



# Lamb Weston Reports Fiscal First Quarter 2022 Results; Updates Fiscal Year 2022 Outlook

October 07, 2021

First Quarter Fiscal 2022 Highlights

- Net sales increased 13% to \$984 million
- Income from operations declined 56% to \$60 million
- Net income declined 67% to \$30 million
- Diluted EPS declined 67% to \$0.20 from \$0.61
- Adjusted EBITDA including unconsolidated joint ventures (1) declined 39% to \$123 million
- Returned \$60 million of cash to stockholders, including \$34 million in dividends and \$26 million in share repurchases

#### Updated FY 2022 Outlook

- Net sales growth above long-term target range of low-single digits
- Net income and Adjusted EBITDA including joint venture

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, I quarter 2022 results.

"Our first quarter sales results reflect the ongoing broad recover demand in North America near pre-pandemic levels, and our seand foodservice sales channels," said Tom Werner, President heat that negatively affected potato crops in the Pacific Northworth challenges, including highly inflationary input and transportation downstream supply chain disruptions, will result in higher cost our earnings. Accordingly, we expect our gross profit margins 2022."

"Our experienced team is taking specific actions intended to n pricing actions to offset commodity inflation, restructuring freig schedules to reduce labor volatility, adopting new policies and employees, and rationalizing our product portfolio. We expect well as our investments in productivity, technology and capacitrack to drive profitable growth and create value for our staket

#### Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

## **Summary of First Quarter**

(\$ in millions, excep

#### **Cookies Settings**

			Year-Over- Year
	(	Q1 2022	Growth Rates
Net sales	\$	984.2	13%
Income from operations	\$	60.2	(56%)
Net income	\$	29.8	(67%)
Diluted EPS	\$	0.20	(67%)
Adjusted EBITDA including unconsolidated joint ventures <sup>(1)</sup>	\$	123.4	(39%)

#### Q1 2022 Commentary

Net sales increased \$112.7 million to \$984.2 million, up 13 percent versus the prior year quarter, with volume up 11 percent and price/mix up 2 percent. The increase in sales volumes predominantly reflected the recovery in demand for frozen potato products outside the home, which more than offset the decline in retail volume that largely resulted from lower shipments of private label products resulting from incremental losses of certain low-margin business, and as food-at-home purchases begin to normalize to pre-pandemic levels. Pricing actions, including the benefit of higher prices charged to customers for product delivery, as well as favorable mix, drove the increase in price/mix in each of the Company's core business segments.

Income from operations declined \$75.5 million to \$60.2 million, down 56 percent versus the prior year quarter, reflecting lower gross profit and higher selling, general and administrative expenses ("SG&A"). Gross profit declined \$62.5 million, as the benefit of increased sales volumes was more than offset by higher manufacturing and distribution costs on a per-pound basis. The higher costs per pound predominantly reflected double-digit cost inflation from key inputs, particularly edible oils, and transportation, particularly trucking and ocean freight. In addition, the Company incurred higher manufacturing costs per pound due to volatile labor availability, which was in part a result of COVID-related absenteeism, that affected production run-rates and throughput. The decline in gross profit also included a \$5.6 million decrease in unrealized mark-to-market adjustments associated with commodity hedging contracts, which includes a \$1.2 million gain in the current quarter, compared with a \$6.8 million gain related to these items in the prior year quarter.

SG&A increased \$13.0 million compared to the prior year qua Company's information technology, commercial, and supply c increased compensation and benefit expenses. These investmexpenses (primarily consulting expenses) associated with a necompared to approximately \$1 million in the prior year quarter ("A&P") increased \$2.9 million, largely in support of the launch

Net income was \$29.8 million, down \$59.5 million versus the  $\mu$  \$0.41 versus the prior year quarter, driven by a decrease in incearnings.

Adjusted EBITDA including unconsolidated joint ventures<sup>(1)</sup> de percent versus the prior year quarter, driven by lower income 1 earnings.

The Company's effective tax rate<sup>(2)</sup> in the first fiscal quarter was period. The Company's effective tax rate varies from the U.S. s impact of U.S. state taxes, foreign taxes, permanent difference

#### Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

#### Global

#### Global Segment §

	Year-Over-Year						
		Q1 2022	Growth Rates	Price/Mix	Volume		
	(dollars in millions)						
Net sales	\$	501.2	12%	2%	10%		
Segment product contribution margin <sup>(3)</sup>	\$	42.6	(45%)				

Net sales for the Global segment, which is generally comprised of the top 100 North American based quick service ("QSR") and full-service restaurant chain customers as well as all of the Company's international sales, increased \$53.7 million to \$501.2 million, up 12 percent versus the prior year quarter, with volume up 10 percent and price/mix up 2 percent. The sales volumes increase reflects the recovery in demand in the U.S. and in most of the Company's key international markets, as well as the benefit of limited time product offerings. The increase in price/mix largely reflected favorable price, including higher prices charged for freight.

Global segment product contribution margin declined \$35.2 million to \$42.6 million, down 45 percent versus the prior year quarter. Input and transportation cost inflation, as well as higher manufacturing costs per pound, more than offset the benefit of higher sales volumes and favorable price/mix.

#### Foodservice

# Foodservice Segment Summary

	Year-Over-Year		
Q1 2022	Growth Rates	Price/Mix	Volume
(dollars in millions)			

Net sales	\$
Segment product contribution margin <sup>(3)</sup>	\$

Net sales for the Foodservice segment, which services North A chains generally outside the top 100 North American based re \$321.4 million, up 36 percent versus the prior year quarter, wit The continued recovery in demand at small and regional chair restaurants, drove the increase in sales volumes. Shipments to hospitality, healthcare, schools and universities, sports and en increased versus the prior year quarter, but remained below p the inability to service full customer demand due to lower proc price/mix largely reflected favorable price, including higher pri

Foodservice segment product contribution margin increased (compared to the prior year quarter. Higher sales volumes and partially offset by input and transportation cost inflation, as we

#### Retail

Retail Segment S

#### Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

	(	Q1 20			
	(dollars in millions)				
Net sales	\$	132.5	(14%)	1%	(15%)
Segment product contribution margin <sup>(3)</sup>	\$	14.8	(59%)		

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, declined \$21.4 million to \$132.5 million, down 14 percent versus the prior year quarter, with volume down 15 percent and price/mix up 1 percent. The sales volume decline largely reflects lower shipments of private label products resulting from incremental losses of certain low-margin business, and to a lesser extent, a slight decline in branded product sales volumes as food-at-home purchases began to normalize to pre-pandemic levels. However, total shipments of the Company's branded products in the current quarter were well above pre-pandemic levels. The increase in price/mix was largely driven by favorable price, including higher prices charged for freight.

Retail segment product contribution margin declined \$21.0 million to \$14.8 million, down 59 percent versus the prior year quarter. Input and transportation cost inflation, higher manufacturing costs per pound, lower sales volumes and a \$2.1 million increase in A&P expenses to support new product launches, drove the decline.

#### **Equity Method Investment Earnings**

Equity method investment earnings from unconsolidated joint ventures in Europe, the U.S., and South America were \$6.2 million and \$11.9 million for the first quarter of fiscal 2022 and 2021, respectively. Equity method investment earnings included a \$4.3 million unrealized gain related to mark-to-market adjustments associated with currency and commodity hedging contracts in the current quarter, compared to a \$4.7 million unrealized gain related to these items in the prior year quarter.

Excluding the mark-to-market adjustments, earnings from equity method investments declined \$5.3 million compared to the prior year period. The earnings decline largely reflects input cost inflation and higher manufacturing costs in Europe and the U.S.

#### Cash Flow and Liquidity

Net cash from operating activities was \$161.8 million, down \$8 expenditures, including information technology expenditures, year period reflecting increased investments behind capacity of

On August 11, 2021, the Company amended its revolving crec to extend the maturity date to August 11, 2026. In connection agreement with Northwest Farm Credit Services to decrease that as to modify certain other provisions, including covenants, that facility. At the end of the fiscal first quarter, no borrowings were facility, and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million of careful and the Company had approximately \$790 million and \$700 million and \$7

#### Capital Returned to Shareholders

In the first quarter, the Company returned a total of \$60.4 million dividends and \$26.0 million through share repurchases. The a quarter was \$65.86. The Company has approximately \$144 m repurchase authorization.

#### Fiscal 2022 Outlook

#### Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

The Company continues to expect fiscal 2022 net sales growtl single digits. The Company continues to anticipate net sales of driven largely by higher volume, reflecting an ongoing recover favorable comparison to relatively soft shipments in the secon expect net sales growth in the second half of fiscal 2022 to refu

improved price/mix as recent pricing actions are fully implemented in the market.

The Company expects net income and Adjusted EBITDA including unconsolidated joint ventures will be pressured for the remainder of fiscal 2022, as it manages through significant inflation for key production inputs, packaging and transportation compared to fiscal 2021 levels, as well as industrywide operational challenges, including labor availability, and upstream and downstream supply chain disruptions, resulting from volatility in the broader supply chain as the overall economy continues to recover from the pandemic's impact. In addition, the Company expects its potato costs on a per pound basis will likely rise as the year progresses due to the extreme summer heat that negatively affected the quality of potato crops in the Pacific Northwest. Accordingly, the Company expects gross margins to remain below pre-pandemic levels through fiscal 2022. The Company previously expected earnings to gradually approach pre-pandemic levels in the second half of fiscal 2022.

The Company continues to expect that ongoing investments in its information technology, commercial, and supply chain will increase operating expenses in the near term, but remains confident that these investments will improve its ability to support growth and margin improvement over the long term.

The Company continues to believe that its strong balance sheet and ability to generate cash has it well-positioned to expand production capacity to support long-term growth, including its previously announced investments in the U.S. and China, as well as to make strategic investments in its information technology platform, including the second phase of its ERP project. Through its joint venture in Europe, the Company also previously announced investments to expand capacity in Russia and the Netherlands.

In addition, for fiscal 2022, the Company continues to expect:

- Interest expense, net, of approximately \$115 million, and
- Depreciation and amortization of approximately \$190 million

The Company is reducing its estimate for its effective tax rate to approximately 22 percent. The Company previously estimated its effective tax rate would be at the low end of its long-term range of 23 percent and 24 percent.

The Company is also reducing its estimate for cash used for c approximately \$450 million from its previous estimate of \$650 expenditures related to certain capacity expansion projects.

#### **End Notes**

- (1) Adjusted EBITDA including unconsolidated joint ventures is discussion of non-GAAP financial measures and the recond information.
- (2) The effective tax rate is calculated as the ratio of income tax method investment earnings.
- (3) For more information about product contribution margin, pl table titled "Segment Information" included in this press rel

#### Webcast and Conference Call Information

#### Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

Lamb Weston will host a conference call to review its first quar October 7, 2021. Participants in the U.S. and Canada may acc and participants outside the U.S. and Canada should dial +1-The conference call also may be accessed live on the internet <a href="https://globalmeet.webcasts.com/starthere.jsp?ei=1497340&tp.">https://globalmeet.webcasts.com/starthere.jsp?ei=1497340&tp.</a>

A rebroadcast of the conference call will be available beginning on Friday, October 8, 2021 after 2:00 p.m. EDT at https://investors.lambweston.com/events-and-presentations.

#### **About Lamb Weston**

Lamb Weston, along with its joint venture partners, is a leading supplier of frozen potato, sweet potato, appetizer and vegetable products to restaurants and retailers around the world. For more than 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 always strives for more and never settles. Because, when we look at a potato, we see possibilities. Learn more about us at lambweston.com.

#### Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws. Words such as "expect," "improve," "believe," "will," "continue," 'take," "remain," "support," "anticipate," "drive," "create," "manage," "increase," "generate," "expand," "outlook," 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 and business outlook and prospects, as well as the impact of the COVID-19 pandemic on the Company's industry and the global economy. 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 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: impacts on the Company's business due to health pandemics or other contagious outbreaks, such as the COVID-19 pandemic, including impacts on demand for its products, increased costs, disruption of supply or other constraints in the availability of key commodities and other necessary services; the availability and prices of raw materials; levels of pension, labor and people-related expenses; the Company's ability to successfully execute its long-term value creation strategies; the Company's ability to execute on large capital projects, including construction of new production lines or facilities; the competitive environment and related

conditions in the markets in which the Company and its joint v of the countries in which the Company and its joint ventures c international operations; disruption of the Company's access t acquisitions, including the Company's ability to complete acquievels; changes in the Company's relationships with its grower Company's joint ventures; actions of governments and regular joint ventures; the ultimate outcome of litigation or any product quarterly cash dividends and the amounts and timing of any further Company's reports filed from time to time with the Securities a readers not to place undue reliance on any forward-looking stronly as of the date of this press release. The Company undertiexcept as required by law.

#### Non-GAAP Financial Measures

To supplement the financial information included in this press contribution margin on a consolidated basis, Adjusted EBITD/ joint ventures, each of which is considered a non-GAAP finance

The non-GAAP financial measures provided should be viewed measures prepared in accordance with accounting principles ("GAAP") that are presented in this press release. These meas

#### Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

financial measures, such as gross profit, net income, or other limitations to using non-GAAP financial measures. The non-GA similarly titled non-GAAP financial measures presented by oth these non-GAAP financial measures the same way.

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. 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 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 historical performance, and (iii) otherwise provide supplemental information that may be useful to investors in evaluating the Company's results. The Company believes that the presentation of these non-GAAP financial measures, when considered together with the corresponding GAAP financial measures and the reconciliations to those measures, provides investors with additional understanding of the factors and trends affecting the Company's business than could be obtained absent these disclosures.

Lamb Weston Holdings, Inc	<b>)</b> .			
Consolidated Statements of Ear	nings			
(unaudited, in millions, except per sha	re am	ounts)		
	7	Thirteen We	eeks E	Inded
	nings	Aug	gust 30,	
		2021	,	2020
Net sales	\$	984.2	\$	871.5
Cost of sales		832.9		657.7
Gross profit		151.3		213.8
Selling, general and administrative expenses		91.1		78.1
Income from operations		60.2		135.7
Interest expense, net		27.9		30.3
Income before income taxes and equity method earnings		32.3		105.4
Income tax expense		8.7		28.0

Equity method investment earnings	
Net income	\$
Earnings per share	
Basic	\$
Diluted	\$
Dividends declared per common share	\$
Weighted average common shares outstanding:	
Basic	
Diluted	
Computation of diluted earnings per share:	
Net income	\$
Diluted weighted average common shares outsta	anding
Diluted earnings per share	\$

Equity method investment earnings

#### Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

	Lamb Weston Holdin	gs, Inc.
	Consolidated Balance	Sheets
(unaudit	ed, dollars in millions, e	except share data)
		Aug
ASSETS		
Current assets:		
Cash and cash equivalents		\$
Receivables, less allowance for doubtful	accounts of \$1.1 and \$0	0.9
Inventories		
Prepaid expenses and other current asse	ts	
Total current assets		
Property, plant and equipment, net		
Operating lease assets		
Equity method investments		
Goodwill		
Intangible assets, net		
Other assets		
Total assets		\$
LIABILITIES AND STOCKHOLDERS' EQU	ITY	
Current liabilities:		
Current portion of long-term debt and fina	ancing obligations	\$
Accounts payable		
Accrued liabilities		
Total current liabilities		
Long-term liabilities:		This is a USA we
Long-term debt and financing obligations	s, excluding current p	viewing are li
Deferred income taxes		current location
Other noncurrent liabilities		your
Total long-term liabilities		
Commitments and contingencies		<u>Ye</u>
Stockholders' equity:		We care a
Common stock of \$1.00 par value, 600,00 148,016,633 and 147,640,632 shares issue		we use
Additional distributed capital		Please cl
Retained earnings		agree to
Accumulated other comprehensive incon	ne	
Treasury stock, at cost, 1,955,617 and 1,4	148,768 common sha	

# Attention!

32.0

August 29,

2021

789.7

401.3

469.2

74.8

1,735.0

1,565.7

135.1

298.8

323.5

35.8

82.4

\$

4,176.3

\$

May 30,

2021

783.5

366.9

513.5

117.8

1,781.7

1,524.0

141.7

310.2

334.5

36.9

80.4

32.0

4,209.4

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

# Yes, transfer me

Total stockholders' equity
Total liabilities and stockholders' equity

#### Lamb Weston Holdings, Inc.

#### Consolidated Statements of Cash Flows

(unaudited, dollars in millions)

		Thirteen V	Veeks E	Ended
	A	ugust 29,	ı	August 30,
		2021		2020
Cash flows from operating activities				
Net income	\$	29.8	\$	89.3
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangibles and debt issuance costs		47.3		46.9
Stock-settled, stock-based compensation expense		5.2		6.0
Distributions (earnings) of joint ventures, net		3.5		(9.2)
Deferred income taxes		1.7		1.9
Other		1.5		10.8
Changes in operating assets and liabilities:				
Receivables		(35.1)		9.1
Inventories		43.4		18.0
Income taxes payable/receivable, net		9.7		29.0
Prepaid expenses and other current assets		33.0		38.0
Accounts payable		10.0		18.7
Accrued liabilities		11 0		(7.0)

#### Net cash provided by operating activities

#### Cash flows from investing activities

Additions to property, plant and equipment

Additions to other long-term assets

Other

#### Net cash used for investing activities

# Cash flows from financing activities

Dividends paid

Repurchase of common stock and common stock withheld to taxes

Repayments of debt and financing obligations

Repayments of short-term borrowings, net

Other

# Net cash used for financing activities

Effect of exchange rate changes on cash and cash equivalent

Net increase (decrease) in cash and cash equivalents

#### Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

Cash and	cash	equivalents,	beginni	ng of period
Cash and	cash	equivalents,	end of p	period

# Lamb Weston Holdings, Inc.

## **Segment Information**

(unaudited, dollars in millions)

	Thirteen Weeks Ended							
	Year-Over-							
	Au	gust 29,	Αι	ıgust 30,	Year Growth			
		2021		2020	Rates	Price/Mix	Volume	
Segment sales								
Global	\$	501.2	\$	447.5	12%	2%	10%	
Foodservice		321.4		236.7	36%	1%	35%	
Retail		132.5		153.9	(14%)	1%	(15%)	
Other		29.1		33.4	(13%)	10%	(23%)	
	\$	984.2	\$	871.5	13%	2%	11%	
Segment product contribution margin (1)								
Global	\$	42.6	\$	77.8	(45%)			
Foodservice		96.4		85.8	12%			
Retail		14.8		35.8	(59%)			
Other		(6.6)		13.2	(150%)			
		147.2		212.6	(31%)			
Add: Advertising and promotion expenses		4.1		10	0.400/			
Gross profit	\$	151.3						

(1) Product contribution margin is one of the primary measures maker for purposes of allocating resources to the Company Product contribution margin represents net sales less cost Product contribution margin includes advertising and prom associated with the performance of the Company's segmer a consolidated basis, is a non-GAAP financial measure. See release for a description of non-GAAP financial measures a contribution margin on a consolidated basis to gross profit.

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

# Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

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.

	Thirteen Weeks Ended			
	August 29, 2021		August 30, 2020	
Net income				
	\$	29.8	\$	89.3
Equity method investment earnings		(6.2)		(11.9)
Interest expense, net		27.9		30.3
Income tax expense		8.7		28.0
Income from operations		60.2		135.7
Depreciation and amortization		46.0		45.6
Adjusted EBITDA (1)		106.2		181.3
Unconsolidated Joint Ventures (2)				
Equity method investment earnings		6.2		11.9
Interest expense, income tax expense, and depreciation and				
amortization included in equity method investment earnings		11.0		8.6
Add: Adjusted EBITDA from unconsolidated joint ventures		17.2		20.5
Adjusted EBITDA including unconsolidated joint ventures (1)	\$	123.4	\$	201.8

- (1)Adjusted EBITDA and Adjusted EBITDA including unconsol measures. Lamb Weston presents these measures because evaluate the performance of the Company on an ongoing be Company's management and assist in providing a meaning non-GAAP financial measures should be done only in conjugaAP. These non-GAAP financial measures are not intende should not be used as such. See also "Non-GAAP Financia
- (2) Lamb Weston holds equity interests in three potato process Weston/Meijer v.o.f., Lamb-Weston/RDO Frozen, and Lamb for its ownership under the equity method of accounting. So Notes to Consolidated Financial Statements in "Part II, Item in the Company's fiscal 2021 Form 10-K, for more informati

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

#### Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me

Investors:

**Dexter Congbalay** 

224-306-1535

dexter.congbalay@lambweston.com

Media:

Shelby Stoolman

208-424-5461

shelby.stoolman@lambweston.com

Source: Lamb Weston Holdings, Inc.



# Attention!

This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to your country website?

#### Yes, transfer me