sales	$	253.5	[illegible]
Segment product contribution margin(1)	$	90.0	[illegible]

Net sales for the Foodservice segment, which services North A
chains outside the top 100 North American based restaurant c

million. Price/mix increased 5 percent, as compared to a 10 pe
pricing actions taken in the current year, the carryover effect o
improvement in customer and product mix. Volume increased
branded and operator-labeled products offset the loss of som

Foodservice segment product contribution margin[1] increased 7 percent to $90.0 million, driven by favorable price/mix, partially offset by packaging, commodity, manufacturing, transportation and warehousing cost inflation, as well as higher depreciation expense associated with the new Richland production line.

Retail

Retail Segment Summary

		Q3 2018	Year-Over-Year Growth Rates	Price/Mix	Volume
		($ in mil.)			
Net sales	$	130.2	31%	9%	22%
Segment product contribution margin[1]	$	30.5	32%		

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 31 percent to $130.2 million. Volume increased 22 percent, primarily driven by distribution gains of *Grown in Idaho* and other branded products, as well as the timing of shipments of private label products. Price/mix increased 9 percent, due to higher prices across the private label and branded portfolios, as well as improved mix, partially offset by higher trade investments to support expanded distribution of *Grown in Idaho* branded products.

Retail segment product contribution margin[1] increased 32 percent to $30.5 million, mainly due to higher volume and price/mix. The increase was partially offset by packaging, manufacturing, transportation and warehousing cost inflation, as well as higher trade investments and advertising and promotional support behind *Grown in Idaho*branded products.

Equity Method Investment Earnings

Equity method investment earnings from unconsolidated joint
and $12.7 million for the third quarter of fiscal 2018 and 2017,
unrealized gain related to mark-to-market adjustments associa
in the current quarter and a $1.4 million loss in the prior year c
equity method investments increased $9.8 million, driven by s
including lower raw potato and production costs in Europe, vo
to a divestiture of a non-core business, and a $2.0 million fore

Outlook

The Company provides earnings guidance on a non-GAAP ba
Company cannot predict certain elements that are included in
reform, the spinoff from Conagra, and other items impacting c

The Company updated its outlook for fiscal year 2018 as follov

FY 2018 Outlook Summa

Net sales growth rate	
Adjusted EBITDA including unconsolidated joint ventures[1]	$805 million-$810 million
Interest expense	Approximately $110 million
Effective tax rate[2] excluding comparability items	Approximately 28%
Cash used for capital expenditures	$270 million-$280 million

As summarized in the table above, the Company expects:

- Net sales to grow at the upper end of the mid-single digit range, driven by solid price/mix and volume growth. The Company's previous estimate was for net sales to grow mid-single digits.
- Adjusted EBITDA including unconsolidated joint ventures[1] to be in the range of $805 million to $810 million, including higher selling, general and administrative expenses as a percentage of sales for fiscal 2018 due to the full-year impact of incremental labor and benefits and infrastructure costs associated with being a stand-alone public company, higher incentive compensation expense accruals as a result of the Company's operating performance, and higher advertising and promotional expense in support of the introduction of the Company's *Grown in Idaho* product line in retail. Using the mid-point of the range, this represents an increase of approximately 17% percent versus a fiscal 2017 pro forma A ventures[1] of $692 million. The Company's previous estima unconsolidated joint ventures[1] to be in the range of $780

In addition, the Company expects:

- Total interest expense for fiscal 2018 to be approximately $50 million from fiscal 2017 due to the full-year impact of the Conagra. The Company's previous estimate was for total in $110 million.
- A blended estimated effective tax rate[2] excluding comp reflects the effect of a lower U.S. corporate tax rate as a resu was for an effective tax rate of 33 to 34 percent.
- Cash used for capital expenditures to be between $270 Company's previous estimate of $250 million. The increase acceleration of spending for the initial phase of construction line at the Company's Hermiston, Oregon facility that will su Asia. The Company continues to expect this $250 million pr quarter of fiscal 2019.

End Notes

(1) Adjusted EBITDA including unconsolidated joint ventures,
unconsolidated joint ventures, Adjusted Income from Ope...
contribution margin are non-GAAP financial measures. Please see the discussion of non-GAAP financial measures and the reconciliations at the end of this press release for more information. Pro forma Adjusted EBITDA including unconsolidated joint ventures includes $15.0 million of stand-alone public company costs for a full year. See also "Outlook" in this press release for a discussion of the earnings guidance on a non-GAAP basis.

(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) The Tax Act enacted in December 2017, provided approximately $47 million, or $0.31 per diluted share, of income tax benefits during the third quarter, as follows (dollars in millions, except per share amounts):

	Income Tax Benefit	Diluted EPS
Discrete items, net (a)	$ 24	$ 0.16
Benefit from lower tax rate (b)		
Benefit related to earnings reported in first half of fiscal 2018	14	0.09
Benefit related to third quarter fiscal 2018 earnings	[illegible]	[illegible]
Impact of Tax Act		

(a) Includes a provisional $24.0 million, or $0.16 per diluted
million benefit from the estimated impact of remeasurin
its balance sheet at a lower tax rate, partially offset by a
foreign earnings, which is payable over eight years. The
The Company will complete the accounting for these ite
No. 118, which will not exceed one year from the enact

(b) The Company is required to record the effect of change
which the change occurs. Accordingly, the Company re

diluted share, benefit from a lower tax rate, in the third q
attributable to the earnings reported in the first half of fis

Since the Company's fiscal year-end is the last Sunday in May, the impact of the lower U.S. corporate income tax rate is phased in, resulting in a U.S. statutory federal tax rate of approximately 29% for the fiscal year ending May 27, 2018, and a 21% U.S. statutory federal rate for fiscal years thereafter. The Company is estimating an effective tax rate, excluding discrete items, of approximately 28% for the fiscal 2018 full year.

Webcast and Conference Call Information

Lamb Weston will host a conference call to review its third quarter 2018 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 8591354. A listen-only webcast will be provided at 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 our 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," "focus," "deliver," "expect," "drive," "support," "grow," "will," "manage," "expand," and variations of such words and similar expressions are intended to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements regarding the Company's plans, execution, taxes, and business outlook and prospects. These forward-looking statements are based on management's
current expectations and are subject to uncertainty and chang
should understand that these statements are not guarantees o
the Company's actual financial results and cause them to vary
forward-looking statements, including those set forth in this pr
among other things: the Company's ability to successfully exe
competitive environment and related conditions in the markets
conditions of the countries in which it conducts business and
disruption of its access to export mechanisms; its ability to co
businesses or execute on large capital projects; its debt levels
changes in its relationships with its growers or significant cust
governments and regulatory factors affecting its businesses o
any product recalls; levels of pension, labor and people-relate
dividends and the amounts and timing of any future dividends
net deferred tax liabilities and the discrete transition tax on un
in the Company's reports filed from time to time with the Secu
cautions readers not to place undue reliance on any forward-lo
which speak only as of the date of this press release. The Con
these statements, except as required by law.

Non-GAAP Financial Measures

To supplement the financial information included in this press
Income from Operations, Adjusted EBITDA including unconso
including unconsolidated joint ventures, Adjusted Diluted EPS
which is considered a non-GAAP financial measure. The non-
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 provide 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.

Lamb Weston Holdings, Inc.

Condensed Combined and Consolidated Statements of Earnings

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 25, 2018	February 26, 2017	February 25, 2018	February 26, 2017 (1)
Net sales	$			
Cost of sales				
Gross profit				
Selling, general and administrative expenses (2)				
Income from operations				
Interest expense, net				
Income before income taxes and equity method earnings				
Income tax expense (3)				
Equity method investment earnings				
Net income				
Less: Income attributable to noncontrolling interests				
Net income attributable to Lamb Weston Holdings, Inc.	$			
Earnings per share				

Basic	$ [illegible]	[illegible]	[illegible]	[illegible]
Diluted	$ [illegible]	[illegible]	[illegible]	[illegible]
Dividends declared per common share	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]

Computation of diluted earnings per share:				
Net income attributable to Lamb Weston Holdings, Inc.	$ 156.8	$ 84.2	$ 316.8	$ 251.0
Less: Increase in redemption value of noncontrolling interests in excess of earnings allocated	0.9	0.7	2.2	1.6
Net income available to Lamb Weston common stockholders	$ 155.9	$ 83.5	$ 314.6	$ 249.4
Diluted weighted average common shares outstanding	147.1	146.5	146.9	146.5
Diluted earnings per share	$ 1.06	$ 0.57	$ 2.14	$ 1.70

(1) On November 9, 2016, Lamb Weston Holdings, Inc. ("Lamb Weston") separated from Conagra Brands, Inc. (formerly ConAgra Foods, Inc., "Conagra") and became an independent publicly-traded company through the pro rata distribution by Conagra of 100% of the outstanding common stock of Lamb Weston to Conagra stockholders (the "Separation"). The combined and consolidated earnings in all periods prior to November 9, 2016, were carved out of Conagra's consolidated financial statements. These financial statements may not reflect what the Company's results of operations would have been had it operated as a separate stand-alone public company and may not be indicative of its future results of operations. These financial statements should be read together with the consolidated financial statement [illegible] and fiscal 2018 third quarter Form 10-Q.

(2) The thirteen and thirty-nine weeks ended February 25, 201[illegible] of pre-tax expenses related to the Separation as discusse[illegible] weeks ended February 26, 2017, include $5.1 million and [illegible] expenses. In all periods, the expenses related primarily to [illegible]

(3) The Tax Act decreased income tax expense by approxima[illegible] $24.0 million net discrete benefit which consists of a $38.7[illegible] of the Company's net U.S. deferred tax liabilities using the [illegible] $14.7 million transition tax on the Company's previously u[illegible] years. In addition, the decrease in income tax expense inc[illegible] to the lower U.S. corporate tax rate. The Company will co[illegible] measurement period allowed by SAB No.118, which will n[illegible] Tax Act.

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Condensed Consolidated Balance Sheets

(unaudited, dollars in millions, except share data)

	February 25, 2018	May 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 49.4	$ 57.1
Receivables, less allowance for doubtful accounts of $0.6 and $0.5	236.6	185.2
Inventories	630.5	525.0
Prepaid expenses and other current assets	81.7	90.9
Total current assets	998.2	858.2
Property, plant and equipment, net	1,356.8	1,271.2
Goodwill	135.7	133.0
Intangible assets, net	35.9	37.2
Equity method investments	217.4	178.6
Other assets	9.9	7.4
Total assets	$ 2,753.9	$2,485.6

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Short-term borrowings		
Current portion of long-term debt and financing obligations		
Accounts payable		
Accrued liabilities		
Total current liabilities		
Long-term liabilities:		
Long-term debt, excluding current portion		
Deferred income taxes		
Other noncurrent liabilities		
Total long-term liabilities		
Commitments and contingencies		

Redeemable noncontrolling interest		
Stockholders' equity:		
Common stock of $1.00 par value, 600,000,000 shares author... 146,080,901 shares issued	146.3	146.1
Additional distributed capital	(904.1)	(904.8)
Retained earnings	354.5	121.0
Accumulated other comprehensive income (loss)	13.4	(9.3)
Treasury stock, at cost, 52,092 and 6,143 common shares	(2.3)	(0.2)
Total stockholders' deficit	(392.2)	(647.2)
Total liabilities and stockholders' equity	$ 2,753.9	$2,485.6

Lamb Weston Holdings, Inc.

Condensed Combined and Consolidated Statements of Cash Flows

(unaudited, dollars in millions)

	Thirty-Nine Weeks Ended	
	February 25, 2018	February 26, 2017
Cash flows from operating activities		
Net income	$ 330.9	$ 261.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles and debt issuance costs	104.1	79.6
Stock-based compensation expense		
Earnings of joint ventures in excess of distributions		
Deferred income taxes		
Other		
Changes in operating assets and liabilities:		
Receivables		
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		
Proceeds from sale of assets		
Additions to other long-term assets	(2.5)	—
Net cash used for investing activities	$ (206.8)	$ (202.5)
Cash flows from financing activities		
Proceeds from short-term borrowings, net	9.4	67.3
Proceeds from issuance of debt	—	798.1
Debt repayments	(29.9)	(4.7)
Net transfers to Conagra	—	(38.8)
Dividends paid	(82.2)	(27.4)
Cash distributions paid to Conagra at Separation	—	(823.5)
Payments of debt issuance costs	—	(12.3)
Cash distributions paid to noncontrolling interest	(12.4)	(9.0)
Other	(1.3)	0.2
Net cash used for financing activities	$ (116.4)	$ (50.1)
Effect of exchange rate changes on cash and cash equivalents	5.3	(0.4)
Net increase (decrease) in cash and cash equivalents	(7.7)	1.1
Cash and cash equivalents, beginning of the period	57.1	36.4
Cash and cash equivalents, end of period	$ 49.4	$ 37.5

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Segment Infor

(unaudited, dollars

	Febru
	20
Segment sales	
Global	$
Foodservice	
Retail	
Other	

	$		
Segment product contribution margin (1)			
Global	$ 114.8	$ 93.2	23%
Foodservice	90.0	84.1	7%
Retail	30.5	23.1	32%
Other	0.9	2.2	(59%)
	236.2	202.6	17%
Other selling, general, and administrative expenses (2)	67.0	57.4	17%
Income from operations	**$ 169.2**	**$ 145.2**	17%
Items impacting comparability (2)			
Expenses related to the Separation	$ 1.7	$ 5.1	
Adjusted income from operations (3)	**$ 170.9**	**$ 150.3**	14%

(1) Product contribution margin is defined as net sales, less cost of sales and advertising and promotion expenses. Segment product contribution margin excludes general corporate expenses and interest expense because management believes these amounts are not directly associated with segment performance for the period.

(2) The thirteen weeks ended February 25, 2018 and Februar
respectively, of pre-tax expenses related to the Separation
and other employee-related costs. Other selling, general a
general and administrative expenses other than advertisin

(3) Adjusted income from operations is a non-GAAP financial
comparability between periods as it believes these items a
operations of the Company. These non-GAAP measures p
Lamb Weston's segments and the Company on an ongoir
frequently used by the Company's management and assis
periods. Any analysis of non-GAAP financial measures sho
presented in accordance with GAAP. The non-GAAP meas
financial measures and should not be used as such.

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Segment Infor

(unaudited, dollars

	Thirty-Nine Weeks Ended				
			Year-Over-		
	February 25,	February 26,	Year Growth		
	2018	2017	Rates	Price/Mix	Volume
Segment sales					
Global	$ 1,279.5	$ 1,203.4	6%	4%	2%
Foodservice	805.8	753.0	7%	6%	1%
Retail	324.2	285.8	13%	3%	10%
Other	96.0	93.3	3%	6%	(3%)
	$ 2,505.5	**$ 2,335.5**	7%	5%	2%
Segment product contribution margin (1)					
Global	$ 277.7	$ 259.1	7%		
Foodservice	273.1	243.8	12%		
Retail	66.3	63.6	4%		
Other	16.0	5.0	NM		
	633.1	571.5	11%		
Other selling, general, and administrative expenses (2)	186.5	175.8	6%		
Income from operations	$				
Items impacting comparability (2)					
Expenses related to the Separation	$				
Adjusted income from operations (3)	**$**				

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(1) Product contribution margin is defined as net sales, less c
expenses. Segment product contribution margin excludes
because management believes these amounts are not dir
period.

(2) The thirty-nine weeks ended February 25, 2018 and Febru
respectively, of pre-tax expenses related to the Separation
and other employee-related costs. Other selling, general a
general and administrative expenses other than advertising and promotion expenses.

(3) 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. These non-GAAP measures provide 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 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, except per-share amounts)

	Thirteen Weeks Ended February 25, 2018							
	Income From Operations	Interest Expense	Income Tax Expense	Equity Method Investment Earnings	Net Income	Less: Income Attributable to Noncontrolling Interests	Net Income Attributable to Lamb Weston	Diluted EPS
As reported	$ 169.2	$ 28.5	$ 7.5	$ 26.4	$ 159.6	$ 2.8	$ 156.8	$ 1.06
Items impacting comparability (1) (3):								
Expenses related to the Separation	1.7	—	0.5					
Tax Reform (2)	—	—	24.0					
Total items impacting comparability	1.7	—	24.5					
Adjusted (4)	**$ 170.9**	**$ 28.5**	**$ 32.0**	**$ 2(**				

Thirteen Weeks

Equity

			Income	Metho
	Income From	Interest	Tax	Investme
	Operations	Expense	Expense	Earning
As reported	$ 145.2	$ 26.3	$ 44.0	$ 12.7	$ 87.6	$ 3.4	$ 84.2	$ 0.57
Items impacting comparability (1) (3):								
Expenses related to the Separation	5.1	—	1.9	—	3.2	—	3.2	0.02
Total items impacting comparability	5.1	—	1.9	—	3.2	—	3.2	0.02
Adjusted (4)	**$ 150.3**	**$ 26.3**	**$ 45.9**	**$ 12.7**	**$ 90.8**	**$ 3.4**	**$ 87.4**	**$ 0.59**

	Thirty-Nine Weeks Ended February 25, 2018							
				Equity		Less: Income	Net Income	
			Income	Method		Attributable to	Attributable	
	Income From	Interest	Tax	Investment		Noncontrolling	to Lamb	Diluted
	Operations	Expense	Expense	Earnings	Net Income	Interests	Weston	EPS
As reported	$ 446.6	$ 81.1	$ 93.1	$ 58.5	$ 330.9	$ 14.1	$ 316.8	$ 2.14
Items impacting comparability (1) (3):								
Expenses related to the Separation	7.9	—	2.8					
Tax Reform (2)	—	—	24.0					
Total items impacting comparability	7.9	—	26.8					
Adjusted (4)	**$ 454.5**	**$ 81.1**	**$ 119.9**	**$ 5**				

	Thirty-Nine Week			
				Equity
			Income	Metho
	Income From	Interest	Tax	Investme
	Operations	Expense	Expense	Earning
As reported	$ 395.7	$ 34.5	$ 129.0	$ 2

Items impacting comparability (1) (3):								
Expenses related to the Separation	23.8	—	8.8	—	15.0	—	15.0	0.10
Total items impacting comparability	23.8	—	8.8	—	15.0	—	15.0	0.10
Adjusted (4)	$ 419.5	$ 34.5	$ 137.8	$ 29.5	$ 276.7	$ 10.7	$ 266.0	$ 1.80

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(1) See footnotes (2) and (3) to the Condensed Combined and Consolidated Statements of Earnings above for a discussion of the items impacting comparability.

(2) The Tax Act decreased income tax expense by approximately $47 million. This decrease includes a provisional $24.0 million net discrete benefit which consists of a $38.7 million non-cash benefit from the re-measurement of the Company's net U.S. deferred tax liabilities using the new U.S. statutory tax rate, partially offset by a $14.7 million transition tax on the Company's previously untaxed foreign earnings, which is payable over eight years. In addition, the decrease in income tax expense includes an approximate $23 million tax benefit related to the lower U.S. corporate tax rate. The Company will continue to refine these amounts within the measurement period allowed by SAB No.118, which will not exceed one year from the enactment date of the Tax Act.

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

(4) Adjusted income from operations, income tax expense, ec
income attributable to Lamb Weston and diluted earnings
Management excludes items impacting comparability betv
necessarily reflective of the ongoing operations of Lamb W
to evaluate the performance of Lamb Weston on an ongoi
frequently used by the Company's management and assis
periods. Any analysis of non-GAAP financial measures sho
presented in accordance with GAAP. The non-GAAP meas
financial measures and should not be used as such.

Lamb Weston Hol
Reconciliation of Non-GAAP
(unaudited, dollars

To supplement the financial information included in this press
EBITDA including unconsolidated joint ventures, which is cons
table reconciles net income attributable to Lamb Weston to Ad
ventures.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended		Fifty-Two Weeks Ended
	February 25, 2018	February 26, 2017	February 25, 2018	February 26, 2017	May 28, 2017
Net income attributable to Lamb Weston Holdings, Inc.	$ 156.8	$ 84.2	$ 316.8	$ 251.0	$ 326.9
Income attributable to noncontrolling interests	2.8	3.4	14.1	10.7	13.3
Equity method investment earnings	(26.4)	(12.7)	(58.5)	(29.5)	(53.3)
Interest expense, net	28.5	26.3	81.1	34.5	61.2
Income tax expense	7.5	44.0	93.1	129.0	170.2
Income from operations	169.2	145.2	446.6	395.7	518.3
Depreciation and amortization	36.4	26.4	100.7	78.2	106.6
Items impacting comparability (1)					
Expenses related to the Separation	1.7	5.1	7.9	23.8	26.5
Non-cash gain on assets	—	—	—	—	(3.1)
Adjusted EBITDA (2) (3)	207.3	176.7	555.2	497.7	648.3
Unconsolidated Joint Ventures (4)					
Equity method investment earnings	26.4	12.7			
Interest expense, income tax expense, and depreciation and amortization included in equity method investment earnings	7.8	5.7			
Add: EBITDA from unconsolidated joint ventures	34.2	18.4			
Consolidated Joint Ventures (4)					
Income attributable to noncontrolling interests	(2.8)	(3.4)			
Interest expense, income tax expense, and depreciation and amortization included in income	(1.1)	(0.9)			

attributable to noncontrolling interests					
Subtract: EBITDA from consolidated joint ventures	(3.9)	(4.3)	[illegible]	[illegible]	[illegible]
Adjusted EBITDA including unconsolidated joint ventures (2)	$ 237.6	$ 190.8	$ 617.9	$ 530.7	$ 707.1
Selling, general and administrative expenses (5)					15.0
Pro forma Adjusted EBITDA including unconsolidated joint ventures (5)					$ 692.1

(1) See footnote (2) to the Condensed Combined and Consolidated Statements of Earnings above for a discussion of the items impacting comparability.

(2) Adjusted 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 G[illegible] a substitute for GAAP financial measures and should not b[illegible]

(3) Adjusted EBITDA includes EBITDA from consolidated join[illegible]

(4) Lamb Weston holds equity interests in three potato proces[illegible] Weston BSW, LLC and 50% of Lamb-Weston/RDO Frozen [illegible] consolidates the financial statements of Lamb Weston BS[illegible] joint ventures under the equity method of accounting.

(5) Pro forma Adjusted EBITDA including unconsolidated join[illegible] company costs.

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