Lamb Weston Reports Fiscal Second Quarter 2019 Results and Updates Full Year Outlook

January 04, 2019

Second Quarter 2019 Highlights

- *Net sales increased 11% to $911 million*
- *Income from operations increased 24% to $174 million; Adjusted Income from Operations[(1)] increased 21% to $174 million*
- *Adjusted EBITDA including unconsolidated joint ventures[(1)] increased 18% to $223 million*
- *Diluted EPS increased to $0.74 from $0.52, and includes a $0.10 benefit from a lower tax rate as a result of U.S. tax reform, partially offset by a $0.06 decrease related to the acquisition of the remaining interest in the Lamb Weston BSW joint venture*
- *Adjusted Diluted EPS[(1)] increased to $0.80 from $0.54; and includes a $0.10 benefit from a lower tax rate as a result of U.S. tax reform*

Updated FY 2019 Outlook

- *Net sales expected to increase mid-to-high single digits,*
- *Adjusted EBITDA including unconsolidated joint venture*
from a previous estimate of $860 million-$870 million

Capital Deployment Highlights

- *Purchased partner's interest in BSW joint venture*
- *Acquired Australian potato processor*
- *Increased quarterly dividend by 5%*
- *Adopted $250 million share repurchase program*

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, I
quarter 2019 results and updated its full year outlook.

"We delivered another quarter of strong sales, earnings and c
CEO. "We're executing well across the organization and conti
America to remain generally favorable for the remainder of fisc
anticipate delivering solid sales and earnings results in the sec
moderate as we begin to lap strong prior year results, face inc
operating, sales and product innovation capabilities, and tack

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potato crop in Europe. Despite these headwinds, due to our s
momentum, we have raised our annual outlook for sales grow

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"In addition, we've recently taken actions that we believe dem
when deploying capital," Werner continued. "First, we complet
Lamb Weston BSW joint venture in December. Second, consistent with our strategy to differentiate our global supply chain to drive growth, we acquired a frozen potato processor in Australia, which will provide us with additional capacity to serve our customers. Third, we increased our quarterly dividend by approximately 5 percent, enabling us to maintain a dividend payout range of 25 to 35 percent of Adjusted Diluted EPS. And finally, we adopted a $250 million share repurchase program designed to buy back stock on an opportunistic basis. We believe these actions, along with our performance, show our commitment to executing on our strategies to support customers, drive growth and create value for our shareholders over the long term."

Summary of Second Quarter FY 2019 Results

($ in millions, except per share)

	Q2 2019	Year-Over-Year Growth Rates	YTD 2019	Year-Over-Year Growth Rates
Net sales	$ 911.4	11%	$ 1,826.3	11%
Income from operations	$ 174.0	24%	$ 326.6	18%
Net income attributable to Lamb Weston	$ 119.0	55%	$ 226.8	42%
Diluted EPS	$ 0.74	42%	$ 1.47	36%
Adjusted EBITDA including unconsolidated joint ventures[1]	$ 222.8	18%	$ 435.7	15%
Adjusted Diluted EPS[1]	$ 0.80	48%	$ 1.53	38%

Q2 2019 Commentary

Net sales were $911.4 million, up 11 percent versus the year-a
pricing actions and favorable mix. Volume increased 5 percen
Retail segments.

Income from operations rose 24 percent to $174.0 million fron
pre-tax costs in the prior year period related to the Company's
ConAgra Foods, Inc., "Conagra") on November 9, 2016.

Excluding this comparability item, income from operations gre
sales and gross profit. Gross profit increased $40.8 million du
chain efficiency savings. This increase was partially offset by t
manufacturing cost inflation. In addition, gross profit included
market adjustments and realized settlements associated with
compared with a $0.6 million loss related to these items in the

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The rise in gross profit was partially offset by a $10.6 million in
expenses ("SG&A"), excluding comparability items. The increa
information technology services and infrastructure, as well as

operating capabilities. The increase in SG&A also includes ap
exchange, which was more than offset by an approximately $4

Adjusted EBITDA including unconsolidated joint ventures[1] wa
period, primarily due to growth in income from operations.

Diluted EPS increased $0.22, or 42 percent, to $0.74, which included a $0.10 benefit related to a lower U.S. corporate tax rate as a result of the U.S. Tax Cuts and Jobs Act (the "Tax Act ") enacted in December 2017, partially offset by a $0.06 decrease related to the acquisition of the remaining interest of the Company's Lamb Weston BSW, LLC ("Lamb Weston BSW") joint venture. The remaining increase in diluted EPS reflects growth in income from operations.

Adjusted Diluted EPS[1] increased $0.26, or 48 percent, to $0.80, which included a $0.10 benefit related to a lower U.S. corporate tax rate as a result of the Tax Act. The remaining increase in Adjusted Diluted EPS reflects growth in income from operations.

The Company's effective tax rate[2] in the second quarter of fiscal 2019 was 21.5 percent. The lower rate in the second quarter of fiscal 2019 versus 33.3 percent in the prior year period is primarily attributable to the effects of the Tax Act, as well as the benefit of foreign-related discrete items.

Q2 2019 Segment Highlights

Global

Global Segment Summary					
			Year-Over-Year		
		Q2 2019	Growth Rates	Price/Mix	Volume
		($ in mil.)			
Net sales	$	470.0	13%	7%	6%
Segment product contribution margin[1]	$	112.4	28%		

Net sales for the Global segment, which is comprised of the to
customers as well as the Company's international business, ir
to the prior year period. Price/mix increased 7 percent, reflecti
the prior year as well as improved mix. Volume increased 6 pe
customers in the U.S. and key international markets, as well a

Global segment product contribution margin[1] increased to $1
year period. Favorable price/mix, volume growth and supply c
was partially offset by transportation, warehousing, input and

Foodservice

Foodservice Segment Summary

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		Year-Over		
	Q2 2019	Growth R		
	($ in mil.)			
Net sales	$ 279.7	3%	5%	(2%)
Segment product contribution margin[1]	$ 97.4	6%		

Net sales for the Foodservice segment, which services North American foodservice distributors and restaurant chains outside the top 100 North American based restaurant chain customers, increased to $279.7 million, up 3 percent compared to the prior year period. Price/mix increased 5 percent, reflecting the carryover impact of pricing actions taken in the prior year as well as improved mix. Volume declined 2 percent largely due to the loss of some lower-margin volume, partially offset by growth of sales of higher-margin products.

Foodservice segment product contribution margin[1] increased to $97.4 million, up 6 percent compared to the prior year period, driven by favorable price, improved mix and supply chain efficiency savings, partially offset by transportation, warehousing, input and manufacturing cost inflation.

Retail

Retail Segment Summary				
		Year-Over-Year		
	Q2 2019	Growth Rates	Price/Mix	Volume
	($ in mil.)			
Net sales	$ 123.9	21%	5%	16%
Segment product contribution margin[1]	$ 25.9	34%		

Net sales for the Retail segment, which includes sales of bran
merchant and club customers in North America, increased to
year period. Volume increased 16 percent, primarily driven by
branded products, as well as private label products. Price/mix
branded and private label portfolios, as well as improved mix.

Retail segment product contribution margin[1] increased to $25
period, due to higher price/mix, volume growth and supply ch
offset by transportation, warehousing, input and manufacturin

Equity Method Investment Earnings

Equity method investment earnings from unconsolidated joint
and $12.1 million for the second quarter of fiscal 2019 and 20
million unrealized loss related to mark-to-market adjustments
contracts in the current quarter and a $3.1 million loss related
these adjustments, earnings from equity method investments

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period, largely reflecting higher raw potato prices associated w
price/mix and volume growth in both Europe and the U.S.

Outlook

The Company updated its outlook for fiscal year 2019 as follows:

FY 2019 Outlook Summary	
Net sales growth rate	Mid-to-High Single Digit Range
Adjusted EBITDA including unconsolidated joint ventures(1)	\$870 million-\$880 million
Interest expense	Approximately \$110 million
Effective tax rate(2) excluding comparability items	Approximately 23%
Cash used for capital expenditures	Approximately \$360 million

As summarized in the table above, the Company expects:

- Net sales to grow mid-to-high single digits, with price/mi
second half of the fiscal year, reflecting the carryover impac
effect beginning in the second half of fiscal 2018. The Comp
mid-single digits.
- Adjusted EBITDA including unconsolidated joint venture
increase from the Company's previous estimate of \$860 mil
expects:
    - The rate of gross profit dollar growth to be at least in li
    - To incur significantly higher SG&A as it invests to upgr
planning infrastructure, as well as sales, marketing, innov
designed to drive operating efficiencies and support futur
    - Equity method investment earnings to decline versus t
higher raw potato prices in Europe.
    - The range also includes the impact of the Company ex
remaining 50.01% equity interest in its joint venture, Lamb
transaction closed in December 2018, the Company ceas

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Weston BSW joint venture on its Consolidated Statement
which the Company entered into a definitive agreement t

In addition, the Company expects:

- Total interest expense to be approximately $110 million.
- An effective tax rate[2] of approximately 23 percent, down from the Company's previous estimate of approximately 24 percent.
- Cash used for capital expenditures of approximately $360 million.
- Total depreciation and amortization expense of approximately $150 million.

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.

Webcast and Conference Call Information

Lamb Weston will host a conference call to review its second quarter 2019 results at 10:00 a.m. ET today. Investors and analysts may access the call toll-free by dialing (888) 394-8218, and using the event confirmation code of 8861817. 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
and vegetable products to restaurants and retailers around the
led the industry in innovation, introducing inventive products t
customers and make things more delicious for their customers
grown to proactive customer partnerships, Lamb Weston alwa
we look at a potato, we see possibilities. Learn more about us

Forward-Looking Statements

This press release contains forward-looking statements within
such as "execute," "deliver," "continue," "expect," "drive," "su
"mitigate," "create," and variations of such words and similar e
statements. Examples of forward-looking statements include,
Company's plans, execution, and business outlook and prosp
on management's current expectations and are subject to unc
this press release should understand that these statements ar
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 Company's abi
creation strategies; its ability to execute on large capital projec
the competitive environment and related conditions in the mar
political and economic conditions of the countries in which it a

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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 and the amounts and timing of 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 Adjusted Income from Operations, Adjusted EBITDA including unconsolidated joint ventures, Adjusted Net Income Available to Lamb Weston Common Stockholders, Adjusted Diluted EPS, and segment product contribution margin, 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 earnings guidance on a non-GA
elements that are included in reported GAAP results, including
and integration costs, and other items impacting comparability
the Company will update as necessary as these items are eva
and could be significant to its GAAP measures. As such, pros
and a full reconciliation of non-GAAP Adjusted EBITDA includi
income has not been provided.

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Lamb Weston Hold
Consolidated Statemer
(unaudited, dollars in millions, ex

	Thirte
	Novem
	2018
Net sales	$

Cost of sales				
Gross profit				
Selling, general and administrative expenses (2)				
Income from operations	174.0	139.8	326.6	277.4
Interest expense, net	26.2	27.4	53.0	52.6
Income before income taxes and equity method earnings	147.8	112.4	273.6	224.8
Income tax expense	34.0	41.5	68.3	85.6
Equity method investment earnings	10.2	12.1	30.1	32.1
Net income	124.0	83.0	235.4	171.3
Less: Income attributable to noncontrolling interests	5.0	6.4	8.6	11.3
Net income attributable to Lamb Weston Holdings, Inc.	$ 119.0	$ 76.6	$ 226.8	$ 160.0
Earnings per share				
Basic	$ 0.74	$ 0.52	$ 1.47	$ 1.08
Diluted	$ 0.74	$ 0.52	$ 1.47	$ 1.08
Dividends declared per common share	$ 0.19125	$ 0.18750	$ 0.38250	$ 0.37500

Computation of diluted earnings per share:				
Net income attributable to Lamb Weston Holdings, Inc.	$ 119.0	$ 76.6	$ 226.8	$ 160.0
Less: Increase in redemption value of noncontrolling interests in excess of earnings allocated (3)				
Net income available to Lamb Weston common stockholders	$			
Diluted weighted average common shares outstanding				
Diluted earnings per share (3)	$			

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(1) On May 28, 2018, the Company adopted Accounting St with Customers (new revenue standard), using the mod recognized a $13.7 million cumulative effect of initially a to opening retained earnings. The new revenue standar Company's results of operations. The comparative infor

reported under the accounting standards in effect for th
with Customers, of the Condensed Notes to Consolidat
Statements" in the Company's fiscal 2019 second quart

(2) The thirteen and twenty-six weeks ended November 26, 2017, include $4.0 million and $6.2 million, respectively, of expenses related to the Company's separation from Conagra Brands, Inc. These expenses related primarily to professional fees and other employee-related costs.

(3) During the thirteen and twenty-six weeks ended November 25, 2018, net income available to common stockholders and earnings per share included accretion expense, net of estimated tax benefits, of $9.5 million, or $0.06, which the Company recorded to increase the redeemable noncontrolling interest to the amount the Company agreed to pay to acquire the remaining 50.01% interest in its Lamb Weston BSW joint venture. While the accretion, net of estimated tax benefits, reduced net income available to Lamb Weston common stockholders and earnings per share, it did not impact net income in the Consolidated Statements of Earnings. The thirteen and twenty-six weeks ended November 25, 2018, include 100% of Lamb Weston BSW's earnings beginning November 2, 2018, the date the Company entered into the definitive agreement to acquire the remaining interest in Lamb Weston BSW. Additionally, the redeemable noncontrolling interest recorded on the balance sheet as of November 2, 2018 was reclassified to "Accrued liabilities". See Note 9, Investments in Joint Ventures, of the Condensed Notes to Consolidated Financial Statements in "Part I, Item 1. Financial Statements" in the Company's fiscal 2019 second quarter Form 10-Q, for more information.

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 $0.6 and
Inventories
Prepaid expenses and other current assets
Total current assets
Property, plant and equipment, net
Goodwill
Intangible assets, net

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Equity method investments		
Other assets		
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 13.1	$ 9.6
Current portion of long-term debt and financing obligations	39.5	38.7
Accounts payable	376.2	254.4
Accrued liabilities (2)	268.0	216.0
Total current liabilities	696.8	518.7
Long-term liabilities:		
Long-term debt, excluding current portion	2,321.8	2,336.7
Deferred income taxes	114.8	92.1
Other noncurrent liabilities	86.2	84.3
Total long-term liabilities	2,522.8	2,513.1
Commitments and contingencies		
Redeemable noncontrolling interest (2)	—	55.6
Stockholders' equity:		
Common stock of $1.00 par value, 600,000,000 shares authorized; 146,616,397 and 146,395,866 shares issued	146.6	146.4
Additional distributed capital	(900.9)	(900.4)
Retained earnings		
Accumulated other comprehensive loss		
Treasury stock, at cost, 124,494 and 63,534 common shares		
Total stockholders' deficit		
Total liabilities and stockholders' equity		

(1) See footnote (1) to the Consolidated Statements of Earn
adopting the new revenue standard.

(2) On November 2, 2018, the Company entered into a defi
interest in its Lamb Weston BSW joint venture. The Com
cash attributable to the call option exercise price plus a

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seller's interest in expected earnings of the joint venture
agreement, the value of the redeemable noncontrolling
Consolidated Balance Sheet based on the value of the
agreement is a contractual obligation to purchase the n
result, the purchase price is recorded in "Accrued liabilities" on the Consolidated Balance Sheet. The purchase also created $9.2 million of deferred tax assets related to the step-up in tax basis of the acquired assets. Both the accretion of the noncontrolling interest and the related tax benefits were recorded in "Additional distributed capital" on the Company's Consolidated Balance Sheet and they did not impact net income. See Note 9, Investments in Joint Ventures, of the Condensed Notes to Consolidated Financial Statements in "Part I, Item 1. Financial Statements" in the Company's fiscal 2019 second quarter Form 10-Q, for more information.

Lamb Weston Holdings, Inc.

Consolidated Statements of Cash Flows

(unaudited, dollars in millions)

	Twenty-Six Weeks Ended	
	November 25, 2018	November 26, 2017
Cash flows from operating activities		
Net income	$ 235.4	$ 171.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles and debt issuance costs	77.2	66.6
Stock-settled, stock-based compensation expense		
Earnings of joint ventures in excess of distributions		
Deferred income taxes		
Pension expense, net of contributions		
Other		
Changes in operating assets and liabilities:		
Receivables		
Inventories		
Income taxes payable/receivable, net		
Prepaid expenses and other current assets		
Accounts payable		
Accrued liabilities		

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Net cash provided by operating activities		
Cash flows from investing activities		
Additions to property, plant and equipment		
Other	1.7	(1.7)
Net cash used for investing activities	$ (168.7)	$ (155.7)
Cash flows from financing activities		
Proceeds from short-term borrowings, net	4.3	66.1
Debt repayments	(20.3)	(19.3)
Dividends paid	(56.0)	(54.8)
Cash distributions paid to noncontrolling interest	(6.1)	(6.7)
Other	(3.3)	(1.2)
Net cash used for financing activities	$ (81.4)	$ (15.9)
Effect of exchange rate changes on cash and cash equivalents	(0.7)	3.4
Net increase in cash and cash equivalents	66.0	14.0
Cash and cash equivalents, beginning of the period	55.6	57.1
Cash and cash equivalents, end of period	$ 121.6	$ 71.1

Lamb Weston Holdings, Inc.

Segment Information

(unaudited, dollars in millions)

	Novem
	20
Segment sales (1)	
Global	$
Foodservice	
Retail	
Other	
	$
Segment product contribution margin (1) (2)	

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Global	$				
Foodservice					
Retail					
Other		7.2		3.9	85%
		242.9		202.7	20%
Other selling, general, and administrative expenses (3)		68.9		62.9	10%
Income from operations	$	**174.0**	$	**139.8**	24%
Items impacting comparability (3)					
Expenses related to the Separation	$	—	$	4.0	
Adjusted income from operations (4)	$	**174.0**	$	**143.8**	21%

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

(2) 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.

(3) The thirteen weeks ended November 26, 2017 includes separation from Conagra Brands, Inc. These expenses employee-related costs.

(4) Adjusted income from operations is a non-GAAP financ comparability between periods as it believes these item operations of the Company. This non-GAAP measure pı Lamb Weston's segments and the Company on an ong frequently used by the Company's management and as periods. Any analysis of non-GAAP financial measures s presented in accordance with GAAP. The non-GAAP me financial measures and should not be used as such.

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Lamb Weston Hol

Segment Inforr

(unaudited, dollars in millions)

	Twenty-Six Weeks Ended				
	November 25, 2018	November 26, 2017	Year-Over-Year Growth Rates	Price/Mix	Volume
Segment sales (1)					
Global	$ 936.8	$ 830.8	13%	8%	5%
Foodservice	577.5	552.2	5%	6%	(1%)
Retail	240.1	194.0	24%	9%	15%
Other	71.9	65.1	10%	9%	1%
	$ 1,826.3	**$ 1,642.1**	11%	7%	4%
Segment product contribution margin (1) (2)					
Global	$ 206.9	$ 162.0	28%		
Foodservice	199.4	182.7	9%		
Retail	48.6	35.8	36%		
Other	12.2	15.1	(19%)		
	467.1	395.6	18%		
Other selling, general, and administrative expenses (3)					
Income from operations	**$**				
Items impacting comparability (3)					
Expenses related to the Separation	$				
Adjusted income from operations (4)	**$**				

(1) See footnote (1) to the Consolidated Statements of Earr adopting the new revenue standard.

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

(3) The twenty-six weeks ended November 26, 2017 includes $6.2 million of expenses related to the Company's separation from Conagra Brands, Inc. 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.

Reconciliation of Non-GAAP Financial Measures

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

	Thirteen Weeks Ended November 25, 2018			
	Income From Operations	Interest Expense	Income Tax Expense	Equi Meth Investn Earnir
As reported	$ 174.0	$ 26.2	$ 34.0	$
Items impacting comparability (1) (2):				
Increase in redemption value of noncontrolling interests, net of tax benefits	—	—	—	
Total items impacting comparability	—	—	—	
Adjusted (3)	**$ 174.0**	**$ 26.2**	**$ 34.0**	**$**

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	Thirteen Week							
	Income From Operations	Interest Expense	Income Tax Expense	Equi Meth Investn Earnings	Net Income	Weston	Stockholders	EPS
As reported	$ 139.8	$ 27.4	$ 41.5	$ 12.1	$ 83.0	$ 76.6	$ 76.1	$ 0.52
Items impacting comparability (1) (2):								
Expenses related to the Separation	4.0	—	1.5	—	2.5	2.5	2.5	0.02
Total items impacting comparability	4.0	—	1.5	—	2.5	2.5	2.5	0.02
Adjusted (3)	**$ 143.8**	**$ 27.4**	**$ 43.0**	**$ 12.1**	**$ 85.5**	**$ 79.1**	**$ 78.6**	**$ 0.54**

	Twenty-Six Weeks Ended November 25, 2018							
	Income From Operations	Interest Expense	Income Tax Expense	Equity Method Investment Earnings	Net Income	Net Income Attributable to Lamb Weston	Net Income Available to Lamb Weston Stockholders	Diluted EPS
As reported	$ 326.6	$ 53.0	$ 68.3	$ 30.1	$ 235.4	$ 226.8	$ 215.9	$ 1.47
Items impacting comparability (1) (2):								
Increase in redemption value of noncontrolling interests, net of tax benefits	—	—	—	[illegible]	[illegible]	[illegible]	[illegible]	0.06
Total items impacting comparability	—	—	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Adjusted (3)	**$ 326.6**	**$ 53.0**	**$ 68.3**	**$** [illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Twenty-Six Wee			
	Income From Operations	Interest Expense	Income Tax Expense	Equi Meth Investn Earnir
As reported	$ 277.4	$ 52.6	$ 85.6	$ [illegible]
Items impacting comparability (1) (2):				
Expenses related to the Separation	6.2	—	2.3	[illegible]

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Total items impacting comparability	6.2	—	2.3	
Adjusted (3)	$ 283.6	$ 52.6	$ 87.9	$

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

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

(3) Adjusted income from operations, income tax expense, equity method investment earnings, 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
EBITDA including unconsolidated joint ventures, which is cons
table reconciles net income attributable to Lamb Weston to Ac
ventures.

	Thir
	Novem
	20
Net income attributable to Lamb Weston Holdings, Inc.	$ 1
Income attributable to noncontrolling interests	
Equity method investment earnings	(
Interest expense, net	

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Income tax expense				
Income from operations	1			
Depreciation and amortization				
Items impacting comparability (1)				
Expenses related to the Separation	—	4.0	—	6.2
Adjusted EBITDA (2) (3)	211.4	178.3	401.4	347.9
Unconsolidated Joint Ventures (4)				
Equity method investment earnings	10.2	12.1	30.1	32.1
Interest expense, income tax expense, and depreciation and amortization included in equity method investment earnings	7.0	5.9	14.5	13.6
Add: EBITDA from unconsolidated joint ventures	17.2	18.0	44.6	45.7
Consolidated Joint Ventures (4)				
Income attributable to noncontrolling interests	(5.0)	(6.4)	(8.6)	(11.3)
Interest expense, income tax expense, and depreciation and amortization included in income attributable to noncontrolling interests	(0.8)	(1.0)	(1.7)	(2.0)
Subtract: EBITDA from consolidated joint ventures	(5.8)	(7.4)	(10.3)	(13.3)
Adjusted EBITDA including unconsolidated joint ventures (2)	$ 222.8	$ 188.9	$ 435.7	$ 380.3

(1) See footnote (2) to the Consolidated Statements of Earr
comparability.

(2) Adjusted EBITDA including unconsolidated joint venture
excludes items impacting comparability between perioc
reflective of the ongoing operations of the Company. La
Company believes it provides a means to evaluate the p
using the same measure frequently used by the Compa
meaningful comparison between periods. Any analysis
only in conjunction with results presented in accordanc
intended to be a substitute for GAAP financial measures

(3) Adjusted EBITDA includes EBITDA from consolidated jc

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(4) Lamb Weston holds equity interests in three potato pro
Weston/RDO Frozen and Lamb-Weston/Meijer v.o.f., an
BSW. Lamb Weston consolidates the financial statements of Lamb Weston BSW and accounts for its ownership in the other joint ventures under the equity method of accounting. On November 2, 2018, Lamb Weston entered into a definitive agreement to acquire the remaining 50.01% interest in its Lamb Weston BSW joint venture. On that date, Lamb Weston began recognizing 100% of Lamb Weston BSW's earnings in its Consolidated Statements of Earnings. See Note 9, Investments in Joint Ventures, of the Condensed Notes to Consolidated Financial Statements in "Part I, Item 1. Financial Statements" in the Company's fiscal 2019 second quarter Form 10-Q, for more information.

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