

Lamb Weston Reports Fiscal Second Quarter 2024 Results; Updates Fiscal Year 2024 Outlook

January 04, 2024

Second Quarter Fiscal 2024 Highlights

- GAAP and Non-GAAP results include a \$71 million pre-tax charge⁽¹⁾ for the write-off of excess raw potatoes
- GAAP Results as Compared to Second Quarter Fiscal 2023:
 - Net sales increased 36% to \$1,732 million, including \$376 million of incremental sales attributable to the LW EMEA Acquisition
 - Income from operations increased 12% to \$306 million
 - Net income increased 109% to \$215 million
 - Diluted EPS increased 108% to \$1.48
- Non-GAAP Results as Compared to Second Quarter Fiscal 2023:
 - Adjusted Income from Operations⁽²⁾ increased 22% to \$301 million
 - Adjusted Net Income⁽²⁾ increased 17% to \$212 million
 - Adjusted Diluted EPS⁽²⁾ increased 15% to \$1.45
 - Adjusted EBITDA⁽²⁾ increased 15% to \$377 million
- Repurchased \$50 million of common stock and paid \$41 million in cash
- Announced 29% increase of quarterly dividend to \$0.36 per share

Updated Fiscal 2024 Outlook

- Reaffirming net sales target of \$6.8 billion to \$7.0 billion
- Raising GAAP net income target to \$830 million to \$900 million
- Reaffirming Adjusted EBITDA⁽²⁾ target range of \$1,540 million to \$1,650 million, excluding a pre-tax charge⁽¹⁾ for the write-off of excess raw potatoes
- Raising Adjusted Net Income⁽²⁾ target to \$830 million to \$900 million
- Raising Diluted EPS target to \$1.45 to \$1.55

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, Inc. today reported its second quarter of fiscal 2024 and updated its full year earnings outlook.

"We delivered solid financial results in the quarter by executing on our strategy in North America and in our key international markets," said Tom Werner, CEO of Lamb Weston. "Our focus on inflation-driven pricing actions primarily initiated last year has resulted in improved margins and a strong performance in the quarter."

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supply chain productivity cost savings. As expected, our volume increased 10 percent versus our fiscal first quarter, reflecting resilient global demand. We expect to replace lower-margin volume that we chose to exit in the prior year. Our operating environment will remain generally stable through the year.

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“Against this backdrop, we are reaffirming our fiscal 2024 sales estimate as well as our previously-raised Adjusted EBITDA target despite incurring significant costs associated with writing off excess raw potatoes in North America. We continue to expect to deliver strong sales and earnings growth for fiscal 2024, and to remain well-positioned to drive sustainable, profitable growth over the long term.”

Summary of Second Quarter FY 2024 Results

(\$ in millions, except per share)

	Year-Over-Year		Year-Over-Year	
	Q2 2024	Growth Rates	FY 2024	Growth Rates
Net sales	\$ 1,732.1	36%	\$ 3,397.4	41%
Income from operations	\$ 305.6	12%	\$ 628.9	47%
Net income	\$ 215.0	109%	\$ 449.8	34%
Diluted EPS	\$ 1.48	108%	\$ 3.08	33%
Adjusted Income from Operations ⁽²⁾	\$ 301.0	22%	\$ 630.9	55%
Adjusted Net Income ⁽²⁾	\$ 211.7	17%	\$ 451.2	53%
Adjusted Diluted EPS ⁽²⁾	\$ 1.45	15%	\$ 3.09	51%
Adjusted EBITDA ⁽²⁾	\$ 376.9	15%	\$ 789.7	40%

Q2 2024 Commentary

Net sales increased \$455.6 million to \$1,732.1 million, up 36 percent versus the prior year quarter, with the current year quarter including \$375.8 million of incremental sales attributable to the acquisition of Lamb-Weston/Meijer v.o.f., the Company’s former joint venture with Meijer, and the Company’s acquisition in February 2023 of the remaining equity interest in Lamb-Weston/Meijer v.o.f.

Net sales, excluding the incremental sales attributable to the acquisition of Lamb-Weston/Meijer v.o.f., increased 36 percent versus the prior year quarter. Price/mix increased 12 percent, reflecting the impact of the acquisition of Lamb-Weston/Meijer v.o.f. in both of the Company’s business segments, and favorable mix changes. Volume declined 6 percent, primarily reflecting the exit of certain lower-priced and lower-margin business in the prior year quarter. Volume elasticities in response to inflation-based pricing continued to remain low.

Gross profit increased \$94.0 million versus the prior year quarter, or \$0.01 per share, primarily due to the benefit (\$1.3 million after-tax, or \$0.01 per share) associated with the LW EMEA Acquisition, and a \$4.6 million (\$3.5 million after-tax, or \$0.01 per share) benefit associated with mark-to-market adjustments associated with commodity hedging contracts. The Company also recorded a \$0.3 million (\$0.3 million after-tax, with no per share impact) unrealized gain associated with commodity hedging contracts. The Company excluded certain items as items impacting comparability.

Excluding unrealized mark-to-market gains and losses related to commodity hedging contracts, gross profit increased \$97.2 million. Gross profit

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the write-off of excess raw potatoes. The charge for excess raw potatoes was \$64.6 million, which was recorded in Equity Method Investment Earnings. The Company's sales volume estimate as compared with the January quarter was used to determine the number of acres to contract, as well as a solid price for raw potatoes in North America.

The increase in gross profit was also partially offset by higher costs per pound, which largely reflected mid-single-digit cost inflation, in aggregate, for key inputs, including: raw potatoes; ingredients such as grains and starches used in product coatings; and labor. The increase in per pound costs was partially offset by supply chain productivity savings as well as lower costs for edible oils.

Selling, general and administrative expenses ("SG&A") increased \$60.2 million versus the prior year quarter to \$170.0 million, and included: \$4.8 million (\$3.6 million after-tax, or \$0.02 per share) of LW EMEA integration and acquisition-related expenses; \$3.0 million (\$2.2 million after-tax, or \$0.01 per share) of unrealized gains related to mark-to-market adjustments associated with currency hedging contracts; and \$9.2 million (\$6.9 million after-tax, or \$0.05 per share) of foreign currency exchange gains. The prior year quarter included \$26.5 million (\$19.2 million after-tax, or \$0.13 per share) of LW EMEA integration and acquisition-related net gains and \$1.4 million (\$1.0 million after-tax, or \$0.01 per share) of foreign currency exchange losses.

Excluding these items, SG&A increased \$42.5 million to \$177.4 million, primarily due to: incremental expenses attributable to the consolidation of the financial results of LW EMEA; higher expenses related to improving the Company's information systems and enterprise resource planning ("ERP") infrastructure; and higher compensation and benefits expenses.

Income from operations increased \$33.8 million to \$305.6 million, up 12 percent versus the prior year quarter. Adjusted Income from Operations⁽²⁾, which excludes foreign currency exchange and unrealized mark-to-market derivative gains and losses and items impacting comparability, increased \$54.7 million to \$301.0 million, up 22 percent versus the prior year quarter. The increases were driven by higher sales and gross profit, which included a \$64.6 million pre-tax charge⁽¹⁾ for the write-off of excess raw potatoes, partially offset by higher SG&A.

Net income was \$215.0 million, up \$111.9 million versus the prior year quarter, and Diluted EPS was \$1.48, up 108 percent from the prior year quarter. Net income in the current quarter included a total net gain of \$3.3 million (\$4.6 million before tax, or \$0.03 per share) for foreign currency exchange and unrealized mark-to-market derivative gains and losses, and items impacting comparability. Net income in the prior year quarter included a total net loss of \$78.0 million (\$104.6 million before tax, or \$0.55 per share), including \$96.2 million (\$129.7 million before tax, or \$0.67 per share) in unrealized mark-to-market adjustments associated with commodity and currency hedging contracts (primarily at LW EMEA), \$1.0 million (\$1.4 million before tax, or \$0.01 per share) in foreign currency exchange losses, and items impacting comparability.

Adjusted EBITDA⁽²⁾ increased \$48.0 million to \$376.9 million, up 12 percent versus the prior year quarter. Adjusted EBITDA included a \$70.9 million pre-tax charge⁽¹⁾ for the write-off of excess raw potatoes, which was recorded in Equity Method Investment Earnings. Higher income from operations and incremental earnings from LW EMEA, drove the increases.

The Company's effective tax rate⁽³⁾ in the second quarter was 23.1 percent versus 21.5 percent in the prior year quarter. The Company's effective tax rate varies from the U.S. rate due to the impact of U.S. state taxes, foreign taxes and currency, permanent differences and other factors.

Q2 2024 Segment Highlights

North America Summary

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Net sales	\$
Segment Adjusted EBITDA	\$

Net sales for the North America segment, which includes all sales to customers in the U.S., Canada and Mexico, increased \$104.6 million to \$1,167.1 million, up 10 percent versus the prior year quarter. Price/mix increased 14 percent, reflecting the carryover benefit of inflation-driven pricing actions taken in fiscal 2023, and favorable mix, partially offset by lower customer transportation charges. Volume declined 4 percent, primarily reflecting the carryover impact of the Company’s decisions to exit certain lower-priced and lower-margin business in the prior fiscal year.

North America Segment Adjusted EBITDA increased \$21.7 million to \$321.3 million. The carryover benefit of inflation-driven pricing actions and favorable mix drove the increases, which were partially offset by a \$63.3 million charge⁽¹⁾ for the write-off of excess raw potatoes, higher costs per pound, and the impact of lower volumes.

International Summary

		Year-Over-Year			
		Q2 2024	Growth Rates	Price/Mix	Volume
		(dollars in millions)			
Net sales		\$ 565.0	164%	10%	154%
Segment Adjusted EBITDA		\$ 100.2	66%		

Net sales for the International segment, which includes all sales to customers outside of North America, increased \$351.0 million to \$565.0 million, with the current quarter including \$375.8 million of incremental sales attributable to the consolidation of the financial results of LW EMEA. International net sales, excluding the incremental sales attributable to the LW EMEA Acquisition, declined 12 percent versus the prior year quarter. Price/mix increased 10 percent, driven by the carryover benefit of inflation-driven pricing actions taken in fiscal 2023, and as favorable mix, partially offset by lower customer transportation charges. Volume declined 4 percent, primarily reflecting the carryover impact of the Company’s decisions to exit certain lower-priced and lower-margin business as well as lapping a strong prior year quarter.

International Segment Adjusted EBITDA increased \$40.0 million to \$100.2 million, compared to comparability items of \$1.8 million (\$1.3 million after tax, or \$0.9 million net of tax) in the prior year quarter. Incremental sales from the LW EMEA Acquisition, stepped-up to fair value in the LW EMEA Acquisition. Incremental sales from the LW EMEA Acquisition drove the increase. Excluding the benefit of the LW EMEA Acquisition, International Segment Adjusted EBITDA declined 22 percent, primarily reflecting the carryover impact of the Company’s decisions to exit certain lower-priced and lower-margin business as well as lapping a strong prior year quarter.

Equity Method Investment Earnings (Loss)

Equity method investment earnings (loss) from unconsolidated subsidiaries was a net loss of \$107.3 million for the second quarter of fiscal 2024 and a net loss of \$107.3 million for the second quarter of fiscal 2023. The net loss for the second quarter of fiscal 2024 includes earnings associated with the Company’s 50 percent interest in the unconsolidated joint venture in Minnesota (“Lamb Weston RD”) and a net loss of \$107.3 million for the second quarter of fiscal 2023 includes earnings associated with the Company’s 50 percent interest in the unconsolidated joint venture in Minnesota (“Lamb Weston RD”).

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quarter include a \$130.1 million (\$96.5 million after-tax, or \$0.6 million per share) charge for the impact of foreign currency market adjustments associated with currency and commodity

Excluding these items, equity method investment earnings decreased in the second quarter, largely due to LW EMEA earnings being reflected as equity method investment earnings in the prior quarter. The results in the current quarter also include a \$6.3 million charge⁽¹⁾ for the write-off of excess raw potatoes at Lamb Weston RDO.

Liquidity and Cash Flows

As of November 26, 2023, the Company had \$78.3 million of cash and cash equivalents, with \$175.0 million in borrowings outstanding under its \$1.0 billion U.S. revolving credit facility.

Net cash provided by operating activities for the first half of fiscal 2024 was \$455.2 million, up \$167.2 million versus the prior year period, primarily due to higher earnings. Capital expenditures during the first half of fiscal 2024 were \$566.5 million, up \$296.2 million versus the prior year period, primarily reflecting increased investments to support capacity expansion projects and to upgrade the Company's information systems and ERP infrastructure.

Capital Returned to Shareholders

In the second quarter of fiscal 2024, the Company returned \$40.8 million to shareholders through cash dividends and \$50.0 million through share repurchases, with an aggregate of 571,986 shares repurchased at an average price per share of \$87.41. In the first half of fiscal 2024, the Company repurchased \$150.0 million of its common stock, with an aggregate of 1,564,351 shares repurchased at an average price per share of \$95.89.

On October 11, 2023, as previously announced, the Company increased the authorized amount under its existing share repurchase program to \$500.0 million. In addition, on December 14, 2023, the Company increased its quarterly dividend by 29 percent to \$0.36 per share, starting with its dividend payable on March 1, 2024 to stockholders of record on February 2, 2024.

Fiscal 2024 Outlook

The Company updated its financial targets for fiscal 2024, as follows:

- The Company reaffirmed its net sales target of \$6.8 billion to \$7.0 billion, including \$1.1 billion to \$1.2 billion of incremental sales attributable to the consolidation of the financial results of LW EMEA during the first three quarters of the fiscal year. The Company continues to target net sales, excluding incremental sales attributable to the LW EMEA Acquisition, to grow 6.5 percent to 8.5 percent, or 1.5 to 3.5 percentage points. The Company continues to target operating margin to increase 1.5 to 2.5 percentage points, largely reflecting the carryover impact of the LW EMEA Acquisition, customer and product mix by exiting certain lower-priced and lower-margin products.
- The Company increased its targets for GAAP net income to \$5.70 to \$6.15, including a net loss from foreign currency exchange gains and losses and items impacting comparability of \$2.0 million to \$2.5 million during the first half of fiscal 2024. The Company previously targeted GAAP net income of \$5.47 to \$5.92, including a net loss from foreign currency exchange gains and losses and items impacting comparability of \$2.0 million to \$2.5 million during the first half of fiscal 2024. The Company previously targeted GAAP net income of \$5.47 to \$5.92, including a net loss from foreign currency exchange gains and losses and items impacting comparability of \$2.0 million to \$2.5 million during the first half of fiscal 2024.
- The Company reaffirmed its target range for Adjusted Earnings Before Interest and Taxes (EBIT) of \$745 million to \$755 million, including a write-off of excess raw potatoes. The Company expects high single-digit anticipated earnings growth in fiscal 2024. The Company expects Adjusted SG&A of \$745 million to \$755 million. The Company previously targeted Adjusted EBIT of \$745 million to \$755 million, including a write-off of excess raw potatoes.
- The Company raised its Adjusted Net Income⁽²⁾ target to \$5.70 to \$6.15. The increases in the Adjusted Net Income target as well as a lower interest expense estimate of \$140 million to \$150 million during the first half of fiscal 2024. The Company previously estimated Adjusted Net Income of \$5.47 to \$5.92, including a net loss from foreign currency exchange gains and losses and items impacting comparability of \$2.0 million to \$2.5 million during the first half of fiscal 2024.

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Diluted EPS⁽¹⁾ of \$5.50 to \$5.95, and interest expense of \$1

The Company updated other financial targets, as follows:

- Depreciation and amortization expense of approximately \$305 million, down from its previous estimate of \$325 million; and
- Cash used for capital expenditures of \$900 million to \$950 million, up from the Company's previous estimate of \$800 million to \$900 million, reflecting the timing of expenditures related to the construction of previously-announced capacity expansion efforts in China, Idaho, the Netherlands and Argentina.
- The Company continues to target an effective tax rate⁽³⁾ (full year) of 23 percent to 24 percent.

End Notes

(1)Non-GAAP results include a \$70.9 million charge (\$53.9 million after-tax, or \$0.37 per share) related to a write-off of excess raw potatoes. This includes a \$64.6 million charge (\$49.1 million after-tax, or \$0.34 per share) in cost of sales, and a \$6.3 million charge (\$4.8 million after-tax, or \$0.03 per share) recorded in equity method investment earnings (losses). The total charge to the reporting segments was as follows: \$63.3 million to the North America segment and \$7.6 million to the International segment.

(2)Adjusted Income from Operations, Adjusted Net Income, Adjusted Diluted EPS, and Adjusted EBITDA are non-GAAP financial measures. Please see the discussion of non-GAAP financial measures, including a discussion of guidance provided on a non-GAAP basis, and the associated reconciliations at the end of this press release for more information.

(3)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 fiscal 2024 results at 10:00 a.m. EST today, January 4, 2024. Participants in the U.S. and Canada may access the conference call by dialing 888-204-4368 and participants outside the U.S. and Canada should dial +1-323-894-8888. The conference ID is 8801585. The conference call also may be accessed live on the internet. Par

https://event.webcasts.com/starthere.jsp?ei=1646667&tp_key

A rebroadcast of the conference call will be available beginning <https://investors.lambweston.com/events-and-presentations>.

About Lamb Weston

Lamb Weston is a leading supplier of frozen potato products to more than 70 years, Lamb Weston has led the industry in innovative back-of-house management for its customers and make things where Lamb Weston potatoes are grown to proactive customer and never settles. Because, when we look at a potato, we see lambweston.com.

Non-GAAP Financial Measures

To supplement the financial information included in this press EBITDA, Adjusted Income from Operations, Adjusted Net Income Expense, and Adjusted Equity Method Investment Earnings (L

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financial measure. The non-GAAP financial measures presented to, and not as an alternative for, financial measures prepared in accordance with GAAP accepted in the United States of America ("GAAP") that are also not substitutes for their comparable GAAP financial measures, such as diluted earnings per share, or other measures prescribed by GAAP. The non-GAAP financial measures presented in this press release 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 as the Company does.

Management uses these non-GAAP financial measures to assist in analyzing what management views as the Company's core operating performance for purposes of business decision making. Management believes that presenting these non-GAAP financial measures provides investors with useful supplemental information because they (i) provide meaningful supplemental information regarding financial performance by excluding foreign currency exchange and unrealized derivative activities and items affecting comparability between periods, (ii) permit investors to view performance using the same tools that management uses to budget, make operating and strategic decisions, and evaluate the Company's core operating performance across periods, and (iii) otherwise provide supplemental information that may be useful to investors in evaluating the Company's financial results. In addition, the Company believes that the presentation of these non-GAAP financial measures, when considered together with the most directly comparable GAAP financial measures and the reconciliations to those GAAP financial measures, provides investors with additional tools to understand the factors and trends affecting the Company's underlying business than could be obtained absent these disclosures.

The Company has also provided guidance in this press release with respect to certain non-GAAP financial measures, including non-GAAP Adjusted Net Income, Adjusted Diluted EPS, and Adjusted EBITDA. The Company cannot predict certain items that are included in reported GAAP results, including items such as strategic developments, integration and acquisition costs and related fair value adjustments, impacts of unrealized mark-to-market derivative gains and losses, foreign currency exchange, and items impacting comparability. This list is not inclusive of all potential items, and the Company intends to update the list as appropriate as these items are evaluated on an ongoing basis. In addition, the items that cannot be predicted can be highly variable and could potentially have significant impacts on the Company's GAAP measures. As such, prospective quantification of these items is not feasible without unreasonable efforts, and a reconciliation of forward-looking non-GAAP Adjusted Net Income, Adjusted Diluted EPS, and Adjusted EBITDA to GAAP net income or diluted earnings per share has not been provided.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws. Words such as "expect," "believe," "will," "continue," "deliver," "drive," "raise," "reaffirm," "mitigate," "increase," "estimate," "outlook," and other similar expressions are intended to identify forward-looking statements but are not limited to, statements regarding: the Company's business strategy; the Company's plans, execution, capital expenditures and investments; the Company's operations in EMEA; and conditions in the Company's industry and the global market. These statements are based on management's current expectations and are subject to change. Readers of this press release should understand that these statements are not guarantees of future results. Many factors could affect these forward-looking statements and cause them to vary materially from the expectations contained in this press release. These risks and uncertainties include: fluctuations in the price of raw materials and other commodities; labor shortages and other factors affecting the economic environment, including inflationary pressures and related costs; factors that may impact the Company's business, financial condition or results of operations; the Company's products; risks associated with integrating acquisitions; labor and people-related expenses; the Company's ability to execute on its business strategies; the Company's ability to execute on large capital projects; difficulties, disruptions or delays in implementing new information systems or ERP system; the competitive environment and related conditions; political and economic conditions of the countries in which the Company operates; related to its international operations; disruptions in the global supply chain; the war in Ukraine and conflicts in the Middle East and the possible related

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impacts on the Company's business due to health pandemics in 2019 pandemic, including impacts on demand for its products, in constraints in the availability of key commodities and other new health authorities or governments; disruption of the Company with other possible acquisitions; the Company's debt levels; changes in growers or significant customers; actions of governments and regulatory factors affecting the Company's businesses; the ultimate outcome of litigation or any product recalls; the Company's 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 ("SEC"). 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.

Lamb Weston Holdings, Inc.
Consolidated Statements of Earnings
(unaudited, in millions, except per share amounts)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	November 26,	November 27,	November 26,	November 27,
	2023 (1)	2022	2023 (1)	2022
Net sales	\$ 1,732.1	\$ 1,276.5	\$ 3,397.4	\$ 2,402.1
Cost of sales (2) (3)	1,256.5	894.9	2,422.3	1,747.2
Gross profit	475.6	381.6	975.1	654.9
Selling, general and administrative expenses (4)	170.0	109.8	346.2	226.1
Income from operations	305.6	271.8	628.9	428.8
Interest expense, net	29.1	24.6	59.8	50.6
Income before income taxes and equity method earnings	276.5	247.2	569.1	378.2
Income tax expense	66.2	36.8	136.1	110.5
Equity method investment earnings (loss) (2) (5)	4.7	(107.3)	16.8	67.3
Net income (2)	\$ 215.0	\$ 103.1	\$ 449.8	\$ 335.0
Earnings per share:				
Basic	\$ 2.15	\$ 1.03	\$ 4.50	\$ 3.35
Diluted	\$ 2.10	\$ 1.00	\$ 4.40	\$ 3.30
Dividends declared per common share	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20
Weighted average common shares outstanding:				
Basic	100.0	100.0	100.0	100.0
Diluted	102.0	103.0	102.0	103.0

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(1)The thirteen and twenty-six weeks ended November 26, 2023 and November 27, 2022. LW EMEA whereas in the same period in the prior year, LW EMEA equity method investment earnings." For more information about the equity method investment earnings, see the Notes to Consolidated Financial Statements in the Consolidated Financial Statements filed with the SEC on July 25, 2023 (the "Form 10-K").

(2) Net income included a \$70.9 million charge (\$53.9 million after-tax, or \$0.03 per share) related to the impairment of raw potatoes in North America for both the thirteen and twenty-six weeks ended November 26, 2023 and November 27, 2022, respectively. The Company recorded a \$64.6 million charge (\$49.1 million after-tax, or \$0.03 per share) in equity method investment earnings. The total charge to the reporting segments was as follows: \$63.3 million to the North America segment and \$7.6 million to the International segment.

(3) Cost of sales included activity related to the step-up and sale of inventory acquired in the LW EMEA Acquisition, which resulted in a \$1.8 million (\$1.3 million after-tax, or \$0.01 per share) benefit and \$20.7 million (\$15.4 million after-tax, or \$0.11 per share) of costs for the thirteen and twenty-six weeks ended November 26, 2023, respectively.

Cost of sales also included a \$4.6 million unrealized loss (\$3.5 million after-tax, or \$0.02 per share) and a \$0.4 million unrealized gain (\$0.3 million after-tax, with no per share impact) for the thirteen weeks ended November 26, 2023 and November 27, 2022, respectively; and a \$27.1 million unrealized gain (\$20.2 million after-tax, or \$0.14 per share) and a \$3.6 million unrealized loss (\$2.7 million after-tax, or \$0.02 per share) for the twenty-six weeks ended November 26, 2023 and November 27, 2022, respectively, related to mark-to-market adjustments associated with commodity hedging contracts.

(4) Selling, general and administrative expenses included the following:

a) Foreign currency exchange gains of \$9.2 million (\$6.9 million after-tax, or \$0.05 per share) and losses of \$1.4 million (\$1.0 million after-tax, or \$0.01 per share) for the thirteen weeks ended November 26, 2023 and November 27, 2022, respectively; and gains of \$1.8 million (\$1.4 million after-tax, or \$0.01 per share) and losses of \$2.4 million (\$1.8 million after-tax, or \$0.01 per share) for the twenty-six weeks ended November 26, 2023 and November 27, 2022, respectively;

b) Unrealized gains related to mark-to-market adjustments associated with currency hedging contracts of \$3.0 million (\$2.2 million after-tax, or \$0.01 per share) and unrealized losses of \$1.4 million (\$1.0 million after-tax, or \$0.01 per share) for the thirteen and twenty-six weeks ended November 26, 2023, respectively; and

c) Net integration and acquisition-related expenses of \$4.8 million (\$3.6 million after-tax, or \$0.02 per share) and gains of \$26.5 million (\$19.2 million after-tax, or \$0.13 per share) for the thirteen weeks ended November 26, 2023 and November 27, 2022, respectively; and \$8.8 million and gains of \$26.5 million (\$19.2 million after-tax, or \$0.13 per share) for the twenty-six weeks ended November 26, 2023 and November 27, 2022, respectively.

(5) Equity method investment earnings (loss) included a \$130.0 million gain (\$100.0 million after-tax, or \$0.67 per share) and a \$14.4 million unrealized gain (\$10.7 million after-tax, or \$0.07 per share) for the thirteen and twenty-six weeks ended November 27, 2022, respectively, associated with commodity and currency hedging contracts.

Equity method investment earnings (loss) for the twenty-six weeks ended November 27, 2022, included a \$15.1 million (before and after-tax, or \$0.10 per share) gain associated with the acquisition of an additional 40% equity interest in Lamb Weston Alimentos M

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ASSETS

Current assets:

Cash and cash equivalents	\$	78.3	\$	304.8
Receivables, less allowance for doubtful accounts of \$2.4 and \$2.6		766.2		724.2
Inventories		1,153.6		932.0
Prepaid expenses and other current assets		82.8		166.2
Total current assets		2,080.9		2,127.2
Property, plant and equipment, net		3,173.6		2,808.0
Operating lease assets		140.0		146.1
Goodwill		1,065.1		1,040.7
Intangible assets, net		109.1		110.2
Other assets		476.6		287.6
Total assets	\$	7,045.3	\$	6,519.8

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Short-term borrowings	\$	294.3	\$	158.5
Current portion of long-term debt and financing obligations		55.0		55.3
Accounts payable		834.5		636.6
Accrued liabilities		434.0		509.8
Total current liabilities		1,617.8		1,360.2

Long-term liabilities:

Long-term debt and financing obligations, excluding current portion		3,252.5		3,248.4
Deferred income taxes		260.3		252.1

Other noncurrent liabilities

Total long-term liabilities

Commitments and contingencies

Stockholders' equity:

Common stock of \$1.00 par value, 600,000,000 shares authorized, 150,694,839 and 150,293,511 shares issued

Treasury stock, at cost, 6,326,519 and 4,627,828 common shares

Additional distributed capital

Retained earnings

Accumulated other comprehensive income (loss)

Total stockholders' equity

Total liabilities and stockholders' equity

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Lamb Weston Holdings
Consolidated Statement of Cash Flows
(unaudited, in millions)

	Twenty-Six Weeks Ended	
	November 26,	November 27,
	2023	2022
Cash flows from operating activities		
Net income	\$ 449.8	\$ 335.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles and debt issuance costs	140.7	102.0
Stock-settled, stock-based compensation expense	22.2	17.6
Equity method investment earnings in excess of distributions	(11.3)	(67.6)
Deferred income taxes	5.8	(6.8)
Foreign currency remeasurement gain	(0.1)	(16.8)
Other	(1.3)	(13.2)
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(35.2)	(54.8)
Inventories	(216.0)	(240.1)
Income taxes payable/receivable, net	27.6	24.8
Prepaid expenses and other current assets	68.8	52.7
Accounts payable	96.1	140.6
Accrued liabilities	(91.9)	14.6
Net cash provided by operating activities	\$ 455.2	\$ 288.0
Cash flows from investing activities		
Additions to property, plant and equipment	(507.6)	(232.9)
Additions to other long-term assets	(58.9)	(37.4)
Acquisition of interests in joint venture, net		
Acquisition of business, net of cash acquired		
Other		
Net cash used for investing activities		
Cash flows from financing activities		
Proceeds from short-term borrowings, net		
Proceeds from issuance of debt		
Repayments of debt and financing obligations		
Dividends paid		
Repurchase of common stock and common stock withheld to		
Other		
Net cash used for financing activities		
Effect of exchange rate changes on cash and cash equivalents		
Net decrease in cash and cash equivalents		
Cash and cash equivalents, beginning of period		
Cash and cash equivalents, end of period		

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Lamb Weston Holdings, Inc.
Segment Information
(unaudited, in millions, except percentages)

	Thirteen Weeks Ended				
	Year-Over-				
	November 26,	November 27,	Year Growth		
	2023	2022	Rates	Price/Mix	Volume
Segment net sales					
North America	\$ 1,167.1	\$ 1,062.5	10%	14%	(4%)
International (1)	565.0	214.0	164%	10%	154%
	<u>\$ 1,732.1</u>	<u>\$ 1,276.5</u>	36%	12%	24%

Segment Adjusted EBITDA					
North America	\$ 321.3	\$ 299.6	7%		
International (1)	100.2	60.2	66%		

	Twenty-Six Weeks Ended				
	Year-Over-				
	November 26,	November 27,	Year Growth		
	2023	2022	Rates	Price/Mix	Volume
Segment net sales					
North America	\$ 2,302.5	\$ 2,094.9	10%	14%	(4%)
International (1)	1,094.9	214.0	164%	10%	154%
	<u>\$ 3,397.4</u>	<u>\$ 2,308.9</u>	36%	12%	24%

Segment Adjusted EBITDA					
North America	\$ 700.7	\$ 600.0	17%		
International (1)	189.8	60.2	66%		

(1)The Company acquired the remaining equity interest in LW EMEA in November 2022. Accordingly, LW EMEA's net sales and adjusted EBITDA are included in the International segment for the thirteen and twenty-six weeks ended November 26, 2023, and only 50 percent of LW EMEA's net sales and adjusted EBITDA are included in the International segment for the thirteen and twenty-six weeks ended November 27, 2022, and only 50 percent of LW EMEA's net sales are not included in the International segment for those periods.

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Segment Adjusted EBITDA includes equity method investment income, corporate costs, foreign currency exchange gains and losses, and items discussed in footnotes (1)-(4) to the Consolidated Financial Statements.

Lamb Weston Holdings, Inc.

Reconciliation of Non-GAAP Financial Measures

(unaudited, in millions, except per share amounts)

	Income		Income		Equity Method		
	From	Interest	Tax Expense	Investment			Diluted
Thirteen Weeks Ended November 26, 2023	Operations	Expense	(Benefit) (1)	Earnings (Loss)	Net Income		EPS
As reported	\$ 305.6	\$ 29.1	\$ 66.2	\$ 4.7	\$ 215.0	\$	1.48
Unrealized derivative losses (2)	1.6	—	0.3	—	1.3		0.01
Foreign currency exchange gains (2)	(9.2)	—	(2.3)	—	(6.9)		(0.05)
Items impacting comparability (2):							
Inventory step-up from acquisition	(1.8)	—	(0.5)	—	(1.3)		(0.01)
Integration and acquisition-related items, net	4.8	—	1.2	—	3.6		0.02
Total adjustments	(4.6)	—	(1.3)	—	(3.3)		(0.03)
Adjusted (3)	\$ 301.0	\$ 29.1	\$ 64.9	\$ 4.7	\$ 211.7	\$	1.45

Thirteen Weeks Ended November 27, 2022

As reported	\$ 271.8	\$
Unrealized derivative losses (gains) (2)	(0.4)	
Foreign currency exchange losses (2)	1.4	
Item impacting comparability (2):		
Integration and acquisition-related items, net	(26.5)	
Total adjustments	(25.5)	
Adjusted (3)	\$ 246.3	\$

Twenty-Six Weeks Ended November 26, 2023

As reported	\$ 628.9	\$
Unrealized derivative gains (2)	(25.7)	

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Foreign currency exchange gains (2)	(1.8)					
Items impacting comparability (2):						
Inventory step-up from acquisition	20.7					
Integration and acquisition-related items, net	8.8	—	2.2	—	6.6	0.04
Total adjustments	2.0	—	0.6	—	1.4	0.01
Adjusted (3)	\$ 630.9	\$ 59.8	\$ 136.7	\$ 16.8	\$ 451.2	\$ 3.09

Twenty-Six Weeks Ended November 27, 2022

As reported	\$ 428.8	\$ 50.6	\$ 110.5	\$ 67.3	\$ 335.0	\$ 2.32
Unrealized derivative losses (gains) (2)	3.6	—	(2.8)	(14.4)	(8.0)	(0.06)
Foreign currency exchange losses (2)	2.4	—	0.6	—	1.8	0.01
Item impacting comparability (2):						
Integration and acquisition-related items, net	(26.5)	—	(7.3)	—	(19.2)	(0.13)
Gain on acquisition of interest in joint venture	—	—	—	(15.1)	(15.1)	(0.10)
Total adjustments	(20.5)	—	(9.5)	(29.5)	(40.5)	(0.28)
Adjusted (3)	\$ 408.3	\$ 50.6	\$ 101.0	\$ 37.8	\$ 294.5	\$ 2.04

(1) Items are tax effected at the marginal rate based on the applicable tax jurisdiction.

(2) See footnotes (1)-(4) to the Consolidated Statements of Earnings for a discussion of the adjustment items.

(3) See "Non-GAAP Financial Measures" in this press release for more information.

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

To supplement the financial information included in this press release, we provide a reconciliation of Adjusted EBITDA to EBITDA, which the Company defines as earnings, less interest expense, amortization, foreign currency exchange and unrealized mark-to-market gains and losses, and items impacting comparability. Adjusted EBITDA is a non-GAAP financial measure. We calculate Adjusted EBITDA by adding interest expense, amortization, foreign currency exchange and unrealized mark-to-market gains and losses, and items impacting comparability to EBITDA.

Thirteen

November
26,

2023

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Net income	\$	215		
Interest expense, net		29		
Income tax expense		66		
Income from operations including equity method investment earnings (1)		310.3	164.5	645.7
Depreciation and amortization (2)		71.2	59.8	142.0
Unrealized derivative losses (gains)		1.6	(0.4)	(25.7)
Unconsolidated joint venture unrealized derivative losses (gains)		—	130.1	—
Foreign currency exchange losses (gains)		(9.2)	1.4	(1.8)
Items impacting comparability (3):				
Inventory step-up from acquisition		(1.8)	—	20.7
Integration and acquisition-related items, net		4.8	(26.5)	8.8
Gain on acquisition of interest in joint venture		—	—	—
Adjusted EBITDA (4)	\$	376.9	\$ 328.9	\$ 789.7
				\$ 563.5

(1) Lamb Weston holds a 50 percent equity interest in a U.S. potato processing joint venture, Lamb-Weston/RDO Frozen ("Lamb Weston RDO"). Lamb Weston accounts for its investment in Lamb Weston RDO under the equity method of accounting. Lamb Weston accounted for its investments in LWAMSA and LW EMEA under the equity method of accounting until July 2022 and February 2023, respectively, when Lamb Weston acquired majority ownership and began to account for those investments by consolidating their respective financial results in Lamb Weston's consolidated financial statements. See Note 4, Joint Venture Investments, of the Notes to Consolidated Financial Statements in the Company's Form 10-K, for more information.

(2) Depreciation and amortization included interest expense, income tax expense, and depreciation and amortization from equity method investments of \$2.1 million and \$8.6 million for the thirteen weeks ended November 26, 2023 and November 27, 2022, respectively, and \$4.3 million and \$17.6 million for the twenty-six weeks ended November 26, 2023 and November 27, 2022, respectively.

(3) See footnotes (1)-(4) to the Consolidated Statements of Earnings.

(4) See "Non-GAAP Financial Measures" in this press release for more information.

Lamb Weston Holdings Reconciliation of Non-GAAP (unaudited, in millions)

Thirteen Weeks Ended November 26, 2023	North America
Income from operations	\$ 273.3
Equity method investment earnings	4.7

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Income from operations including equity method investment earnings	278.0			
Depreciation and amortization (2)	43.3			
Unrealized derivative losses (3)	—			
Foreign currency exchange gains	—	—	(9.2)	(9.2)
Items impacting comparability (3):				
Inventory step-up from acquisition	—	(1.8)	—	(1.8)
Integration and acquisition-related items, net	—	—	4.8	4.8
Adjusted EBITDA	<u>\$ 321.3</u>	<u>\$ 100.2</u>	<u>\$ (44.6)</u>	<u>\$ 376.9</u>

Thirteen Weeks Ended November 27, 2022

Income from operations	\$ 252.1	\$ 25.5	\$ (5.8)	\$ 271.8
Equity method investment earnings (loss)	4.8	18.0	(130.1)	(107.3)
Income from operations including equity method investment earnings	256.9	43.5	(135.9)	164.5
Depreciation and amortization (2)	42.7	16.7	0.4	59.8
Unrealized derivative gains (3)	—	—	(0.4)	(0.4)
Foreign currency exchange losses	—	—	1.4	1.4
Unconsolidated joint venture unrealized derivative losses (3)	—	—	130.1	130.1
Item impacting comparability (3):				
Integration and acquisition-related items, net	—	—	(26.5)	(26.5)
Adjusted EBITDA	<u>\$ 299.6</u>	<u>\$ 60.2</u>	<u>\$ (30.9)</u>	<u>\$ 328.9</u>

Twenty-Six Weeks Ended November 26, 2023

Income from operations	\$ 596.9
Equity method investment earnings	16.8
Income from operations including equity method investment earnings	613.7
Depreciation and amortization (2)	87.0
Unrealized derivative gains (3)	—
Foreign currency exchange gains	—
Items impacting comparability (3):	
Inventory step-up from acquisition	—
Integration and acquisition-related items, net	—
Adjusted EBITDA	<u>\$ 700.7</u>

Twenty-Six Weeks Ended November 27, 2022

Income from operations	\$ 438.1
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