



**Conagra Brands**  
**Q4 FY25 Earnings Call**  
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**CORPORATE PARTICIPANTS**

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**David Marberger** – *Executive Vice President and Chief Financial Officer*

**PRESENTATION**

**Matthew Neisius**

Good morning! Thank you for listening to our prepared remarks for the Conagra Brands fourth quarter, fiscal 2025 earnings. At 9:30 eastern this morning we'll hold a separate, live question-and-answer session on today's results, which you can access via webcast on our investor relations website. Our press release, presentation materials and a transcript of these prepared remarks are also available there.

We'll be making some forward-looking statements today and while we're making those statements in good faith based on current information, we don't have any guarantee about the results we'll achieve. Descriptions of our risk factors are included in our filings with the SEC.

We'll also be discussing some non-GAAP financial measures. Please see the earnings release and presentation materials for GAAP to non-GAAP reconciliations and information on our comparability items, both of which can be found in the Investor Relations section of our website.

I'm joined this morning by Sean Connolly, our CEO, and Dave Marberger, our CFO. I'll now turn the call over to Sean.

**Sean Connolly**

Thanks, Matthew, and good morning, everyone. Thank you for joining our fourth quarter fiscal 25 earnings call.

Today, I'll review the contrasting halves of our fiscal 25 performance and provide an overview of fiscal 26, including the near-term environment and various actions we're taking to proactively manage the business for long-term value creation.

Let's begin with a wrap up of fiscal 25 starting on slide six.

Fiscal 25 was a tale of two halves. We entered the year with a focus on returning to volume growth, and throughout the first half, we made progress toward that goal. Our investments in innovation and maximizing consumer value delivered solid results, leading to five consecutive quarters of organic volume improvement, including a return to growth for our domestic retail segments in the second quarter. Our first half volume recovery outpaced the peer set, drove strong market share performance, and enabled us to meet our first half EPS plan. Overall, the first half delivered largely what we expected, and demonstrated the strength of our strategy and portfolio.

Our investments in innovation were a key performance driver of fiscal 25. As you know, we have a proven innovation capability, which delivered in fiscal 25, highlighting the continued strength of our data-based approach to meeting evolving consumer needs. Slide seven shows that innovation launched in fiscal 25 contributed more than \$300 million in retail sales during the year, reflecting the success of our efforts to bring high-quality, differentiated products to market. This represented a 27% increase compared to fiscal 24 launches. Additionally, the velocity of our fiscal 25 launches improved by 36% compared to fiscal 24, indicating that our new products are not only resonating with consumers, but also driving repeat purchases at a higher rate. Some standout examples of our fiscal 25 innovation slate include the Banquet MEGA Filets, Dolly Parton's Whipped Cheesecake, Vlasic Pickle Balls and Wendy's Chili.

Our strong innovation performance was enabled, in part, by a return to historical merchandising levels, as evident on slide eight. By the second quarter of fiscal 25, we successfully rebuilt merchandising levels to their pre-COVID norm. Since 2020, our merchandising investments had been suppressed as our primary focus was on-shelf availability. But over the past year, we methodically ramped up our merchandising investment in response to the strong consumer lifts we were seeing in the marketplace. We were particularly pleased with the results in our frozen portfolio.

The result was a return to domestic retail volume growth in the second quarter, shown here on slide nine. Both volume and consumption continually increased for five consecutive quarters, delivering year-over-year growth in Q2.

Consistent with consumption data, we built share over time. Not only was our top-line performance strong in absolute terms, but it also stood out when compared to our peers. We significantly outperformed our closest peer by 29 percentage points, and 67 percent of Conagra's portfolio held or gained volume share in the second quarter, marking the fifth consecutive quarter of share gains. Taken together, the first half of fiscal 25 underscores the strength of our brands and effectiveness of our strategy.

Now let's take a closer look at the second half of fiscal 25, which proved to be more challenging than we anticipated, driven by four key factors:

First, inflation. While we originally expected to get some relief from inflation in the second half of fiscal 25, it actually worsened. At the same time, foreign exchange headwinds emerged,

providing another challenge. Additionally, beginning in the third quarter, we experienced supply challenges in two product platforms, frozen meals containing chicken and frozen vegetables. These discrete supply challenges prevented us from fully servicing demand and required us to incur additional cost to add capacity and rebuild inventory. Lastly, consumer sentiment further weakened in the fourth quarter, as prolonged inflation and economic pressures weighed on purchasing behaviors.

Our second half overall performance reflected this extremely challenging operating environment. Let's take a look at each of these issues individually.

Starting with inflation and foreign exchange headwinds on slide 12. Our cost of goods sold inflation rate actualized at 4% during the second half, well above the sub-3% levels we had expected. Inflation was most challenging within certain proteins, like beef, chicken, and eggs, where it persisted and, in some cases, even worsened. At the same time, foreign exchange created additional pressure. The strengthening of the US Dollar relative to the Canadian Dollar and Mexican Peso negatively impacted our International segment.

Slide 13 highlights the impact of the discrete supply challenges we faced in the second half of fiscal 25 within two key product platforms: frozen vegetables and meals containing chicken. These issues impacted both our sales and our costs. On the top line, supply constraints limited our ability to meet demand, resulting in lost sales, particularly during the third quarter. However, service levels rebounded in Q4 to exit the year close to our target. As you would expect, we also pulled back on merchandising support within these categories amidst the disruption, which further weakened sales.

On the cost side, we incurred incremental expenses to address these challenges, as we supplemented internal production with an external manufacturer. This resulted in higher product costs and unfavorable fixed cost absorption at our facility. While the increased cost impacted our bottom line, these investments in infrastructure and strategic partnerships enabled us to make solid progress towards restoring inventory and improving customer service levels across these key product platforms.

Slide 14 shows the decline in consumer sentiment during the fourth quarter of fiscal 25, driven by the cumulative impact of persistent inflation, rising interest rates, and overall economic uncertainty. This decline in sentiment translated into more cautious spending behaviors. Consumers became increasingly focused on seeking value, prioritizing affordability, and trading down where possible. While our brands are well-positioned to deliver value and meet these shifting needs, the environment created additional pressure on volumes.

Despite these challenges, I'm proud of the Conagra team for their hard work throughout fiscal 25 as we navigated through an environment that proved to be more difficult than we anticipated.

That brings us to fiscal 26.

The near-term environment continues to present significant challenges, driven by three key factors:

First, inflation remains persistent. For fiscal 26, we expect core cost of goods inflation to be approximately 4%. To put that in context, this level of inflation in fiscal 26 will bring our five-year cumulative, net inflation to approximately 45%, a historic amount of inflation over such a short period of time.

On top of that, the current tariff environment is expected to add approximately 3% to our cost of goods sold, or more than \$200 million annually. This brings total anticipated inflation for fiscal 26 to approximately 7%.

Finally, consumer sentiment remains under pressure. The cumulative impact of inflation and economic uncertainty has led to value-seeking behaviors becoming even more pronounced. Given these dynamics, we recognize the importance of a thoughtful and measured approach to future pricing decisions.

Amidst this dynamic environment, our focus is on driving long-term value creation by investing to restore growth while maximizing cash and minimizing cost. We believe this is the right course of action to put the business back on its long-term algorithm as fast as possible. Our fiscal 26 priorities include:

First, driving growth in our frozen and snacks domains, which remains critical to achieving our long-term financial algorithm. Growing volume is our top priority even if it means investing margin in the short term;

Second, increasing our supply chain resiliency by investing to modernize our facilities and expand capacity in high-growth categories;

Third, differentiating the approach to our canned products to address the impact of tariffs through a combination of alternative sourcing methods, cost savings initiatives, and targeted price adjustments; and

Fourth, actively managing the business to drive strong productivity savings and continue our focus on cash flow.

Again, we're focused on the long game. In our effort to deliver sustainable growth and stronger margins over time, we will continue to make prudent decisions today to best position Conagra for the future.

That starts by delivering growth within our strategic domains. As we look to return to our long-term financial algorithm, the path forward starts with our strategic focus areas: frozen and snacks. These domains are critical for a good reason – they represent almost 70% of our portfolio's retail sales and present significant growth opportunity.

The frozen meals category has delivered strong, above-market growth for the past 40 years, and we have an advantaged position as the largest frozen food manufacturer in North America.

The opportunity is equally compelling in snacks. The large snacks domain is expected to expand further, with occasions projected to grow by an estimated 9 billion over the next two years, fueled by consumer demand for on-the-go options with modern attributes such as our leading meat sticks portfolio. In line with this trend, we plan to further scale FATTY Smoked Meat Sticks, our most recent acquisition, in fiscal 26. Our snacks portfolio is already performing exceptionally well, with 91% of our snack brands growing volume share in Q4 versus last year.

To drive volume growth in these critical areas, we're continuing to invest in innovation, adding incremental merchandising, and supporting our brands with more marketing, consistent with our proven Conagra Way playbook.

Fiscal 25 demonstrated that our innovation pipeline continues to deliver results. Disciplined merchandising ensures we support our brands in store, while targeted A&P investments will amplify brand visibility and consumer engagement via social media and traditional advertising. We're intentionally investing margin to enable this growth, as we believe these categories have the potential to deliver outsized value over the long term.

Moving to slide 20. A critical focus for fiscal 26 is materially strengthening our supply chain resiliency to support growth and ensure we can meet consumer demand effectively, not just today, but well into the future. This includes previously planned investments to modernize our facilities as well as new investments to expand capacity in high-growth categories.

As we've detailed already, we're taking steps to modernize our chicken production facilities to resolve constraints in baked chicken, which were a challenge in fiscal 25. Our baked chicken plant modernization project is expected to be completed by early Q2. It's also worth noting that we have resolved the challenges within our frozen vegetable platform.

Beyond baked chicken, we're also expanding capacity for fried chicken, which Dave will unpack for you in a minute. Chicken has been the fastest growing protein and fried chicken, in particular, has proven to be a consumer favorite, mirroring what we've seen in Foodservice QSRs in recent years. This new investment will better support innovations like Banquet MEGA Filets, which was a huge hit in fiscal 25, and Marie Callender's Fried Chicken Bowls, another consumer favorite.

These investments will not only help resolve current constraints, but also enable us to build a more resilient, consistent foundation that supports long-term growth capabilities, ensuring we can continue to deliver for our customers.

Slide 21 underscores the differentiated approach needed for our canned products, which are disproportionately impacted by recent steel and aluminum tariffs.

The focus within our staples portfolio is generating cash, particularly within our canned products business. These cash contributors help fund the investments that drive growth in frozen and snacks. We're committed to managing them in a way that maintains their value while mitigating the impact of higher input costs. Accordingly, we will look to offset recent cost increases in this portfolio through a combination of alternative sourcing methods, cost savings initiatives, and targeted price adjustments that are expected to benefit the second half of the year.

The final piece of our fiscal 26 plan is our ongoing work to actively manage the business for strong productivity and cash flow. We're working to accelerate our productivity savings to help offset persistent inflation. We're also focused on driving out stranded costs from recent divestitures, including Chef Boyardee. And, of course, we continue to focus on cash, including working capital. Our cash priorities for fiscal 26 are to invest in CapEx to drive supply chain resiliency, continue to repay debt and maintain our healthy dividend.

We're confident in our strategy and the actions we're taking to navigate these headwinds as we lay the groundwork to deliver sustainable growth and value creation in the years to come. Thank you, and I'll now turn it over to Dave to discuss our financial results and outlook in more detail.

**David Marberger**

Thanks, Sean, and good morning, everyone.

I'll start today with a brief update on our fourth quarter and full year fiscal 25 performance and then provide more detail on our fiscal 26 outlook.

Slide 26 shows our financial results for key metrics in the quarter and the year. For the fourth quarter, Conagra's organic net sales were \$2.8 billion, a 3.5% decline versus the prior year.

Adjusted gross margin was 25.8% and adjusted operating margin was 13.8%, both down year over year but improved versus Q3. Adjusted earnings per share were \$0.56 cents, down \$0.05 versus year ago.

For the full year fiscal 2025, organic net sales of \$11.6 billion were down 2.9%. Adjusted gross profit margin was 25.7%, adjusted operating margin was 14.1%, and adjusted EPS was \$2.30.

Slide 27 shows our fourth quarter net sales bridge. Total Conagra organic net sales decreased 3.5% over the previous year, with volumes down 2.5% and price/mix down 1.0%. Foreign exchange was 60-basis points unfavorable due to the strength of the US Dollar relative to the Canadian Dollar and Mexican Peso. And as expected, reduced sales from the divestiture of our ATFL joint venture exceeded the additional net sales from our acquisition of Fatty Smoked Meats. As a reminder, the divestitures of the Chef Boyardee, Van de Kamp's, and Mrs. Paul's brands did not close until the first quarter of fiscal 26.

Slide 28 shows the composition of net sales by segment. In Grocery & Snacks, we delivered net sales of \$1.2 billion, representing a 3.3% decline in organic net sales versus the prior year, driven by lower volumes and unfavorable price/mix, primarily concentrated within our grocery business.

Our Refrigerated & Frozen segment delivered \$1.1 billion in net sales, down 4.4% versus the prior year driven by lower price/mix and lower volumes. Volume declines improved versus Q3, and we made progress restocking retailer inventory in frozen vegetables and frozen meals with chicken as the quarter progressed.

In our International segment, organic net sales increased 0.8% versus the prior year. Elasticity related volume declines were more than offset by an increase in price/mix following price increases across each of our international markets.

Organic net sales in our Foodservice segment declined 4.3% over prior year, as volume declines were partially offset by favorable price/mix. Our Foodservice business saw ongoing softness in commercial traffic during the quarter, though trends showed signs of improvement versus Q3.

Slide 29 shows that adjusted operating margin declined 96 basis points over the previous year to 13.8%. Price/mix was a 110-basis point headwind, reflecting an increase in strategic investments in our domestic retail business and unfavorable mix, partially offset by pricing benefits in our International and Foodservice segments.

Core cost of goods sold inflation continued to be elevated in the fourth quarter at 4%. We experienced double-digit inflation in categories including chicken, beef, and eggs as proteins remained highly inflationary.

Our overall productivity pacing rebounded in Q4 as operational efficiency across the network continued to improve. We experienced a slight decline in operating leverage from lower internal production volumes partly due to building baked chicken inventory with a third-party manufacturer in advance of our facility modernization expected to be completed in early Q2.

The fourth quarter capped off the delivery of our three-year, \$1 billion cost savings target ending fiscal 25, a testament to the hard work of our teams. We expect to continue this momentum into fiscal 26.

Adjusted SG&A, which includes advertising & promotion expense, was 90 basis points favorable to year ago primarily due to lower incentive compensation expense and slightly lower A&P spend. And lastly, foreign exchange was a headwind of approximately 10 basis points.

Our segment operating profit and margin results summarized on slide 30 were impacted by the same drivers that I just discussed on slide 29.

The adjusted EPS bridge for the fourth quarter and full year are shown on slide 31. Adjusted EPS was \$0.56 cents in the quarter compared to \$0.61 cents a year ago driven by lower adjusted operating profit. In addition, we had a higher adjusted tax rate and unfavorable FX rates which more than offset favorable adjusted pension income, interest expense, and strong performance from our Ardent Mills joint venture. For the full year, the adjusted EPS decline was driven by similar factors, except for the tax rate providing slight favorability.

Key cash flow metrics are shown on slide 32. Conagra generated \$1.7 billion in net cash flows from operating activities in fiscal 25, in-line with our plan. Capital expenditures totaled \$389 million and dividends paid were \$669 million for the year, both largely in-line with the prior year.

Slide 33 shows that our free cash flow conversion was 118% in fiscal 25, enabling us to reduce net debt by over \$360 million. Net leverage at the end of the quarter was 3.6x, and we remain committed to paying down debt as we target long-term leverage of 3.0x.

That wraps up our summary of the fourth quarter and full year fiscal 25, and I'll now move to fiscal 26.

Slide 35 shows our fiscal 26 guidance. For the fiscal year, we expect organic net sales growth in the range of minus 1% to plus 1%, adjusted operating margin of approximately 11.0% to 11.5%, and adjusted EPS in the range of \$1.70 to \$1.85.

I'd like to spend a moment on slide 36 unpacking the EPS guidance range as there are several factors impacting our estimate. We closed on both the Chef Boyardee and frozen seafood divestitures in early Q1 fiscal 26. Proceeds from the divestitures have already been used to reduce debt, and as previously disclosed, we expect roughly \$0.11 of fiscal 26 EPS headwind from the two divestitures, net of interest savings.

Next, inflation remains persistent, and we expect our core cost of goods sold inflation to be approximately 4% for the year driven by higher costs in areas such as proteins, cocoa, and eggs. In addition, enacted tariffs present a headwind to our business despite most of our

manufacturing taking place in the US. Our canned food products make up the largest tariff exposure as steel and aluminum tariffs significantly increase the cost to procure tin plate steel as domestic supply is very limited. In addition, tariffs on our low level of imports from China and other countries impact items such as palm oil, cocoa, and other inputs. Taken together, gross, annualized tariff exposure is projected to add approximately 3% to our cost of goods sold inflation, bringing our total fiscal 26 inflation rate to roughly 7%.

Managing this inflation will be a critical focus this year. We expect core productivity to accelerate in fiscal 26 to approximately 4% of cost of goods sold, largely offsetting core inflation. Additionally, we have established a cross-functional task force to mitigate our tariff exposure through various cost reduction levers. We currently expect these efforts to help mitigate approximately 1% of the 3% tariff headwind in fiscal 26. This is before factoring in any potential targeted pricing actions.

All in, we have forecasted the net impact of core inflation, core productivity, and tariffs after cost mitigation to approximate \$0.25 of EPS versus fiscal 25.

Moving on, we see fiscal 26 as a year to continue investments. From a brand standpoint, we expect roughly \$0.05 per share headwind related to increases in our A&P spend and slightly higher levels of promotional investment.

We are also expanding our investments in our supply chain to increase the resiliency, capacity, and technology of our facilities. We expect these incremental investments to more than offset the favorable lapping impact of fiscal 25 supply challenges. The planned facility modernization that we discussed last quarter is expected to be completed in early Q2, which will improve capacity of our baked chicken manufacturing and reduce reliance on external manufacturing.

In addition, we have expanded the scope of our frozen investments to include adding fried chicken capacity in light of strong demand. We will source fried chicken from an external manufacturer to meet demand while pre-building inventory as facility investments are made throughout fiscal 26. This will result in elevated sourcing costs in fiscal 26, with improved internal fried chicken capacity coming in fiscal 27.

Next, we expect an approximate \$0.10 per share headwind as it relates to re-based incentive compensation within SG&A as we are paying below target in fiscal 25.

The last box on the bridge includes several other variables that we expect will impact fiscal 26, including the expected volume response to our increased investments, targeted pricing and the related elasticity impacts, and other profit drivers such as equity earnings, pension income, interest expense, and tax. In addition, fiscal 26 will have a 53rd week.

Given the range of outcomes around volume, pricing, and inflation in this environment, we believe we've taken a prudent approach to building fiscal 26 projections.

Slide 37 provides a few key assumptions for the remainder of the fiscal year. We expect first half organic net sales to be down slightly versus prior year, with growth in the second half driven by the benefit of our targeted pricing actions and the wrap of our fiscal 25 supply constraints, partially offset by the estimated elasticity impacts related to pricing.

Adjusted gross and operating margins are expected to improve sequentially each quarter. First quarter margins are expected to be the lowest of the year given the timing of our supply chain

modernization investments, as well as forecasted pricing actions being weighted towards the second half.

For the fiscal year, A&P is expected to increase to approximately 2.5% of net sales, and SG&A excluding A&P is expected to be approximately 10% of net sales.

Further down slide 37, you'll see our expectations for other line items of our P&L, including interest expense, pension income, equity earnings, and tax rate.

And finally, we are expecting to reduce net debt by approximately \$700 million in fiscal 26 driven by proceeds from our recent divestitures and from free cash flow in excess of our dividend payouts. We are expecting to hold our dividend payout flat in fiscal 26, and yesterday, we announced that our Board approved a quarterly dividend of \$0.35 per share to be paid in August. Year-end net leverage is expected to be approximately 3.85x with debt reduction being more than offset by a reduction in EBITDA. Cash conversion is expected to approximate 90%.

That concludes our prepared remarks for today's call - thank you for joining us today.