

Lamb Weston Reports Fiscal Third Quarter 2021 Results; Provides Update for Fourth Quarter Fiscal Year 2021

April 07, 2021

Third Quarter Fiscal 2021 Highlights, as Compared to Third Quarter Fiscal 2020

- Net sales declined 4% to \$896 million
- Income from operations declined 38% to \$101 million
- Net income declined 41% to \$66 million
- Diluted EPS declined 41% to \$0.45
- Adjusted EBITDA including unconsolidated joint ventures (1) declined 27% to \$167 million
- Paid \$34 million in dividends to shareholders
- Repurchased 164,678 shares for \$13 million

Fourth Quarter Fiscal 2021 Business Update (for 4 weeks end Fiscal 2019 Levels (2)

- North America shipments were approximately 90% of for
- Europe shipments were approximately 85% of fourth qua
- Other International shipments were approximately 75% c

EAGLE, Idaho--(BUSINESS WIRE)-- Lamb Weston Holdings, I fiscal 2021 results and provided a business update for the four

"We delivered solid sales volumes during the quarter as const favorably to the gradual easing of broad social restrictions as relatively mild winter weather for much of the period," said Tor continued to significantly disrupt our manufacturing and distribution network, which resulted in higher costs."

"In the coming months, we believe the gradual improvement in governments further lift social restrictions, and as warmer weat ongoing disruptive effects of COVID-19 on our supply chain we also lessen after vaccines become more widely available for of partners. In addition, we remain optimistic that overall demand

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levels around the end of calendar 2021, and that global category thereafter. Our recently-announced investments to construct a expansion of our chopped and formed product capacity in the health of the global category, as well as our strategy to support expand across our key markets."

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Summary of Third Quarter 2021 Results

(\$ in millions, except per share)

			Year-Over-Year		YTD	Year-Over-Year
	Q3 2021		Growth Rates FY		Y 2021	Growth Rates
Net sales	\$	895.8	(4%)	\$	2,663.4	(10%)
Income from operations	\$	100.6	(38%)	\$	375.9	(29%)
Net income	\$	66.1	(41%)	\$	252.3	(31%)
Diluted EPS	\$	0.45	(41%)	\$	1.72	(31%)
Adjusted Diluted EPS(1)	\$	0.45	(42%)	\$	1.72	(31%)
Adjusted EBITDA including unconsolidated joint						
ventures ⁽¹⁾	\$	167.1	(27%)	\$	582.1	(19%)

Q3 2021 Commentary

Net sales declined \$41.5 million to \$895.8 million, down 4 percent versus the prior year quarter. Volume declined 6 percent, predominantly reflecting lower demand for frozen potato products outside the home related to government-imposed restrictions on restaurants and other foodservice operations to slow the spread of the COVID-19 virus. The rate of the decline in shipments improved sequentially as compared to the 14 percent decline that the Company realized during the first half of its fiscal 2021, reflecting the steady recovery in demand, particularly in the Company's Global segment. Price/mix increased 2 percent, driven primarily by improved price in the Retail and Foodservice segments, and favorable mix in the Retail segment.

Income from operations declined \$61.9 million, or 38 percent, to \$100.6 million versus the prior year quarter, reflecting lower sales and gross profit, as well as higher selling, general and administrative expenses ("SG&A").

Gross profit declined \$53.7 million, driven by lower sales and higher costs were largely due to incremental costs and ineffici the Company's production, transportation, and warehousing c in the quarter related to capital, repair and maintenance activit addition, higher manufacturing costs reflected input cost inflat change in unrealized mark-to-market adjustments associated \$7.2 million gain in the current quarter, compared with a \$0.3 in quarter.

SG&A increased \$8.2 million, largely due to investments to im chain operations over the long term, and to a lesser extent, its investments included approximately \$1 million of non-recurrin associated with a new enterprise resource planning system. T management efforts.

Net income declined \$45.3 million, or 41 percent, to \$66.1 mill income from operations and a \$4.1 million increase in interest debt resulting from the Company's actions in late fiscal 2020 a

Diluted EPS decreased \$0.31 to \$0.45, due to a decline in inco

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Adjusted Diluted EPS⁽¹⁾, which excludes the \$2.6 million loss repension plan by Lamb-Weston/RDO Frozen ("Lamb Weston R \$0.45.

Adjusted EBITDA including unconsolidated joint ventures⁽¹⁾ decurrence versus the prior year quarter, driven by a decline in income from operations.

The Company's effective tax rate⁽³⁾ in the third quarter fiscal 2021 declined to 19.8 percent, versus 24.3 percent in the prior year period, primarily due to discrete items originating during the third quarter fiscal 2021 and a slightly lower annual effective tax rate. The 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, permanent differences, and discrete items.

Q3 2021 Segment Highlights

Global

Global Segment Summary

			Year-Over-Year		
	Q3 2021		Growth Rates	Price/Mix	Volume
	,	dollars in nillions)			
Net sales	\$	478.5	(2%)	0%	(2%)
Segment product contribution margin ⁽⁴⁾	\$	79.3	(27%)		

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, decreased \$8.6 million to \$478.5 million, down 2 percent compared to the prior year period. Volume declined 2 percent, reflecting lower demand for frozen potato products outside the home as a result of the pandemic's negative impact on restaurant and other foodservice-related traffic in some of the Company's key international markets. The Company's shipments to North American chain restaurant customers increased nominally compared to the prior year period, and included the benefit of increased sales volumes of limited time offering products. The segment's overall 2 percent rate of decline is an improvement from the 12 percent rate of decline that the segment realized during the first half of fiscal 2021 compared to the first half of fiscal 2020, largely due to a recovery in international shipments in the third quarter. Price/mix was flat versus the prior year quarter as favorable price was offset by unfavorable mix.

Global segment product contribution margin decreased \$30.0 to the prior year period. Higher manufacturing and distribution

Foodservice

Foodservice	Segmei

	Q3 2
	(dolla millic
Net sales	\$
Segment product contribution margin ⁽⁴⁾	\$

Net sales for the Foodservice segment, which services North A chains generally outside the top 100 North American based re \$219.5 million, down 22 percent compared to the prior year pedemand for frozen potato products outside the home as a resi

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restaurants and non-commercial customers, such as lodging a sports and entertainment, and workplace environments. Shipr progressed, reflecting the positive and anticipated effect on re of governments easing social restrictions, as well as the benefincreased 2 percent, reflecting the carryover benefit of a pricing

fiscal 2020, partially offset by unfavorable mix as sales of Lamb Weston branded and premium products softened.

Foodservice segment product contribution margin decreased \$29.6 million to \$70.2 million, down 30 percent compared to the prior year period. Lower sales volumes, higher manufacturing and distribution costs, and unfavorable mix drove the decline, partially offset by favorable price.

Retail

Retail Segment Summary

			Year-Over-Year		
	Q3 2021		Growth Rates	Price/Mix	Volume
	•	dollars in nillions)			
Net sales	\$	162.5	23%	10%	13%
Segment product contribution margin ⁽⁴⁾	\$	33.1	15%		

Net sales for the Retail segment, which includes sales of branded and private label products to grocery, mass merchant and club customers in North America, increased \$30.3 million to \$162.5 million, up 23 percent compared to the prior year period. Volume increased 13 percent as strong growth in shipments of premium and mainstream branded offerings, which have historically comprised approximately 40 percent of the segment's volume, was partially offset by a decline in shipments of private label products, which reflects incremental losses of certain low-margin private label business. Price/mix increased 10 percent, largely driven by favorable mix from higher sales of branded products.

Retail segment product contribution margin increased \$4.3 million to \$33.1 million, up 15 percent compared to the prior year period. Favorable mix drove the increase, partially offset by higher manufacturing and distribution costs, and an \$0.8 million increase in advertising and promotional expenses.

Equity Method Investment Earnings

Equity method investment earnings from unconsolidated joint were \$11.1 million and \$9.8 million for the third quarter of fiscal investment earnings included a \$2.2 million unrealized gain recurrency and commodity hedging contracts in the current quarelated to these items in the prior year quarter. In addition, in E Weston/Meijer") increased its interest in its Russian joint ventual joint venture in its results. Earnings in the prior year quarter als withdrawal from a multiemployer pension plan by Lamb Weston

Excluding the mark-to-market adjustments and the Lamb Wes earnings from equity method investments decreased \$10.8 mi potato demand in Europe resulting from the continuation of go production costs related to the COVID-19 pandemic, largely d

Cash Flow and Liquidity

Through the third quarter fiscal 2021, net cash from operating versus the prior year period, primarily due to lower earnings. C technology expenditures, were \$106.7 million, down \$45.3 mil

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During the quarter, the Company paid \$33.7 million in cash disshares for \$12.7 million, reflecting an average price per purcha

In March 2021, the Company announced the planned constru
Ulanqab, Inner Mongolia, China with capacity to produce more
other potato products per year. The new facility will add to the Company's existing in-country production from its
facility in Shangdu, Inner Mongolia, China. The new facility is expected to be completed in the first half of fiscal
year 2024 and the investment is expected to be approximately \$250 million.

Fourth Quarter Fiscal 2021 Business Update

Set forth below is additional detail on the Company's shipments for the first four weeks of the fourth quarter fiscal 2021 through March 28, 2021. Because of the severe government-imposed social and business restrictions to slow the spread of COVID-19 and the resulting negative impact on frozen potato shipments during the fourth quarter fiscal 2020, the Company believes a comparison to shipments during the fourth quarter fiscal 2019 provides a more meaningful comparison for readers to understand the current condition of the Company's business.

- United States: Shipments were approximately 90 percent of fourth quarter fiscal 2019 levels.
 - Shipments to large chain restaurant customers, which are composed of QSR and large full-service chain restaurants, were more than 85 percent of fourth quarter fiscal 2019 levels. The Company, which records shipments to these customers in its Global segment, anticipates this rate will largely continue for the remainder of its fiscal 2021 fourth quarter.
 - Shipments to customers served by the Company's Foodservice segment, which includes products ultimately sold to full-service chain and independent restaurants, regional and small QSRs, and non-commercial customers (e.g., lodging and hospitality, healthcare, schools and universities, sports and entertainment, and workplace environments) were approximately 90 percent of fourth quarter fiscal 2019 levels. The Company believes that its March 2021 shipments include the benefit of customers restocking depleted inventories. As a result, the Company anticipates this rate will largely continue for the remainder of its fiscal 2021 fourth quarter. The Company also expects shipments to non-commercial customers, which have historically comprised approximately 25 percent of the segment, will remain soft for the remainder of its fiscal 2021 fourth quarter.
 - Shipments to customers served by the Company's Retail segment were approximately 110 percent of fourth quarter fiscal 2019 levels, driven by strength in the Company's premium and mainstream branded offerings, partially offset by a decline of private label product shipments, which reflects incremental losses of certain low-margin private label business. The Company believes this rate may gradually decline during the remainder of its fiscal 2021 fourth quarter as the Company expects consumers to increase purchases away from home.

International:

- Europe: Shipments by the Company's joint venture, La of fourth quarter fiscal 2019 levels. The Company anticipalits fiscal 2021 fourth quarter as governments across parts to curb another resurgence of COVID-19.
- Other Key Markets: Shipments to the Company's key in Oceania and Latin America, were approximately 75 percent The Company anticipates that shipment rates will gradual fourth quarter as governments slowly ease social restriction operating under more lenient government-imposed social rates will largely continue for the remainder of its fiscal 20 with the Company's unconsolidated joint venture in Argenmarkets in its Global segment.

The Company believes that the possibility of wide availability of calendar 2021 may allow governments to gradually ease broat which would likely have a favorable impact on restaurant traffic challenging and volatile operating conditions until the virus is restaurant traffic will improve through calendar year 2021. Imp

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lead to overall frozen potato demand approaching pre-pander calendar year.

The Company expects that it will continue to incur significant costs as a result of the pandemic's ongoing impact on its manufacturing, distribution, commercial and functional operations until the COVID-19 virus is broadly contained. These costs may include, but are not limited to: production inefficiencies and labor retention costs arising from modifying production schedules, reducing run-times, and lower overall factory utilization; costs to shut down, sanitize, and restart production facilities after production is impacted by the virus; costs to adopt and maintain enhanced employee safety and sanitation protocols, such as purchasing personal protection and health screening equipment and services; and incremental transportation and warehousing costs.

For all of fiscal 2021, the Company is:

- Reducing its estimate for interest expense, net, to approximately \$120 million from its previous estimate of approximately \$125 million,
- Reducing its estimate for depreciation and amortization to approximately \$185 million from its previous estimate of approximately \$190 million, and
- Reducing its estimate for cash used for capital expenditures, excluding acquisitions, to approximately \$160 million from its previous estimate of approximately \$180 million.

End Notes

- (1)Adjusted Diluted EPS and Adjusted EBITDA including unconsolidated joint ventures are non-GAAP financial measures. Please see the discussion of non-GAAP financial measures and the reconciliations at the end of this press release for more information.
- (2) This press release provides comparisons of the Company's third quarter fiscal 2021 financial results with its third quarter fiscal 2020 financial results. However, because of the severe government-imposed social and business restrictions to slow the spread of COVID-19 and the resulting negative impact on frozen potato

shipments during the fourth quarter fiscal 2020, for purpose ended March 28, 2021, the Company believes a compariso provides a more meaningful comparison for readers to und business.

- (3) The effective tax rate is calculated as the ratio of income tax method investment earnings.
- (4) For more information about product contribution margin, pl table titled "Segment Information" included in this press rel-

Webcast and Conference Call Information

Lamb Weston will host a conference call to review its third qua 7, 2021. Participants in the U.S. and Canada may access the conference call also may be accessed live on the internet. Par <a href="https://globalmeet.webcasts.com/starthere.jsp?ei=1438303&t] https://globalmeet.webcasts.com/starthere.jsp?ei=1438303&t]

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A rebroadcast of the conference call will be available beginnin 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," "may," "improve," "believe," "will," "continue," "should," "become," "remain," "resume," "expand," "support," "provide," "anticipate," "would," "estimate," "reduce," "maintain," 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 industry and consumer demand. 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 current 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 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 ventures operate; political and economic conditions of the countries in which the Company and its joint ventures conduct business and other factors related to its international operations; disruption of the Company's access to export mechanisms; risks associated with possible acquisitions, including the Company's ability to complete acquisitions or integrate acquired businesses; its debt levels; the availability and prices of raw materials; changes in the Company's relationships with its growers or significant customers; the success of the Company's joint ventures; actions of governments and regulatory factors affecting the Company's businesses or joint ventures; the ultimate

outcome of litigation or any product recalls; levels of pension, ability to pay regular quarterly cash dividends and the amount described in the Company's reports filed from time to time wit Company cautions readers not to place undue reliance on any release, which speak only as of the date of this press release. updating these statements, except 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/ ventures, Adjusted Diluted EPS, and adjusted income tax experincome, each of which is considered a non-GAAP financial me

The non-GAAP financial measures provided should be viewed measures prepared in accordance with accounting principles ("GAAP") that are presented in this press release. The non-GA similarly titled non-GAAP financial measures presented by oth these non-GAAP financial measures the same way. These measures measures, such as gross profit, net income, diluted e GAAP, and there are limitations to using non-GAAP financial measures measures.

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Management uses these non-GAAP financial measures to ass consistent basis for purposes of business decision making. M financial measures provides investors with useful information I information regarding financial performance by excluding cert using the same tools that management uses to budget, make

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. **Consolidated Statements of Earnings**

(unaudited, in millions, except per share amounts)

\$

\$

	TI	nirteen W	eeks	Ended	Th	nirty-Nine V	Veek	s Ended
	Feb	ruary 28,	Feb	ruary 23,	Fel	bruary 28,	Feb	ruary 23,
	20)21 (1)		2020	2	2021 (1)		2020
Net sales	\$	895.8	\$	937.3	\$	2,663.4	\$	2,945.5
Cost of sales		699.1		686.9		2,029.4		2,161.4
Gross profit		196.7		250.4		634.0		784.1
Selling, general and administrative expenses		96.1		87.9		258.1		258.1
Income from operations		100.6		162.5		375.9		526.0
Interest expense, net		29.3		25.2		89.6		78.8
Income before income taxes and equity method earnings		71.3		137.3		286.3		447.2
Income tax expense		16.3		35.7		76.2		115.1
Equity method investment earnings (2)		11.1		9.8		42.2		35.4
Net income	\$	66.1	\$	111.4	\$	252.3	\$	367.5
Earnings per share								
Basic	\$	0.45	\$	0.76	\$	1.72	\$	2.51
Diluted	\$	-						
Dividends declared per common share	\$			At	tent	ion!		
Computation of diluted earnings per share:		vi	ewing	g are likel	y no	The product t available d we trans	in yo	our

(1) The thirteen and thirty-nine weeks ended February 28, 2021 pandemic's effect on the Company's manufacturing and su warehousing and transportation costs, and costs to enhance of safety and health screening equipment, and retaining sal ended February 28, 2021, include incremental costs related than prior years.

Diluted weighted average common shares outstanding

Net income

Diluted earnings per share

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(2) The thirteen and thirty-nine weeks ended February 23, 2020 withdrawal from a multiemployer pension plan by Lamb We

Lamb Weston Holdings, Inc. **Consolidated Balance Sheets**

(unaudited, dollars in millions, except share data)

	February 28,	May 31,
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 714.3	\$1,364.0
Receivables, less allowance for doubtful accounts of \$1.0 and \$1.3	375.6	342.1
Inventories	571.5	486.7
Prepaid expenses and other current assets	98.0	109.8
Total current assets	1,759.4	2,302.6
Property, plant and equipment, net	1,498.2	1,535.0
Operating lease assets	148.6	167.0
Equity method investments	303.1	250.2
Goodwill	333.7	303.8
Intangible assets, net	37.5	38.3
Other assets	77.7	65.4
Total assets	\$ 4,158.2	\$4,662.3

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

146,993,751 shares issued

Additional distributed capital

Retained earnings

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Accumulated other comprehensive income (loss)

Treasury stock, at cost, 1,282,466 and 954,858 common share

Total stockholders' equity

Total liabilities and stockholders' equity

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Lamb Weston Holdings, Inc. **Consolidated Statements of Cash Flows**

(unaudited, dollars in millions)

	Th	nirty-Nine \	Veek	s Ended
	F	ebruary 28,	F	ebruary 23,
		2021		2020
Cash flows from operating activities				
Net income	\$	252.3	\$	367.5
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangibles and debt issuance costs		143.3		137.5
Stock-settled, stock-based compensation expense		17.6		18.2
Earnings of joint ventures in excess of distributions		(29.9)		(6.5)
Deferred income taxes		1.0		25.3
Other		9.4		1.2
Changes in operating assets and liabilities, net of acquisition:				
Receivables		(30.4)		(24.3)
Inventories		(80.6)		(94.6)
Income taxes payable/receivable, net		28.2		8.1
Prepaid expenses and other current assets		(6.5)		1.8
Accounts payable		60.9		2.1
Accrued liabilities		9.5		(0.6)

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 business, net of cash acquired

Investment in equity method joint venture

Other

Net cash used for investing activities

Cash flows from financing activities

Proceeds (payments) of short-term borrowings, net

Repayments of debt and financing obligations

Dividends paid

Repurchase of common stock and common stock withheld to

Proceeds from issuance of debt

Other

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Net cash used for financing activities

Effect of exchange rate changes on cash and cash equivalents

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents, beginning of the period

Cash and cash equivalents, end of period

 1,304.0	12.2	
\$ 714.3	\$ 30.1	

Lamb Weston Holdings, Inc. Segment Information

(unaudited, dollars in millions)

				Thirt	een Weeks Ende	d	
					Year-Over-		
	F	ebruary 28,	Fe	ebruary 23,	Year Growth		
		2021		2020	Rates	Price/Mix	Volume
Segment sales							
Global	\$	478.5	\$	487.1	(2%)	0%	(2%)
Foodservice		219.5		283.0	(22%)	2%	(24%)
Retail		162.5		132.2	23%	10%	13%
Other		35.3		35.0	1%	7%	(6%)
	\$	895.8	\$	937.3	(4%)	2%	(6%)
Segment product contribution margin (1) (2)							
Global	\$	79.3	\$	109.3	(27%)		
Foodservice		70.2		99.8	(30%)		
Retail		33.1		28.8	15%		
Other		8.7		5.9	47%		
		191.3		243 8	(22%)		
Add: Advertising and promotion expenses		5.4					
Gross profit	\$	196.7	l i		Attentio	m!	

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_	2021
_	
\$	1,401.9
	697.3
	457.1
	107.1
\$	2,663.4
	\$

Segment product contribution margin (1) (2)				
Global	\$	249.8		
Foodservice		243.7	313.5	(22%)
Retail		99.0	86.2	15%
Other		32.4	26.0	25%
		624.9	766.7	(18%)
Add: Advertising and promotion expen	ses	9.1	17.4	(48%)
Gross profit	\$	634.0	\$ 784.1	(19%)

Lamb Weston Holdings, Inc.

Reconciliation of Non-GAAP Financial Measures

(unaudited, dollars in millions, except share data)

There were no items impacting comparability during the thirteen and thirty-nine weeks ended February 28, 2021.

			Т
	Ir		
		From erations	E
As reported	\$	162.5	\$
Items impacting comparability (2):			
Loss on withdrawal from multiemployer pension plan		_	
Total items impacting comparability		_	
Adjusted (3)	\$	162.5	\$

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⁽¹⁾Product contribution margin is one of the primary measures reported to the Company's chief operating decision maker for purposes of allocating resources to the Company's segments and assessing their performance. Product contribution margin represents net sales less cost of sales and advertising and promotion expenses. Product contribution margin includes advertising and promotion expenses because those expenses are directly associated with the performance of the Company's segments. Product contribution margin, when presented on a consolidated basis, is a non-GAAP financial measure. See "Non-GAAP Financial Measures" in this press release for a description of non-GAAP financial measures and the table above for a reconciliation of product contribution margin on a consolidated basis to gross profit.

⁽²⁾ See footnote (1) to the Consolidated Statements of Earnings above for a discussion of the incremental costs resulting from the pandemic's effect on the Company's financial results for the thirteen and thirty-nine weeks ended February 28, 2021.

	Ir	Income											
	From Operations				Expense		ınvesımenı				ט	Dilutea	
As reported							Earnings		Net Income		EPS		
	\$	526.0	\$	78.8	\$	115.1	\$	35.4	\$	367.5	\$	2.50	
Items impacting comparability (2):													
Loss on withdrawal from multiemployer pension plan		_				0.6		2.6		2.0		0.01	
Total items impacting comparability		_				0.6		2.6		2.0		0.01	
Adjusted (3)	\$	526.0	\$	78.8	\$	115.7	\$	38.0	\$	369.5	\$	2.51	

- (1)Income tax expense is calculated as the ratio of income tax expense to pre-tax income, inclusive of equity method investment earnings. Items impacting comparability are tax effected at the marginal rate based on the applicable tax jurisdiction.
- (2) See footnote (2) to the Consolidated Statements of Earnings above for a discussion of the item impacting comparability.
- (3) Adjusted income tax expense, equity method investment earnings, net income, 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 financial 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. See also "Non-GAAP Financial Measures" in this press release.

Lamb Weston Holdings, Inc.

Reconciliation of Non-GAAP

(unaudited, dollars

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

Net income Equity method investment earnings Interest expense, net Income tax expense Income from operations

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11.1	9.8	42.2	35.4
9.1	8.0	25.5	24.9
_	2.6	_	2.6
20.2	20.4	67.7	62.9
167.1	\$ 227.7	\$ 582.1	\$ 721.5
	9.1	9.1 8.0 — 2.6 20.2 20.4	9.1 8.0 25.5 - 2.6 - 20.2 20.4 67.7

(3) See footnote (2) to the Consolidated Statements of Earnings above for a discussion of the item impacting comparability.

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⁽¹⁾Adjusted EBITDA and Adjusted EBITDA including unconsolidated joint ventures are non-GAAP financial measures. Lamb Weston presents these measures because the Company believes they provide a means to evaluate the performance of the Company on an ongoing basis using the same measure 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. These non-GAAP financial measures are not intended to be a substitute for GAAP financial measures and should not be used as such. See also "Non-GAAP Financial Measures" in this press release.

⁽²⁾ Lamb Weston holds equity interests in three potato processing joint ventures, including 50% of Lamb-Weston/Meijer, Lamb-Weston/RDO Frozen, and Lamb Weston Alimentos Modernos S.A., which it accounts for its ownership under the equity method of accounting. See Note 6, Investments in Joint Ventures, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in the Company's fiscal 2020 Form 10-K, for more information.

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Source: Lamb Weston Holdings, Inc.



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