



# FY19 Q2 Earnings Presentation

December 20, 2018



# Today's Presenters

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**Brian Kearney**

*Investor Relations*

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**Sean Connolly**

*President and Chief Executive Officer*

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**Dave Marberger**

*Chief Financial Officer*

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# Legal Disclosure

## **Note on Forward-looking Statements**

This document contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Readers of this document should understand that these statements are not guarantees of performance or results. Many factors could affect our actual financial results and cause them to vary materially from the expectations contained in the forward-looking statements, including those set forth in this document. These risks and uncertainties include, among other things: the risk that the cost savings and any other synergies from the acquisition of Pinnacle Foods (the "acquisition") may not be fully realized or may take longer to realize than expected; the risk that the acquisition may not be accretive within the expected timeframe or to the extent anticipated; the risks that the acquisition and related integration will create disruption to Conagra Brands and its management and impede the achievement of business plans; the risk that the acquisition will negatively impact the ability to retain and hire key personnel and maintain relationships with customers, suppliers and other third parties; risks related to Conagra Brands' ability to successfully address Pinnacle Foods' business challenges; risks related to Conagra Brands' ability to achieve the intended benefits of recent and pending acquisitions and divestitures, including the recent spin-off of Conagra Brand's Lamb Weston business and the planned divestiture of Conagra Brand's Wesson oil business; risks related to the timing to complete a potential divestiture of certain assets related to the Wesson oil brand; risks related to the ability and timing to obtain required regulatory approvals and satisfy other closing conditions for the Wesson oil brand transaction; risks associated with general economic and industry conditions; risks associated with Conagra Brands' ability to successfully execute its long-term value creation strategies, including those in place for specific brands at Pinnacle Foods before the acquisition; risks related to Conagra Brands' ability to deleverage on currently anticipated timelines, and to continue to access capital on acceptable terms or at all; risks related to Conagra Brands' ability to execute operating and restructuring plans and achieve targeted operating efficiencies from cost-saving initiatives, related to the acquisition and otherwise, and to benefit from trade optimization programs, related to the acquisition and otherwise; risks related to the effectiveness of Conagra Brands' hedging activities and ability to respond to volatility in commodities; risks related to the Company's competitive environment and related market conditions; risks related to Conagra Brands' ability to respond to changing consumer preferences and the success of its innovation and marketing investments; risks related to the ultimate impact of any product recalls and litigation, including litigation related to the lead paint and pigment matters; risk associated with actions of governments and regulatory bodies that affect Conagra Brands' businesses, including the ultimate impact of recently enacted U.S. tax legislation and related regulations or interpretations; risks related to the availability and prices of raw materials, including any negative effects caused by inflation or weather conditions; risks and uncertainties associated with intangible assets, including any future goodwill or intangible assets impairment charges, related to the acquisition or otherwise; the costs, disruption, and diversion of management's attention associated with campaigns commenced by activist investors or due to the integration of the acquisition; and other risks described in Conagra Brands' reports filed from time to time with the Securities and Exchange Commission. We caution readers not to place undue reliance on any forward-looking statements included in this document, which speak only as of the date of this document. We undertake no responsibility to update these statements, except as required by law.

## **Note on Non-GAAP Financial Measures**

This document includes certain non-GAAP financial measures, including adjusted diluted EPS from continuing operations, organic net sales, adjusted gross profit, adjusted operating profit, adjusted gross margin, adjusted SG&A expenses, adjusted corporate expenses, adjusted equity method investment earnings, adjusted operating margin, adjusted effective tax rate, adjusted pension and postretirement non-service income and adjusted net interest expense. Management considers GAAP financial measures as well as such non-GAAP financial information in its evaluation of the Company's financial statements and believes these non-GAAP measures provide useful supplemental information to assess the Company's operating performance and financial position. These measures should be viewed in addition to, and not in lieu of, the Company's diluted earnings per share, operating performance and financial measures as calculated in accordance with GAAP.

Certain of these non-GAAP measures, such as organic net sales, adjusted gross margin, adjusted operating margin, adjusted effective tax rate, adjusted net interest expense, and adjusted diluted EPS from continuing operations, are forward-looking. Historically, the Company has excluded the impact of certain items impacting comparability, such as, but not limited to, restructuring expenses, the impact of the extinguishment of debt, the impact of foreign exchange, the impact of acquisitions and divestitures, hedging gains and losses, impairment charges, the impact of legacy legal contingencies, and the impact of unusual tax items, from the non-GAAP financial measures it presents. Reconciliations of these forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures are not provided because the Company is unable to provide such reconciliations without unreasonable effort, due to the uncertainty and inherent difficulty of predicting the occurrence and the financial impact of such items impacting comparability and the periods in which such items may be recognized. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could be material to future results.

Hedge gains and losses are generally aggregated, and net amounts are reclassified from unallocated corporate expense to the operating segments when the underlying commodity or foreign currency being hedged is expensed in segment cost of goods sold. The Company identifies these amounts as items that impact comparability within the discussion of unallocated Corporate results.



Sean Connolly

President and Chief Executive Officer



# Key Takeaways

- Continued momentum in Legacy Conagra business
- Reaffirming Legacy Conagra full-year fiscal 2019 sales and margin guidance
- Pinnacle integration progressing seamlessly; plans in place to address business challenges
- Will host an Investor Day on April 10<sup>th</sup> in Chicago



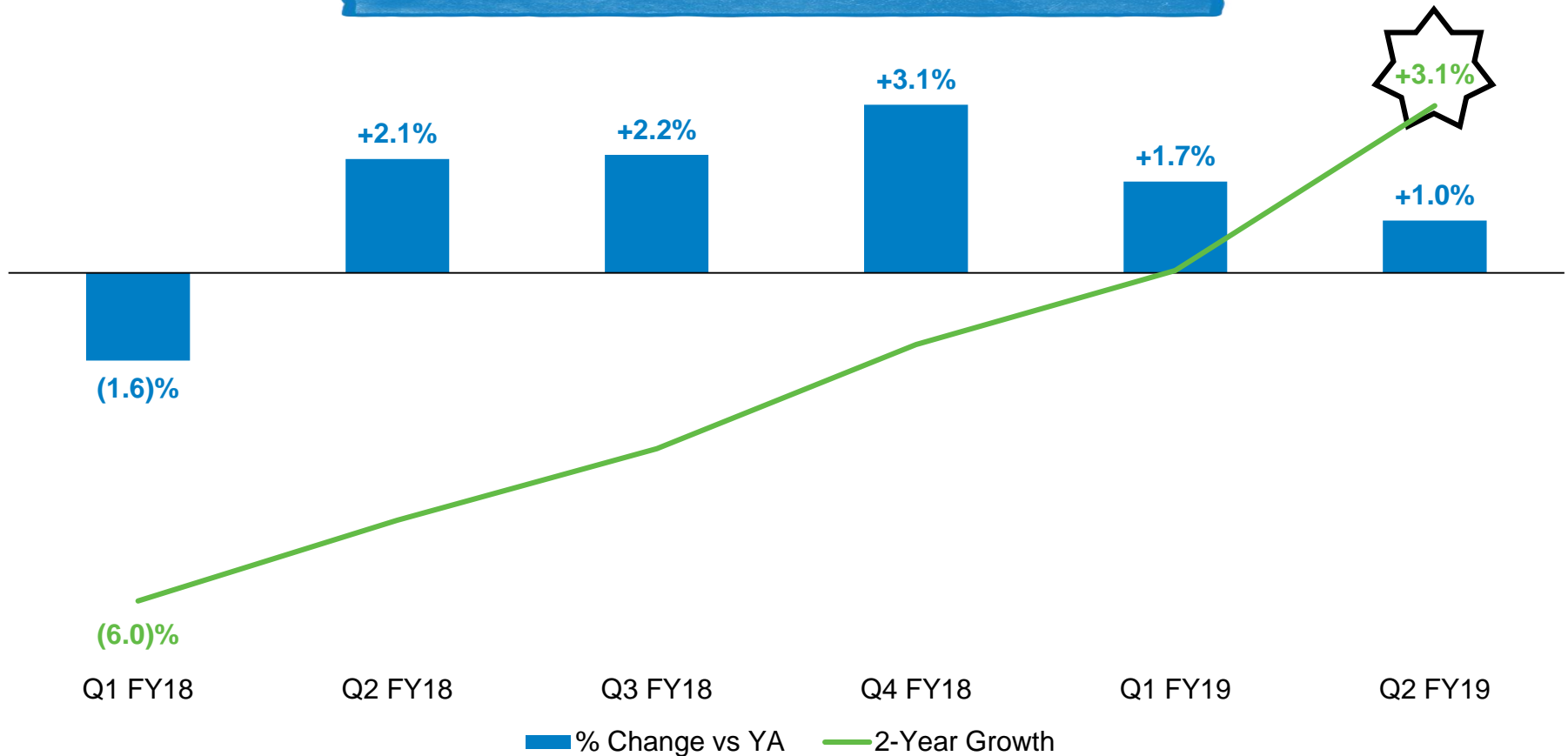
# Continued Momentum in Legacy Conagra

- Consumption growth continues with strong performance in frozen and snacks
- Q2 sales growth largely in line with expectations; affected by one-time prior-year gains tied to hurricanes and timing of shipments
- Q2 Legacy Conagra margins exceeded our expectation



# Continued Momentum in Consumption

Legacy Conagra Retail Dollar Sales

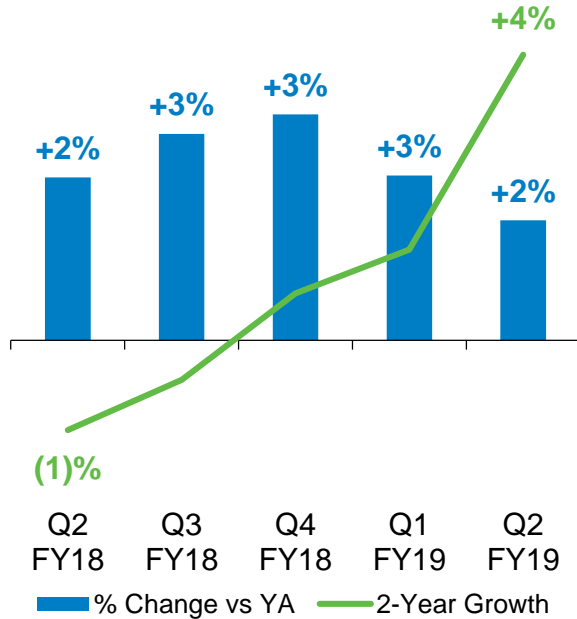




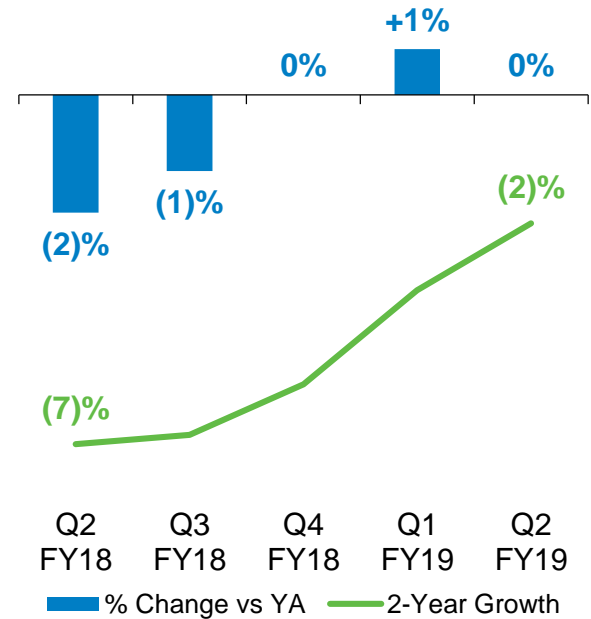
# Fundamentals Remain Solid

## Legacy Conagra Total Domestic Retail Scanner Data

### Base Dollar Sales (% Change vs Year Ago)



### Avg. Weekly TPDs



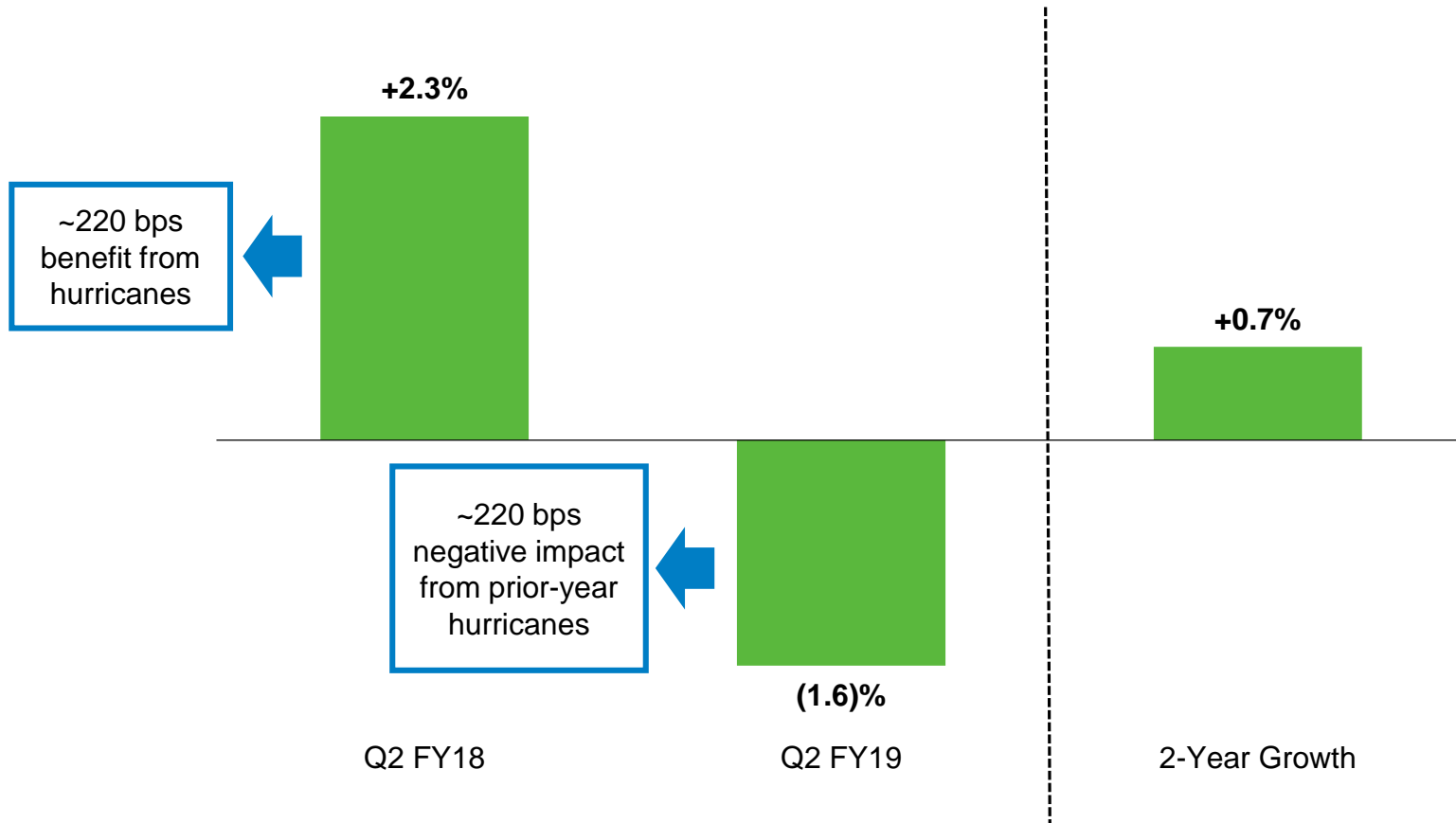
Note: TPDs stands for Total Points of Distribution.

Source: IRI Market Advantage, Conagra Custom Categories, TTL US MULO, data through November 25, 2018, Product: "Conagra Consumer Foods (w/o Frontera synd)"



# Optics Affected By Last Year's Hurricanes

## Organic Net Sales (excl. Trenton)<sup>1</sup> Growth (% Change vs Year Ago)



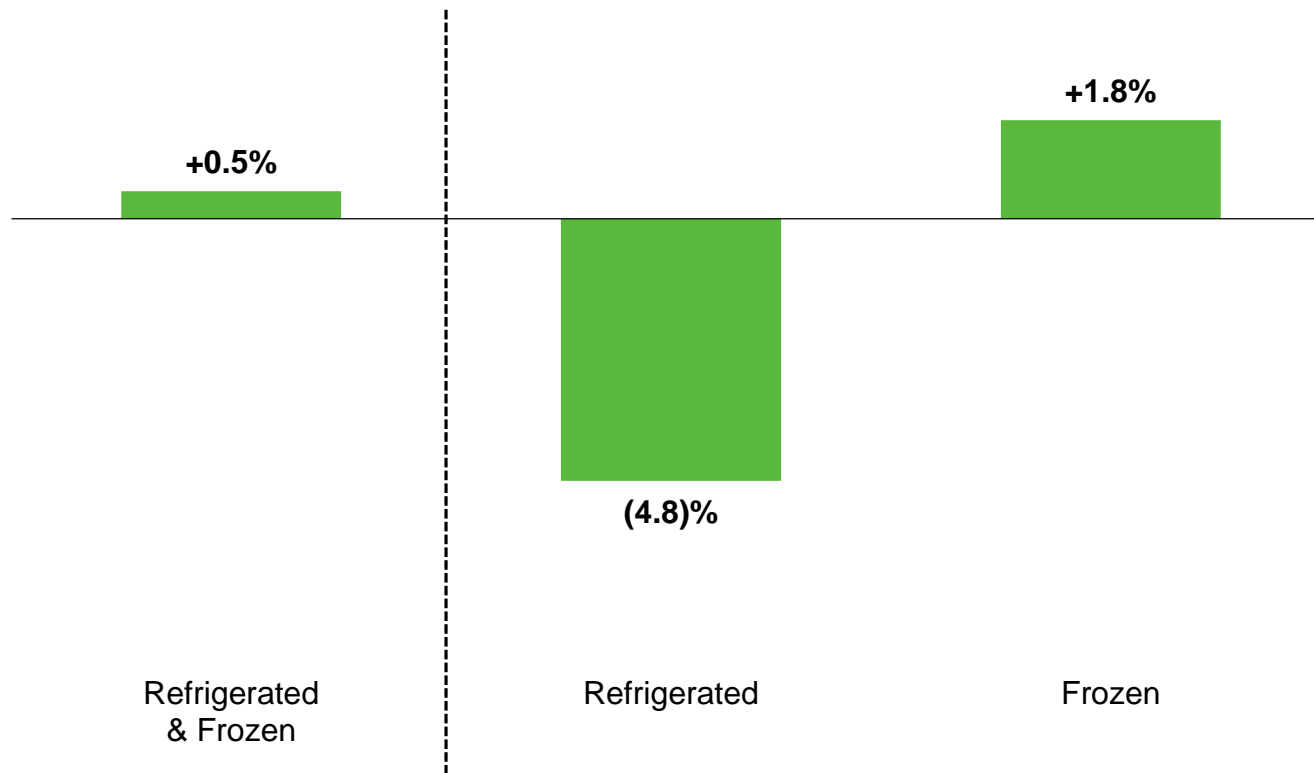
Note: Organic net sales (excl. Trenton) growth is non-GAAP. See the end of this presentation for a reconciliation of this measure to the most directly comparable GAAP measure.

1. Organic net sales (excl. Trenton) excludes the impact of foreign exchange, the Trenton facility sale, and divested businesses, as well as acquisitions (until the anniversary date of the acquisitions).



# Refrigerated & Frozen Segment Growth Led by Frozen

## Q2 FY19 Organic Net Sales<sup>1</sup> Growth (% Change vs Year Ago)



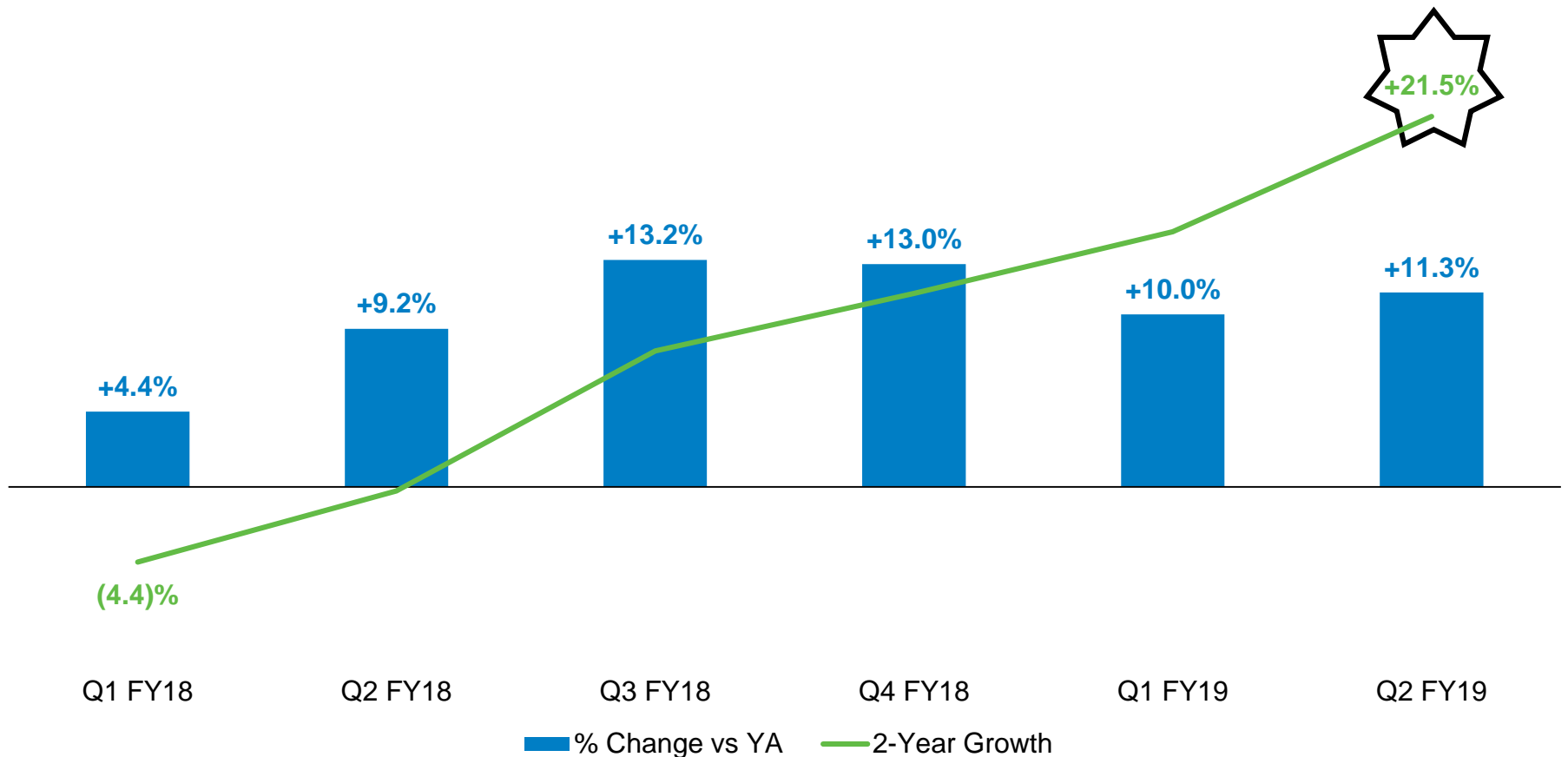
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# Accelerating Momentum in Frozen Single Serve Meals

## Legacy Conagra Retail Dollar Sales – Frozen Single Serve Meals



# Driving Growth Through Modernization and Premiumization



## Benefits of Modernization

- Household Penetration Growth and Attracting Younger Buyers
- Price Appreciation; Lower Promotion
- Expanding Sales Growth and Total Points of Distribution
- Customers Benefitting from Category Growth and Improved Margins

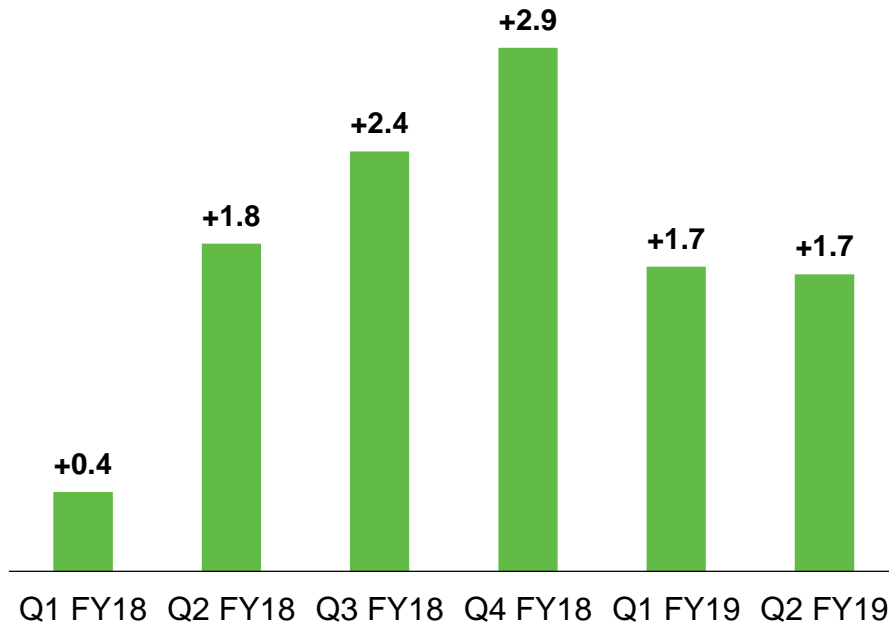


# Household Penetration Gains Primarily from Younger Consumers

## Legacy Conagra Retail Dollar Sales – Frozen Single Serve Meals

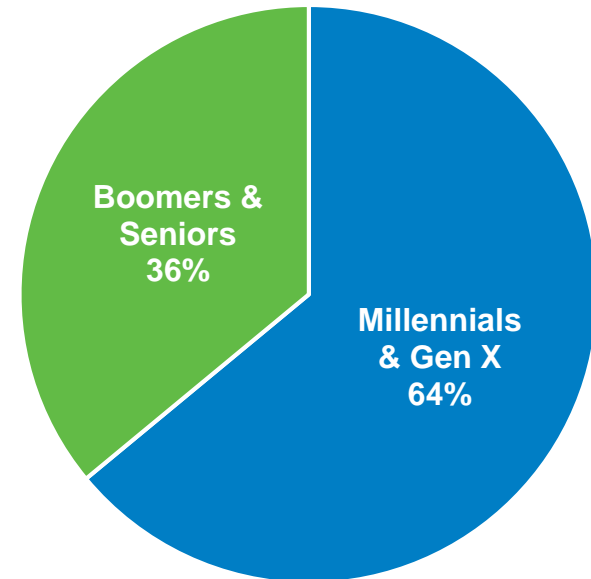
### Incremental Buying Households

(Change vs Year Ago in Millions)



### Share of Buyer Growth

(Last 52 Weeks)

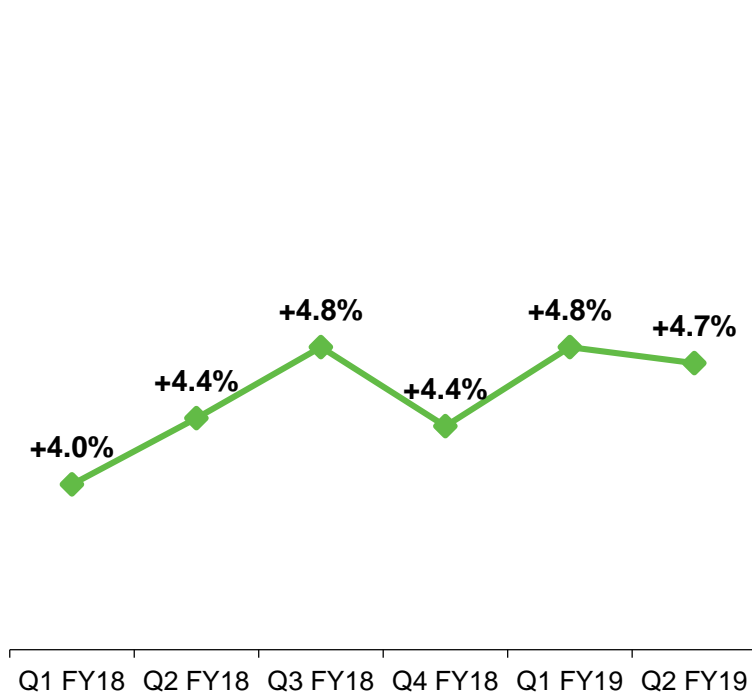




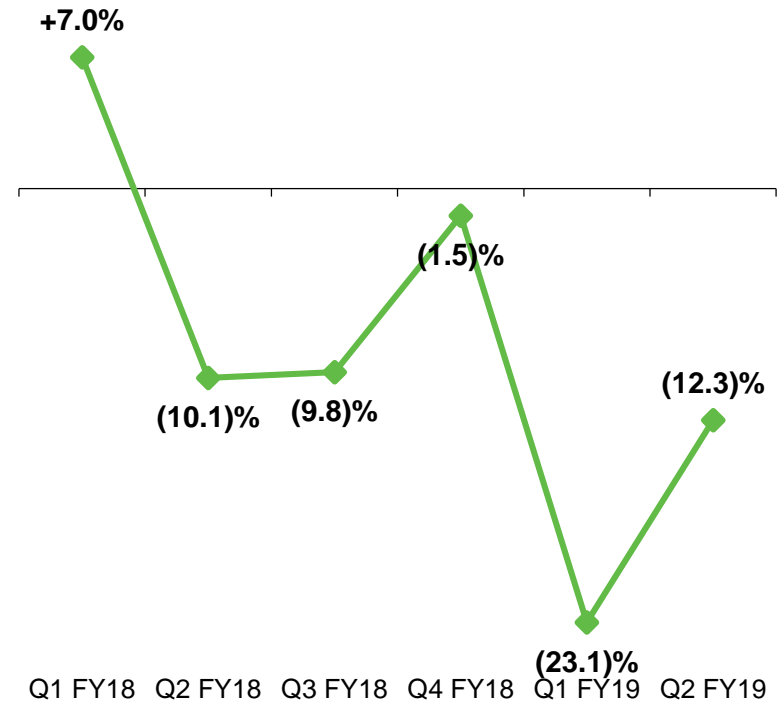
# Stronger Brand Equity Drives Price Appreciation and Lower Promotional Intensity

## Legacy Conagra Retail Dollar Sales – Frozen Single Serve Meals (% Change vs Year Ago)

### Price per Unit



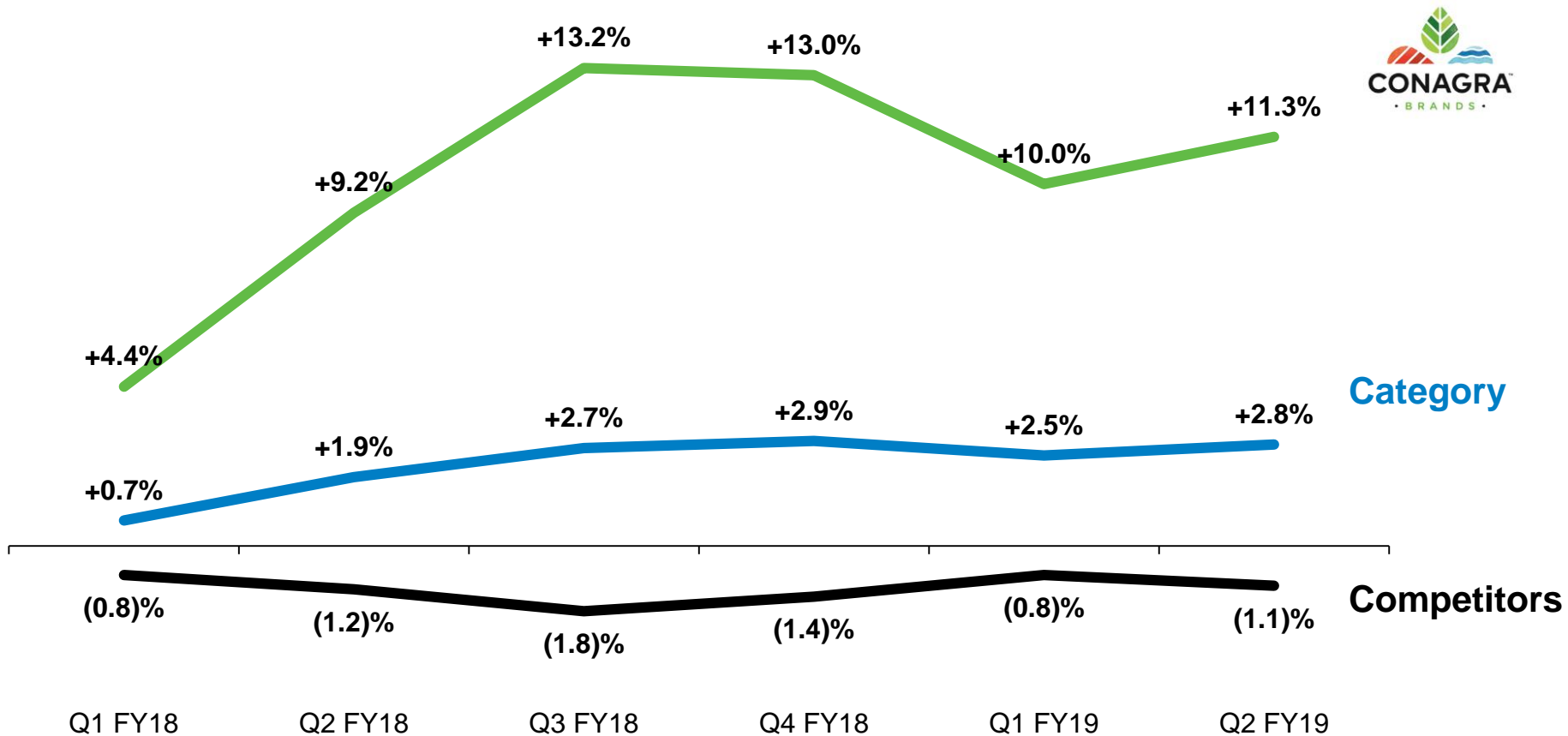
### Dollars Sold on Promotion





# Conagra is Driving Category Growth

## Legacy Conagra Retail Dollar Sales – Frozen Single Serve Meals (% Change vs Year Ago)

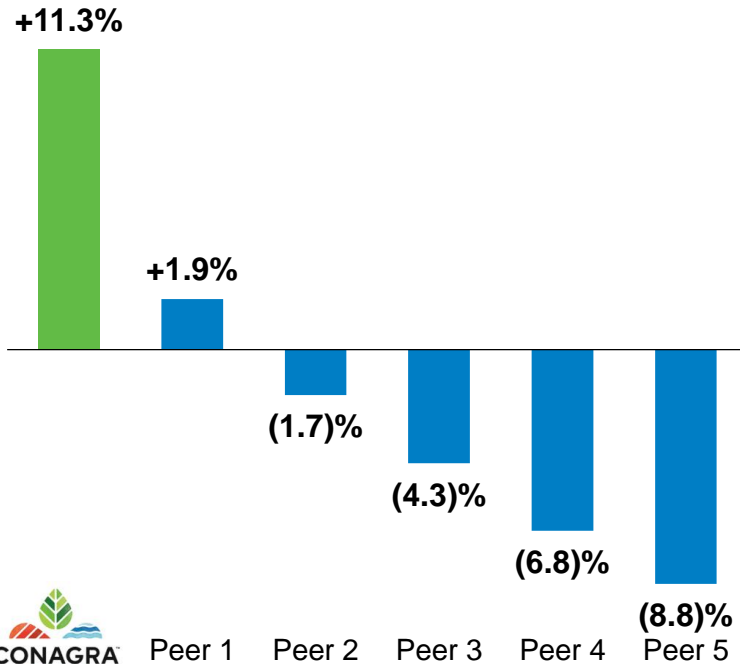




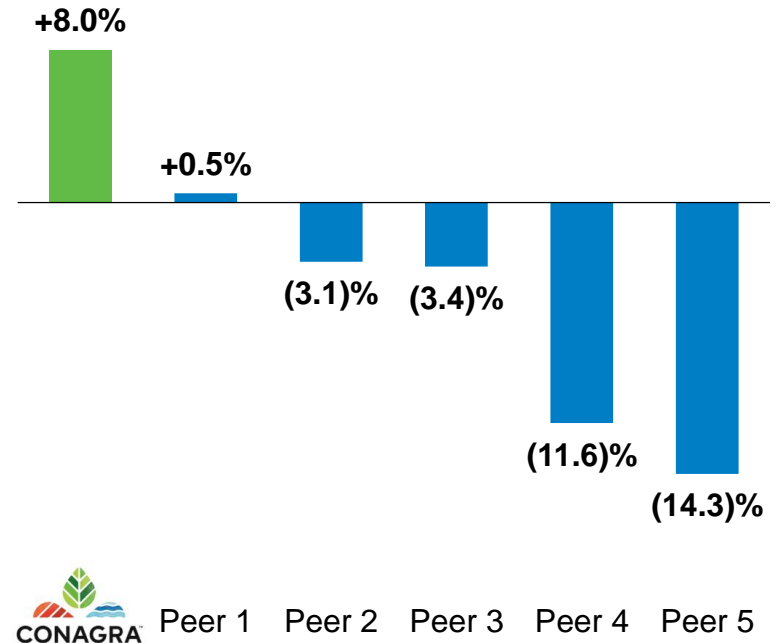
# Continuing to Gain Frozen Distribution With Broader Innovation Slate

## Legacy Conagra Retail Dollar Sales – Frozen Single Serve Meals (% Change vs Year Ago)

### Retail Sales Growth

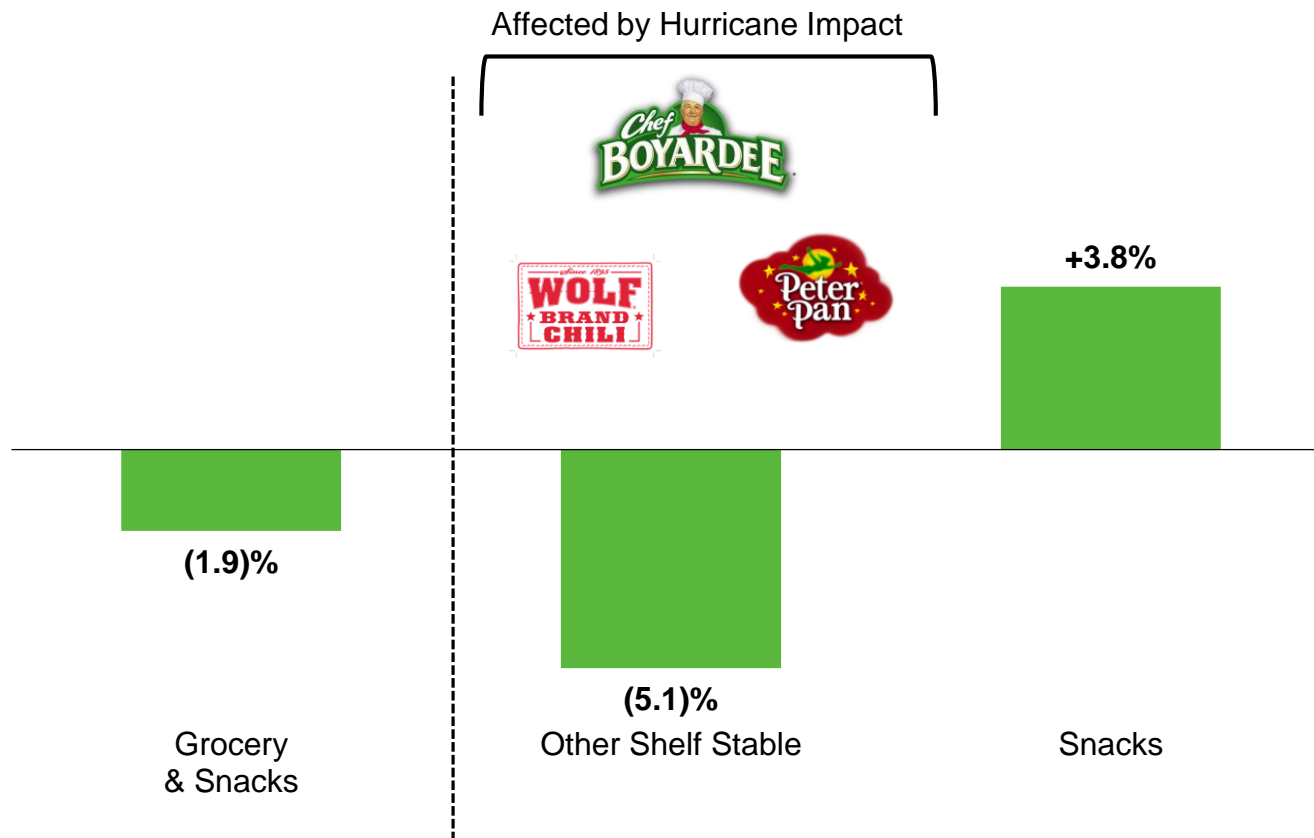


### Total Points of Distribution



# Grocery & Snacks Top Line Solid

## Q2 FY19 Organic Net Sales<sup>1</sup> Growth (% Change vs Year Ago)

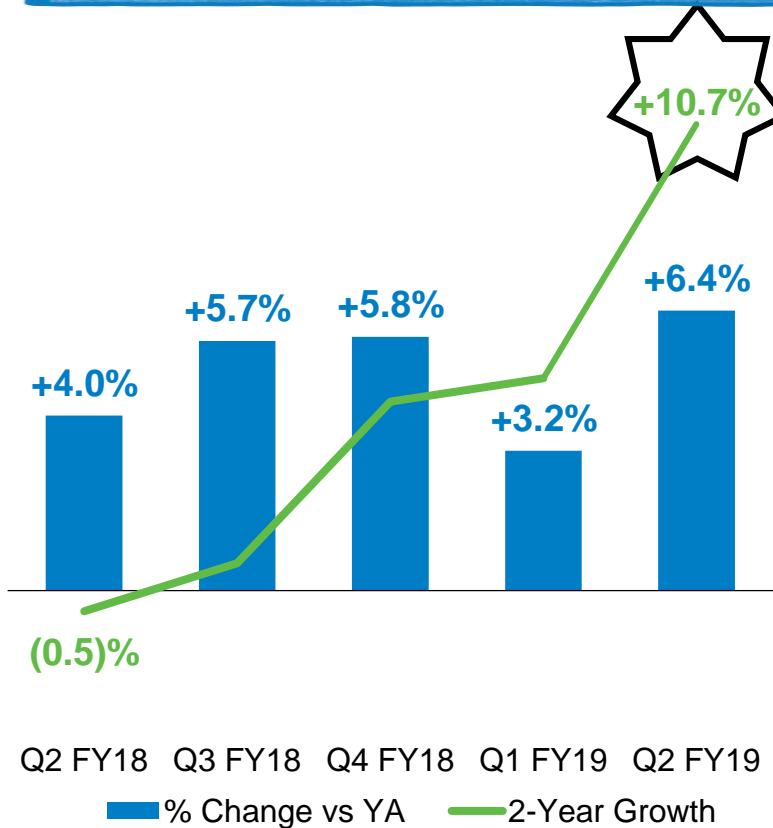


Note: Organic net sales growth is non-GAAP. See the end of this presentation for a reconciliation of this measure to the most directly comparable GAAP measure.

1. Organic net sales excludes the impact of foreign exchange, divested businesses, as well as acquisitions (until the anniversary date of the acquisitions).

# Strong and Accelerating Growth in Snacks & Sweet Treats

## Snacks & Sweet Treats Retail Dollar Sales



**Popcorn**  
+9.3%



**Meat Snacks**  
+4.5%



**Sweet Treats**  
+3.9%



**Seeds**  
+0.6%



Source Left Chart: IRI Market Advantage, Conagra Custom Categories, TTL US MULO, data through November 25, 2018, Product: "Conagra Snacks and Sweet Treats"  
 Source Right Chart: IRI Market Advantage, POS, Dollar % Chg. vs. Year Ago, 13-Weeks Ending November 25, 2018, MULO & MULO+C (for Meat Snacks and Seeds Only)

# Innovation Debuted at NACS

## Meat Snacks



## Popcorn



## Seeds



## Salty Snacks



## Sweet Treats





# A Powerful Combination



Leading Brands

Complementary  
Businesses

Strengthens  
Scale

Enhances  
Frozen Position

Innovation  
Platform





# Pinnacle Overview

- What we have learned
- Pinnacle's performance versus its standalone guidance
- The opportunity that lies ahead



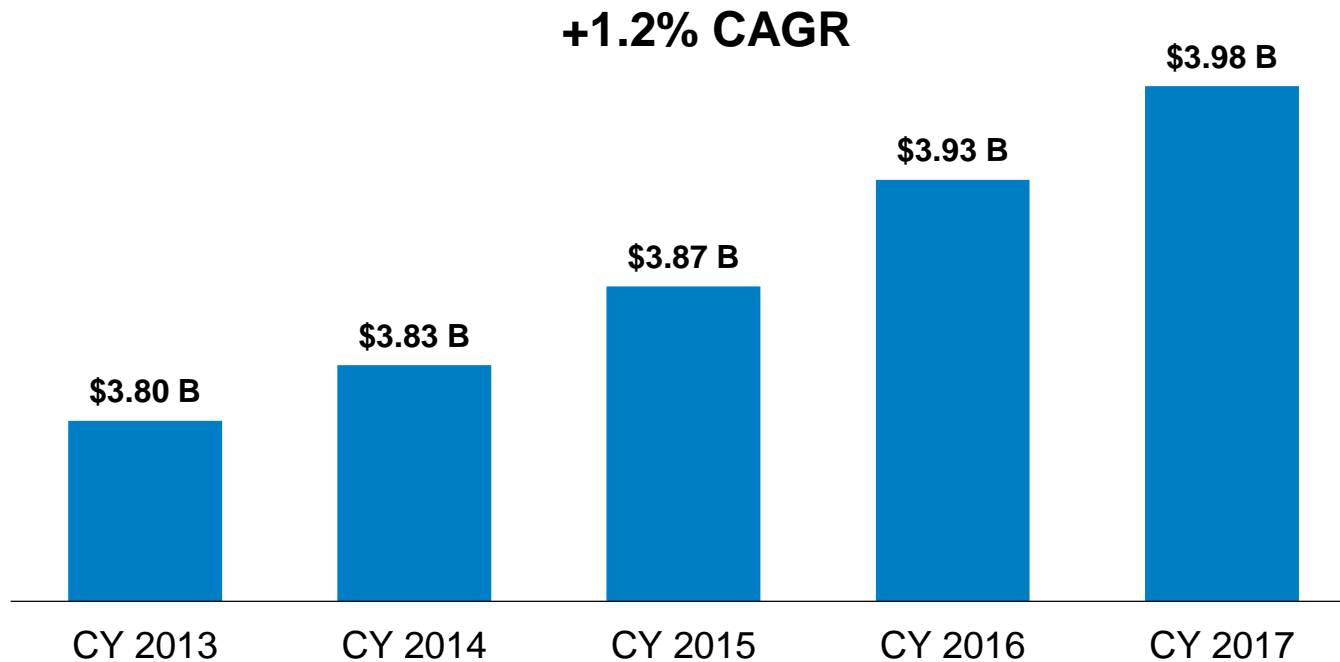
# What We Have Learned

- Near-term issues do exist, but they are fixable
- We expect to exceed cost synergy target
- We remain excited about the opportunities of the combined portfolio



# Historically, Pinnacle Had Steady Growth

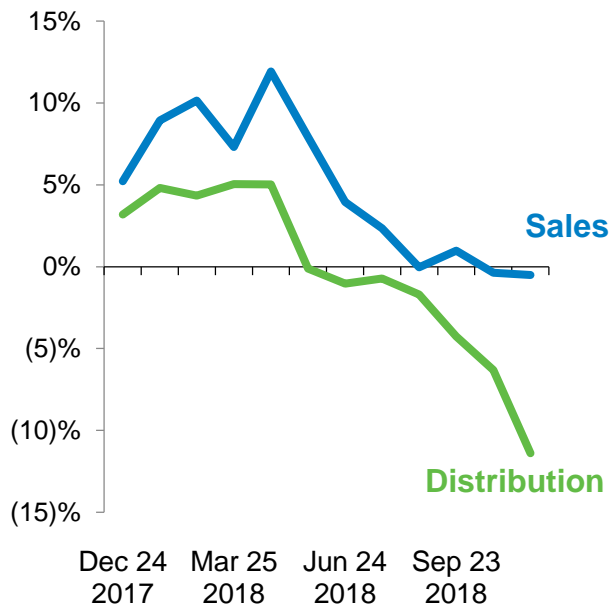
## Pinnacle Retail Sales



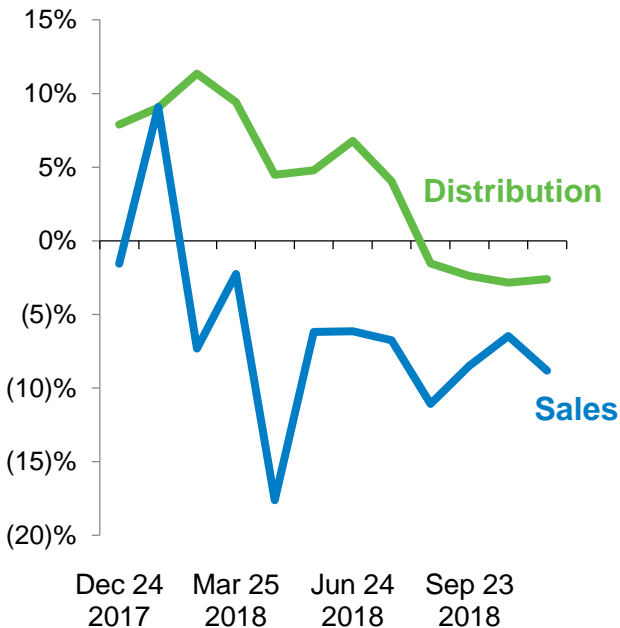


# Performance Has Eroded on 3 Key Leadership Brands

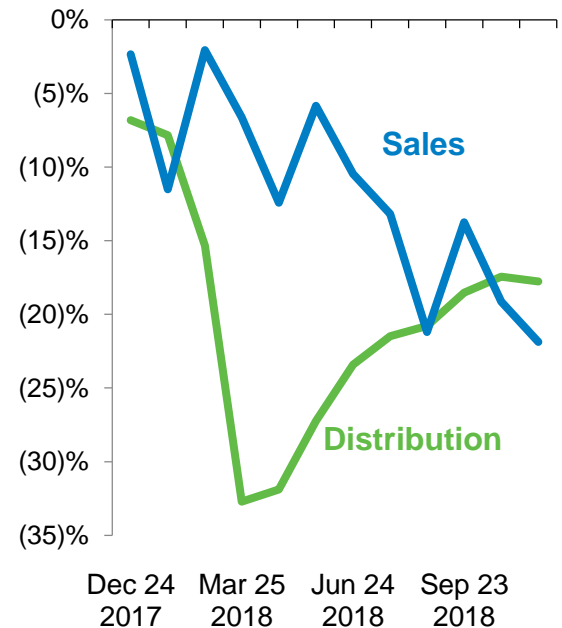
**Birds Eye**  
(% Change vs Year Ago)



**Duncan Hines**  
(% Change vs Year Ago)



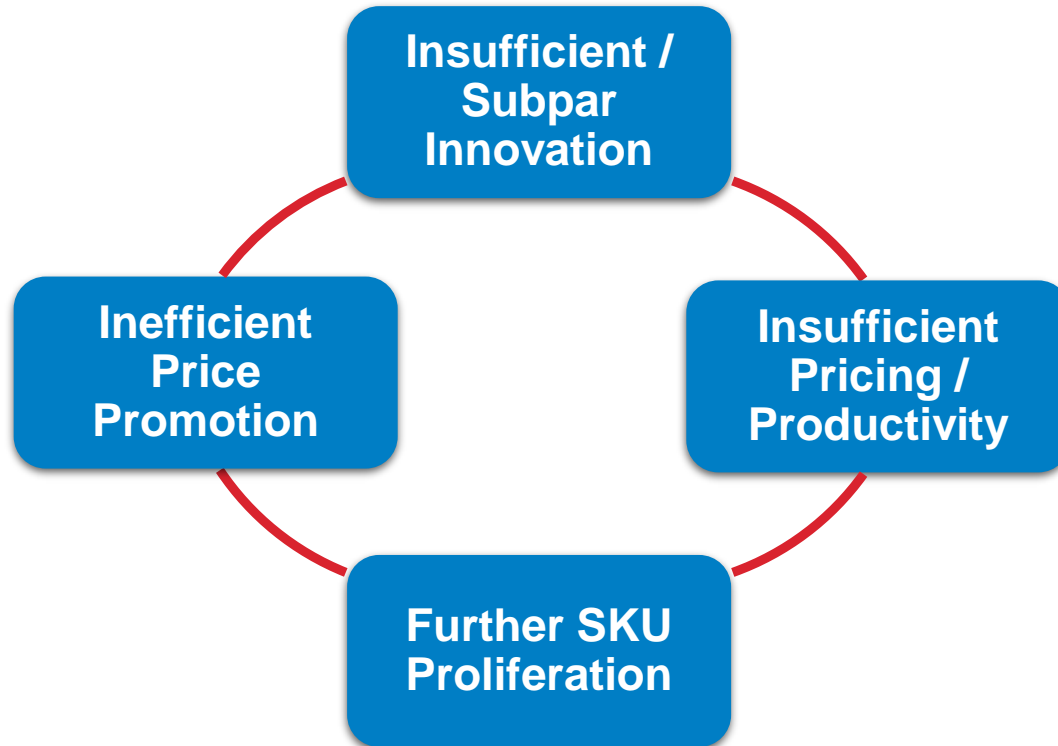
**Wish-Bone**  
(% Change vs Year Ago)



Note: Dates indicate the end of four or five week periods.  
Source: IRI Market Advantage, TSV Syndicated, MULO+C, period ending November 25, 2018

# Why The Reversal In Pinnacle's Leadership Brands?

## The Virtue-LESS Cycle



### Compounding Factors:

- Accelerating Inflation
- Increased Competitive Innovation
- Disappointed Customers



# Pinnacle 2018 Performance Is Off Track vs. Standalone Targets

Dollars in Millions Increase/(Decrease)	Pinnacle's Internal Full Year 2018 Target	Expected Full Year 2018 Results	Variance
Net Sales	\$3,174	\$3,011	~\$(163)
Adj. Gross Margin	30.2%	27.9%	~(230) bps
Adj. Operating Margin	18.4%	16.9%	~(150) bps

Note: Financial measures as presented are based on Pinnacle's pre-acquisition accounting practices and fiscal year ending in December. The inability to predict the amount and timing of future items makes a detailed reconciliation of the forward-looking financial measures impracticable.

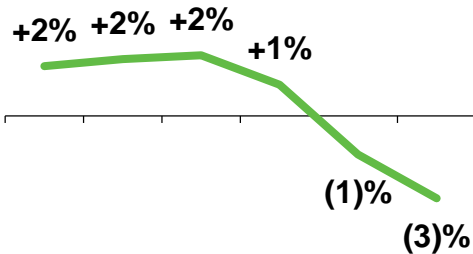


# High Quality Base to Build From

## Pinnacle Domestic Retail Scanner Data

### Dollar Sales

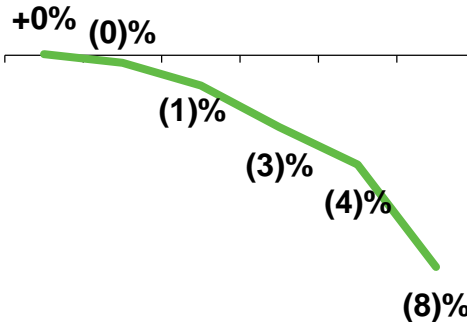
(% Change vs Year Ago)



Q1 FY18 Q2 FY18 Q3 FY18 Q4 FY18 Q1 FY19 Q2 FY19

### Avg. Weekly TPDs

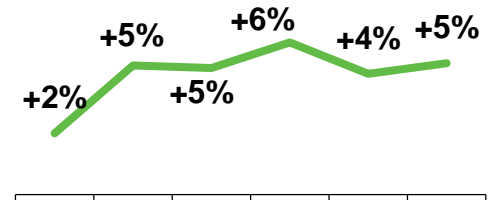
(% Change vs Year Ago)



Q1 FY18 Q2 FY18 Q3 FY18 Q4 FY18 Q1 FY19 Q2 FY19

### Base Sales Velocity

(% Change vs Year Ago)



Q1 FY18 Q2 FY18 Q3 FY18 Q4 FY18 Q1 FY19 Q2 FY19

Note: Base Sales Velocity = Base Dollars / Avg. Weekly TPDs

Source: IRI Market Advantage, Conagra Custom Categories, TTL US MULO+C, data through November 25, 2018, Product: "TOTAL PINNACLE FOODS (LEGACY VIEW)"



# Our Action Plan

1. Integrate Pinnacle flawlessly
2. Aggressively apply Conagra's value over volume approach to the Pinnacle portfolio
3. Leverage Conagra's insights and innovation process on Pinnacle's portfolio to modernize and premiumize



# Transaction Expectations

**Synergies**

**Exceed \$215 million**

**FY22 EPS**

**Intact**

**Leverage**

**Intact**



# Pinnacle Summary

- Strong strategic logic for the transaction
- Challenges in Pinnacle business are fixable
- Transaction expectations intact



# Looking Ahead

- Continue to roll out innovation to drive top line momentum on Legacy Conagra business
- Continue to focus on margin drivers to fuel growth
- Execute Pinnacle action plan
- Host an Investor Day on April 10<sup>th</sup> in Chicago



Dave Marberger

Chief Financial Officer



# Performance Summary

Dollars in Millions, except per share data Increase/(Decrease)	Q2 FY19	Q2 FY18	vs YA
Reported Net Sales	\$2,384	\$2,173	+9.7%
Organic Net Sales ex Trenton <sup>1</sup>			(1.6)%
Adj. Gross Profit	704	655	+7.6%
Adj. Gross Margin	29.5%	30.1%	(58) bps
A&P	69	86	(19.4)%
A&P as % of NS	2.9%	4.0%	(104) bps
Adj. SG&A	217	227	(4.4)%
Adj. SG&A as % of NS	9.1%	10.5%	(134) bps
Adj. Op. Profit <sup>2</sup>	418	341	+22.3%
Adj. Op. Margin <sup>2</sup>	17.5%	15.7%	+181 bps
Adj. Diluted EPS from cont. ops.	\$0.67	\$0.55	+21.8%

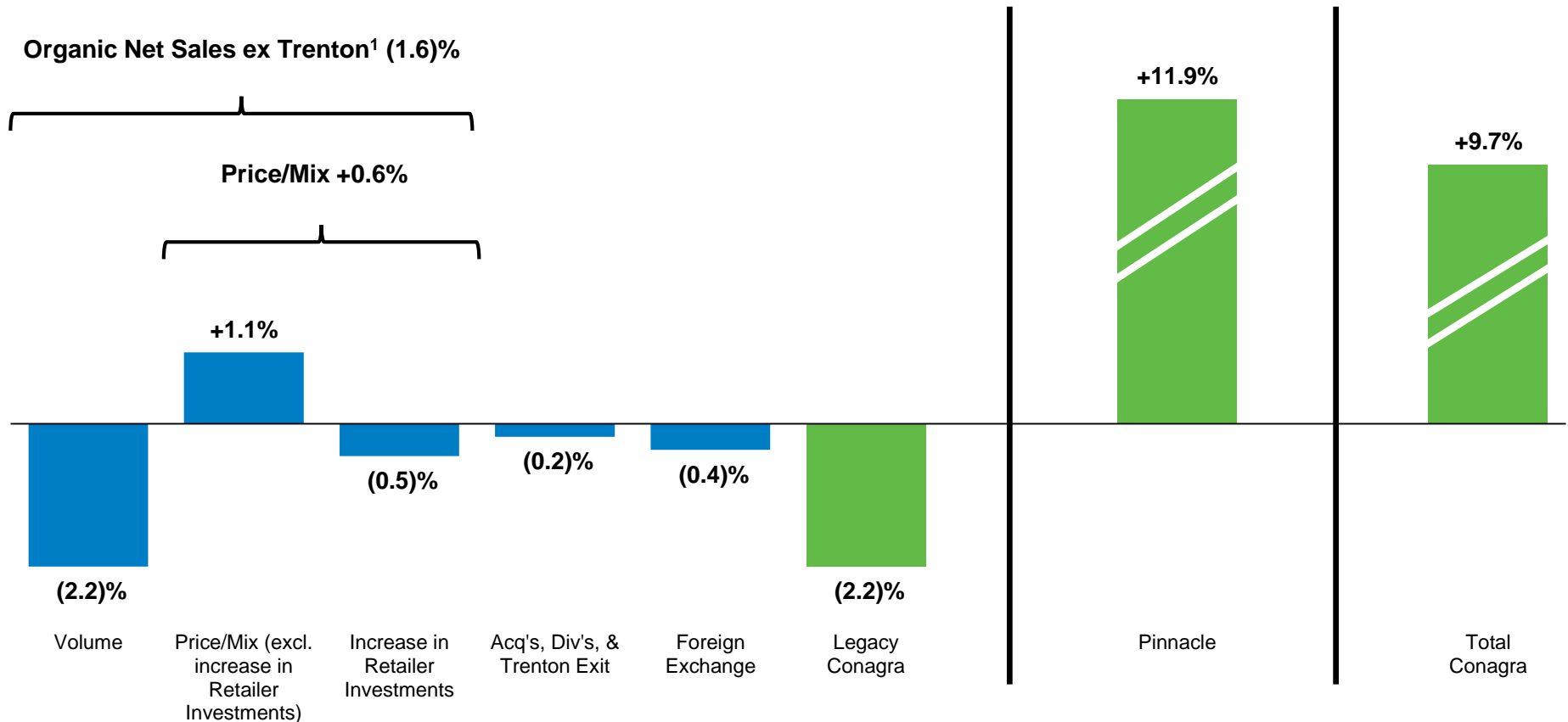
Note: "Adjusted" financial measures and organic net sales are non-GAAP. See the end of this presentation for a reconciliation of these measures to the most directly comparable GAAP measures.

1. Organic net sales (excl. Trenton) excludes the impact of foreign exchange, the Trenton facility sale, and divested businesses, as well as acquisitions (until the anniversary date of the acquisitions).
2. Adjusted operating profit and adjusted operating margin exclude equity method investment earnings.



# Q2 Net Sales Bridge vs Year Ago

## FY19 Q2 Drivers of Net Sales Change (% Change vs Year Ago)



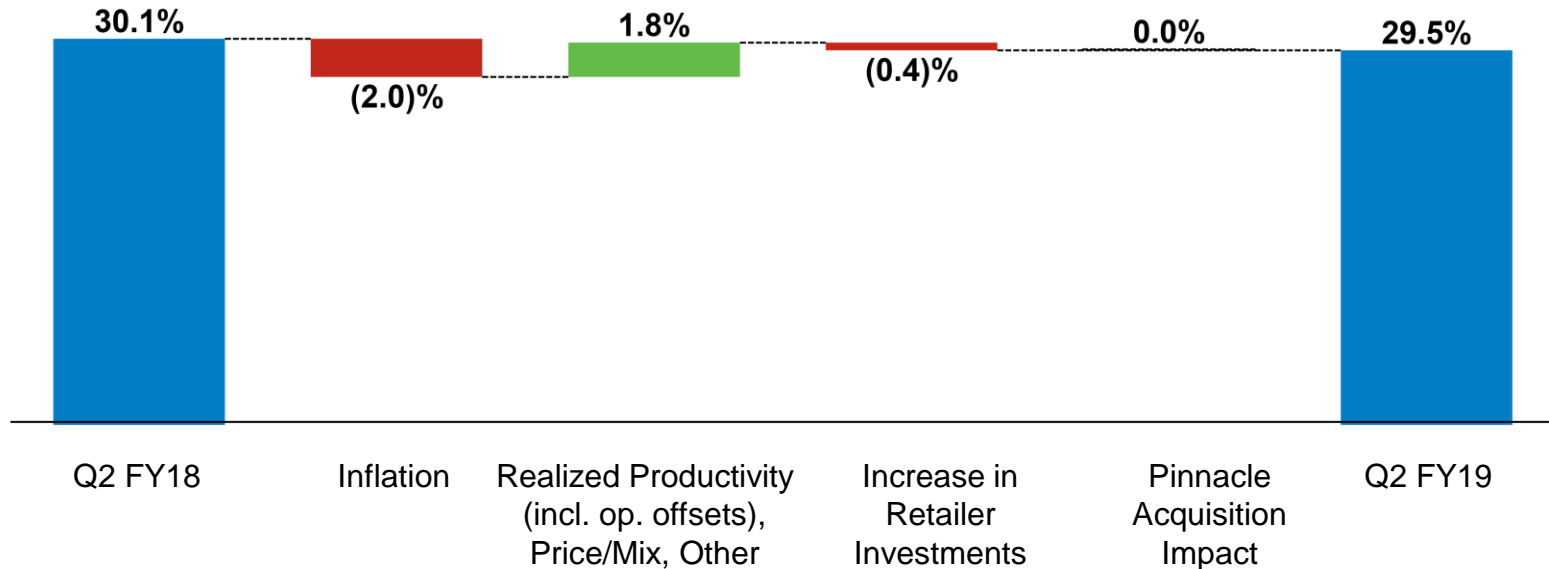
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# Gross Margin Bridge

## Q2 Adj. Gross Margin



Note 1: "Adjusted" financial measures are non-GAAP. See the end of this presentation for a reconciliation of these measures to the most directly comparable GAAP measures.  
 Note 2: Numbers may not add due to rounding.



# Q2 Net Sales Summary by Segment

Dollars in Millions Increase/(Decrease)	Net Sales		
	Q2 FY19	Reported vs YA	Organic ex Trenton vs YA <sup>1</sup>
Grocery & Snacks	\$900	(0.1)%	(1.9)%
Refrigerated & Frozen	771	+1.7%	+0.5%
International	208	(5.4)%	+3.9%
Foodservice	246	(16.5)%	(10.4)%
<b>Legacy Conagra</b>	<b>\$2,125</b>	<b>(2.2)%</b>	<b>(1.6)%</b>
<b>Pinnacle</b>	<b>\$259</b>	<b>N/A</b>	<b>N/A</b>
<b>Total</b>	<b>\$2,384</b>	<b>+9.7%</b>	<b>(1.6)%</b>

Note: Numbers may not add due to rounding.

1. Organic net sales growth (excl. Trenton) excludes the impact of foreign exchange, the Trenton facility sale, and divested businesses, as well as acquisitions (until the anniversary date of the acquisitions).



# Q2 Adj. Op Profit & Margin Summary by Segment

Dollars in Millions Increase/(Decrease)	Adj. Op. Profit <sup>1</sup>		Adj. Op. Margin <sup>1</sup>	
	Q2 FY19	vs YA	Q2 FY19	vs YA
Grocery & Snacks	\$211	(0.2)%	23.5%	(2) bps
Refrigerated & Frozen	138	+7.7%	17.9%	+100 bps
International	25	+18.1%	11.9%	+238 bps
Foodservice	33	(31.2)%	13.3%	(282) bps
Adjusted Corporate Expense Related to Legacy Conagra	(47)	(29.8)%	-	-
<b>Legacy Conagra</b>	<b>\$360</b>	<b>+5.4%</b>	<b>16.9%</b>	<b>+123 bps</b>

Pinnacle	57	N/A	22.0%	N/A
Adjusted Corporate Expense Related to Pinnacle	1	N/A	-	-
<b>Pinnacle Total</b>	<b>\$58</b>	<b>N/A</b>	<b>22.3%</b>	<b>N/A</b>

<b>Total</b>	<b>\$418</b>	<b>+22.3%</b>	<b>17.5%</b>	<b>+181 bps</b>
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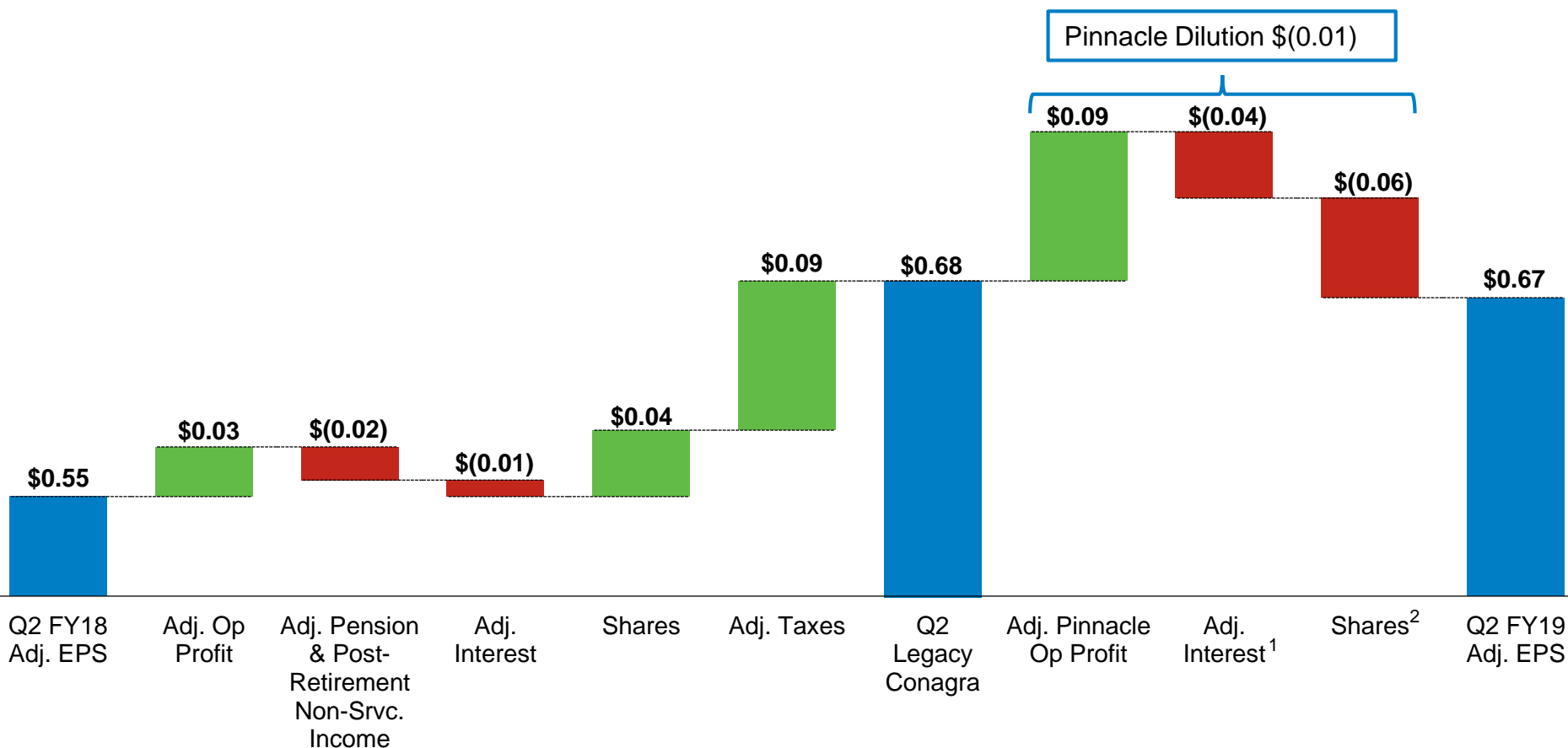
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1. Adjusted operating profit and adjusted operating margin exclude equity method investment earnings.



# Q2 Adjusted EPS Bridge

## Q2 FY19 Drivers of Adjusted Diluted EPS from Cont. Ops. vs YA



Note: "Adjusted" financial measures are non-GAAP. See the end of this presentation for a reconciliation of these measures to the most directly comparable GAAP measures.

- Adjusted Interest for Pinnacle includes interest expense incurred on the debt issued to fund the Pinnacle acquisition, offset by interest income earned on the cash received for the debt prior to payment for the acquisition.
- Shares for Pinnacle include the weighted average impact of the shares issued to the market and as part of the merger consideration.



# Key Balance Sheet & Cash Flow Metrics

For the twenty-six weeks ended (dollars in millions)	November 25, 2018	November 26, 2017
Net Cash Flow from Operating Activities – cont. ops.	\$251	\$405
Capital Expenditures	133	123
Dividends Paid	166	172
Share Repurchases	-	\$580

(dollars in millions)	November 25, 2018	May 27, 2018
Debt	\$11,563	\$3,816
Cash	442	128
Ending Net Debt <sup>1</sup>	\$11,120	\$3,688

Note: Numbers may not add due to rounding.

1. Debt is the sum of notes payable, current installments of long-term debt, senior long-term debt, and subordinated debt. Net Debt is Debt less Cash.



# Transaction Expectations

**Synergies**

**Exceed \$215 million**

**FY22 EPS**

**Intact**

**Leverage**

**Intact**



# Updated FY19 Outlook<sup>1,2</sup>

Key Financial Metrics	Reaffirming Legacy Conagra FY19 Guidance	Pinnacle <sup>5</sup>	Impact of Pinnacle Foods Acquisition	Updated Total Conagra FY19 Guidance
Reported Net Sales Growth	+0.5% to +1.5%	\$1.70 to \$1.75 billion	\$1.70 to \$1.75 billion	+22% to +23%
Organic Net Sales Growth <sup>3</sup> (excl. Trenton impact)	+1.0% to +2.0%	n/a	n/a	+1.0% to +2.0%
Adj. Gross Margin	29.7% to 30.0%	27.0% to 27.3%	~(40) bps	29.3% to 29.6%
Inflation Rate (% of COGS)	3.0% to 3.2%	> 5%	n/a	n/a
Adj. Op Margin <sup>4</sup>	15.0% to 15.3%	14.6% to 14.9% <sup>5</sup>	(10) bps	14.9% to 15.2%
Adj. Effective Tax Rate	23% to 24%	n/a	+~1 ppt	24% to 25%
Adj. Net Interest Expense	n/a	n/a	n/a	\$390 to \$395 million
Avg. Diluted Shares	n/a	n/a	n/a	~446 million
Adj. Diluted EPS from cont. ops.	n/a	n/a	n/a	\$2.03 to \$2.08

1. The inability to predict the amount and timing of future items makes a detailed reconciliation of these forward-looking financial measures impracticable.
2. "Adjusted" financial measures and organic net sales (excl. Trenton) are non-GAAP financial measures. The FY19 Outlook includes the Wesson oil business for the full fiscal year.
3. Organic net sales growth (excl. Trenton) excludes the impact of foreign exchange, the Trenton facility sale, and divested businesses, as well as acquisitions (until the anniversary date of the acquisitions).
4. Adjusted operating margin excludes equity method investment earnings.
5. The Pinnacle adjusted operating margin provided above is based on the expected profit in the Pinnacle segment, which includes \$17 million of transaction-related amortization expense, and approximately \$20 million of cost reduction synergies, as well as Pinnacle-related corporate expense.



# Capital Allocation Policy Overview

## Debt Reduction

- Committed to solid investment grade credit rating
- Leverage target of 3.5x Adjusted EBITDA by end of FY21

## Invest in the Business

- Support continued organic growth
- Support seamless integration of Pinnacle

## Dividends & Share Repurchases

- Intend to maintain quarterly dividend at current annual rate of \$0.85 per share during FY19
- Modest dividend increases expected over time, subject to approval by Board of Directors
- Share repurchases only as consistent with prioritization of leverage targets

## M&A

- Tax asset would allow us to divest Legacy Conagra assets in an efficient manner through the end of FY21



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Q&A



# Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures



# Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

(in millions)

Q2 FY19	Grocery & Snacks	Refrigerated & Frozen	International	Foodservice	Pinnacle Foods	Total Conagra Brands
<b>Net Sales</b>	<b>\$ 899.7</b>	<b>\$ 770.9</b>	<b>\$ 208.3</b>	<b>\$ 246.0</b>	<b>\$ 258.8</b>	<b>\$ 2,383.7</b>
Impact of foreign exchange	—	—	9.1	—	—	9.1
Net sales from acquired businesses	(16.4)	(9.0)	(1.8)	—	(258.8)	(286.0)
<b>Organic Net Sales ex Trenton</b>	<b>\$ 883.3</b>	<b>\$ 761.9</b>	<b>\$ 215.6</b>	<b>\$ 246.0</b>	<b>\$ —</b>	<b>\$ 2,106.8</b>
<b>Year-over-year change - Net Sales</b>	<b>(0.1)%</b>	<b>1.7%</b>	<b>(5.4)%</b>	<b>(16.5)%</b>	<b>100.0%</b>	<b>9.7%</b>
Impact of foreign exchange (pp)	—	—	4.1	—	—	0.4
Net sales from acquired businesses (pp)	(1.8)	(1.2)	(0.8)	—	(100.0)	(13.2)
Net sales from divested businesses (pp)	—	—	6.0	—	—	0.6
Net sales from sold Trenton plant (pp)	—	—	—	6.1	—	0.9
<b>Organic Net Sales ex Trenton Growth</b>	<b>(1.9)%</b>	<b>0.5%</b>	<b>3.9%</b>	<b>(10.4)%</b>	<b>—%</b>	<b>(1.6)%</b>
Volume (Organic)	(2.2)%	0.5%	0.6%	(12.9)%	—%	(2.2)%
Price/Mix	0.3%	—%	3.3%	2.5%	—%	0.6%
<b>Q2 FY18</b>	<b>Grocery &amp; Snacks</b>	<b>Refrigerated &amp; Frozen</b>	<b>International</b>	<b>Foodservice</b>	<b>Pinnacle Foods</b>	<b>Total Conagra Brands</b>
<b>Net Sales</b>	<b>\$ 900.4</b>	<b>\$ 758.1</b>	<b>\$ 220.3</b>	<b>\$ 294.6</b>	<b>\$ —</b>	<b>\$ 2,173.4</b>
Net sales from divested businesses	—	—	(12.6)	—	—	(12.6)
Net sales from sold Trenton plant	—	—	—	(20.2)	—	(20.2)
<b>Organic Net Sales ex Trenton</b>	<b>\$ 900.4</b>	<b>\$ 758.1</b>	<b>\$ 207.7</b>	<b>\$ 274.4</b>	<b>\$ —</b>	<b>\$ 2,140.6</b>
<b>Net Sales</b>			<b>Q2 FY18</b>	<b>Q2 FY17</b>	<b>% Change</b>	
			<b>\$ 2,173.4</b>	<b>\$ 2,088.4</b>	<b>4.1%</b>	
Impact of foreign exchange			(8.5)	—	(0.4)	
Net sales from acquired businesses			(29.5)	—	(1.4)	
Net sales from divested businesses			(12.6)	(12.0)	—	
Net sales from sold Trenton plant			(20.2)	(21.6)	—	
<b>Organic Net Sales ex Trenton</b>			<b>\$ 2,102.6</b>	<b>\$ 2,054.8</b>	<b>2.3%</b>	



# Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

(in millions)

	Grocery & Snacks	Refrigerated & Frozen	International	Foodservice	Pinnacle Foods	Corporate Expense	Total Conagra Brands
<b>Q2 FY19</b>							
<b>Operating Profit</b>	\$ 209.0	\$ 138.1	\$ 24.8	\$ 32.7	\$ 28.7	\$ (243.4)	\$ 189.9
Restructuring plans	2.1	0.1	—	—	3.8	104.9	110.9
Adjustment to gain on sale of Del Monte business	—	—	0.1	—	—	—	0.1
Acquisitions and divestitures	0.3	—	—	—	—	90.2	90.5
Integration costs	—	—	—	—	—	4.6	4.6
Inventory fair value mark-up rollout	—	—	—	—	24.4	—	24.4
Corporate hedging derivative losses (gains)	—	—	—	—	—	(2.8)	(2.8)
<b>Adjusted Operating Profit</b>	\$ 211.4	\$ 138.2	\$ 24.9	\$ 32.7	\$ 56.9	\$ (46.5)	\$ 417.6
Operating Profit Margin	23.2 %	17.9%	11.9%	13.3 %	11.1%		8.0 %
Adjusted Operating Profit Margin	23.5 %	17.9%	11.9%	13.3 %	22.0%		17.5 %
Year-over-year % change - Operating Profit	4.6 %	7.6%	22.8%	(31.2)%	100.0%	290.4%	(43.1)%
Year-over-year % change - Adjusted Operating Profit	(0.2)%	7.7%	18.1%	(31.2)%	100.0%	(30.9)%	22.3 %
Year-over-year bps change - Adjusted Operating Profit	(2) bps	100 bps	238 bps	(282) bps	N/A		181 bps
<b>Q2 FY18</b>							
<b>Operating Profit</b>	\$ 199.8	\$ 128.5	\$ 20.2	\$ 47.4	\$ —	\$ (62.4)	\$ 333.5
Restructuring plans	4.0	—	0.9	—	—	2.2	7.1
Acquisitions and divestitures	7.8	—	—	—	—	—	7.8
Corporate hedging derivative losses (gains)	—	—	—	—	—	(7.1)	(7.1)
<b>Adjusted Operating Profit</b>	\$ 211.6	\$ 128.5	\$ 21.1	\$ 47.4	\$ —	\$ (67.3)	\$ 341.3
Operating Profit Margin	22.2 %	16.9%	9.2%	16.1 %	—%		15.3 %
Adjusted Operating Profit Margin	23.5 %	16.9%	9.6%	16.1 %	—%		15.7 %



# Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

(in millions)

Q2 FY19	Gross profit	Selling, general and administrative expenses	Operating profit <sup>1</sup>	Income from continuing operations before income taxes and equity method investment earnings	Income tax expense	Income tax rate	Net income attributable to Conagra Brands, Inc.	Diluted EPS from income from continuing operations attributable to Conagra Brands, Inc common stockholders
<b>Reported</b>	\$ 677.2	\$ 487.3	\$ 189.9	\$ 119.0	\$ 22.4	14.3%	\$ 131.6	\$ 0.32
<i>% of Net Sales</i>	28.4 %	20.4 %	8.0 %					
Restructuring plans	5.6	105.3	110.9	110.9	24.3		86.6	0.21
Acquisitions and divestitures	—	90.5	90.5	96.8	20.1		76.7	0.18
Integration costs	—	4.6	4.6	4.6	1.2		3.4	0.01
Corporate hedging derivative losses (gains)	(2.8)	—	(2.8)	(2.8)	(0.7)		(2.1)	—
Advertising and promotion expenses <sup>2</sup>	—	69.4	—	—	—		—	—
Inventory fair value mark-up rollout	24.4	—	24.4	24.4	6.2		18.2	0.04
Adjustment to gain on sale of Del Monte business	—	0.1	0.1	0.1	—		0.1	—
Gain on Ardent JV asset sale	—	—	—	—	(3.5)		(11.6)	(0.03)
Wesson valuation allowance adjustment	—	—	—	—	24.3		(24.3)	(0.06)
Unusual tax items	—	—	—	—	(2.2)		2.2	0.01
Loss from discontinued operations, net of noncontrolling interests	—	—	—	—	—		1.9	—
Rounding	—	—	—	—	—		—	(0.01)
<b>Adjusted</b>	\$ 704.4	\$ 217.4	\$ 417.6	\$ 353.0	\$ 92.1	24.5%	\$ 282.7	\$ 0.67
<i>% of Net Sales</i>	29.5 %	9.1 %	17.5 %					
<i>Year-over-year % of net sales change - reported</i>	(188) bps	550 bps	(738) bps					
<i>Year-over-year % of net sales change - adjusted</i>	(58) bps	(134) bps	181 bps					
<i>Year-over-year change - reported</i>	2.9 %	50.1 %	(43.1)%	(62.0)%	(79.6)%		(41.1)%	(40.7)%
<i>Year-over-year change - adjusted</i>	7.6 %	(4.4)%	22.3 %	8.6 %	(22.6)%		25.3 %	21.8 %

1. Operating profit is derived from taking Income from continuing operations before income taxes and equity method investment earnings, adding back Interest expense, net and removing Pension and postretirement non-service income.

2. Advertising and promotion expense (A&P) has been removed from adjusted selling, general and administrative expense because this metric is used in reporting to management, and management believes this adjusted measure provides useful supplemental information to assess the Company's operating performance. Please note that A&P is not removed from adjusted profit measures.



# Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

(in millions)

Q2 FY18	Gross profit	Selling, general and administrative expenses	Operating profit <sup>1</sup>	Income from continuing operations before income taxes and equity method investment earnings	Income tax expense	Income tax rate	Net income attributable to Conagra Brands, Inc.	Diluted EPS from income from continuing operations attributable to Conagra Brands, Inc common stockholders
<b>Reported</b>	\$ 658.3	\$ 324.8	\$ 333.5	\$ 313.0	\$ 109.5	32.8%	\$ 223.5	\$ 0.54
<i>% of Net Sales</i>	30.3 %	14.9 %	15.3 %					
Restructuring plans	3.4	3.7	7.1	7.1	2.5		4.6	0.01
Acquisitions and divestitures	—	7.8	7.8	7.8	2.8		5.0	0.01
Corporate hedging derivative losses (gains)	(7.1)	—	(7.1)	(7.1)	(2.7)		(4.4)	(0.01)
Pension settlement and valuation adjustment	—	—	—	4.1	1.6		2.5	0.01
Advertising and promotion expenses <sup>2</sup>	—	86.0	—	—	—		—	—
Unusual tax items	—	—	—	—	5.3		(5.3)	(0.01)
Income from discontinued operations, net of noncontrolling interests	—	—	—	—	—		(0.4)	—
<b>Adjusted</b>	\$ 654.6	\$ 227.3	\$ 341.3	\$ 324.9	\$ 119.0	34.4%	\$ 225.5	\$ 0.55
<i>% of Net Sales</i>	30.1 %	10.5 %	15.7 %					

- Operating profit is derived from taking Income from continuing operations before income taxes and equity method investment earnings, adding back Interest expense, net and removing Pension and postretirement non-service income.
- Advertising and promotion expense (A&P) has been removed from adjusted selling, general and administrative expense because this metric is used in reporting to management, and management believes this adjusted measure provides useful supplemental information to assess the Company's operating performance. Please note that A&P is not removed from adjusted profit measures.



# Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

(in millions)

	Q2 FY19	Q2 FY18	% Change
<b>Interest expense, net</b>	\$ 80.6	\$ 38.0	112.5%
Acquisitions and divestitures	(6.3)	—	
<b>Adjusted interest expense, net</b>	\$ 74.3	\$ 38.0	95.8%

	Q2 FY19	Q2 FY18	% Change
<b>Equity method investment earnings</b>	\$ 37.7	\$ 20.6	83.4%
Gain on Ardent JV asset sale	(15.1)	—	
<b>Adjusted equity method investment earnings</b>	\$ 22.6	\$ 20.6	9.8%

	Q2 FY19	Q2 FY18	% Change
<b>Pension and postretirement non-service income</b>	\$ (9.7)	\$ (17.5)	(44.4)%
Pension settlement and valuation adjustment	—	(4.1)	
<b>Adjusted pension and postretirement non-service income</b>	\$ (9.7)	\$ (21.6)	(54.9)%



**CONAGRA**<sup>TM</sup>

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