LambWeston
POSSIBILITIES IN POTATOES

Lamb Weston Reports Fiscal Third Quarter 2023 Results; Updates Fiscal Year 2023 Outlook

April 06, 2023

Third Quarter Fiscal 2023 Highlights

- *GAAP Results as Compared to Third Quarter Fiscal 2022:*
  - *Net sales increased 31% to $1,254 million*
  - *Income from operations increased 99% to $266 million*
  - *Net income increased 64% to $175 million*
  - *Diluted EPS increased 66% to $1.21*
- *Non-GAAP Results as Compared to Third Quarter Fiscal 2022:*
  - *Adjusted Income from Operations(1) increased 96% to $262 million*
  - *Adjusted Net Income(1) increased 125% to $207 million*
  - *Adjusted Diluted EPS(1) increased 127% to $1.43*
  - *Adjusted EBITDA including unconsolidated joint ventures(1) increased 72% to $346 million*
- *Paid $35 million in cash dividends and repurchased $12*

Updated Fiscal 2023 Outlook

- *Updated financial targets include the consolidation of the*
- *Net sales of $5.25 billion to $5.35 billion*
- *Net income of $639 million to $664 million, and Diluted E*
- *Adjusted Net Income(1) of $630 million to $655 million, a*
- *Adjusted EBITDA including unconsolidated joint venture*

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, I quarter 2023 results and updated its fiscal 2023 outlook.

"We delivered another quarter of strong operating results and accordingly," said Tom Werner, President and CEO. "Our perfo earnings growth across each of our core business segments t the quarter. We expect this momentum will continue through t fiscal 2024. However, we continue to believe that the near-term will remain volatile as we face higher costs for raw potatoes ar restaurant traffic continue to be affected by inflationary pressu

to drive sustainable, profitable growth, and to better serve cus
commercial and operational benefits of our recently-acquired
expansion investments in the U.S., China, Argentina, and the I

Summary of Third Quarter FY 2023 Results				
($ in millions, except per share)				
	Q3 2023	Year-Over-Year Growth Rates	YTD FY 2023	Year-Over-Year Growth Rates
Net sales	$ 1,253.6	31%	$ 3,655.7	24%
Income from operations	$ 266.3	99%	$ 695.1	125%
Net income	$ 175.1	64%	$ 510.1	202%
Diluted EPS	$ 1.21	66%	$ 3.53	204%
Adjusted Income from Operations [(1)]	$ 262.0	96%	$ 664.3	115%
Adjusted Net Income [(1)]	$ 207.4	125%	$ 501.1	168%
Adjusted Diluted EPS[(1)]	$ 1.43	127%	$ 3.46	170%
Adjusted EBITDA including unconsolidated joint ventures[(1)]	$ 345.5	72%	$ 907.9	84%

Q3 2023 Commentary

Net sales increased $298.6 million to $1,253.6 million, up 31 percent versus the prior year quarter. Price/mix increased 31 percent, reflecting the benefit of pricing actions across each of the Company's core business segments to counter input and manufacturing cost inflation. Overall volume was flat as solid growth in shipments to large chain restaurant and retail channel customers in North America offset the impact of exiting certain lower-priced and lower-margin business as the Company continues to strategically manage customer and product mix due to capacity constraints. To a lesser extent, softer traffic at casual dining and full-service restaurants in North America also affected volume.

Income from operations increased $132.5 million to $266.3 mi
Adjusted Income from Operations[(1)], which excludes items imp
$262.0 million, up 96 percent versus the prior year quarter. Th
profit, partially offset by higher selling, general and administra

Gross profit increased $176.8 million versus the prior year qua
actions more than offset the impact of higher manufacturing c
pound primarily reflected double-digit cost inflation for key inp
such as grains and starches used in product coatings, labor, a
included an $8.7 million decrease in unrealized mark-to-marke
contracts, reflecting a $5.1 million loss in the current quarter, c
items in the prior year quarter.

SG&A increased $44.3 million versus the prior year quarter to
($2.8 million after-tax, or $0.02 per share) related to actions tal
rates on the fiscal fourth quarter purchase of the remaining eq
EMEA"), net of other acquisition-related costs. Excluding items
million to $135.8 million, primarily due to higher compensatior
expenses related to improving the Company's information sys
infrastructure, as well as a $5.5 million increase in advertising

Net income was $175.1 million, up $68.5 million versus the pri
$0.48 versus the prior year quarter. The increases were driven
net $4.3 million gain ($2.8 million after-tax, or $0.02 per share)
income and Diluted EPS was partially offset by lower equity m
million unrealized loss ($35.1 million after-tax, or $0.24 per share) related to mark-to-market adjustments associated with natural gas and electricity hedging contracts at LW EMEA, and a $19.3 million unrealized gain ($14.3 million after-tax, or $0.10 per share) in the prior year quarter. The Company has identified the mark-to-market adjustments related to natural gas and electricity derivatives in the current and prior year quarters, and the LW EMEA acquisition-related items discussed above, as items impacting comparability.

Adjusted Net Income(1) was $207.4 million, up $115.1 million versus the prior year quarter, and Adjusted Diluted EPS(1) was $1.43, up $0.80 versus the prior year quarter. Adjusted EBITDA including unconsolidated joint ventures(1) increased $145.2 million to $345.5 million, up 72 percent compared to the prior year quarter. These increases were driven by higher income from operations.

The Company's effective tax rate(2) in the third fiscal quarter was 19.4 percent, versus 22.6 percent in the prior year quarter. Excluding items impacting comparability, the Company's effective tax rate was 20.3 percent for the fiscal third quarter, and 22.0 percent in the prior year quarter. The Company's effective tax rate varies from the U.S. statutory tax rate of 21 percent principally due to the impact of U.S. state taxes, foreign taxes and currency, permanent differences, and discrete items.

Q3 2023 Segment Highlights

Global Segment Summary

			Year-Over-Year		
		Q3 2023	Growth Rates	Price/Mix	Volume
		(dollars in millions)			
Net sales	$	648.5	33%	33%	0%
Segment product contribution margin(3)	$	167.5	129%		

Net sales for the Global segment, which is generally comprise
and full-service restaurant chain customers, as well as all of th
million to $648.5 million, up 33 percent versus the prior year q
pricing actions to counter inflationary pressures drove a 33 pe
growth from key customers in North America offset the impact
business in international and domestic markets.

Global segment product contribution margin increased $94.5
prior year quarter. Pricing actions drove the increase, which w
pound.

Foodservice Segment Summary

		Q3 2
		(dolla millio
Net sales	$	
Segment product contribution margin(3)	$	

Net sales for the Foodservice segment, which services North A
chains generally outside the top 100 North American based re
$360.0 million, up 22 percent versus the prior year quarter, wit
percent. The carryover benefits of pricing actions taken in the
counter inflationary pressures drove the increase in price/mix. Incremental losses of certain lower-priced and lower-margin business and, to a lesser extent, a slowdown in casual dining and other full-service restaurant traffic, drove the volume decline.

Foodservice segment product contribution margin increased $36.2 million to $142.9 million, up 34 percent compared to the prior year quarter. Pricing actions drove the increase, which was partially offset by higher manufacturing costs per pound and the impact of lower volume.

Retail Segment Summary

		Q3 2023	Year-Over-Year Growth Rates	Price/Mix	Volume
		(dollars in millions)			
Net sales	$	216.0	50%	44%	6%
Segment product contribution margin[3]	$	82.6	161%		

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 $72.4 million to $216.0 million, up 50 percent versus the prior year quarter. The carryover benefits of pricing actions taken in the prior year, as well as actions taken in fiscal 2023, across the branded and private label portfolios to counter inflationary pressures drove a 44 percent increase in price/mix. Volume rose 6 percent, driven by strong growth in branded products as customer service rates improved, as well as modest growth in private label products.

Retail segment product contribution margin increased $51.0 million to $82.6 million, up 161 percent versus the prior year quarter. Pricing actions drove the increase, which was partially offset by higher manufacturing costs per pound.

Equity Method Investment Earnings (Loss)

Equity method investment earnings (loss) from unconsolidated
$23.3 million and earnings of $29.7 million for the third quarter
investment earnings (loss) in the quarter include a $45.6 millio
adjustments associated with currency and commodity hedging
after-tax, or $0.24 per share) related to losses in natural gas ar
Europe continued to experience significant volatility. Equity me
included a $19.6 million unrealized gain related to mark-to-ma
commodity hedging contracts, of which $19.3 million ($14.3 m
natural gas and electricity derivatives.

Excluding the items impacting comparability noted above (ma
electricity derivatives) and the other mark-to-market adjustmer
increased $12.2 million compared to the prior year quarter, ref
manufacturing costs, in both Europe and the U.S.

Liquidity and Cash Flows

At the end of the fiscal third quarter, the Company had $675.0
borrowings outstanding under its $1.0 billion revolving credit f

Through the first three quarters of fiscal 2023, net cash provid
$161.1 million versus the prior year period due to higher earni
uses. Capital expenditures were $497.0 million, up $270.0 mill
increased investments to support capacity expansion projects
and ERP infrastructure.

In its fiscal fourth quarter on February 28, 2023, the Company acquired the remaining equity interest in LW EMEA for €531.6 million ($564.0 million) in cash, subject to certain post-closing adjustments pursuant to the purchase agreement, and 1,952,421 shares of the Company's common stock. The Company funded the cash portion of this acquisition with the proceeds from a $450.0 million term loan and $114.0 million of cash on hand. With the completion of the transaction, the Company owns 100 percent of the equity interest in LW EMEA. Accordingly, the Company will begin to consolidate LW EMEA's financial results in its consolidated financial statements in its fiscal fourth quarter, and include LW EMEA's results in the Company's Global segment.

Capital Returned to Shareholders

In the fiscal third quarter, the Company returned $35.2 million to shareholders through cash dividends and $12.2 million through share repurchases, with 124,691 shares repurchased at an average price per share of $97.92.

Through the first three quarters of fiscal 2023, the Company paid $105.8 million in cash dividends and repurchased $40.6 million of its common stock, with 529,167 shares repurchased at an average price per share of $76.66. The Company has approximately $228 million authorized for share repurchases under its existing program.

Fiscal 2023 Outlook

The Company is updating its financial targets for fiscal 2023 as follows, which now include the consolidation of LW EMEA:

- Net sales of $5.25 billion to $5.35 billion, including $300 million to $325 million of sales attributable to the consolidation of LW EMEA's results in the fiscal fourth quarter. The Company previously expected to deliver net sales of $4.8 billion to $4.9 billion, which did not include the expected contribution from LW EMEA.
- Net income of $639 million to $664 million and Diluted EPS of $4.42 to $4.57, including a net benefit from items impacting comparability of $8.1 million ($9.0 million after-tax, or $0.07 per share) during the first three quarters of fiscal 2023. The Company previously expected to deliver net income of $580 million to $620 million and Diluted EPS range of $4.03 to $4.28, including a net benefit from items impacting comparability of $51.1 million (approximately $41.3 million after-tax, or $0.28 per sh
- Excluding items impacting comparability, Adjusted Net In
Diluted EPS[1] of $4.35 to $4.50, and Adjusted EBITDA incl
million to $1,210 million. The Company estimates the conso
$10 million to $15 million of Adjusted EBITDA including unc
previously expected to deliver Adjusted Net Income[1] of $5
range of $3.75 to $4.00, and Adjusted EBITDA including un
to $1,100 million.
- Gross margins including the consolidation of LW EMEA
consolidation of LW EMEA, the Company raised its gross m
is above the Company's previous target of 27 percent to 28
- SG&A, excluding items impacting comparability, of $550
previous estimate of $525 million to $550 million, largely ref

In addition, the Company has updated other financial targets,

- Depreciation and amortization expense of approximately
estimate of approximately $210 million, reflecting the additio
associated with the consolidation of LW EMEA.
- Cash used for capital expenditures of $700 million to $72
estimated range of $475 million to $525 million, reflecting ad

investments and additional capital expenditures associated

- An effective tax rate(2) (full year), excluding items impact

Company's previous estimate was 24 percent.

The Company's target for interest expense, net, of approximately $115 million is unchanged.

End Notes

(1)	Adjusted Income from Operations, Adjusted Net Income, Adjusted Diluted EPS, and Adjusted EBITDA including unconsolidated joint ventures 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.
(2)	The effective tax rate is calculated as the ratio of income tax expense to pre-tax income, inclusive of equity method investment earnings.
(3)	For more information about product contribution margin, please see "Non-GAAP Financial Measures" and the table titled "Segment Information" included in this press release.

Webcast and Conference Call Information

Lamb Weston will host a conference call to review its third quarter fiscal 2023 results at 10:00 a.m. EDT today, April 6, 2023. Participants in the U.S. and Canada may access the conference call by dialing 877-502-9276 and participants outside the U.S. and Canada should dial +1-313-209-4906. The conference ID is 7608560. The conference call also may be accessed live on the internet. Participants can register for the event at: https://event.webcasts.com/starthere.jsp?ei=1600440&tp_key=122567668f

A rebroadcast of the conference call will be available beginning on Friday, April 7, 2023, after 2:00 p.m. EDT at https://investors.lambweston.com/events-and-presentations.

About Lamb Weston

Lamb Weston, along with its joint ventures, is a leading supplier of frozen potato, sweet potato, appetizer and vegetable products to restaurants and retailers around the world. For more than 70 years, Lamb Weston has led the industry in innovation, introducing inventive products that simplify back-of-house management for its customers and make things more delicious for their customers. From the fields where Lamb Weston potatoes are grown to proactive customer partnerships, Lamb Weston alwa
we look at a potato, we see possibilities. Learn more about us

Non-GAAP Financial Measures

To supplement the financial information included in this press
contribution margin on a consolidated basis, Adjusted EBITD
ventures, Adjusted Income from Operations, Adjusted Net Inc
expense, income tax expense, and equity method investment
financial measure. The non-GAAP financial measures provide
alternative for, financial measures prepared in accordance wit
United States of America ("GAAP") that are presented in this p
their comparable GAAP financial measures, such as gross pro
earnings per share, or other measures prescribed by GAAP, a
measures. For example, the non-GAAP financial measures pre
titled non-GAAP financial measures presented by other compa
non-GAAP financial measures the same way as the Company

Management uses these non-GAAP financial measures to ass
Company's core operating performance for purposes of busin
presenting these non-GAAP financial measures provides inves
they (i) provide meaningful supplemental information regardin

affecting comparability between periods, (ii) permit investors t
management uses to budget, make operating and strategic de
(iii) otherwise provide supplemental information that may be u
results. In addition, the Company believes that the presentatio
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 Income from Operations, Adjusted Net Income, Adjusted EBITDA including unconsolidated joint ventures and Adjusted Diluted EPS. The Company cannot predict certain items that are included in reported GAAP results, including items such as strategic developments, acquisition and integration costs and related fair value adjustments, impacts of currency and commodity hedging activities, and other 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, 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 Income from Operations, Adjusted Net Income, Adjusted EBITDA including unconsolidated joint ventures or Adjusted Diluted EPS to GAAP income from operations, net income or diluted earnings per share, as applicable, 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," "provide," "face," "leverage," "estimate," "outlook," "target," 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, capital expenditures and investments, operational costs, pricing actions, gross margins, productivity, acquisition of the remaining equity interest in LW EMEA, including the anticipated benefits of the transaction, and business and financial outlook and prospects, as well as supply chain constraints, inflation, the Company's industry, and global economic conditions. These forward-looking statements are based on management's current expectations and are subject to uncertainties and changes in circumstances. Readers of this press release should understand that these statements are not guarantees of performance or results. Many factors could affect these forward-looking statements and the Company's actual financial results and cause them to vary materially from the expectations contained in the forward-looking statements, including those set forth in this press release. These risks and uncertainties include, among other things: the availability and prices of raw materials and other commodities; labor shortages and other operational challenges; an uncertain general
economic environment, including inflationary pressures and re
impact the Company's business, financial condition or results
the Company's products; risks related to disruption of manag
integration efforts related to the LW EMEA acquisition; failure t
acquisition; the effect of the LW EMEA acquisition on the Com
key personnel, maintain relationships with suppliers and on its
associated with integrating acquired businesses, including LW
expenses; the Company's ability to successfully execute its lo
ability to execute on large capital projects, including construct
competitive environment and related conditions in the markets
operate; political and economic conditions of the countries in
business and other factors related to its international operatio
war in Ukraine and the possible related heightening of the Co
Company's business due to health pandemics or other contag
including impacts on demand for its products, increased costs
availability of key commodities and other necessary services c
governments; disruption of the Company's access to export m
acquisitions; the Company's debt levels; changes in the Comp
customers; the success of the Company's joint ventures; actio
the Company's businesses or joint ventures; the ultimate outc
Company's ability to pay regular quarterly cash dividends and
and other risks described in the Company's reports filed from

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

Lamb Weston Holdings, Inc.

Consolidated Statements of Earnings

(unaudited, in millions, except per share amounts)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 26, 2023	February 27, 2022	February 26, 2023	February 27, 2022
Net sales	$ 1,253.6	$ 955.0	$ 3,655.7	$ 2,945.8
Cost of sales	855.8	734.0	2,603.0	2,368.0
Gross profit	397.8	221.0	1,052.7	577.8
Selling, general and administrative expenses	131.5	87.2	357.6	269.4
Income from operations (1)	266.3	133.8	695.1	308.4
Interest expense, net (2)	25.8	25.8	76.4	136.1
Income before income taxes and equity method earnings	240.5	108.0	618.7	172.3
Income tax expense	42.1	31.1	152.6	49.4
Equity method investment earnings (loss) (3)	(23.3)	29.7	44.0	46.0
Net income	$ 175.1	$ 106.6	$ 510.1	$ 168.9
Earnings per share:				
Basic	$ 1.22	$ 0.73	$ 3.54	$ 1.16
Diluted	$ 1.21	$ 0.73	$ 3.53	$ 1.16
Dividends declared per common share	$ 0.280	$ 0.245	$ 0.770	$ 0.715
Weighted average common shares outstanding:				
Basic				
Diluted				

(1) Income from operations for the thirteen and thirty-nine we
million gain ($2.8 million after-tax, or $0.02 per share) and
$0.15 per share), respectively, related to actions taken to r
the purchase of the remaining equity interest in LW EMEA

(2) Interest expense, net, for the thirty-nine weeks ended Febr
extinguishment of debt of $53.3 million ($40.5 million after
aggregate call premium of $39.6 million related to the rede
2024 and 4.875% senior notes due 2026, and the write-off
issuance costs associated with those notes.

(3) Equity method investment earnings (loss) included a $47.
$0.24 per share) and a $19.3 million unrealized gain ($14.

weeks ended February 26, 2023 and February 27, 2022, re
($28.1 million after-tax, or $0.18 per share) and unrealized
$0.16 per share) for the thirty-nine weeks ended February
related to mark-to-market adjustments associated with cha
commodity markets in Europe have experienced significant volatility.

Equity method investment earnings for the thirty-nine weeks ended February 26, 2023 also included a $15.1 million gain (before and after-tax, or $0.10 per share) recognized in connection with the Company's acquisition of an additional 40 percent equity interest in its Argentina joint venture, bringing total equity ownership from 50 percent to 90 percent. The gain related to the remeasurement of the Company's previously held 50 percent equity interest to fair value.

Lamb Weston Holdings, Inc.

Consolidated Balance Sheets

(unaudited, in millions, except share data)

	February 26, 2023	May 29, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 675.0	$ 525.0
Receivables, less allowance for doubtful accounts of $1.2 and $1.1	500.5	447.3
Inventories	837.4	574.4
Prepaid expenses and other current assets	105.0	112.9
Total current assets	2,117.9	1,659.6
Property, plant and equipment, net	1,867.3	1,579.2
Operating lease assets	150.5	119.0
Equity method investments		
Goodwill		
Intangible assets, net		
Other assets		
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
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 and financing obligations, excluding current p		
Deferred income taxes		

Other noncurrent liabilities		
Total long-term liabilities		
Commitments and contingencies		
Stockholders' equity:		
Common stock of $1.00 par value, 600,000,000 shares authorized; 148,339,042 and 148,045,584 shares issued	148.3	148.0
Additional distributed capital	(774.0)	(813.3)
Retained earnings	1,703.3	1,305.5
Accumulated other comprehensive loss	(52.9)	(15.6)
Treasury stock, at cost, 4,587,296 and 3,974,156 common shares	(309.9)	(264.1)
Total stockholders' equity	714.8	360.5
Total liabilities and stockholders' equity	$ 5,087.3	$4,139.8

Lamb Weston Holdings, Inc.

Consolidated Statements of Cash Flows

(unaudited, in millions)

	Thirty-Nine Weeks Ended	
	February 26, 2023	February 27, 2022
Cash flows from operating activities		
Net income	$ 510.1	$ 168.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles and debt issuance costs	153.3	142.4
Loss on extinguishment of debt	—	53.3
Stock-settled, stock-based compensation expense	28.0	15.5
Equity method investment earnings in excess of distributions		
Deferred income taxes		
Foreign currency remeasurement gain		
Other		
Changes in operating assets and liabilities, net of acquisition:		
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		
Additions to other long-term assets		
Acquisition of interest in joint venture, net		

Other		
Net cash used for investing activities		
Cash flows from financing activities		
Proceeds from issuance of debt	510.8	1,669.2
Repayments of debt and financing obligations	(24.6)	(1,690.1)
Dividends paid	(105.8)	(103.0)
Repurchase of common stock and common stock withheld to cover taxes	(47.2)	(133.7)
Payments of senior notes call premium	—	(39.6)
Other	(1.9)	(5.0)
Net cash provided by (used for) financing activities	$ 331.3	$ (302.2)
Effect of exchange rate changes on cash and cash equivalents	19.3	(0.5)
Net increase (decrease) in cash and cash equivalents	150.0	(354.9)
Cash and cash equivalents, beginning of period	525.0	783.5
Cash and cash equivalents, end of period	$ 675.0	$ 428.6

Lamb Weston Holdings, Inc.

Segment Information

(unaudited, in millions, except percentages)

	Thirteen Weeks Ended				
	February 26, 2023	February 27, 2022	Year-Over-Year Growth Rates	Price/Mix	Volume
Segment net sales					
Global	$ 648.5	$ 487.9	33%	33%	0%
Foodservice	36				
Retail	2				
Other	2				
	$ 1,25				
Segment product contribution margin (1)					
Global	$ 16				
Foodservice	14				
Retail	8				
Other (2)					
	38				
Add: Advertising and promotion expenses					
Gross profit	$ 39				

	February 26,	27,	Growth		
	2023	2022	Rates	Price/Mix	Volume
Segment net sales					
Global	$ 1,901.0	$ 1,505.8	26%	26%	0%
Foodservice	1,084.2	929.8	17%	26%	(9%)
Retail	577.0	418.7	38%	41%	(3%)
Other	93.5	91.5	2%	4%	(2%)
	$ 3,655.7	$ 2,945.8	24%	27%	(3%)
Segment product contribution margin (1)					
Global	$ 422.2	$ 196.5	115%		
Foodservice	411.9	307.5	34%		
Retail	197.0	67.8	191%		
Other (2)	1.5	(6.6)	123%		
	1,032.6	565.2	83%		
Add: Advertising and promotion expenses	20.1	12.6	60%		
Gross profit	$ 1,052.7	$ 577.8	82%		

(1)Product contribution margin is one of the primary measures reported to the Company's chief operating decision maker for purposes of allocating resources to the Company's segments and assessing their performance. Product contribution margin represents net sales less cost of sales and advertising and promotion expenses. Product contribution margin includes advertising and promotion expenses because those expenses are directly associated with the performance of the Company's segments. Product contribution margin, when presented on a consolidated basis, is a non-GAAP financial measure. Se[e]
release for a description of non-GAAP financial measures a[...]
contribution margin on a consolidated basis to gross profit.

(2)The Other segment primarily includes the Company's vege[...]
market adjustments and realized settlements associated wi[...]
to-market adjustments and realized settlements associated [...]
Other segment included a loss of $7.5 million and a gain of [...]
26, 2023 and February 27, 2022, respectively; and losses o[...]
weeks ended February 26, 2023 and February 27, 2022, res[...]
adjustments and realized settlements, Other segment produ[...]
increased $8.3 million for the thirteen and thirty-nine weeks[...]

Lamb Weston Hol[...]

Reconciliation of Non-GAAP[...]

(unaudited, in millions, excep[...]

	Income From Operations	Interest Expense	(1)	(Loss)	Net Income	EPS
Thirteen Weeks Ended February 26, 2023						
As reported	$ 266.3	$ 25.8	$ 42.1	$ (23.3)	$ 175.1	$ 1.21
Items impacting comparability:						
Impact of LW EMEA natural gas and electricity derivative losses (2)	—	—	12.2	47.3	35.1	0.24
Acquisition-related items, net (2)	(4.3)	—	(1.5)	—	(2.8)	(0.02)
Total items impacting comparability	(4.3)	—	10.7	47.3	32.3	0.22
Adjusted (3)	$ 262.0	$ 25.8	$ 52.8	$ 24.0	$ 207.4	$ 1.43
Thirteen Weeks Ended February 27, 2022						
As reported	$ 133.8	$ 25.8	$ 31.1	$ 29.7	$ 106.6	$ 0.73
Items impacting comparability:						
Impact of LW EMEA natural gas and electricity derivative gains (2)	—	—	(5.0)	(19.3)	(14.3)	(0.10)
Total items impacting comparability	—	—	(5.0)	(19.3)	(14.3)	(0.10)
Adjusted (3)	$ 133.8	$ 25.8	$ 26.1	$ 10.4	$ 92.3	$ 0.63
Thirty-Nine Weeks Ended February 26, 2023						
As reported	$ 695.1	$ 76.4	$ 152.6	$ 44.0	$ 510.1	$ 3.53
Items impacting comparability:						
Impact of LW EMEA natural gas and electricity derivative losses (2)	—	—				
Acquisition-related items, net (2)	(30.8)	—				
Gain on acquisition of interest in joint venture (2)	—	—				
Total items impacting comparability	(30.8)	—				
Adjusted (3)	$ 664.3	$ 76.4	$			
Thirty-Nine Weeks Ended February 27, 2022						
As reported	$ 308.4	$ 136.1	$			
Items impacting comparability:						
Impact of LW EMEA natural gas and electricity derivative gains (2)	—	—				

Loss on extinguishment of debt (2)	—	(53.3)				
Total items impacting comparability	—	(53.3)	4.9	(30.6)	17.8	0.12
Adjusted (3)	$ 308.4	$ 82.8	$ 54.3	$ 15.4	$ 186.7	$ 1.28

(1) Items impacting comparability are tax effected at the marginal rate based on the applicable tax jurisdiction. For the thirty-nine weeks ended February 26, 2023, there is no tax impact associated with the gain on the acquisition of an additional 40 percent interest in the Company's Argentina joint venture.

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

(3) Adjusted income from operations, interest expense, income tax expense, equity method investment earnings (loss), net income, and diluted earnings per share are non-GAAP financial measures. These non-GAAP financial measures reflect management's exclusion of items impacting comparability between periods as management believes these items are not necessarily reflective of the underlying operating trends of the Lamb Weston business. Management uses these non-GAAP financial measures to assist in analyzing what management views as the Company's core operating performance for purposes of decision making. Management 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 useful supplemental information to understand the factors and trends affecting the Company's underlying business than could be obtained absent these disclosures. Any analysis of non-GAAP financial measures should be done only in conjunction with results presented in accordance with GAAP. These non-GAAP financial measures are not intended to be a substitute for GAAP financial measures and should not be used as such. See also "Non-GAAP Financial Measures" in this press release for additional information.

Lamb Weston Holdings, Inc
Reconciliation of Non-GAAP
(unaudited, in m

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

Net income	
Equity method investment loss (earnings) (1)	
Interest expense, net	
Income tax expense	
Income from operations	

Depreciation and amortization				
Items impacting comparability				
Acquisition-related items, net (1)				
Adjusted EBITDA (2)	312.2	180.4	814.3	447.2
Unconsolidated Joint Ventures (3)				
Equity method investment earnings (loss)	(23.3)	29.7	44.0	46.0
Interest expense, income tax expense, and depreciation and amortization included in equity method investment earnings	9.3	9.5	26.9	30.7
Items impacting comparability				
Impact of LW EMEA natural gas and electricity derivatives (1)	47.3	(19.3)	37.8	(30.6)
Gain on acquisition of interest in joint venture (1)	—	—	(15.1)	—
Add: Adjusted EBITDA from unconsolidated joint ventures	33.3	19.9	93.6	46.1
Adjusted EBITDA including unconsolidated joint ventures (2)	$ 345.5	$ 200.3	$ 907.9	$ 493.3

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

(2)Adjusted EBITDA and Adjusted EBITDA including unconsolidated joint ventures are non-GAAP financial measures. These non-GAAP financial measures reflect management's exclusion of items impacting comparability between periods as management believes these items are not necessarily reflective of the underlying operating trends of the Lamb Weston business. Management uses these non-GAAP financial measures to assist in analyzing what management views as the Company's core operating performance for purposes of decision making. Management believes that the presentation of these non-GAAP financial measures, when considered together with the most directly comparable GAAP financial measure, net income, and the reconciliations to that GAAP financial measure, provides investors with useful supplemental information to understand the factors and trends affecting the Company
absent these disclosures. Any analysis of non-GAAP financ
with results presented in accordance with GAAP. These nor
substitute for GAAP financial measures and should not be u
Measures" in this press release for additional information.

(3)As of the end of the fiscal third quarter 2023, Lamb Weston
ventures, including 50 percent of LW EMEA, 50 percent of L
percent of LWAMSA. Lamb Weston accounts for its investm
accounting. Lamb Weston accounted for its investment in L
July 2022, when Lamb Weston acquired majority ownershi
LWAMSA by consolidating its financial results in Lamb Wes
Lamb Weston accounted for its investment in LW EMEA un
fiscal third quarter 2023. Lamb Weston completed the acqu
on February 28, 2023, and the financial results of LW EMEA
financial statements beginning the fourth fiscal quarter 202
Condensed Notes to Consolidated Financial Statements in
for more information.

View source version on businesswire.com: https://www.busine

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