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Lamb Weston Fourth Quarter and Full Year Fiscal 2025 Financial Results Conference Call Management Remarks
July 23, 2025

Debbie Hancock, Lamb Weston Vice President, Investor Relations

Good morning and thank you for joining us for Lamb Weston's fourth quarter and full year fiscal 2025 earnings call. I am Debbie Hancock, Lamb Weston's vice president of investor relations. Earlier today, we issued our press release and posted slides that we will use for our discussion today. You can find both on our website, lambweston.com.

Please note that during our remarks, we will make forward-looking statements about the company's expected performance that are based on our current expectations.

Actual results may differ materially due to risks and uncertainties. Please refer to the cautionary statements and risk factors contained in our SEC filings for more details on our forward-looking statements.

Some of today's remarks include non-GAAP financial measures. These non-GAAP financial measures should not be considered a replacement for and should be read together with our GAAP results. You can find the GAAP to non-GAAP reconciliations in our earnings release and the appendix to our presentation.

Joining me today are Mike Smith, our President and CEO; and Bernadette Madarieta, our Chief Financial Officer.

Let me now turn the call over to Mike.

Mike Smith, Lamb Weston President and CEO

Thank you, Debbie.

Slide 4 – Key Messages
Good morning and thank you for joining us today. I first want to thank our Lamb Weston team around the globe for their hard work and strong execution.

Fiscal 2025 was a year of substantial change for Lamb Weston. In addition to me becoming CEO, we recently added significant new and relevant experience to the Board with six new members, including a new chairman, Bradley Alford, as well as Lawrence Kurzius, Paul Maass, Timothy McLevish, Ruth Kimmelshue and Scott Ostfeld.

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Management and the new board have a high sense of urgency and are aligned on capitalizing on the many opportunities we collectively see to drive results in our business. Today's results evidence the momentum we continue to build with customers and the visibility we have in our business as we work to rebuild credibility with investors.

We are focused on controlling what we can control and are taking advantage of opportunities to drive results and improve execution through a cost savings program we announced today along with our customer centric "Focus to Win" strategy for long-term success. Successful execution of these plans will help drive improved performance, including free cash flow and long-term returns.

To drive further alignment, along with sales and Adjusted EBITDA, free cash flow and returns on capital have been added to our compensation plans for fiscal 2026. This alignment continues at the board level, which for 2026, the Board has unanimously elected to receive their compensation in equity in the company.

We believe these cumulative actions are readying the organization to further support customers and accelerate our performance when demand returns to growth.

Slide 5 – Building Customer Momentum
Turning to business results, Lamb Weston ended the year with momentum in customer wins and retention, delivering results ahead of our updated expectations for fiscal 2025. The team is executing at a high level, and our long-standing commitment to quality, service and innovation is driving success with customers globally.

Slide 6 – Fourth Quarter F25 Highlights
We had a strong fourth quarter that came in above our expectations. Volume was up with wins across channels and geographies and net sales grew.

Price/mix declined, reflecting our support of customers with price and trade as we manage the competitive environment and soft restaurant traffic. We are also seeing the benefits of our cost savings in our cost structure.

Adjusted EBITDA increased in the quarter, and we made significant progress in improving working capital.

Slide 7 – Full-Year Fiscal 2025 Highlights
For the full year, our success in the second half enabled us to end the year with volume up. As discussed on earlier calls, our full-year profit was impacted by actions to support customers in a competitive environment; higher costs from production curtailments and higher inventories during the year; as well as inflationary pressures. We offset some of this impact by delivering slightly above our cost savings target - with $59 million of savings for the year.

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Slide 8 – Driving Change with Urgency: January to Today
Since January when I took on the role of CEO, I've worked closely with the Board and management team to drive change with urgency and better position our business for success.

Over the past several months, and with the support of outside resources, we undertook an end-to-end assessment of our operations, we developed a strategic plan to drive targeted decision-making and actions, and we are now executing on a plan to unlock near- and long-term value. This plan, which we call "Focus to Win" includes zero based budgeting, assessing our non-core assets, and augmenting our commercial go-to-market.

We are already making progress. You can see it in our better-than-expected results announced today, but we know that the work and real opportunities are ahead of us. We are operating in an industry with rapidly changing dynamics and a global consumer environment that remains uncertain. It requires a new approach - a "Focus to Win".

Slide 9 – Evolving Market Dynamics
Global demand for French fries remains strong, but the market dynamics are evolving in important ways. Growth in food delivery, expanding QSR concepts and Air Fryers changing how we cook at home are creating an opportunity that demands innovation and new approaches. Geographic growth is greatest in emerging markets, where margin profiles are lower, but also where QSR formats are expanding.

And following market shortages during covid, the long-term attractiveness of our industry has created the potential for future supply/demand imbalance, most notably outside the U.S. As previously discussed, while new capacity has been announced globally, we do not expect it all to be built. We have already begun to see industry consolidation and decisions to postpone or cancel capacity additions. We believe these postponements and cancelations could continue as the industry has been rational over time.

Importantly, not all new capacity is created equal. Geographic exposure, capabilities, reliability of raw material sourcing and quality, determine the markets and channels impacted by new capacity. We believe that much of the new capacity in developing markets like India and the Middle East does not have the capability to produce higher-margin premium items – which is the strategic focus for Lamb Weston.

We believe the work we've performed on the market, confirmed our right to win in our key geographies, segments and product categories. We are operating in some of the lowest cost potato growing regions, and we are investing in capabilities aligned to growth opportunities and to our customers' needs to win and grow profitably over time.

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Slide 10 – Our Strategic Framework: Focus to Win
Let's talk about our "Focus to Win" strategy.

To differentiate Lamb Weston in today's market, we are defining where to play through a strategic framework that focuses our resources and efforts on the most attractive growth opportunities- across markets, channels and product segments.

How we expect to win is targeted: strengthen our customer partnerships, execute with excellence and set the pace for innovation.

Slide 11 – Focus to Win: A Reinforcing Cycle to Drive Growth & Margin
We are creating a repeatable cycle with four elements that drive growth and profitability for Lamb Weston.

- First, we are focusing investments on priority global markets and segments;
- Second, we are strengthening customer partnerships;
- Third, we are achieving executional excellence; and
- Finally, we are setting the pace for innovation.

We will talk more about these shortly…

At the core, we will do what our team does better than anyone else: Be our customers' #1 partner, a world-class potato company, and an industry-leading innovator.

Slide 12 – Focus to Win: Focusing Where We Can Differentiate and Lead
Our focus will be on geographies, channels and products where we can both differentiate and lead. We've built our business in part by being something for everyone – but going forward:

- We will continue to partner with excellence in our core markets;
- We will invest to grow in markets, channels and product categories with more attractive profit opportunities where customers value our full product and service offerings;
- We will focus our resources on markets and segments where we have the greatest advantage and re-evaluate non-core assets and markets;
- We will close the capability gaps in our organization; and
- We will target premium market segments where innovation is a differentiator.

Slide 13 – Focus to Win: Transforming How We Operate & Deliver
We must transform how we operate. It is how we will win.

First, Strengthen Customer Partnerships. Lamb Weston remains a partner of choice for our customers. Our third-party research confirms that our value, relationships and service are best in class. Our opportunity is to expand what we've done with our largest customers to our priority customer targets and geographies, enhancing our joint business planning activities and capabilities.

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Second, Achieve Executional Excellence. To be a partner of choice for our customers and to successfully and profitably operate in an increasingly competitive market, everything we do we must do with excellence – across all functions of the company.

For example, in supply chain, we are focused on operating an advantaged global footprint aligned to our growth plan with a streamlined distribution network and revamped continuous improvement team with a focus on plant productivity. This includes simplifying and standardizing operations across locations, driving OEE improvement via our Lamb Weston Manufacturing Operating Culture, and embedding a zero-loss mindset in raw potato and materials usage.

Finally, to differentiate in a competitive marketplace with changing customer preferences, we must continue Lamb Weston's long track record of being an innovation leader.

Our innovation efforts have delivered incremental improvements that directly enhance the customer and consumer experience. Looking ahead, we are expanding our ambition to include breakthrough innovations, such as Lamb Weston Fast Fries, that allow operators in non-traditional fry channels to provide customers with fast and crispy fry offerings. These customers unlock new sources of value in channels that don't traditionally serve fries. This next chapter broadens our innovation efforts beyond product level and into areas such as process technology.

We have created global innovation hubs to orchestrate disruptive innovation platforms. We believe this will create a global network of insights and innovation specialists centered on two Innovation hubs – North America and International.

Slide 14 – Focus to Win: Lowering the Cost Base for Competitive Advantage
In concert with these plans, and as part of our "Focus to Win" strategy, today we announced cost savings that are designed to better align our organization with the environment, improve efficiency and focus on our biggest opportunities. We have identified at least $250 million of annualized run rate savings that we expect to achieve by the end of fiscal 2028 that Bernadette will talk about more in a moment.

We believe these actions will lower our cost base and help ensure we remain competitive while reallocating resources on a more targeted basis to invest for growth.

Slide 15 – Focus to Win: Controlling the Controllables
As I've discussed, customer and consumer preferences for our products remain high, though execution in this period of macro uncertainty will be paramount to the future success of the company. We must control what we can control to continue delivering best in class returns on our business. This includes streamlining our organization, implementing zero based budgeting, and strategically investing to improve productivity and strengthen our manufacturing network. But we also should not lose sight of the bigger picture, which is that Lamb Weston will be poised to deliver for our customers with an improved cost structure and operations when our customers see increased demand in their business.

While we don't know exactly when that will happen, we have confidence that it will and we will be well positioned to win when it does.

I will now turn it over to Bernadette to review the fourth quarter and fiscal year performance and walk through our outlook.

Bernadette Madarieta, Lamb Weston Chief Financial Officer

Slide 16 – Financials & Outlook
Thank you, Mike and good morning, everyone.

I want to start by thanking our teams for their hard work in fiscal 25 as we navigated a challenging year. Halfway through the year, we made important changes to adapt to the evolving environment and put our business on a path back to growth. Our fourth quarter results reflect the progress we made throughout the year to address the dynamic and changing environment. We delivered volume growth in the fourth quarter and for the full year, disciplined cost management, and a focus on cash flow with significant working capital improvement and lower capital expenditures.

Slide 17 – Q4 '25 vs. Q4 '24 Net Sales
Let's begin with our fourth quarter results on slide 17.

Net sales increased 4 percent compared with the prior year.

Volume increased 8 percent, primarily driven by:

- Contract wins across each of our channels and geographic regions, and
- Lapping an approximate $22 million negative impact in the prior period from a previously announced voluntary product withdrawal
  These gains were partially offset by soft global restaurant traffic trends, which were down low single digits in our largest markets of the U.S. and UK.

Despite lower traffic trends, there are some positive trends in the consumption data. In the U.S., French Fry attachment rates continue to remain approximately two points higher than pre-pandemic levels. The French fry category grew 1% in the quarter and QSR fry serving sizes also increased 1%.

Price/mix declined 4 percent in the quarter compared to the prior year, reflecting efforts to support customers on price and trade in an increasingly competitive environment, in both our North America and International segments

Looking at our segments…North America net sales declined 1% compared with the prior year, primarily due to lower net selling prices.

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Price/mix in our North America segment declined 5%, due to pricing actions to support our customers, which was only partially offset by favorable channel and product mix. The favorable mix was attributable to growth in higher margin regional, small, and retail customers.

Volume increased 4 percent, primarily related to regional, small and retail customer wins. These volume gains were partially offset by soft restaurant traffic.

In the U.S., QSR traffic improved from February's levels, but compared with the prior year, was down 1% in the quarter and the fiscal year. Traffic at QSR chains specializing in hamburgers was down 2% in the quarter and 3% for the year. It is important to note that this is on top of declines in the prior year. Restaurant traffic on a two-year stack is down mid-single-digits, with QSR Hamburger-focused restaurants down high single digits over the two-year period.

For our International segment, sales grew 15% versus the prior year quarter with little impact from foreign exchange.

Despite restaurant traffic being down 3% in the UK, our largest international market, and relatively flat in other key international markets, the International segment volume increased 16 percent, driven primarily by recent customer contract wins and to a lesser extent, lapping the voluntary product withdrawal in the prior year.

Price/mix declined 1%, reflecting pricing actions to support customers in key international markets in response to the continued competitive environment.

Moving on from sales…

Slide 18 – Q4'25 vs. Q4'24 Adjusted EBITDA

As expected, Adjusted Gross Profit declined compared with the prior year quarter, due primarily to:

- First, pricing actions to support our customers,
- Second, deliberate choices we made to temporarily curtail some production, resulting in approximately $19 million of higher factory burden absorption. Specifically, fixed costs assigned to our curtailed lines are being temporarily absorbed by lower production levels, which leads to increased costs per pound.
- Third, low-single-digit input cost inflation, including the benefit of lower raw potato prices, for other key inputs, and finally, while not impacting EBITDA,
- Higher depreciation expense from our recent capacity expansions.

These actions were partially offset by increased sales volume and lapping the impact of the voluntary product withdrawal in the prior year.

Adjusted SG&A declined $16 million on lower advertising and promotional spend, lapping of higher ERP transition expenses in the prior year, as well as the benefit of our cost savings initiatives.

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All of this led to Adjusted EBITDA of $285 million, which is essentially flat, or up $2 million, versus the prior-year.

Lower Adjusted SG&A offset lower Adjusted Gross Profit and equity method earnings after adjustments for depreciation and amortization.

Slide 19 – Q4 ’25 vs. Q4 ’24 Adjusted EBITDA by Segment
Turning to Segment EBITDA performance on slide 19…
Adjusted EBITDA in our North America segment declined 7%, or $19 million, versus the prior year quarter to $258 million, primarily related to:

- Pricing actions to support our customers, and
  $17 million of incremental fixed factory burden absorption.

This was only partially offset by lapping a $19 million charge for the voluntary product withdrawal in the prior year and lower SG&A expenses.

For our International segment, Adjusted EBITDA increased $22 million to $63 million. Higher net sales, lower manufacturing costs per pound, including lapping a $21 million charge related to the voluntary product withdrawal in the prior year, and lower SG&A offset the impact of a one percent decrease in price/mix.

Moving to our liquidity position and cash flows on slide 20 …

Slide 20 - Liquidity, Leverage and Cash Flow
We ended the year with approximately $1.24 billion of liquidity, comprised of approximately $1.17 billion available under our revolving credit facility and $71 million of cash and cash equivalents.

Our net debt was $4.1 billion and our Adjusted EBITDA to Net Debt leverage ratio was 3.3 times on a trailing 12-month basis.

In fiscal 2025, we generated $868 million of cash from operations … this is up $70 million versus the prior year, due primarily to $349 million of favorable changes in working capital, which was primarily attributable to lower inventories, which we reduced 8 days, and a favorable change in accrued liabilities. We expect to continue to drive inventory improvements as part of our Focus to Win plan. This plan includes approximately $60 million of cash flow from inventory improvement in fiscal 2026 and 2027, or $120 million in total by the end of fiscal 2027.

Slide 21- Capital Expenditures: Shifting from Growth Investments
Turning to slide 21, capital expenditures for fiscal 2025, net of proceeds from blue chip swap transactions in Argentina, were $651 million, down $323 million, with our expansion projects nearing completion. We ended the year below our initial $750 million target due to continued capital discipline, cost savings initiatives, and the timing of projects and cash outlays. For fiscal 2026, our capital spending is expected to be approximately $500 million, with approximately $400 million in maintenance and modernization and $100 million for environmental projects, which are mostly for wastewater treatment.

On slide 22, you can see that we remain committed to returning cash to shareholders.

Slide 22 – Returning Cash to Shareholders
For the year, we returned $489 million.

- In the fourth quarter, we repurchased $100 million of shares, and $282 million in the year, leaving us with $358 million available under the plan.
- We also returned $207 million in cash dividends during the year.

We plan to continue to follow a disciplined capital allocation approach anchored around investment in the business, its capabilities, and areas where we are working to competitively differentiate Lamb Weston to execute our business strategy, while maintaining a strong balance sheet and opportunistically returning capital to shareholders.

Let’s turn to our outlook, starting with the potato crop on slide 23.

Slide 23 – Potato Crop Update
We’ve started harvesting and processing the early potato varieties in North America and initial indications are that this portion of the new crop is slightly above historical averages.

At this time, the potato crops in the Columbia Basin, Idaho, Alberta, and the Midwest that will be harvested in the Fall appear to be largely within historical ranges as growing conditions in these regions have been favorable.

As a reminder, in North America, we’ve agreed to a mid-single digit decrease, in the aggregate, in contract prices for the 2025 potato crop. Because we ended the year with lower inventories, we expect that we will begin realizing the benefits of lower cost potatoes harvested out of field in the second quarter of fiscal 26. This is earlier than last year and in line with historical seasonal timing.

In Europe, favorable dry and warm growing conditions in the industry’s main growing regions of the Netherlands, Belgium, northern France and Germany are expected to result in an average crop.
We currently expect our potato costs in Europe to be flat-to-slightly lower than the previous year’s fixed-price contracts.

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We will provide more details on the crops in both North America and Europe when we report our second quarter results.

Slide 24 - Fiscal 2026 Outlook
Turning to slide 24, and our fiscal 2026 outlook. The outlook includes the contribution of a 53rd week, with the additional week falling in the fourth quarter.

In fiscal 2026, we expect our category to continue to be in high demand, with customers and consumers prioritizing French fries as a menu and an at home item. However, our guidance assumes continued pressure on consumers from macroeconomic and geopolitical factors. Our outlook assumes:

- no improvement in global restaurant traffic from fiscal 25 levels, but it does plan for customer momentum that began in the second half of fiscal 2025 to continue.
- It also does not include additional impacts of evolving trade policies, including changes in tariffs and retaliatory countermeasures.

With this as a backdrop, we expect revenue for fiscal 2026 in the range of $6.35 billion to $6.55 billion, which is a two percent decline to two percent growth on a constant currency basis.

The carryover pricing actions we made in fiscal 25 to support our customers will have a negative impact on net sales in the first half of the year. Based on the timing of contract renewals, most of the fiscal 26 pricing actions will impact the second half of the year and they are expected to have a lesser impact than those made in fiscal 25. In total, we expect sales to be stronger in the second half of the fiscal year, which will benefit from the additional week.

Turning to our Adjusted EBITDA Outlook on Slide 25…

Slide 25 - FY ’25 to FY ’26 Adjusted EBITDA Outlook Bridge
Beginning in fiscal 2026, we are implementing changes in our reporting of Adjusted SG&A and Adjusted EBITDA to fully exclude non-cash share-based compensation expense. In fiscal 2025, stock-based compensation expense was $40 million. After this call, we will publish a schedule recasting prior-year periods to reflect this new methodology on our investor website.

With this change, we expect Adjusted EBITDA for fiscal 2026 of $1.0 billion to $1.2 billion.

We expect Adjusted Gross Profit to be down, negatively impacted by:

- Carryover pricing and further efforts to support customers with price and trade in fiscal 2026
- Low single-digit inflation - including the benefit of lower raw potato costs, and
- Higher fixed factory burden and start-up costs in our International segment, primarily related to our new plant in Argentina, which is expected to begin producing sellable product in August.

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Before the benefits of our cost savings program, we expect that Adjusted SG&A will increase, compared with the prior year, due to:

- An incremental $40 million headwind related to normalizing incentive compensation expenses after a couple of years of lower than planned incentive achievement, and
- Approximately $10 million of incremental investments including, for example, innovation and advertising and promotion expenses to support our long-term strategic plan.

Our Adjusted Gross Margin and SG&A will benefit from the cost savings program announced today. We expect to deliver approximately $200 million of the full savings target by the end of fiscal 2027 - with about half, on a run rate basis, as we exit fiscal 2026.

- In fiscal 2026, we expect two-thirds of the $100 million savings will be realized in the second half of the year. About two-thirds will benefit Adjusted Gross Profit and one third will benefit Adjusted SG&A this year.
- Over the program's life, however, we anticipate approximately 75% of the benefit in gross profit and 25% in SG&A.
- To deliver the savings, we expect to recognize approximately $70 to $100 million of cash pre-tax charges, most of which are expected to be paid in fiscal 2026.

Keep in mind, that these savings are on top of the remaining approximately $25 million of incremental benefits that we expect to deliver under the Restructuring Plan we announced in fiscal 2025.

And finally, Adjusted EBITDA will benefit from the contribution of an additional week of sales and earnings.

We are targeting a full-year effective tax rate of approximately 26% for fiscal 2026, excluding the impact of comparability items. This tax rate is forecast to be in the high 20s in the first half of the year, and low 20s in the second half of the year reflecting the expected timing of discrete items, most notably in the fourth quarter. We do not expect the recently enacted U.S. federal tax legislation to have a material impact on our fiscal 2026 tax rate.

In summary, Lamb Weston is operating from a strong financial foundation, and we believe the steps we announced today will enable us to improve our competitiveness and financial position through cost savings, establishing clear strategic priorities and working capital improvements. We believe these expected savings, together with lower levels of capital expenditures and working capital improvements, will help drive improved profitability and cash flow over the long term.

I will now turn the call back over to Mike.

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Mike Smith

Slide 26 - Focus to Win
Thank you, Bernadette. I am confident in the direction we are taking Lamb Weston, as we are making important and significant changes to our business to compete more effectively in today's marketplace. We have organizational alignment to capitalize on the tremendous opportunities in front of us. We will drive performance by focusing on the controllables. But we do so knowing it will provide an even bigger opportunity for us and our customers when restaurant traffic returns to growth – and we will be ready.

With that, we are happy to take your questions.