Post Holdings Reports Results for the First Quarter of Fiscal Year 2021

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ST. LOUIS, Feb. 04, 2021 (GLOBE NEWSWIRE) -- Post Holdings, Inc. (NYSE:**POST**), a consumer packaged goods holding company, today reported results for the first fiscal quarter ended December 31, 2020.

Highlights:

- **First quarter net sales of $1.5 billion**
- **Operating profit of $166.3 million; net earnings of $81.2 million; Adjusted EBITDA of $284.4 million**
- **Reaffirmed first half fiscal year 2021 Adjusted EBITDA (non-GAAP) guidance of $520-$550 million**

Basis of Presentation

On October 21, 2019, the initial public offering (the "IPO") of a minority interest in the BellRing Brands business, Post's historical active nutrition business, was completed. Post fully consolidates the results of BellRing Brands, Inc. ("BellRing") and its subsidiaries within Post's financial statements and effective October 21, 2019 allocates 28.8% of BellRing's consolidated net earnings/loss and net assets to noncontrolling interest within Post's financial statements. On July 1, 2020, Post completed the acquisition of Henningsen Foods, Inc. ("Henningsen"), the results of which are included in the Foodservice segment.

First Quarter Consolidated Operating Results

Net sales were $1,458.0 million, an increase of 0.1%, or $1.2 million, compared to $1,456.8 million in the prior year period. Net sales growth in BellRing Brands, Refrigerated Retail, Weetabix and Post Consumer Brands was offset by declines in Foodservice. Gross profit was $455.4 million, or 31.2% of net sales, a decrease of $16.1 million compared to the prior year period gross profit of $471.5 million, or 32.4% of net sales.

Selling, general and administrative ("SG&A") expenses were $251.1 million, or 17.2% of net sales, an increase of $15.8 million compared to $235.3 million, or 16.2% of net sales, in the prior year period. SG&A expenses for the first quarter of 2021 included a provision of $15.0 million for a legal settlement, which was treated as an adjustment for non-GAAP measures. Operating profit was $166.3 million, a decrease of 15.2%, or $29.7 million, compared to $196.0 million in the prior year period.

Net earnings were $81.2 million, a decrease of 18.1%, or $18.0 million, compared to $99.2 million in the prior year period. Net earnings included income on swaps, net of $41.6 million and

$61.4 million in the first quarter of 2021 and 2020, respectively, which is discussed later in this release and was treated as an adjustment for non-GAAP measures. Net earnings included equity method losses, net of tax of $7.9 million and $7.3 million in the first quarter of 2021 and 2020, respectively. Net earnings excluded net earnings attributable to noncontrolling interest of $9.8 million and $7.9 million in the first quarter of 2021 and 2020, respectively. Diluted earnings per common share were $1.21, compared to $1.38 in the prior year period. Adjusted net earnings were $48.0 million, or $0.72 per diluted common share, compared to $52.9 million, or $0.73 per diluted common share, in the prior year period.

Adjusted EBITDA was $284.4 million, a decrease of 6.2%, or $18.7 million, compared to $303.1 million in the prior year period, with the decrease driven primarily by Foodservice. Adjusted EBITDA in the first quarter of 2021 and 2020 included an adjustment of $9.5 million and $7.4 million, respectively, primarily for the portion of BellRing's consolidated net earnings which was allocated to noncontrolling interest, resulting in Adjusted EBITDA including 100% of the consolidated Adjusted EBITDA of BellRing.

Post Consumer Brands

North American ready-to-eat ("RTE") cereal.

For the first quarter, net sales were $445.0 million, an increase of 0.9%, or $3.8 million, compared to the prior year period, and benefited from a favorable mix. Volumes were flat as growth in *Post* branded cereals was offset by declines in private label and government bid business (primarily resulting from the decision to exit certain low-margin business), licensed brand cereal and *Malt-O-Meal* bag cereal. Segment profit was $70.5 million, a decrease of 12.5%, or $10.1 million, compared to the prior year period. Segment profit for the first quarter of 2021 was negatively impacted by a provision of $15.0 million for a legal settlement, which was treated as an adjustment for non-GAAP measures. Segment Adjusted EBITDA was $113.7 million, an increase of 3.6%, or $4.0 million, compared to the prior year period.

Financial results for the first quarter of 2021 were negatively impacted by an estimated $9.8 million and $5.6 million in lost revenue and profit contribution, respectively, resulting from COVID-19 related production shutdowns and employee leaves at the Battle Creek, Michigan RTE cereal facility.

Weetabix

Primarily United Kingdom RTE cereal and muesli.

For the first quarter, net sales were $113.5 million, an increase of 11.8%, or $12.0 million, compared to the prior year period, and reflected a favorable foreign currency exchange rate tailwind of approximately 280 basis points. Volume growth of 8.3% was driven by biscuit products, extruded products (primarily resulting from lapping capacity constraints in the prior year period), private label products and exports, which were partially offset by declines in bar and drink products (resulting from reduced on-the-go consumption in reaction to the COVID-19 pandemic). Segment profit was $28.1 million, an increase of 18.6%, or $4.4 million, compared to the prior year period. Segment Adjusted EBITDA was $37.3 million, an increase of 16.9%, or $5.4 million, compared to the prior year period.

Foodservice

Primarily egg and potato products.

For the first quarter, net sales were $354.5 million, a decrease of 15.7%, or $66.1 million, compared to the prior year period, and included a 210 basis point benefit from Henningsen. Volumes for the first quarter decreased 20.0%, driven by lower away-from-home demand in reaction to the COVID-19 pandemic in various channels, including full service restaurants, quick service restaurants, education and travel and lodging. Volumes included an approximately 370 basis point benefit from the participation in a government-backed food initiative and 90 basis point benefit from Henningsen. Egg volumes declined 15.5% and included an approximately 480 basis point benefit from the participation in a government-backed food initiative and a 60 basis point benefit from Henningsen. Potato volumes declined 38.3%.

Segment profit was $10.8 million, a decrease of 77.0%, or $36.2 million, compared to the prior year period. Segment Adjusted EBITDA was $40.4 million, a decrease of 46.3%, or $34.9 million, compared to the prior year period. First quarter 2021 segment profit and segment Adjusted EBITDA were negatively impacted by (i) lost contribution margin on reduced volumes and unfavorable customer, product and channel mix, (ii) an unfavorable egg price/cost relationship associated with the timing of changes in input prices, (iii) unfavorable fixed cost absorption driven by a reduction in volumes produced and (iv) lower net pricing (resulting from an unfavorable mix and temporary price reductions to move excess inventory).

Refrigerated Retail

Primarily side dish, egg, cheese and sausage products.

For the first quarter, net sales were $263.1 million, an increase of 5.3%, or $13.2 million, compared to the prior year period and benefited from improved average net pricing in side dish and cheese products. Volumes increased 1.1%, led by a 13.3% increase in side dish volumes. Egg volumes declined 11.9% resulting from the decision to exit certain low-margin business. Volume information for additional products is disclosed in a table presented later in this release. Segment profit was $33.7 million, an increase of 29.6%, or $7.7 million, compared to the prior year period. Segment Adjusted EBITDA was $51.8 million, an increase of 18.3%, or $8.0 million, compared to the prior year period.

BellRing Brands

Ready-to-drink ("RTD") protein shakes, other RTD beverages, powders and nutrition bars.

For the first quarter, net sales were $282.4 million, an increase of 15.7%, or $38.4 million, compared to the prior year period. *Premier Protein* net sales increased 17.4%, with volumes up 21.9%. Net sales benefited from RTD shake distribution gains for both existing and new products, incremental promotional activity and a modest increase in customer trade inventory levels to support certain promotional events that occurred early in January 2021. Net sales for *Dymatize* increased 16.2% and for all other products decreased 11.2%.

Segment profit was $47.8 million, a decrease of 3.0%, or $1.5 million, compared to the prior year period and included $4.6 million of restructuring and facility closure costs, which were partially offset by $1.5 million of lower transaction costs related to BellRing's separation from Post. Restructuring and facility closure costs and transaction costs were treated as adjustments for non-GAAP measures. Segment Adjusted EBITDA was $60.7 million, an increase of 3.6%, or $2.1 million, compared to the prior year period.

As of December 31, 2020, BellRing had $686.2 million in total principal value of debt and $50.8 million in cash and cash equivalents.

For further information, please refer to the BellRing first quarter 2021 earnings release and conference call (the details of which are included later in this release).

Interest, Loss on Extinguishment of Debt, Income on Swaps and Income Tax

Interest expense, net was $96.6 million in the first quarter of 2021, compared to $102.9 million in the first quarter of 2020. Interest expense, net in the first quarter of 2021 included (i) $12.8 million attributable to BellRing and (ii) a reduction in interest of approximately $3.6 million resulting from the repayment of the entire principal balance of Post's term loan in the first quarter of 2020. Interest expense, net in the first quarter of 2020 included (i) $11.6 million attributable to BellRing and (ii) a loss of $7.2 million resulting from the reclassification of losses previously recorded in accumulated other comprehensive loss to interest expense.

Loss on extinguishment of debt, net of $12.9 million was recorded in the first quarter of 2020 in connection with (i) Post's repayment of the entire principal balance of its term loan and (ii) the assignment of debt to BellRing Brands, LLC related to the creation of BellRing's capital structure in the first quarter of 2020.

Income on swaps, net relates to non-cash mark-to-market adjustments and cash settlements on interest rate swaps. Income on swaps, net was $41.6 million in the first quarter of 2021, compared to $61.4 million in the first quarter of 2020.

Income tax expense was $23.2 million in the first quarter of 2021, an effective income tax rate of 19.0%, compared to $30.4 million in the first quarter of 2020, an effective income tax rate of 21.0%.

Share Repurchases & New Share Repurchase Authorization

During the first quarter of 2021, Post repurchased 1.7 million shares of its common stock for $159.9 million at an average price of $93.43 per share. Subsequent to the end of the first quarter of 2021 and as of February 3, 2021, Post repurchased 0.8 million shares of its common stock for $80.6 million at an average price of $97.48 per share. On February 2, 2021, Post's Board of Directors approved a new $400 million share repurchase authorization. Share repurchases under the new authorization may begin on February 6, 2021. As of February 3, 2021, Post had repurchased $351.0 million under its previous $400 million share repurchase authorization, which became effective on August 8, 2020 and will be cancelled effective February 5, 2021.

Repurchases may be made from time to time in the open market, in private purchases, through forward, derivative, accelerated repurchase or automatic purchase transactions, or otherwise. The shares would be repurchased with cash on hand and cash from operations. Any shares repurchased would be held as treasury stock. The authorization does not, however, obligate Post to acquire any particular amount of shares, and repurchases may be suspended or terminated at any time at Post's discretion.

Recent Announcements

On January 25, 2021, Post completed the acquisition of the *Peter Pan* peanut butter brand from Conagra Brands, Inc.

On February 1, 2021, Post completed the acquisition of Almark Foods, a leading provider of hard-cooked and deviled egg products.

COVID-19 Commentary

Post is closely monitoring the impact of the COVID-19 pandemic on its business and remains focused on ensuring its ability to safeguard the health of its employees, including their economic health, maintaining the continuity of its supply chain to serve customers and consumers and preserving financial liquidity to mitigate the uncertainty caused by the pandemic.

Post products sold through food, drug, mass, club and eCommerce generally have continued to experience an uplift in sales in the first quarter of 2021, driven by increased at-home consumption in reaction to the COVID-19 pandemic.

Post's foodservice business continues to be negatively impacted by lower away-from-home demand resulting from the impact of the COVID-19 pandemic on various channels, including full service restaurants, quick service restaurants, education and travel and lodging. In the first quarter of 2021, Post's foodservice volumes continued to track with changes in the degree of restrictions on mobility and gathering, and this correlation is expected to continue to affect the trajectory of the volume recovery.

BellRing's primary categories, liquids and powders, have returned to growth relatively in line with their pre-pandemic growth rates. The bar category continues to experience year-over-year declines and BellRing's international sales continue to be soft when compared to the prior year.

As of December 31, 2020, Post had approximately $1.1 billion in cash and cash equivalents on hand and the available borrowing capacity under its revolving credit facility was $730.6 million (reflecting $19.4 million of outstanding letters of credit, a reduction in the borrowing capacity).

Outlook

Post management reaffirmed its expectation of Adjusted EBITDA for the first half of fiscal year 2021 to be between $520-$550 million, with the expectation of material improvement in the second half of fiscal year 2021.

Post management continues to expect fiscal year 2021 capital expenditures to range between $225-$250 million, including approximately $4 million attributable to BellRing.

Post provides Adjusted EBITDA guidance only on a non-GAAP basis and does not provide a reconciliation of its forward-looking Adjusted EBITDA non-GAAP guidance measure to the most directly comparable GAAP measure due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including adjustments that could be made for income/expense on swaps, net, noncontrolling interest adjustment, equity method investment adjustment, mark-to-market adjustments on commodity and foreign exchange hedges, adjustment to bargain purchase, provision for legal settlement, transaction and integration costs and other charges reflected in Post's reconciliations of historical numbers, the amounts of which, based on historical experience, could be significant. For additional information regarding Post's non-GAAP measures, see the related explanations presented under "Post's Use of Non-GAAP Measures."

BellRing Outlook

For fiscal year 2021, BellRing management continues to expect net sales and Adjusted EBITDA to grow 8%-13% and 5%-10%, respectively, over fiscal year 2020 (resulting in a net sales range of $1.07-$1.12 billion and an Adjusted EBITDA range of $207-$217 million) and capital expenditures of approximately $4 million.

BellRing provides Adjusted EBITDA guidance only on a non-GAAP basis and does not provide a reconciliation of its forward-looking Adjusted EBITDA non-GAAP guidance measure to the most directly comparable GAAP measure due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including adjustments that could be made for noncontrolling interest adjustment, restructuring and facility closures costs, separation costs and other charges reflected in BellRing's reconciliation of historical numbers, the amounts of which, based on historical experience, could be significant. For additional information regarding BellRing's non-GAAP measures, see the related explanations presented under "Use of Non-GAAP Measures" in BellRing's first quarter of fiscal year 2021 earnings release. BellRing, as a separate publicly-traded company, releases guidance regarding its future performance. These statements are prepared by BellRing's management, and Post does not accept any responsibility for any such statements.

8th Avenue Standalone Financial Information

Post owns a 60.5% common equity interest in 8th Avenue Food & Provisions, Inc. ("8th Avenue"), which is an unconsolidated affiliate that manufactures and distributes private label peanut and other nut butters, dried fruit and nut products, granola and pasta.

For the first quarter, net sales were $229.0 million, an increase of 4.9%, or $10.6 million, compared to the prior year period. Net loss was $1.4 million, a decrease of 55.6%, or $0.5 million, compared to the prior year period. Adjusted EBITDA was $21.6 million, a decrease of 8.9%, or $2.1 million, compared to the prior year period.

As of December 31, 2020, 8th Avenue was capitalized with $12.6 million of unrestricted cash and cash equivalents, $614.5 million of senior secured debt, $60.1 million related to a sale-leaseback transaction, $250.0 million in principal amount of preferred equity and $70.4 million of accumulated, but unpaid, preferred dividends. Summarized financial information for 8th Avenue is disclosed later in this release.

For 8th Avenue, Post management continues to expect fiscal year 2021 Adjusted EBITDA to range between $100-$105 million.

Post provides Adjusted EBITDA guidance for 8th Avenue only on a non-GAAP basis and does not provide a reconciliation of its forward-looking Adjusted EBITDA non-GAAP guidance measure to the most directly comparable GAAP measure due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including transaction, integration and sale-leaseback costs, non-cash stock-based compensation and other charges reflected in 8th Avenue's reconciliation of historical numbers, the amounts of which, based on historical experience, could be significant. For additional information regarding Post's non-GAAP measures, see the related explanations presented under "Post's Use of Non-GAAP Measures."