



THE J.M. SMUCKER Co

NEWS RELEASE

# The J.M. Smucker Co. Announces Fiscal Year 2024 Fourth Quarter Results

6/6/2024

ORRVILLE, Ohio, June 6, 2024 /PRNewswire/ -- The J.M. Smucker Co. (NYSE: SJM) today announced results for the fourth quarter of its fiscal year ending April 30, 2024. Financial results for the fourth quarter and fiscal year reflect the divestiture of the Canada condiment business on January 2, 2024, acquisition of Hostess Brands, Inc. ("Hostess Brands") on November 7, 2023, divestiture of the Sahale Snacks® business on November 1, 2023, and divestiture of certain pet food brands on April 28, 2023. All comparisons are to the fourth quarter of the prior fiscal year, unless otherwise noted.

## EXECUTIVE SUMMARY

- Net sales for the quarter were \$2.2 billion, a decrease of \$29.1 million, or 1 percent. Net sales for the quarter excluding the acquisition, divestitures, and foreign currency exchange increased 3 percent.
- For the fiscal year, net sales were \$8.2 billion, a decrease of 4 percent. Net sales excluding the acquisition, divestitures, and foreign currency exchange increased 8 percent.
- Net income per diluted share for the quarter was \$2.30. Adjusted earnings per share was \$2.66, an increase of 1 percent.
- For the fiscal year, net income per diluted share was \$7.13. Adjusted earnings per share was \$9.94, an increase of 11 percent.
- Cash provided by operations for the quarter was \$428.1 million compared to \$443.8 million in the prior year. Free cash flow was \$297.5 million for the quarter and \$642.9 million for the fiscal year.

- Return of cash to shareholders through dividends was \$112.0 million for the quarter and \$437.5 million for the fiscal year.
- The Company provided its fiscal year 2025 outlook, with net sales expected to increase 9.5 to 10.5 percent, adjusted earnings per share to range from \$9.80 to \$10.20, and free cash flow of \$900.0 million.

## CHIEF EXECUTIVE OFFICER REMARKS

"Our fourth quarter and full-year results underscore the strength of our business and the demand for our leading brands. Our focus on superior execution and disciplined cost management helped drive our strong results in a dynamic operating environment," said Mark Smucker, Chair of the Board, President and Chief Executive Officer.

"Our transformed portfolio, including the acquisition of Hostess Brands during the fiscal year, has strengthened our business for long-term profitable growth across our key platforms of coffee, Uncrustables<sup>®</sup> frozen sandwiches, dog snacks and cat food, and sweet baked snacks."

"Looking ahead, fiscal year 2025 will be a year of investment in our brands, capabilities, and talented employees, who have been instrumental to our success. Our strategy is working and our priorities are clear: deliver our core business, successfully integrate the Hostess business, achieve our synergy aspirations, and advance our transformation and cost discipline activities. We are confident we are well-positioned to deliver long-term growth and increase shareholder value."

## FOURTH QUARTER CONSOLIDATED RESULTS

	Three Months Ended April 30,		
	2024	2023	% Increase (Decrease)
	(Dollars and shares in millions, except per share data)		
Net sales	\$2,205.7	\$2,234.8	(1) %
Operating income (loss)	\$406.0	(\$633.5)	n/m
Adjusted operating income	461.6	408.2	13 %
Net income (loss) per common share – assuming dilution	\$2.30	(\$5.69)	140 %
Adjusted earnings per share – assuming dilution	2.66	2.64	1 %
Weighted-average shares outstanding – assuming dilution	106.4	105.4	1 %

### Net Sales

Net sales decreased \$29.1 million, or 1 percent. Excluding \$412.8 million of noncomparable net sales in the prior year related to divestitures, \$337.0 million of net sales in the current year related to the Hostess Brands acquisition, and \$0.2 million of unfavorable foreign currency exchange, net sales increased \$46.9 million, or 3 percent.

The increase in comparable net sales reflects a 2 percentage point increase from higher net price realization, primarily for U.S. Retail Frozen Handheld and Spreads, U.S. Retail Pet Foods, and for International and Away From Home, partially offset by lower net price realization for U.S. Retail Coffee. Volume/mix increased 1 percentage point, primarily driven by Smucker's® Uncrustables® frozen sandwiches, contract manufacturing sales related to the divested pet food brands, Café Bustelo® coffee, and Meow Mix® cat food, partially offset by Folgers® coffee, Jif® peanut butter, and Smucker's® fruit spreads.

## Operating Income

Gross profit increased \$120.9 million, or 15 percent. The increase primarily reflects a favorable impact from the acquisition of Hostess Brands, lower costs, higher net price realization, and favorable volume/mix, partially offset by the impact of divestitures. Operating income increased \$1,039.5 million, primarily reflecting the lapping of a prior year pre-tax loss of \$1,020.1 million related to the divestiture of certain pet food brands and the increase in gross profit, partially offset by a \$48.9 million increase in selling, distribution, and administrative ("SD&A") expenses and an increase in special project costs of \$22.5 million.

Adjusted gross profit increased \$116.5 million, or 15 percent. The difference between adjusted gross profit and generally accepted accounting principles ("GAAP") results primarily reflects the exclusion of the change in net cumulative unallocated derivative gains and losses. Adjusted operating income, which further reflects the exclusion of the loss on divestitures, special project costs, and amortization as compared to GAAP operating income, increased \$53.4 million, or 13 percent.

## Interest Expense and Income Taxes

Net interest expense increased \$62.0 million, primarily due to an increase in interest expense related to the Senior Notes and Term Loan issued to partially finance the acquisition of Hostess Brands.

The effective income tax rate was 21.7 percent, compared to 11.5 percent in the prior year. The adjusted effective income tax rate was 23.2 percent, compared to 23.8 percent in the prior year. The current year effective income tax rate includes one-time impacts associated with the acquisition of Hostess Brands while the prior year effective income tax rate included the one-time tax impacts of the divestiture of certain pet food brands, both of which are excluded from the respective adjusted effective income tax rates.

## Cash Flow and Debt

Cash provided by operating activities was \$428.1 million, compared to \$443.8 million in the prior year, primarily

reflecting an increase in cash payments for income and other taxes as compared to the prior year, partially offset by an increase in net income adjusted for noncash items. Free cash flow was \$297.5 million, compared to \$298.7 million in the prior year, driven by the decrease in cash provided by operating activities, mostly offset by a decrease in capital expenditures as compared to the prior year.

## FULL-YEAR OUTLOOK

The Company provided its full-year fiscal year 2025 guidance as summarized below:

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Net sales increase vs prior year	9.5% to 10.5%
Adjusted earnings per share	\$9.80 - \$10.20
Free cash flow (in millions)	\$900
Capital expenditures (in millions)	\$450
Adjusted effective tax rate	24.4 %

Net sales are expected to increase 9.5 to 10.5 percent, reflecting a full-year of net sales from the Hostess Brands acquisition, as well as favorable volume/mix and higher net price realization. Comparable net sales are expected to increase approximately 1.5 to 2.5 percent, which excludes noncomparable sales in the current year from the acquisition of Hostess Brands and noncomparable sales in the prior year related to the divestitures of the Sahale Snacks<sup>®</sup> business and the Canada condiment business. This guidance also reflects a decline of approximately \$85.0 million of contract manufacturing sales related to the divested pet food brands.

Adjusted earnings per share is expected to range from \$9.80 to \$10.20. This guidance reflects the increase in net sales, adjusted gross profit margin of approximately 38.0 percent, an increase of SD&A expenses of approximately 13.0 percent, interest expense of \$400.0 million, an adjusted effective income tax rate of 24.4 percent, and 106.4 million weighted-average common shares outstanding. Free cash flow is expected to be approximately \$900.0 million with capital expenditures of \$450.0 million.

## FOURTH QUARTER SEGMENT RESULTS

(Dollar amounts in the segment tables below are reported in millions.)

### U.S. Retail Coffee

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Net	Segment	Segment
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FY24 Q4 Results	<u>Sales</u>	<u>Profit</u>	<u>Profit Margin</u>
Increase (decrease) vs prior year	\$666.1 (4) %	\$210.3 5 %	31.6 % 270bps

Net sales decreased \$26.4 million, or 4 percent. Net price realization decreased net sales by 2 percentage points, primarily driven by list price decreases, partially offset by reduced trade spend. Volume/mix decreased net sales by 2 percentage points, primarily driven by the Folgers® brand, partially offset by increased contributions from the Café Bustelo® and Dunkin'® brands.

Segment profit increased \$10.2 million, primarily driven by lower commodity costs, partially offset by lower net price realization and increased marketing and distribution expenses.

## U.S. Retail Frozen Handheld and Spreads

FY24 Q4 Results	<u>Net Sales</u>	<u>Segment Profit</u>	<u>Segment Profit Margin</u>
Increase (decrease) vs prior year	\$450.5 (1) %	\$95.8 (7) %	21.3 % -150bps

Net sales decreased \$2.9 million, or 1 percent. Excluding \$8.2 million of noncomparable net sales in the prior year related to the divestiture of the Sahale Snacks® business, net sales increased \$5.3 million, or 1 percent. Higher net price realization increased net sales by 4 percentage points, primarily reflecting a list price increase for Jif® peanut butter. Volume/mix decreased net sales by 3 percentage points, primarily driven by Jif® peanut butter and Smucker's® fruit spreads, partially offset by an increase for Smucker's® Uncrustables® frozen sandwiches.

Segment profit decreased \$7.6 million, primarily reflecting higher pre-production expenses related to the new Smucker's® Uncrustables® manufacturing facility, increased marketing expense, and unfavorable volume/mix, partially offset by higher net price realization.

## U.S. Retail Pet Foods

FY24 Q4 Results	<u>Net Sales</u>	<u>Segment Profit</u>	<u>Segment Profit Margin</u>
Increase (decrease) vs prior year	\$452.6 (42) %	\$114.1 (22) %	25.2 % 670bps

Net sales decreased \$332.7 million, or 42 percent. Excluding \$379.2 million of noncomparable net sales in the prior year related to the divested pet food brands, net sales increased \$46.5 million, or 11 percent. Volume/mix increased net sales by 8 percentage points, primarily driven by \$22.7 million of contract manufacturing sales related to the divested pet food brands and increases for the Milk-Bone<sup>®</sup>, Meow Mix<sup>®</sup>, and Pup-Peroni<sup>®</sup> brands. Higher net price realization increased net sales by 3 percentage points, primarily reflecting a list price increase for Meow Mix<sup>®</sup> cat food.

Segment profit decreased \$31.4 million, primarily reflecting the impact of the noncomparable segment profit in the prior year related to the divested brands and increased SD&A expenses, partially offset by lower costs, higher net price realization, and favorable volume/mix.

## Sweet Baked Snacks

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	<u>Net Sales</u>	<u>Segment Profit</u>	<u>Segment Profit Margin</u>
FY24 Q4 Results	\$337.0	\$70.2	20.8 %

The segment contributed net sales of \$337.0 million and segment profit of \$70.2 million. Prior year net sales and segment profit are not provided due to differences in reporting periods and certain financial measures under previous ownership.

## International and Away From Home

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	<u>Net Sales</u>	<u>Segment Profit</u>	<u>Segment Profit Margin</u>
FY24 Q4 Results	\$299.5	\$61.1	20.4 %
Increase (decrease) vs prior year	(1) %	28 %	470bps

Net sales decreased \$4.1 million, or 1 percent. Excluding \$25.4 million of noncomparable net sales in the prior year related to the divested brands and \$0.2 million of unfavorable foreign currency exchange, net sales increased \$21.5 million, or 8 percent. Net price realization contributed a 5 percentage point increase to net sales, primarily reflecting list price increases across the majority of the portfolio, partially offset by increased trade spend. Volume/mix increased net sales by 3 percentage points, primarily driven by Smucker's<sup>®</sup> Uncrustables<sup>®</sup> frozen sandwiches and portion control products.

Segment profit increased \$13.5 million, primarily reflecting higher net price realization, lower costs, and favorable volume/mix, partially offset by increased SD&A expenses.

## Financial Results Discussion and Webcast

At approximately 7:00 a.m. Eastern Time today, the Company will post to its website at [investors.jmsmucker.com](https://investors.jmsmucker.com) a pre-recorded management discussion of its fiscal year 2024 financial results, a transcript of the discussion, and supplemental materials. At 9:00 a.m. Eastern Time today, the Company will webcast a live question and answer session with Mark Smucker, Chair of the Board, President and Chief Executive Officer, and Tucker Marshall, Chief Financial Officer. The live webcast and replay can be accessed at [investors.jmsmucker.com](https://investors.jmsmucker.com).

## The J.M. Smucker Co. Forward-Looking Statements

This press release contains forward-looking statements, such as projected net sales, operating results, earnings, and cash flows that are subject to risks and uncertainties that could cause actual results to differ materially from future results expressed or implied by those forward-looking statements. The risks, uncertainties, important factors, and assumptions listed and discussed in this press release, which could cause actual results to differ materially from those expressed, include: the Company's ability to successfully integrate Hostess Brands' operations and employees and to implement plans and achieve financial forecasts with respect to the Hostess Brands' business; the Company's ability to realize the anticipated benefits, including synergies and cost savings, related to the Hostess Brands acquisition, including the possibility that the expected benefits will not be realized or will not be realized within the expected time period; disruption from the acquisition of Hostess Brands by diverting the attention of the Company's management and making it more difficult to maintain business and operational relationships; the negative effects of the acquisition of Hostess Brands on the market price of the Company's common shares; the amount of the costs, fees, expenses, and charges and the risk of litigation related to the acquisition of Hostess Brands; the effect of the acquisition of Hostess Brands on the Company's business relationships, operating results, ability to hire and retain key talent, and business generally; disruptions or inefficiencies in the Company's operations or supply chain, including any impact caused by product recalls, political instability, terrorism, geopolitical conflicts (including the ongoing conflict between Russia and Ukraine and Israel and Hamas), extreme weather conditions, natural disasters, pandemics, work stoppages or labor shortages, or other calamities; risks related to the availability, and cost inflation in, supply chain inputs, including labor, raw materials, commodities, packaging, and transportation; the impact of food security concerns involving either the Company's products or its competitors' products, including changes in consumer preference, consumer litigation, actions by the U.S. Food and Drug Administration or other agencies, and product recalls; risks associated with derivative and purchasing strategies the Company employs to manage commodity pricing and interest rate risks; the availability of reliable transportation on acceptable terms; the ability to achieve cost savings related to

restructuring and cost management programs in the amounts and within the time frames currently anticipated; the ability to generate sufficient cash flow to continue operating under the Company's capital deployment model, including capital expenditures, debt repayment to meet the Company's deleveraging objectives, dividend payments, and share repurchases; a change in outlook or downgrade in the Company's public credit ratings by a rating agency below investment grade; the ability to implement and realize the full benefit of price changes, and the impact of the timing of the price changes to profits and cash flow in a particular period; the success and cost of marketing and sales programs and strategies intended to promote growth in the Company's businesses, including product innovation; general competitive activity in the market, including competitors' pricing practices and promotional spending levels; the Company's ability to attract and retain key talent; the concentration of certain of the Company's businesses with key customers and suppliers, including single-source suppliers or primary suppliers of certain key raw materials and finished goods, and the Company's ability to manage and maintain key relationships; impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets or changes in the useful lives of other intangible assets or other long-lived assets; the impact of new or changes to existing governmental laws and regulations and their application; the outcome of tax examinations, changes in tax laws, and other tax matters; a disruption, failure, or security breach of the Company or their suppliers' information technology systems, including, but not limited to, ransomware attacks; foreign currency exchange rate and interest rate fluctuations; and risks related to other factors described under "Risk Factors" in other reports and statements filed with the Securities and Exchange Commission, including the Company's most recent Annual Report on Form 10-K. The Company undertakes no obligation to update or revise these forward-looking statements, which speak only as of the date made, to reflect new events or circumstances.

## About The J.M. Smucker Co.

At The J.M. Smucker Co., it is our privilege to make food people and pets love by offering a diverse family of brands available across North America. We are proud to lead in the coffee, peanut butter, fruit spreads, frozen handheld, sweet baked goods, dog snacks, and cat food categories by offering brands consumers trust for themselves and their families each day, including Folgers<sup>®</sup>, Dunkin'<sup>®</sup>, Café Bustelo<sup>®</sup>, Jif<sup>®</sup>, Smucker's<sup>®</sup> Uncrustables<sup>®</sup>, Smucker's<sup>®</sup>, Hostess<sup>®</sup>, Voortman<sup>®</sup>, Milk-Bone<sup>®</sup>, and Meow Mix<sup>®</sup>. Through our unwavering commitment to producing quality products, operating responsibly and ethically and delivering on our Purpose, we will continue to grow our business while making a positive impact on society. For more information, please visit [jmsmucker.com](https://www.jmsmucker.com).

The J.M. Smucker Co. is the owner of all trademarks referenced herein, except for Dunkin'<sup>®</sup>, which is a trademark of DD IP Holder LLC. The Dunkin'<sup>®</sup> brand is licensed to The J.M. Smucker Co. for packaged coffee products sold in retail channels such as grocery stores, mass merchandisers, club stores, e-commerce and drug stores, and in certain away from home channels. This information does not pertain to products for sale in Dunkin'<sup>®</sup> restaurants.