

Utz Brands Reports Second Quarter 2021 Financial Results

Second Quarter Pro Forma Net Sales Two-Year CAGR Accelerates to 6.1% Company Provides Updated Fiscal 2021 Outlook

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HANOVER, Pa.--([BUSINESS WIRE](#))--Utz Brands, Inc. (NYSE: UTZ) ("Utz" or the "Company"), a leading U.S. manufacturer of branded salty snacks, today reported the unaudited financial results for the Company's fiscal second quarter ended July 4, 2021.

Dylan Lissette, Chief Executive Officer of Utz said, "In the second quarter, our two-year pro forma net sales growth trends continued to improve as our Power Brands' sales grew significantly faster than the Salty Snack Category in our Emerging and Expansion geographies, and our channels most impacted by COVID-related softness are rebounding. While consumer demand for our products remains strong, our second quarter margins were significantly impacted by higher than planned inflation across key input costs which include commodities, transportation and labor."

Mr. Lissette continued, "We anticipate these costs will continue to be more elevated for the remainder of the year than we previously expected. Our pricing actions and productivity initiatives are well underway, but the benefits are expected to be weighted towards the back half of 2021, lagging the near-term cost pressures. These benefits, however, are expected to have strong carry-over benefits to fiscal 2022. As we manage through these higher costs, we remain focused on the long-term health of our brands, and we continue to prioritize investments to capitalize on our growth opportunities."

Second Quarter 2021 Financial Highlights

<i>(in \$millions, except per share amounts)</i>	Fiscal Quarter Ended		
	June 28, 2020 (Predecessor)	July 4, 2021 (Successor)	% Change
Net Sales	\$ 242.0	\$ 297.9	23.1 %
Pro Forma Net Sales ^(1,2)	311.7	299.2	(4.0) %
Gross Profit	84.9	95.6	12.6 %
Adjusted Gross Profit ⁽²⁾	90.4	105.4	16.6 %
Adjusted Gross Profit Margin ⁽²⁾	37.4 %	35.4 %	(200) bps
Net Income (Loss)	6.6	16.2	nm
Adjusted Net Income ⁽²⁾	13.6	19.0	39.7 %
Adjusted EBITDA ⁽²⁾	32.6	35.7	9.5 %
Adjusted EBITDA Margin ⁽²⁾	13.5 %	12.0 %	(150) bps
Diluted Earnings Per Share	nm	\$ 0.21	nm
Adjusted Earnings Per Share ⁽²⁾	nm	\$ 0.13	nm

(1) Pro Forma Net Sales assumes the Company owned H.K. Anderson, Truco Enterprises and Festida Foods on the first day of fiscal 2020, and that the Company owned Vitner's on the first day of fiscal February 2020. Pro Forma Net Sales are on an estimated comparable 13-week basis.

(2) See description of Non-GAAP financial measures and reconciliations of GAAP measures to Non-GAAP adjusted measures in the tables that accompany this release.

Second Quarter Growth Highlights

For the 13-week period ended July 4, 2021, the Company's retail sales as measured by IRI MULO-C increased 6.5% on a two-year CAGR basis. The Company's Power Brands' retail sales increased 8.1% on a two-year CAGR basis versus the Salty Snack Category growth of 7.1% for the same period, increasing to nearly 87% of sales versus approximately 84% in the same period in 2019. Power Brands' sales growth during the two-year period was led by Utz®, ON THE BORDER®, Zapp's®, TORTIYAHS!®, Golden Flake® Pork Skins, Hawaiian®, TGI Fridays® and Herdez®. As expected, the two-year CAGR retail sales decline of (2.2%) in Foundation Brands reflects the Company's continued strategy to focus its resources on its Power Brands.

IRI Retail Sales Growth Summary⁽¹⁾

(in \$millions)	Last 13-Weeks Ended July 4, 2021	
	YoY Change	2-Year CAGR
Total Retail Sales Growth⁽¹⁾		
Salty Snack Category	3.8 %	7.1 %
Utz	(7.2) %	6.5 %
Power Brands	(6.4) %	8.1 %
Foundation Brands ⁽²⁾	(12.0) %	(2.2) %
Sales by Geography Growth⁽¹⁾		
Core		
Salty Snack Category	1.6 %	5.9 %
Utz	(9.9) %	2.9 %
Power Brands	(9.5) %	3.8 %
Expansion		
Salty Snack Category	5.3 %	8.3 %
Utz	(6.8) %	10.2 %
Power Brands	(4.8) %	13.5 %
Emerging		
Salty Snack Category	3.9 %	7.5 %
Utz	(4.1) %	10.9 %
Power Brands	(3.7) %	12.5 %

(1) IRI Custom Panel, Total US MULO + C, on a pro forma basis.

(2) IRI does not include Partner Brands and Private Label retail sales.

Second Quarter 2021 Financial Results

See the description of the Non-GAAP financial measures mentioned in this press release and reconciliations of the Non-GAAP adjusted measures to the GAAP measures in the tables that accompany this release. In addition, see the description of the periods representing the Predecessor and Successor periods in the Company's Form 10-Q for the fiscal quarter ended, July 4, 2021.

Net sales in the quarter increased 23.1% to \$297.9 million compared to \$242.0 in the second quarter of 2020. The increase in net sales was driven by acquisitions of +24.2% and favorable price/mix of +2.3%. Partially offsetting these factors were volume declines of (3.0%) primarily due to pantry loading at the onset of the COVID-19 pandemic in the prior year. In addition, the Company's continued shift to independent operators ("IO") and the resulting increase in sales discounts impacted net sales growth by (0.4%).

Pro Forma Net Sales decreased (4.0%) to \$299.2 million as compared to Pro Forma Net Sales growth of \$311.7 million in the second quarter of 2020. The year-over-year Pro Forma Net Sales growth rate assumes the Company owned H.K. Anderson, Truco Enterprises and Festida Foods on the first day of fiscal 2020, and that the Company owned Vitner's on the first day of fiscal February 2020.

Pro Forma Net Sales increased 6.1% on a two-year CAGR basis, which is an improvement from 4.3% in the first quarter. The second quarter Pro Forma Net Sales two-year CAGR assumes the Company owned Kennedy Endeavors, Kitchen Cooked, H.K. Anderson, Truco Enterprises and Festida Foods on the first day of fiscal 2019, and that the Company owned Vitner's on the first day of fiscal February 2019.

Gross profit was \$95.6 million, or 32.1% as a percentage of net sales. Adjusted Gross Profit increased 16.6% to \$105.4 million, or 35.4% as a percentage of net sales, compared to Adjusted Gross Profit of \$90.4 million, or 37.4% as a percentage of net sales, in the prior-year period. The decrease in Adjusted Gross Profit as a percentage of net sales was primarily driven by higher commodity, transportation, and labor inflation, and lower sales volume.

In the second quarter of 2021, the Company reported net income of \$16.2 million, compared to net income of \$6.6 million in the prior year period. The improvement in net income was primarily driven by a gain of \$19.4 million due to the remeasurement of private placement warrant liabilities consistent with the accounting guidance recently announced by the Staff of the U.S. Securities and Exchange Commission (the "SEC") for warrants issued by special purpose acquisition companies. Adjusted Net Income in the second quarter of 2021 increased 39.7% to \$19.0 million compared to Adjusted Net Income of \$13.6 million in the prior-year period.

Adjusted EBITDA increased 9.5% to \$35.7 million, or 12.0% as a percentage of net sales, compared to Adjusted EBITDA of \$32.6 million, or 13.5% as a percentage of net sales, in the prior-year period. The decrease in Adjusted EBITDA margin was driven by the Adjusted Gross Profit as a percentage of sales performance as described above. In addition, Adjusted EBITDA reflects increased Selling, General, and Administrative expenses versus the prior-year period, primarily due to higher transportation costs, public company expenses, and marketing spend to support growth for the Company's Power Brands.

Second Quarter 2021 Balance Sheet and Cash Flow Highlights

- As of July 4, 2021, the Company had \$26.7 million of cash on hand and an undrawn revolving credit facility, providing liquidity in excess of \$130 million. In the first half of 2021, the Company:
 - Realized approximately \$13 million in cash proceeds from asset sales, primarily related to independent operator routes.
 - Executed a sale-leaseback transaction to recoup approximately \$13 million in cash from prior capital expenditures, locking in favorable fixed-rate capital lease financing.
- Completed a term loan tack-on of \$75 million using proceeds primarily to pay down the revolving credit facility; the Company previously used cash and the revolving credit facility to close the Vitner's and Festida Foods acquisitions.
 - Pricing and terms are consistent with the term loan financing executed in January 2021 (L+300, no floor).

- Net debt of \$787.2 million as of July 4, 2021 resulting in a Pro Forma Net Leverage ratio of 4.4x based on trailing twelve months Normalized Further Adjusted EBITDA of \$179.5 million.
- Capital expenditures of \$10.8 million for the 26-week period ended July 4, 2021; capital expenditures are expected to accelerate throughout the year to support the Company's productivity initiatives.

Fiscal Year 2021 Outlook

The Company believes that consumer demand for its products will remain strong in the second half of fiscal 2021 and continues to believe that sales growth will accelerate. However, given the challenging industry-wide supply chain dynamics, the Company is experiencing higher commodity, transportation, and labor costs. These costs began to rise in the first quarter of fiscal 2021, continued to rise in the second quarter, and impacted the Company's profitability more than anticipated.

The Company believes these costs will continue to be more elevated than originally expected for the remainder of fiscal 2021. Management is taking the appropriate actions to help offset the impact, including pricing, productivity, and cost savings actions, but the benefits are expected to be weighted towards the back half of the year. These benefits are not expected to fully offset the incremental supply chain costs already incurred during fiscal 2021, and expected to occur during the second half of fiscal 2021. As a result, the Company expects that the second quarter will be the lowest margin quarter of fiscal 2021, and that profitability will improve in the second half of the year. Importantly, the Company believes that these actions to help offset inflationary pressures will have a meaningful carry-over benefit to fiscal 2022, and the Company will continue to take the appropriate steps to enhance margins.

For the 52-week fiscal year ending January 2, 2022, the Company is updating its full-year outlook previously provided on May 13, 2021.

- Continue to expect fiscal 2021 net sales consistent with fiscal 2020 Pro Forma Net Sales⁽¹⁾ with modest organic sales growth year over year. The Company's projected pro forma two-year CAGR for fiscal 2020 and 2021 of approximately 6% is above the Company's long-term organic growth outlook of 3 – 4%.
- Updating fiscal 2021 earnings outlook to reflect increased supply chain cost inflation. The Company now expects:
 - Adjusted EBITDA of \$160 – \$170 million⁽²⁾
 - Adjusted Earnings Per Share of \$0.55 – \$0.60⁽³⁾

In addition to the risks and uncertainties identified under "Forward-Looking Statements," the Company's 2021 guidance is estimated based on the following assumptions, and all changes versus the Company's previous assumptions as of May 13, 2021, are noted below:

- **Unchanged Assumptions**
 - Funded \$25 million Vitner's acquisition in February 2021 with balance sheet cash
 - Productivity of approximately 2% of cost of goods sold
 - Fully diluted shares on an as-converted basis of approximately 142 million
- **Updated Assumptions**
 - Funded \$41 million Festida Foods acquisition in June 2021 with revolving credit facility
 - Commodity inflation of approximately 6%
 - Higher transportation and labor costs
 - Core D&A of \$27 – \$29 million and step-up D&A of \$50 – \$53 million (comprised of approximately 40% cost of goods sold and 60% SG&A expense)
 - Capital expenditures of \$40 – \$50 million to drive productivity efforts
 - Cash interest expense of approximately \$33 million⁽⁴⁾
 - Effective cash tax rate of 17.0% - 19.0% (% of pre-tax book income)⁽⁵⁾
 - Net leverage ratio of approximately 4.0 - 4.5x by end of fiscal 2021⁽⁶⁾
 - Expecting ~200 Independent Route ("IO") conversions

Note: Pro Forma Net Sales, Adjusted EBITDA, Further Adjusted EBITDA, and Adjusted EPS are non-GAAP financial measures. See appendix for reconciliation of non-GAAP financial measures to most directly comparable GAAP measures.

(1) 2020 Pro Forma Net Sales includes \$1.16 billion of pro forma net sales on a 52-week comparison basis, and includes pre-acquisition net sales for Vitner's of \$20 million to align with the expectation for FY 2021 (11 months of results from operating and SKU rationalization activity) and excludes full year pre-acquisition net sales amount of \$14M for Festida Foods. The Company's 2021 pro forma net sales growth rate outlook is inclusive of the impact from the conversion of employee-serviced DSD routes to independent operator-serviced routes and excludes the impact of Festida Foods.

(2) Excludes approximately \$7 million of unrealized cost synergies expected to occur in 2022 and beyond.

(3) Excludes step-up depreciation & amortization ("D&A"), stock compensation expense, and non-recurring items.

(4) Excludes amortization of deferred financing fees, interest expense related to loans to independent operators that we guarantee, and interest income. Includes \$250M notional interest rate hedge expiring in September 2022 that fixes 1 month LIBOR at 1.339%.

(5) Excludes impact of taxes expected to be paid in 2021 that relate to the 2020 tax period before the Business Combination was effective.

(6) Includes unrealized cost synergies of approximately \$7 million from acquisitions.

With respect to projected fiscal year 2021 Adjusted EBITDA and Adjusted Earnings Per Share, a quantitative reconciliation is not available without unreasonable efforts due to the high variability, complexity and low visibility with respect to certain items, which are excluded from Adjusted EBITDA, and which are excluded from Adjusted Earnings per Share. We expect the variability of these items to have a potentially unpredictable, and potentially significant, impact on our future financial results.

Conference Call and Webcast Presentation

The Company will host a conference call to discuss these results today at 8:30 a.m. Eastern Time. Please visit the "Events & Presentations" section of Utz's Investor Relations website at <https://investors.utzsnacks.com/> to access the live listen-only webcast and presentation. Participants can also dial in over the phone by calling (833) 921-1661 from North America and (236) 389-2660 internationally. The Event Plus passcode is 6495078. The Company has also posted presentation slides and additional supplemental financial information, which are available now on Utz's Investor Relations website.

A replay will be archived online and is also available telephonically approximately two hours after the call concludes through Thursday, August 19, 2021, by dialing (800) 585-8367 from North America, or (416) 621-4642 from international locations, and entering confirmation code 6495078.

About Utz Brands, Inc.

Utz Brands, Inc. (NYSE: UTZ) manufactures a diverse portfolio of savory snacks through popular brands including Utz®, ON THE BORDER® Chips & Dips, Golden Flake®, Zapp's®, Good Health®, Boulder Canyon®, Hawaiian® Brand, and TORTIYAHs!®, among others.

After a century with strong family heritage, Utz continues to have a passion for exciting and delighting consumers with delicious snack foods made from top-quality ingredients. Utz's products are distributed nationally through grocery, mass merchandisers, club, convenience, drug and other channels. Based in Hanover, Pennsylvania, Utz operates fifteen

facilities located in Pennsylvania, Alabama, Arizona, Illinois, Indiana, Louisiana, Massachusetts, Michigan and Washington. For more information, please visit www.utzsnacks.com or call 1-800-FOR-SNAX.

Investors and others should note that Utz announces material financial information to its investors using its investor relations website (<https://investors.utzsnacks.com/investors/default.aspx>), SEC filings, press releases, public conference calls and webcasts. Utz uses these channels, as well as social media, to communicate with our stockholders and the public about the Company, the Company's products and other issues. It is possible that the information that Utz posts on social media could be deemed to be material information. Therefore, Utz encourages investors, the media, and others interested in the Company to review the information posted on the social media channels listed on Utz's investor relations website.