# Lamb Weston Reports Fiscal Third Quarter 2024 Results; Updates Fiscal Year 2024 Outlook

April 04, 2024

*Third Quarter Fiscal 2024 Highlights*

- *GAAP and Non-GAAP results include a temporary, higher-than-expected impact from the transition to a new enterprise resource planning system in North America and a $25 million pre-tax charge(1) for the write-off of excess raw potatoes*
- *GAAP Results as Compared to Third Quarter Fiscal 2023:*
  - *Net sales increased 16% to $1,458 million, including $357 million of incremental sales attributable to the LW EMEA Acquisition*
  - *Income from operations declined 16% to $224 million*
  - *Net income declined 17% to $146 million*
  - *Diluted EPS declined 17% to $1.01*
- *Non-GAAP Results as Compared to Third Quarter Fiscal 2023:*
  - *Adjusted Income from Operations(2) declined from $2*
  - *Adjusted Net Income(2) declined 18% to $175 million*
  - *Adjusted Diluted EPS(2) declined 18% to $1.20*
  - *Adjusted EBITDA(2) declined from $352 million to $34*
- *Paid $40 million in cash dividends to common sharehold*

*Updated Fiscal 2024 Outlook*

- *Net sales of $6.54 billion to $6.60 billion*
- *GAAP net income of $770 million to $790 million, and Di*
- *Adjusted EBITDA(2) of $1,480 million to $1,510 million, v impact from the transition to a new ERP system in North An write-off of excess raw potatoes*
- *Adjusted Net Income(2) of $800 million to $820 million a*

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, I third quarter of fiscal 2024 and updated its full year earnings ta

"The transition to a new enterprise resource planning (ERP) sy financial results in the quarter by more than we expected," sai

transition temporarily reduced the visibility of finished goods ir
affected our ability to fill customer orders. In turn, this pressure
are disappointed with the magnitude of the ERP transition's ef
adjustments and modifying processes, we believe the impact
normalized."



"As a result of the ERP transition's impact and soft near-term restaurant traffic trends, we have reduced our annual sales and earnings guidance for the year. We remain confident in the underlying performance of the business, the health of the global frozen potato category and our ability to deliver sustainable, profitable growth over the long term."

**Summary of Third Quarter FY 2024 Results**
*($ in millions, except per share)*

| | | Q3 2024 | Year-Over-Year Growth Rates | | YTD FY 2024 | Year-Over-Year Growth Rates |
|---|---|---|---|---|---|---|
| Net sales | $ | 1,458.3 | 16% | $ | 4,855.7 | 33% |
| Income from operations | $ | 223.9 | (16)% | $ | 852.8 | 23% |
| Net income | $ | 146.1 | (17)% | $ | 595.8 | 17% |
| Diluted EPS | $ | 1.01 | (17)% | $ | 4.09 | 16% |
| | | | | | | |
| Adjusted Income from Operations[2] | $ | 262.6 | (2)% | $ | 893.6 | 32% |
| Adjusted Net Income [2] | $ | 175.0 | (18)% | $ | 626.2 | 24% |
| Adjusted Diluted EPS [2] | $ | 1.20 | (18)% | $ | 4.29 | 23% |
| Adjusted EBITDA [2] | $ | 343.6 | (2)% | $ | 1,133.4 | 24% |

## Q3 2024 Commentary

ERP Transition

At the beginning of the fiscal third quarter, the Company transi
including order to cash, produce to deliver, source to pay, and
America to a new ERP system. After the transition, the Compa
inventories at its distribution centers, resulting in a higher-than
The transition had a greater impact on shipments of higher-ma
product orders, resulting in unfavorable mix. The Company pa
impact and estimates the lower order fulfillment rates reduced
percentage points and net sales by approximately $135 millio
$12 million in the Company's North America and International

In total, the Company estimates the ERP transition negatively i
approximately $72 million, and Adjusted EBITDA[2] by approxir
Adjusted EBITDA[2], the Company estimates that approximatel
and approximately $40 million related to incremental costs an

- Approximately $7 million was recorded as a reduction in
for delayed or unfilled customer orders;

- Approximately $26 million was recorded in cost of sales,
inefficiencies resulting from planned downtime at the Comp
freight charges; and

- Approximately $7 million was recorded in selling, genera
consulting expenses to restore order fulfillment rates.

Of the approximately $95 million negative impact on Adjusted EBITDA[1], the Company estimates that approximately $83 million impacted the North America segment, approximately $5 million impacted the International segment, and approximately $7 million impacted unallocated corporate costs.

The Company believes the impact of the order fulfillment issues were contained to the fiscal third quarter as customer order fulfillment rates have been restored to pre-transition levels.

Q3 Results of Operations

Net sales increased $204.7 million to $1,458.3 million, up 16 percent versus the prior year quarter, with the current year quarter including $356.7 million of incremental sales attributable to the consolidation of the financial results of Lamb-Weston/Meijer v.o.f., the Company's former joint venture in Europe ("LW EMEA"), following the completion of the Company's acquisition in February 2023 of the remaining interest in LW EMEA (the "LW EMEA Acquisition").

Net sales, excluding the incremental sales attributable to the LW EMEA Acquisition, were down $152.0 million, or 12 percent versus the prior year quarter, with approximately $135 million of the decline attributable to the ERP transition. Volume declined 16 percent, with approximately 8 percentage points of the decline related to unfilled customer orders resulting from the Company's transition to a new ERP system in North America. The other half of the volume decline largely reflects soft restaurant traffic trends in North America and other key international markets, as well as the carryover effect of the Company's decision to exit certain lower-priced and lower-margin business in the prior year to strategically manage customer and product mix. Price/mix increased 4 percent, reflecting the benefit of inflation-driven pricing actions across both business segments, partially offset by lower customer transportation charges that were driven by lower volume and the pass-through of lower freight rates.

Gross profit increased $5.9 million versus the prior year quarter to $403.7 million, and included a $23.3 million ($17.3 million after-tax, or $0.12 per share) unrealized loss related to mark-to-market adjustments associated with commodity hedging contracts. The prior year quarter included a $5.1 million ($3.8 million after-tax, or $0.03 per share impact) unrealized loss related to mark-to-market adjustments associated with commodity hedging contracts.

Adjusted Gross Profit[2] increased $24.1 million versus the prior year quarter to $427.0 million, driven by incremental earnings from the consolidation of the financial results of LW EMEA, and benefits from inflation-driven pricing actions. Gross profit and Adjusted Gross Profit[2] in the current quarter included an estimated $33 million of incremental pre-tax costs associated with the ERP transition, a
write-off of excess raw potatoes, largely reflecting a reduction
from soft restaurant traffic trends in North America and other k
than-expected impact on customer order fulfillment rates relat

The increase in Adjusted Gross Profit[2] was also partially offse
mid-single-digit cost inflation, in aggregate, for key inputs, incl
such as grains and starches used in product coatings. The inc
lower transportation rates and lower cost of edible oils.

Selling, general and administrative expenses ("SG&A") increas
$179.8 million, and included: $2.4 million ($1.8 million after-tax
acquisition-related expenses; $4.0 million ($3.0 million after-ta
mark-to-market adjustments associated with currency hedging
$0.04 per share) of foreign currency exchange losses. The pri
after-tax, or $0.02 per share) of LW EMEA integration and acqu
million after-tax, or $0.01 per share) of foreign currency excha

Adjusted SG&A[2] increased $30.4 million to $164.4 million, pri
the consolidation of the financial results of LW EMEA, and high

investments, including the transition to a new ERP system and
in Adjusted SG&A[2] was partially offset by a reduction in comp

Income from operations declined $42.4 million to $223.9 millio
Adjusted Income from Operations[2] declined $6.3 million from the prior year quarter to $262.6 million. The increase was driven by higher sales and Adjusted Gross Profit[2], which were largely offset by higher Adjusted SG&A[2].

Net income was $146.1 million, down $29.0 million versus the prior year quarter, and Diluted EPS was $1.01, down 17 percent from the prior year quarter. Net income in the current quarter included a total net loss of $28.9 million ($38.7 million before tax, or $0.19 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 $37.3 million ($49.7 million before tax, or $0.26 per share), including $38.7 million ($52.2 million before tax, or $0.27 per share) in unrealized mark-to-market adjustments associated with commodity and currency hedging contracts (primarily at LW EMEA), foreign currency exchange losses, and items impacting comparability.

Adjusted Net Income[2] was $175.0 million, down $37.4 million versus the prior year quarter, and Adjusted Diluted EPS[2] was $1.20, down 18 percent from the prior year quarter. The declines in Adjusted Net Income[2] and Adjusted Diluted EPS[2] largely reflect lower Adjusted Income from Operations[2] due to the factors described above, as well as higher interest expense.

Adjusted EBITDA[2] declined $8.6 million from the prior year quarter to $343.6 million, as an approximately $95 million negative impact from the ERP transition, higher cost per pound, a $25.0 million pre-tax charge[1] for the write-off of excess raw potatoes (of which $4.5 million[1] was recorded in Equity Method Investment Earnings), and lower volumes largely offset incremental earnings from the consolidation of the financial results of LW EMEA and the benefit of inflation-driven pricing actions.

The Company's effective tax rate[3] in the third quarter was 22.8 percent, versus 19.4 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 2024 Segment Highlights

### North America Summary

| | Year-Over- |
|---|---|
| Net sales | |
| Segment Adjusted EBITDA | |

Net sales for the North America segment, which includes all sa
declined $123.3 million to $947.5 million, down 12 percent ver
decline attributable to the ERP transition. Volume declined 17
reflecting unfilled customer orders resulting from the ERP tran
reflects soft restaurant traffic and retail trends in North America
decisions to exit certain lower-priced and lower-margin busine

Price/mix increased 5 percent, reflecting the carryover benefit
2023, as well as pricing actions for contracts with large and re
increase in price/mix was partially offset by lower customer tra
with the transition to a new ERP system.

North America Segment Adjusted EBITDA declined $47.1 milli
negative impact of the ERP transition, higher costs per pound,
raw potatoes, and lower volumes drove the decline, which wa
pricing actions.

## International Summary

| | Q3 2024 | Year-Over-Year Growth Rates | Price/Mix | Volume |
|---|---|---|---|---|
| | *(dollars in millions)* | | | |
| Net sales | $ 510.8 | 179% | 1% | 178% |
| Segment Adjusted EBITDA | $ 101.7 | 88% | | |

Net sales for the International segment, which includes all sales to customers outside of North America, increased $328.0 million to $510.8 million, with the current quarter including $356.7 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 $28.7 million, or 16 percent compared to the prior year quarter, with approximately $12 million of the decline attributable to the ERP transition. Volume, excluding the benefit from the LW EMEA Acquisition, declined 17 percent. More than half of the volume decline reflects the Company's decisions to exit certain lower-priced and lower-margin business in the prior fiscal year, with the remainder primarily reflecting unfilled customer orders served by exports from North America as a result of the transition to a new ERP system. Price/mix increased 1 percent as the carryover benefit of inflation-driven pricing actions taken in fiscal 2023 was mostly offset by lower customer transportation charges.

International Segment Adjusted EBITDA increased $47.6 million to $101.7 million. Incremental earnings from the consolidation of the financial results of LW EMEA drove the increase. Excluding the benefit from the LW EMEA Acquisition, the impact of higher costs per pound, an estimated $5 million negative impact from the ERP transition, lower volumes, and a $2.3 million allocated charge[1] for the write-off of excess raw potatoes, more than offset favorable price/mix.

### Equity Method Investment Earnings (Loss)

Equity method investment earnings (loss) from unconsolidate
loss of $23.3 million for the third quarter of fiscal 2024 and 202
include earnings associated with the Company's 50 percent ir
unconsolidated joint venture in Minnesota ("Lamb Weston RD
included earnings associated with the Company's then 50 per
year quarter include a $47.1 million ($34.9 million after-tax, or
market adjustments associated with currency and commodity

Adjusted Equity Method Investment Earnings[2] declined $22.8
due to LW EMEA earnings being reflected as equity method ir
results in the current quarter also include a $4.5 million charge
Weston RDO.

### Liquidity and Cash Flows

As of February 25, 2024, the Company had $62.3 million of ca
available liquidity under committed revolving credit facilities in

Net cash provided by operating activities for the first three qua
million versus the prior year period, primarily due to higher ea
quarters of fiscal 2024 were $828.3 million, up $331.3 million v
increased investments to support capacity expansion projects
information systems infrastructure.

### Capital Returned to Shareholders

In the third quarter of fiscal 2024, the Company returned $40.4 million to shareholders through cash dividends. There were no repurchases of common stock under the Company's share repurchase program during the quarter. In the first three quarters of fiscal 2024, the Company paid $122.0 million in cash dividends and 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. The Company has $450.0 million of remaining unused capacity under its existing share repurchase program.

### Fiscal 2024 Outlook

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

- The Company updated its annual net sales target range to $6.54 billion to $6.60 billion, which includes $1.1 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 reduced its annual net sales target from its previous range of $6.8 billion to $7.0 billion to reflect the higher-than-expected impact on customer order fulfillment rates from the transition to a new ERP system during the Company’s fiscal third quarter, as well as soft near-term restaurant traffic and retail trends in North America and other key international markets. The Company is targeting net sales of $1.69 billion to $1.75 billion in the Company’s fiscal fourth quarter, with growth versus the prior year quarter driven by higher price/mix.

- The Company updated its target ranges for net income to $770 million to $790 million and Diluted EPS of $5.30 to $5.45, including a net loss from foreign currency exchange and unrealized mark-to-market derivative gains and losses and items impacting comparability of $40.8 million ($30.4 million after-tax, or $0.20 per share) during the first three quarters of fiscal 2024. The Company previously targeted a net income range of $830 million to $900 million and a Diluted EPS range of $5.70 to $6.15.

- The Company updated its target range for Adjusted EBITDA[2] to $1,480 million to $1,510 million, which includes a $95.9 million pre-tax charge[1] for the write-off of
associated with the higher-than-expected impact of the tran
quarter. The Company previously targeted an Adjusted EBI
Company is targeting Adjusted EBITDA[2] of $350 million to
and expects higher net sales and Adjusted Gross Profit[2] t
SG&A[2] of $190 million to $195 million.

- The Company updated its target ranges for Adjusted Ne
Adjusted Diluted EPS[2] to $5.50 to $5.65 from its previous
$5.70 to $6.15 per share, respectively.

The Company updated other financial targets, as follows:

- Cash used for capital expenditures of $950 million, which
$900 million to $950 million; and

- An effective tax rate[3] (full year) at the lower end of its ta

The Company maintained its targets for depreciation and amo
interest expense of approximately $140 million.

## End Notes

(1) Both GAAP and Non-GAAP results for the thirteen weeks ended February 25, 2024 include a $25.0 million charge ($19.0 million after-tax, or $0.13 per share) related to a write-off of excess raw potatoes. This includes a $20.5 million charge ($15.6 million after-tax, or $0.11 per share) in cost of sales, and a $4.5 million charge ($3.4 million after-tax, or $0.02 per share) recorded in equity method investment earnings (losses). The total charge to the reporting segments was as follows: $22.7 million to the North America segment and $2.3 million to the International segment. Non-GAAP results for the thirty-nine weeks ended February 25, 2024 include a $95.9 million charge ($72.9 million after-tax, or $0.50 per share) related to a write-off of excess raw potatoes. This includes a $85.1 million charge ($64.7 million after-tax, or $0.44 per share) in cost of sales, and a $10.8 million charge ($8.2 million after-tax, or $0.06 per share) recorded in equity method investment earnings (losses). The total charge to the reporting segments was as follows: $86.0 million to the North America segment and $9.9 million to the International segment.

(2) Adjusted Gross Profit, Adjusted SG&A, Adjusted Income from Operations, Adjusted Equity Method Investment Earnings, 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 third quarter fiscal 2024 results at 10:00 a.m. EDT today, April 4, 2024. Participants in the U.S. and Canada may access the conference call by dialing 888-256-1007 and participants outside the U.S. and Canada should dial +1-323-794-2575. The conference ID is 4384143. 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=1659128&tp_key=9deeb425d4

A rebroadcast of the conference call will be available beginning on Friday, April 5, 2024, after 2:00 p.m. EDT at https://investors.lambweston.com/events-and-presentations.

## About Lamb Weston

Lamb Weston is a leading supplier of frozen potato products t
more than 70 years, Lamb Weston has led the industry in inno
back-of-house management for its customers and make thing
where Lamb Weston potatoes are grown to proactive custome
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
Gross Profit, Adjusted SG&A, Adjusted Income from Operatio
Equity Method Investment Earnings, Adjusted Net Income, Ad
which is considered a non-GAAP financial measure. The non-
release should be viewed in addition to, and not as an alterna
with accounting principles generally accepted in the United St
this press release. These measures are not substitutes for thei
gross profit, SG&A expenses, income from operations, income
(loss), net income, diluted earnings per share, or other measu
using non-GAAP financial measures. For example, the non-G

release may differ from similarly titled non-GAAP financial mea
companies may not define these non-GAAP financial measure

Management uses these non-GAAP financial measures to ass
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," "believes," "will," "deliver," "drive," "grow," "remain," "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 business and financial outlook and prospects; the Company's plans, execution, capital expenditures and investments; ERP system transition; and conditions in the Company's industry and the global economy. These forward-looking statements are based on management's current expectations
circumstances. Readers of this press release should understa
performance or results. Many factors could affect these forwar
financial results and cause them to vary materially from the ex
statements, including those set forth in this press release. The
things: the availability and prices of raw materials and other co
challenges; an uncertain general economic environment, inclu
concerns, any of which could adversely impact the Company'
operations, including the demand and prices for the Company
implementing new technology, including the Company's new
acquired businesses, including LW EMEA; levels of labor and
successfully execute its long-term value creation strategies; th
projects, including construction of new production lines or fac
conditions in the markets in which the Company operates; pol
which the Company conducts business and other factors relat
global economy caused by conflicts such as the war in Ukrain
related heightening of the Company's other known risks; impa
pandemics or other contagious outbreaks, such as the COVID
products, increased costs, disruption of supply, other constrai
necessary services or restrictions imposed by public health au
Company's access to export mechanisms; risks associated wi
levels; changes in the Company's relationships with its growe
and regulatory factors affecting the Company's businesses; th

recalls; the Company's ability to pay regular quarterly cash div
dividends; and other risks described in the Company's reports
Exchange Commission ("SEC"). The Company cautions reade
looking statements included in this press release, which speal
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 | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | February 25, 2024 (1) | February 26, 2023 | February 25, 2024 (1) | February 26, 2023 |
| Net sales | $ 1,458.3 | $ 1,253.6 | $ 4,855.7 | $ 3,655.7 |
| Cost of sales (2) (3) | 1,054.6 | 855.8 | 3,476.9 | 2,603.0 |
| Gross profit | 403.7 | 397.8 | 1,378.8 | 1,052.7 |
| Selling, general and administrative expenses (4) | 179.8 | 131.5 | 526.0 | 357.6 |
| Income from operations | 223.9 | 266.3 | 852.8 | 695.1 |
| Interest expense, net | 35.7 | 25.8 | 95.5 | 76.4 |
| Income before income taxes and equity method earnings | 188.2 | 240.5 | 757.3 | 618.7 |
| Income tax expense | 43.1 | 42.1 | 179.3 | 152.6 |
| Equity method investment earnings (loss) (2) (5) | 1.0 | (23.3) | 17.8 | 44.0 |
| Net income (2) | $ 146.1 | $ 175.1 | $ 595.8 | $ 510.1 |
| Earnings per share: | | | | |
| Basic | $ 1.01 | $ 1.22 | $ 4.11 | $ 3.54 |
| Diluted | $ 1.01 | $ 1.21 | $ 4.09 | $ 3.53 |
| Dividends declared per common share | $ 0.360 | $ 0.280 | $ 0.920 | $ 0.770 |
| Weighted average common shares outstanding: | | | | |
| Basic | | | | |
| Diluted | | | | |

(1) The thirteen and thirty-nine weeks ended February 25, 2024
LW EMEA whereas in the same period in the prior year, LW
method investment earnings." For more information about t
of the Notes to Consolidated Financial Statements in the Co
filed with the SEC on July 25, 2023 (the "Form 10-K").

(2) Net income included the following:

a. A $25.0 million charge ($19.0 million after-tax, or $0.13 p
after-tax, or $0.50 per share) for the write-off of excess ra
and thirty-nine weeks ended February 25, 2024, respect

2024, the Company recorded a $20.5 million charge ($1
sales, and a $4.5 million charge ($3.4 million after-tax, o
earnings. The total charge to the reporting segments wa
segment and $2.3 million to the International segment. F
the Company recorded a $85.1 million charge ($64.7 million after-tax, or $0.44 per share) in cost of sales, and a $10.8 million charge ($8.2 million after-tax, or $0.06 per share) in equity method investment earnings. The total charge to the reporting segments was as follows: $86.0 million to the North America segment and $9.9 million to the International segment.

b. For both the thirteen and thirty-nine weeks ended February 25, 2024, the Company results were negatively impacted by the ERP transition, and estimate it impacted net sales by approximately $135 million, with $123 million and $12 million in our North America and International segments, respectively. The Company estimates net income was impacted by approximately $95 million ($72 million after taxes), including approximately $55 million ($42 million after taxes) related to lower order fulfillment rates and approximately $40 million ($30 million after taxes) of incremental costs and expenses, of which, approximately $7 million ($5 million after taxes) was recorded as a reduction in gross sales, and included accrued fees and charges for delayed or unfilled customer orders; approximately $26 million ($20 million after taxes) was recorded in cost of sales, and included reduced fixed cost coverage and inefficiencies resulting from planned downtime at our processing facilities, as well as additional freight charges; and approximately $7 million ($5 million after taxes) was recorded in selling, general and administrative expenses, and largely included consulting expenses to restore order fulfillment rates. The Company estimates that approximately $83 million impacted the North America segment, approximately $5 million impacted the International segment, and approximately $7 million impacted unallocated corporate costs.

(3) Cost of sales included activity related to the step-up and sale of inventory acquired in the LW EMEA Acquisition, which resulted in $20.7 million ($15.4 million after-tax, or $0.11 per share) of costs for the thirty-nine weeks ended February 25, 2024. Cost of sales also included a $23.3 million unrealized loss ($17.3 million after-tax, or $0.12 per share) and a $5.1 million unrealized loss ($3.8 million after-tax, $0.03 per share impact) for the thirteen weeks ended February 25, 2024 and February 26, 2023, respectively; and a $3.8 million unrealized gain ($2.9 million after-tax, or $0.02 per share) and an $8.7 million unrealized loss ($6.5 million after-tax, or $0.04 per share) for the thirty-nine weeks ended February 25, 2024 and February 26, 2023, respectively, related to mark-to-market adjustments associated with commodity hedging contracts.

(4) Selling, general and administrative (SG&A) expenses incluc

a. Net integration and acquisition-related expenses of $2.4
and gains of $4.3 million ($2.8 million after-tax, or $0.02
2024 and February 26, 2023, respectively; and expense
share) and gains of $30.8 million ($22.0 million after-tax,
February 25, 2024 and February 26, 2023, respectively;

b. Unrealized losses related to mark-to-market adjustments
million ($3.0 million after-tax, or $0.02 per share) and $5
for the thirteen and thirty-nine weeks ended February 25

c. Foreign currency exchange losses of $9.0 million ($6.8 r
($1.4 million after-tax, or $0.01 per share) for the thirteen
2023, respectively; and losses of $7.3 million ($5.5 millic
million after-tax, or $0.02 per share) for the thirty-nine we
2023, respectively.

(5)Equity method investment earnings (loss) included a $47.1

$0.24 per share) and a $32.7 million unrealized gain ($24.3 million after-tax, or $0.16 per share) for the thirteen and thirty-nine weeks ended February 26, 2023, respectively, related to mark-to-market adjustments associated with commodity and currency hedging contracts.

Equity method investment earnings (loss) for the thirty-nine weeks ended February 26, 2023 also included a $15.1 million (before and after-tax, or $0.10 per share) gain recognized in connection with the purchase of an additional 40% equity interest in Lamb Weston Alimentos Modernos S.A. (“LWAMSA”).

**Lamb Weston Holdings, Inc.**
**Consolidated Balance Sheets**
(unaudited, in millions, except share data)

| | February 25, 2024 | May 28, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 62.3 | $ 304.8 |
| Receivables, less allowance for doubtful accounts of $1.1 and $2.6 | 736.2 | 724.2 |
| Inventories | 1,210.0 | 932.0 |
| Prepaid expenses and other current assets | 150.6 | 166.2 |
| **Total current assets** | 2,159.1 | 2,127.2 |
| Property, plant and equipment, net | 3,406.4 | 2,808.0 |
| Operating lease assets | 135.9 | 146.1 |
| Goodwill | 1,056.6 | 1,040.7 |
| 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 author 150,293,511 shares issued | 150.7 | 150.3 |
| Treasury stock, at cost, 6,336,439 and 4,627,828 common shares | (480.1) | (314.3) |
| Additional distributed capital | (521.0) | (558.6) |
| Retained earnings | 2,622.1 | 2,160.7 |
| Accumulated other comprehensive loss | (13.5) | (26.8) |
| **Total stockholders' equity** | 1,758.2 | 1,411.3 |
| **Total liabilities and stockholders' equity** | $ 7,245.7 | $ 6,519.8 |

Lamb Weston Holdings, Inc.
Consolidated Statements of Cash Flows
(unaudited, in millions)

| | Thirty-Nine Weeks Ended | |
|---|---|---|
| | February 25, 2024 | February 26, 2023 |
| **Cash flows from operating activities** | | |
| Net income | $ 595.8 | $ 510.1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of intangibles and debt issuance costs | 220.0 | 153.3 |
| Stock-settled, stock-based compensation expense | 34.4 | 28.0 |
| Equity method investment earnings in excess of distributions | (4.8) | (44.3) |
| Deferred income taxes | 1.3 | (25.5) |
| Foreign currency remeasurement gain | (0.1) | (21.2) |
| Other | (2.9) | (22.3) |
| Changes in operating assets and liabilities, net of acquisitions | | |
| 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 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 cover taxes | (165.1) | (47.2) |
| Other | — | (1.9) |
| **Net cash provided by financing activities** | $ 100.1 | $ 331.3 |
| Effect of exchange rate changes on cash and cash equivalents | 0.7 | 19.3 |
| **Net (decrease) increase in cash and cash equivalents** | (242.5) | 150.0 |
| **Cash and cash equivalents, beginning of period** | 304.8 | 525.0 |
| **Cash and cash equivalents, end of period** | $ 62.3 | $ 675.0 |

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

| | Thirteen Weeks Ended | | | | |
|---|---|---|---|---|---|
| | February 25, 2024 | February 26, 2023 | Year-Over-Year Growth Rates | Price/Mix | Volume |
| **Segment net sales** | | | | | |
| North America | $ 947.5 | $ 1,070.8 | (12%) | 5% | (17%) |
| International (1) | 510.8 | 182.8 | 179% | 1% | 178% |
| | $ 1,458.3 | $ 1,253.6 | 16% | 4% | 12% |
| | | | | | |
| **Segment Adjusted EBITDA** | | | | | |
| North America | $ 285.9 | $ 333.0 | (14%) | | |
| International (1) | 101.7 | 54.1 | 88% | | |

| | February 25, 2024 | F |
|---|---|---|
| **Segment net sales** | | |
| North America | $ 3,250.0 | $ |
| International (1) | 1,605.7 | |
| | $ 4,855.7 | $ |
| | | |
| **Segment Adjusted EBITDA** | | |
| North America | $ 986.6 | $ |
| International (1) | 291.5 | |

(1) The Company acquired the remaining equity interest in LV
Accordingly, LW EMEA's net sales and adjusted EBITDA a

thirteen and thirty-nine weeks ended February 25, 2024, w
Company's 50 percent equity interest in LW EMEA was re
LW EMEA's net sales are not included in the International
weeks ended February 26, 2023, and only 50 percent of L
International segment for those periods.

Segment Adjusted EBITDA includes equity method investment earnings and losses and excludes unallocated corporate costs, foreign currency exchange gains and losses, unrealized mark-to-market derivative gains and losses, and items discussed in footnotes (1)-(5) to the Consolidated Statements of Earnings.

**Lamb Weston Holdings, Inc.**
**Reconciliation of Non-GAAP Financial Measures**
(unaudited, in millions, except per share amounts)

| Thirteen Weeks Ended February 25, 2024 | Gross Profit | SG&A | Income From Operations | Interest Expense | Income Tax Expense (Benefit) (1) | Equity Method Investment Earnings (Loss) | Net Income | Di I |
|---|---|---|---|---|---|---|---|---|
| As reported | $403.7 | $179.8 | $ 223.9 | $ 35.7 | $ 43.1 | $ 1.0 | $ 146.1 | $ |
| Unrealized derivative losses (2) | 23.3 | (4.0) | 27.3 | — | 7.0 | — | 20.3 | |
| Foreign currency exchange losses (2) | — | (9.0) | 9.0 | — | 2.2 | — | 6.8 | |
| Item impacting comparability (2): | | | | | | | | |
| Integration and acquisition-related items, net | — | (2.4) | 2.4 | — | 0.6 | — | 1.8 | |
| Total adjustments | 23.3 | (15.4) | 38.7 | — | 9.8 | — | 28.9 | |
| Adjusted (3) | $427.0 | $164.4 | $ 262.6 | $ 35.7 | $ 52.9 | $ 1.0 | $ 175.0 | $ |

| Thirteen Weeks Ended February 26, 2023 | | | |
|---|---|---|---|
| As reported | $ 397.8 | $ 131.5 | $ |
| Unrealized derivative losses (2) | 5.1 | — | |
| Foreign currency exchange losses (2) | — | (1.8) | |
| Item impacting comparability (2): | | | |
| Integration and acquisition-related items, net | — | 4.3 | |
| Total adjustments | 5.1 | 2.5 | |
| Adjusted (3) | $ 402.9 | $ 134.0 | $ |

| Thirty-Nine Weeks Ended February 25, 2024 | | |
|---|---|---|
| As reported | $1,378.8 | $ 526 |
| Unrealized derivative gains and losses (2) | (3.8) | (5 |
| Foreign currency exchange losses (2) | — | (7 |
| Items impacting comparability (2): | | |
| Inventory step-up from acquisition | 20.7 | - |
| Integration and acquisition-related items, | — | (11 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| net | | | | | | | | |
| Total adjustments | 16.9 | (23 | | | | | | |
| Adjusted (3) | $1,395.7 | $ 502 | | | | | | |

| Thirty-Nine Weeks Ended February 26, 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As reported | $1,052.7 | $357.6 | $695.1 | $76.4 | $152.6 | $ 44.0 | $510.1 | $ 3.53 |
| Unrealized derivative losses (2) | 8.7 | — | 8.7 | — | 10.6 | 32.7 | 30.8 | 0.20 |
| Foreign currency exchange losses (2) | — | (4.2) | 4.2 | — | 1.0 | — | 3.2 | 0.02 |
| Items impacting comparability (2): | | | | | | | | |
| Integration and acquisition-related items, net | — | 30.8 | (30.8) | — | (8.8) | — | (22.0) | (0.15) |
| Gain on acquisition of interest in joint venture | — | — | — | — | — | (15.1) | (15.1) | (0.10) |
| Total adjustments | 8.7 | 26.6 | (17.9) | — | 2.8 | 17.6 | (3.1) | (0.03) |
| Adjusted (3) | $1,061.4 | $384.2 | $677.2 | $76.4 | $155.4 | $ 61.6 | $507.0 | $ 3.50 |

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

(2)See footnotes (2)-(5) to the Consolidated Statements of Earnings for a discussion of the adjustment items.

(3)See “Non-GAAP Financial Measures” in this press release for additional information.

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

To supplement the financial information included in this press
EBITDA, which the Company defines as earnings, less interes
amortization, foreign currency exchange and unrealized mark-
impacting comparability. Adjusted EBITDA is a non-GAAP fina
income to Adjusted EBITDA.



| | Fe |
|---|---|
| Net income (3) | $ |
| Interest expense, net | |
| Income tax expense | |
| Income from operations including equity method investment earnings (1) | |
| Depreciation and amortization (2) | |
| Unrealized derivative losses (3) | |

| | | | | |
|---|---|---|---|---|
| Unconsolidated joint venture unrealized derivative losses (3) | | | | |
| Foreign currency exchange losses (3) | | | | |
| Items impacting comparability (3): | | | | |
| Inventory step-up from acquisition | — | — | 20.7 | — |
| Integration and acquisition-related items, net | 2.4 | (4.3) | 11.2 | (30.8) |
| Gain on acquisition of interest in joint venture | — | — | — | (15.1) |
| Adjusted EBITDA (4) | $ 343.6 | $ 352.2 | $ 1,133.4 | $ 915.7 |
| | | | | |
| **Segment Adjusted EBITDA** | | | | |
| North America | $ 285.9 | $ 333.0 | $ 986.6 | $ 864.4 |
| International | 101.7 | 54.1 | 291.5 | 147.4 |
| Unallocated corporate costs (5) | (44.0) | (34.9) | (144.7) | (96.1) |
| Adjusted EBITDA | $ 343.6 | $ 352.2 | $ 1,133.4 | $ 915.7 |

(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 $9.3 million for the thirteen weeks ended February 25, 2024 and February 26, 2023, respectively, and $6.4 million and $26.9 million for the thirty-nine weeks ended February 25, 2024 and February 26, 2023, respectively.

(3) See footnotes (2)-(5) to the Consolidated Statements of Ea

(4) See "Non-GAAP Financial Measures" in this press release f

(5) The Company's two segments include corporate support s segments. Unallocated corporate costs include costs relate exchange gains and losses, and unrealized mark-to-market include, but are not limited to, the Company's administrativ finance, and accounting functions that are not specifically a

Unallocated corporate costs for the thirteen and thirty-nine unallocated corporate costs of LW EMEA whereas in the sa of LW EMEA's unallocated corporate costs were recorded i International segment.

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