



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

April 02, 2019

Third Quarter 2019 Highlights

- Net sales increased 7% to \$927 million
- Income from operations increased 15% to \$194 million; Adjusted Income from Operations (1) increased 13% to \$194 million
- Adjusted EBITDA including unconsolidated joint ventures (1) increased 7% to \$253 million
- Diluted EPS decreased to \$0.95 from \$1.06, because diluted EPS for the third quarter 2018 included a \$0.16 net benefit from discrete items attributable to U.S. tax reform
- Adjusted Diluted EPS<sup>(1)</sup> increased to \$0.95 from \$0.91
- Returned \$36 million of cash to stockholders in the form of both dividends and share repurchases

### Updated FY 2019 Outlook

- Net sales expected to increase high single digits, up fror
- Adjusted EBITDA including unconsolidated joint venture from a previous estimate of \$870 million-\$880 million

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

"Our base business in North America and Asia continued to d quarter, more than offsetting softer results in Europe that are k said Tom Werner, President and CEO. "Strong execution by or of price/mix improvement and volume growth, while our suppl cost savings to expand gross margins. In addition, we continu in production capacity, as well as operating, sales and product sustainable, profitable growth over the long term. With our sol favorable trends in global demand, we have again raised our a

### Summary of Third Quarte

(\$ in millions, exce

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Net sales	\$ 926.8	7%	\$ 2	2,753.1	10%
Income from operations	\$ 193.8	15%	\$	520.4	17%
Net income attributable to Lamb Weston	\$ 141.4	(10%)	\$	368.2	16%
Diluted EPS	\$ 0.95	(10%)	\$	2.42	13%
Adjusted EBITDA including unconsolidated joint ventures <sup>(1)</sup>	\$ 253.2	7%	\$	688.9	11%
Adjusted Diluted EPS <sup>(1)</sup>	\$ 0.95	4%	\$	2.48	23%

## Q3 2019 Commentary

Net sales increased \$63.4 million to \$926.8 million, up 7 percent versus the year-ago period. Volume increased 4 percent, primarily driven by growth in the Company's Global segment. Price/mix increased 3 percent due to pricing actions and favorable mix. Approximately 2 percentage points of the volume increase, and \$18.5 million of the net sales increase, related to increased revenue for customized products made to customers' unique recipes for which the timing of revenue recognition changed with the Company's adoption of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("new revenue standard") at the beginning of fiscal 2019 (see footnote (1) to the Consolidated Statements of Earnings below).

Income from operations rose 15 percent to \$193.8 million versus the year-ago period, which included \$1.7 million of pre-tax costs in the prior year period related to the Company's separation from Conagra Brands, Inc. (formerly ConAgra Foods, Inc., "Conagra") on November 9, 2016.

Excluding this comparability item, income from operations grew \$22.9 million, or 13 percent, driven by higher sales and gross profit. Gross profit increased \$31.1 million due to favorable price/mix. volume growth and supply

chain efficiency savings, as well as a \$5.7 million benefit relate under the new revenue standard. This increase was partially o inflation. In addition, gross profit included a \$4.0 million gain realized settlements associated with commodity hedging cont million loss related to these items in the prior year period.

The rise in gross profit was partially offset by an \$8.2 million in expenses ("SG&A"), excluding comparability items. The increa information technology services and infrastructure, as well as operating capabilities. In addition, advertising and promotiona the prior year period.

Adjusted EBITDA including unconsolidated joint ventures<sup>(1)</sup> inc versus the prior year period, primarily due to growth in income incremental benefit from acquiring the remaining 50.01% equi Acquisition"), Lamb Weston BSW, LLC ("Lamb Weston BSW") earnings.

Diluted EPS decreased \$0.11, or 10 percent, to \$0.95. The prical (as described below) attributable to the effects of the U.S. Tax December 2017.

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Adjusted Diluted EPS<sup>(1)</sup> increased \$0.04, or 4 percent, to \$0.95 from operations, which included a \$0.02 benefit from the adopapproximately \$0.02 benefit from the BSW Acquisition, partiall and higher tax expense.

The Company's effective tax rate<sup>(2)</sup> in the third quarter of fiscal 2019 was 21.9 percent. The lower rate in the third quarter of fiscal 2018 of 4.5 percent versus 21.9 percent in the current year period is primarily attributable to the effects of the Tax Act. The third quarter of fiscal 2018 included an approximate \$24 million, or \$0.16 per share, net discrete benefit, comprised of a \$38.7 million benefit from the estimated impact of remeasuring the Company's net U.S. deferred tax liabilities on the Company's balance sheet at a lower tax rate, partially offset by a \$14.7 million transition tax on the Company's previously untaxed foreign earnings. Since the Company was required to record the effect of changes in enacted tax laws or rates in the interim period in which the change occurred, the Company recorded an approximate \$14 million benefit from a lower U.S. statutory tax rate, in the third quarter of fiscal 2018, on earnings reported in the first half of fiscal 2018. As a result, the effective tax rate for the third quarter of fiscal 2018, excluding the approximate \$38 million of tax benefits attributable to the effects of the Tax Act, was 27.2%, which is higher than the 21.9% effective tax rate in the third quarter of fiscal 2019, primarily because the timing of the Company's fiscal year-end resulted in an approximate 29% U.S. statutory rate in fiscal 2018, compared with a 21% U.S. statutory rate in fiscal 2019.

### Q3 2019 Segment Highlights

### Global

Global Segment Summary						
			Year-Over-Year			
	C	23 2019	Growth Rates	Price/Mix	Volume	
		\$ in mil.)				
Net sales	\$	498.2	11%	2%	9%	
Segment product contribution margin <sup>(1)</sup>	\$	128.8	13%			

Net sales for the Global segment, which is comprised of the to customers as well as the Company's international business, in percent compared to the prior year period. Volume increased customers in the U.S. and key international markets, as well as Price/mix increased 2 percent, largely reflecting pricing adjust Approximately 4 percentage points of the volume increase, an an increase in the sale of customized products.

Global segment product contribution margin<sup>(1)</sup> increased \$14.9 to the prior year period. Favorable price/mix, volume growth a increase, more than offsetting input, manufacturing and transparent

### **Foodservice**

**Foodservice Segment Summary** 

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			Year-C		
	C	3 2019	Grow		
	(\$	in mil.)			
Net sales	\$	265.5	5%	4%	1%
Segment product contribution margin <sup>(1)</sup>	\$	94.8	6%		

Net sales for the Foodservice segment, which services North American foodservice distributors and restaurant chains outside the top 100 North American based restaurant chain customers, increased \$12.0 million to \$265.5 million, up 5 percent compared to the prior year period, and included a negative \$0.2 million impact from the adoption of the new revenue standard. Price/mix increased 4 percent, primarily reflecting pricing actions initiated in the fall of 2018, as well as improved mix. Volume increased 1 percent, led by growth in branded products.

Foodservice segment product contribution margin<sup>(1)</sup> increased \$5.3 million to \$94.8 million, up 6 percent compared to the prior year period, as favorable price/mix and supply chain efficiency savings more than offset input, manufacturing and transportation cost inflation.

### Retail

Retail Segment Summary							
			Year-Over-Year				
	C	23 2019	Growth Rates	Price/Mix	Volume		
	(\$	§ in mil.)					
Net sales	\$	129.0	(1%)	1%	(2%)		
Segment product contribution margin <sup>(1)</sup>	\$	29.1	(4				

Net sales for the Retail segment, which includes sales of branch merchant and club customers in North America, declined \$1.2 to the prior year period, and included a \$0.5 million benefit fro Price/mix increased 1 percent, largely due to improved mix. D products, volume declined 2 percent, primarily due to the timil year period.

Retail segment product contribution margin<sup>(1)</sup> declined \$1.2 m the prior year period, as input, manufacturing and transportati more than offset favorable price/mix. Advertising and promotic period, primarily in support of *Grown in Idaho* branded productions.

### **Equity Method Investment Earnings**

Equity method investment earnings from unconsolidated joint and \$26.4 million for the third quarter of fiscal 2019 and 2018, unrealized loss related to mark-to-market adjustments associa

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in the current quarter and a \$2.5 million gain related to these is adjustments, earnings from equity method investments declined largely reflecting higher raw potato prices and lower sales volume.

### **Outlook**

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

FY 2019 Outlook Summary					
Net sales growth rate	High Single Digits				
Adjusted EBITDA including unconsolidated joint ventures(1)	\$895 million to \$905 million				
Interest expense	Approximately \$110 million				
Effective tax rate <sup>(2)</sup> excluding comparability items	22% to 23%				
Cash used for capital expenditures	Approximately \$350 million				

As summarized in the table above, the Company expects:

- Net sales to grow high single digits. The Company's presingle digits.
- Adjusted EBITDA including unconsolidated joint venture: increase from the Company's previous estimate of \$870 mil expects:
  - The rate of gross profit dollar growth to be more than it
  - To incur significantly higher SG&A as it invests to upgr planning infrastructure, as well as sales, marketing, innov designed to drive operating efficiencies and support futur
  - Equity method investment earnings to decline versus thigher raw potato prices in Europe due to a poor crop.
  - An \$8 million to \$10 million benefit from the BSW Acqu

In addition, the Company expects:

Total interest expense to be approximately \$110 million.

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- An effective tax rate \(^{\cupe2}\) of 22 percent to 23 percent, dowr approximately 23 percent.
- Cash used for capital expenditures of approximately \$35
- Total depreciation and amortization expense of approxim

### **End Notes**

- (1) Adjusted EBITDA including unconsolidated joint ventures, Adjusted Income from Operations, Adjusted Diluted EPS and segment product contribution margin are non-GAAP financial measures. Please see the discussion of non-GAAP financial measures, including a discussion of earnings guidance provided on a non-GAAP basis, and the reconciliations at the end of this press release for more information.
- (2) The effective tax rate is calculated as the ratio of income tax expense to pre-tax income, inclusive of equity method investment earnings.

### Webcast and Conference Call Information

Lamb Weston will host a conference call to review its third quarter 2019 results at 10:00 a.m. ET today. Investors and analysts may access the call toll-free by dialing (888) 394-8218, and using the event confirmation code of 6061757. A listen-only webcast will be provided at <a href="https://www.lambweston.com">www.lambweston.com</a>.

### **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 60 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 such as "continue," "expect," "drive," "support," "grow," "will," words and similar expressions are intended to identify forward statements include, but are not limited to, statements regardin outlook and prospects. These forward-looking statements are are subject to uncertainties and changes in circumstances. Re these statements are not guarantees of performance or results financial results and cause them to vary materially from the ex statements, including those set forth in this press release. The things: the Company's ability to successfully execute its longon large capital projects, including construction of new production conditions in the markets in which it and its joint ventures ope countries in which it and its joint ventures conduct business ar operations; disruption of its access to export mechanisms; risl ability to complete acquisitions or integrate acquired business materials; changes in its relationships with its growers or signi actions of governments and regulatory factors affecting its bus litigation or any product recalls; levels of pension, labor and p quarterly cash dividends and the amounts and timing of any fu

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Company's reports filed from time to time with the Securities a readers not to place undue reliance on any forward-looking st only as of the date of this press release. The Company undertexcept as required by law.

### Non-GAAP Financial Measures

To supplement the financial information included in this press release, the Company has presented Adjusted Income from Operations, Adjusted EBITDA including unconsolidated joint ventures, Adjusted Diluted EPS, segment product contribution margin and adjusted income tax expense, net income, net income attributable to Lamb Weston and net income available to Lamb Weston stockholders, each of which is considered a non-GAAP financial measure. The non-GAAP financial measures provided should be viewed in addition to, and not as an alternative for, financial measures prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") that are presented in this press release. The non-GAAP financial measures presented may differ from similarly titled non-GAAP financial measures presented by other companies, and other companies may not define these non-GAAP financial measures the same way. These measures are not substitutes for their comparable GAAP financial measures, such as net income, diluted earnings per share, cash flow from operations, or other measures prescribed by GAAP, and there are limitations to using non-GAAP financial measures.

Management uses these non-GAAP financial measures to assist in comparing the Company's performance on a consistent basis for purposes of business decision making by removing the impact of certain items that management believes do not directly reflect the Company's underlying operations. Management believes that presenting these non-GAAP financial measures provides investors with useful information because they (i) provide meaningful supplemental information regarding financial performance by excluding certain items, (ii) permit investors to view performance using the same tools that management uses to budget, make operating and strategic decisions, and evaluate historical performance, and (iii) otherwise provide supplemental information that may be useful to investors in evaluating the Company's results. The Company believes that the presentation of these non-GAAP financial measures, when considered together with the corresponding GAAP financial measures and the reconciliations to those measures, provides investors with additional understanding of the factors and trends affecting the Company's business than could be obtained absent these disclosures.

The Company also provides earnings guidance on a non-GAAP basis. The Company cannot predict certain elements that are included in reported GAAP results, including items such as strategic developments, acquisition and integration costs, and other items impacting comparability. This list is not inclusive of all potential items, and the Company will update as necessary as these items are evaluated on an ongoing basis, can be highly variable and could be significant to its GAAP measures. As such, prospective quantification of these items is not feasible and a full reconciliation of non-GAAP Adjusted EBITDA including income has not been provided.

	Lamb Weston
	Consolidated State
	(unaudited, dollars in million
Net sales	
Cost of sales	
Gross profit	

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Diluted earnings per share (3)						
Diluted weighted average common shares outstanding		147.4		147.1	147.3	
Net income available to Lamb Weston common stockholders	\$	140.9	\$	155.9	\$ 356.8	\$
(3)		0.5		0.9	11.4	
interests in excess of earnings allocated, net of tax benefits						
Less: Increase in redemption value of noncontrolling	Ψ		Ψ	100.0	 000.2	
Net income attributable to Lamb Weston Holdings, Inc.	\$	141.4	\$	156.8	\$ 368.2	\$
Computation of diluted earnings per share:						
Dividends declared per common share	\$	0.20000	\$	0.19125	\$ 0.58250	\$
Diluted	\$	0.95	\$	1.06	\$ 2.42	\$
Basic	\$	0.96	\$	1.07	\$ 2.44	\$
Earnings per share						
Net income attributable to Lamb Weston Holdings, Inc.	\$	141.4	\$	156.8	\$ 368.2	\$
Less: Income attributable to noncontrolling interests		_		2.8	 8.6	
Net income		141.4		159.6	376.8	
Equity method investment earnings		14.2		26.4	 44.3	
Income tax expense		39.6		7.5	107.9	
Income before income taxes and equity method earnings		166.8		140.7	440.4	
Interest expense, net						
Income from operations						
Selling, general and administrative expenses (2)						

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Sales of customized products are generally recurring, the new revenue standard. During the thirteen and thirty-nir standard increased sales \$18.5 million and \$21.1 million diluted earnings per share \$0.02 and \$0.03, respectively Customers, of the Condensed Notes to Consolidated Fi Statements" in the Company's fiscal 2019 third quarter

- (2) The thirteen and thirty-nine weeks ended February 25, 2018, include \$1.7 million and \$7.9 million, respectively, of expenses related to the Company's separation from Conagra. These expenses related primarily to professional fees and other employee-related costs.
- (3) The thirty-nine weeks ended February 24, 2019, included accretion, net of tax benefits, of \$10.0 million, or \$0.07 per share, which the Company recorded to increase the redeemable noncontrolling interest to the amount the Company paid to acquire the remaining 50.01% interest in Lamb Weston BSW. While the accretion, net of tax benefits, reduced net income available to Lamb Weston common stockholders and earnings per share, it did not impact net income in the Consolidated Statements of Earnings. Net income includes 100% of Lamb Weston BSW's earnings beginning November 2, 2018, the date the Company entered into the definitive agreement to acquire the remaining interest in Lamb Weston BSW. See Note 10, Investments in Joint Ventures, of the Condensed Notes to Consolidated Financial Statements in "Part I, Item 1. Financial Statements" in the Company's fiscal 2019 third quarter Form 10-Q, for more information.

The thirteen weeks ended February 24, 2019, included \$0.5 million, or \$0.01 per share, decrease in tax benefits related to the purchase of the remaining 50.01% interest in Lamb Weston BSW.

Lamb Weston Holdings, Inc.

**Consolidated Balance Sheets** 

(unaudited, dollars in millions, except share amounts)

### **ASSETS**

Current assets:

Cash and cash equivalents

Receivables, less allowance for doubtful accounts of \$0.7 and

Inventories

Prepaid expenses and other current assets

**Total current assets** 

Property, plant and equipment, net

Goodwill

Intangible assets, net

Equity method investments

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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, excluding current portion	
Deferred income taxes	
Other noncurrent liabilities	
Total long-term liabilities	
Commitments and contingencies	
Redeemable noncontrolling interest	
Stockholders' equity:	
Common stock of \$1.00 par value, 600,000,000 shares authorize	ed; 146,620,264 and 146,395,866 shares issued
Additional distributed capital	
Retained earnings	
Accumulated other comprehensive loss	
Treasury stock, at cost, 236,774 and 63,534 common shares	
Total stockholders' deficit	Attention!
Total liabilities and stockholders' equity	This is a USA website. The products you are viewing are likely not available in your current location. Should we transfer you to
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(1) See footnote (1) to the Consolidated Statements of Earn adopting the new revenue standard.	Yes, transfer me
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Lamb Weston Holdi	agree to our use of cookies.
Consolidated Statements	

(unaudited, dollars ir

	2019		2018
Cash flows from operating activities			
Net income	\$ 376.8	\$	330.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangibles and debt issuance costs	117.5		104.1
Stock-settled, stock-based compensation expense	13.7		10.1
Earnings of joint ventures in excess of distributions	(9.0)		(22.0)
Deferred income taxes	38.5		(16.0)
Pension expense, net of contributions	5.6		4.2
Other	(1.5)		(6.7)
Changes in operating assets and liabilities, net of acquisition:			
Receivables	(43.3)		(51.4)
Inventories	(104.7)		(105.4)
Income taxes payable/receivable, net	14.1		38.0
Prepaid expenses and other current assets	(7.0)		(11.5)
Accounts payable	51.6		31.6
Accrued liabilities	(7.9)		4.3
Net cash provided by operating activities	\$ 444.4	\$	310.2

### Cash flows from investing activities

Additions to property, plant and equipment

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

Debt repayments

Dividends paid

Acquisition of noncontrolling interest

Repurchase of common stock and common stock withheld to

Cash distributions paid to noncontrolling interest

Other

Net cash used for financing activities

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Effect of exchange rate changes on cash and cash equivalents

Net decrease in cash and cash equivalents

Cash and cash equivalents, beginning of the period

Cash and cash equivalents, end of period	\$	17.2	\$	49.4
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Lamb Weston Holdings, Inc.
Segment Information
(unaudited, dollars in millions)

	Thirteen Weeks Ended							
			Year-					
			Over-					
	February 24,	February 25,	Year Growth					
	2019	2018	Rates	Price/Mix	Volume			
Segment sales (1)								
Global	\$ 498.2	\$ 448.7	11%	2%	9%			
Foodservice	265.5	253.5	5%	4%	1%			
Retail	129.0	130.2	(1%)	1%	(2%)			
Other	34.1	31.0	10%	6%	4%			
	\$ 926.8	\$ 863.4	7%	3%	4%			

Segment product contribution margin (1) (2)	
Global	\$
Foodservice	
Retail	
Other	
Other selling, general, and administrative expenses (3)	
Income from operations	\$
Items impacting comparability (3)	
Expenses related to the Separation	\$

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Adju	sted income from operations (4)	
(1)	See footnote (1) to the Consolidated Statements of Earnin adopting the new revenue standard.	gs above for a discussion of the impact of
(2)	Product contribution margin is defined as net sales, less of expenses. Segment product contribution margin excludes because management believes these amounts are not directly period.	general corporate expenses and interest expense
(3)	The thirteen weeks ended February 25, 2018 includes \$1. separation from Conagra. These expenses related primari costs.	
(4)	Adjusted income from operations is a non-GAAP financial comparability between periods as it believes these items a operations of the Company. This non-GAAP measure production was segments and the Company on an ongoing frequently used by the Company's management and assist periods. Any analysis of non-GAAP financial measures should not be used as such.	are not necessarily reflective of the ongoing vides a means to evaluate the performance of any basis using the same measures that are sets in providing a meaningful comparison between bould be done only in conjunction with results
		Attention!
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Segi	ment sales (1)	

Global	\$			
Foodservice				
Retail				
Other	106.1	96.0	11%	9%
	\$ 2,753.1	\$ 2,505.5	10%	6%
Segment product contribution margin (1) (2)				
Global	\$ 335.6	\$ 275.9	22%	
Foodservice	294.2	272.2	8%	
Retail	77.8	66.1	18%	
Other	24.0	16.0	50%	
	731.6	630.2	16%	
Other selling, general, and administrative expenses (3)	211.2	183.6	15%	
Income from operations	\$ 520.4	\$ 446.6	17%	
Items impacting comparability (3)				
Expenses related to the Separation	\$ _	\$ 7.9		
Adjusted income from operations (4)	\$ 520.4	\$ 454.5	14%	



- (2) Product contribution margin is defined as net sales, less expenses. Segment product contribution margin exclude because management believes these amounts are not operiod.
- (3) The thirty-nine weeks ended February 25, 2018 includes separation from Conagra. These expenses related prim costs.
- (4) Adjusted income from operations is a non-GAAP financ comparability between periods as it believes these item operations of the Company. This non-GAAP measure presented in the company.

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Lamb Weston's segments and the Company on an ong frequently used by the Company's management and as periods. Any analysis of non-GAAP financial measures : presented in accordance with GAAP. The non-GAAP measures are not interrued to be substitutes for GAAP financial measures and should not be used as such.

		Dana				ton Ho					
	Reconciliation of Non-GAAP Financial Measures  (unaudited, dollars in millions, except per share amounts)										
	((	indudite	u, uc	niai 3 ii		10113, 6.	, cept	DEI 3114	i e ai	nounts)	
						Thi	rteen V	Veeks E	Ende	d Februar	y 24, 2019
							Ec	quity			Net Inco
	In	come			Inc	come	Me	thod			Attributa
	F	rom	Int	terest		Tax	Inves	stment			to Lam
	Оре	erations	Exp	pense	Ex	pense	Ear	nings	Ne	t Income	Westo
As reported	\$	193.8	\$	27.0	\$	39.6	\$	14.2	\$	141.4	\$141.4
Items impacting comparability (1) (2):											
Tax benefits related to increase in redemption value of noncontrolling interests		_				_		_		_	_
Transition tax adjustment (3)				_		1.0				(1.0)	(1.0)
Total items impacting comparability		_		_		1.0				(1.0)	(1.0)
Adjusted (4)	\$	193.8	\$	27.0	\$	40.6	\$	14.2	\$	140.4	\$140.4
				-				Atten	tion!		
	Income					viewin	g are l	vebsite. ikely no	The ot av	products ailable in e transfer	your
	F	rom	Interes			ii i ciit i		countr			you to
	Оре	erations	Exp	pens							
As reported	\$	169.2	\$	28			Y	<u>'es, tran</u>	sfer	<u>me</u>	
Items impacting comparability (1) (2):						W	e care	about	your	data, and	I
Expenses related to the Separation		1.7		_						improve	
Tax reform (5)		_		_		P	_	our exp click "A		ice. ot", if you	
Total items impacting comparability		1.7		_					_	cookies.	

\$

Adjusted (4)

170.9

\$ 28

	Income		Income		Income		Method				Attributat
	From		From Interest		Tax		Investment				to Lamb
As reported		Operations		Expense		Expense		Earnings		t Income	Westor
		520.4	\$	80.0	\$	107.9	\$	44.3	\$	376.8	\$368.2
Items impacting comparability (1) (2):											
Increase in redemption value of											
noncontrolling interests, net of tax											
benefits		_				_		_			
Transition tax adjustment (3)		_		_		1.0		_		(1.0)	(1.0)
Total items impacting comparability						1.0		_		(1.0)	(1.0)
Adjusted (4)	\$	520.4	\$	80.0	\$	108.9	\$	44.3	\$	375.8	\$367.2

				Equity		Net Inco
	Income		Income	Method		Attributa
	From			Investment		to Lam
	Operations			Earnings	Net Income	
As reported	\$ 446.6	\$ 81.1	\$ 93.1	\$ 58.5	\$ 330.9	\$316

Items impacting comparability (1) (2):

Adjusted (4)	\$ 454.5	\$ 81
Total items impacting comparability	 7.9	-
Tax reform (5)		-
Expenses related to the Separation	7.9	-

### Attention!

Thirty-Nine Weeks Ended February 25, 2018

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# (1) See footnotes (1), (2), and (3) to the Consolidated State items impacting comparability.

### (2) Items impacting comparability are tax-effected at the ma

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- (3) The thirteen and thirty-nine weeks ended February 24, 2 expense related to the true-up of the transition tax on pr
- (4) Adjusted income from operations, income tax expense, net income, net income attributable to Lamb Weston, net income available to Lamb Weston stockholders, and diluted earnings per share are non-GAAP financial measures. Management excludes items impacting comparability between periods as it believes these items are not necessarily reflective of the ongoing operations of Lamb Weston. These non-GAAP measures provide a means to evaluate the performance of Lamb Weston on an ongoing basis using the same measures that are frequently used by the Company's management and assist in providing a meaningful comparison between periods. Any analysis of non-GAAP financial measures should be done only in conjunction with results presented in accordance with GAAP. The non-GAAP measures are not intended to be substitutes for GAAP financial measures and should not be used as such.
- (5) During the thirteen and thirty-nine weeks ended February 25, 2018 the Tax Act decreased income tax expense by a \$24.0 million net discrete benefit which consisted of a \$38.7 million non-cash benefit from the re-measurement of the Company's net U.S. deferred tax liabilities using the new U.S. statutory tax rate, partially offset by a \$14.7 million transition tax on the Company's previously untaxed foreign earnings.

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

To supplement the financial information included in this press release, the Company has presented Adjusted EBITDA including unconsolidated joint ventures, which is considered a non-GAAP financial measure. The following table reconciles net income attributable to Lamb Weston to Adjusted EBITDA including unconsolidated joint ventures.

# Net income attributable to Lamb Weston Holdings, Inc. Income attributable to noncontrolling interests Equity method investment earnings Interest expense, net Income tax expense Income from operations Depreciation and amortization Items impacting comparability (1) Expenses related to the Separation

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Subtract: EBITDA from consolidated joint ventures		(3.9)	(10.3)	
Interest expense, income tax expense, and depreciation and amortization included in income attributable to noncontrolling interests	_	(1.1)	(1.7)	
ncome attributable to noncontrolling interests	_	(2.8)	(8.6)	
Consolidated Joint Ventures (4)				
Add: EBITDA from unconsolidated joint ventures	20.2	34.2	64.8	
nterest expense, income tax expense, and depreciation and amortization included in equity method investment earnings	6.0	7.8	20.5	
Equity method investment earnings	14.2	26.4	44.3	
Unconsolidated Joint Ventures (4)				

- (1) See footnote (2) to the Consolidated Statements of Earnings above for a discussion of the items impacting comparability.
- (2) Adjusted EBITDA including unconsolidated joint ventures is a non-GAAP financial measure. Management excludes items impacting comparability between periods as it believes these items are not necessarily reflective of the ongoing operations of the Company. Lamb Weston presents this measure because the

Company believes it provides a means to evaluate the pusing the same measure frequently used by the Compa meaningful comparison between periods. Any analysis only in conjunction with results presented in accordance intended to be a substitute for GAAP financial measures.

- (3) Adjusted EBITDA includes EBITDA from consolidated jo
- (4) Lamb Weston holds equity interests in two potato proce Weston/RDO Frozen and Lamb-Weston/Meijer v.o.f., wh method of accounting. Prior to purchasing the remainin venture, Lamb Weston consolidated the financial statem purchase, Lamb Weston began recognizing 100% of La Statements of Earnings on November 2, 2018. See Note

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