



Conagra Brands

Q2 FY26 Earnings Call

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CORPORATE PARTICIPANTS

Matthew Neisius – *Senior Director, Head of Investor Relations*

Sean Connolly – *President and Chief Executive Officer*

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

PRESENTATION

Slide 1: Conagra Brands FY26 Q2 Earnings Presentation

Slide 2: Legal Disclosure – Matthew Neisius

Good morning! Thank you for listening to our prepared remarks for the Conagra Brands second quarter, fiscal 2026 earnings. At 9:30 eastern this morning we will 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.

In our presentation this morning, Sean Connolly, our CEO, and Dave Marberger, our CFO, will be making some forward-looking statements, 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. GAAP to non-GAAP reconciliations and information on our comparability items are in our earnings release and presentation materials in the Investor Relations section of our website.

I'll now turn the call over to Sean

Slide 3: Sean Connolly, President and Chief Executive Officer

Thanks, Matthew, and happy holidays everyone. Thank you for joining our second quarter fiscal 2026 earnings call.

Slide 4: Q2 Headlines

Let's begin with the headlines for the quarter on slide four.

As expected, the macro environment remained challenged, with a few new twists emerging this past quarter.

In this dynamic environment, we're executing a tailored portfolio segmentation strategy: drive volume growth in frozen and snacks while maximizing cash in staples. And though there was quite a bit of noise in Q2, both in the scanner data and our P&L, the underlying story is clear: our in-market execution is working, and momentum is building.

We're seeing continued upward inflection in our growth businesses of frozen and snacks where we're strategically investing margin to drive volume performance. In addition, we're on track in our cash businesses, largely in our staples portfolio, where we've taken inflation-justified pricing to protect margins.

Our supply chain delivered another quarter of impressive performance with record service levels and strong productivity.

We also launched Project Catalyst, a major initiative leveraging AI, data and other new technologies to unlock significant value across our operations. You're going to hear much more from us on this in calendar 26, so stay tuned.

Based on our first half performance and everything we're seeing in the marketplace including underlying consumption trends, inventory dynamics, and our robust investment slate, we have high confidence in our plans to deliver a return to organic net sales growth in the second half and are reaffirming our full-year guidance.

Slide 5: Challenging Macro Environment Persisted in Q2

Before I get into the business performance, let me provide some context on the macro environment on slide five.

As I mentioned earlier, consumer sentiment remained fairly weak in Q2. Household budgets continued to be strained, and value-seeking behavior persisted, with these pressures weighing most heavily on low and middle-income consumers.

We also saw some unanticipated dynamics this quarter, many of which we expect will be timing related. The government shutdown spanned about half the quarter along with the related pause in SNAP payments.

There were also two noteworthy dynamics related to weather. First, we had our first October in ten years without a hurricane hitting the continental U.S. We had planned for a normal hurricane season. We also saw a slow start to winter.

Finally, during our Q2 we often see retailers begin to build inventories ahead of the holiday season. However, this year we shipped behind consumption, which we believe is due to two discrete timing factors. First, the government shut down and pause in SNAP payments led some retailers to slow down ordering near the end of the quarter. Second, several of our large customers made timing shifts on their promotional calendars, particularly impacting our frozen business, which moved their inventory build into our Q3.

Slide 6: Top Line Atypically Noisy; Underlying Trends Continue to Strengthen

Given those dynamics, there was an unusual amount of noise in our top line, both in the scanner data and the P&L. In the P&L, under-shipping consumption shaved about a point off of our Q2 net sales. We have since seen these shipments start to materialize in December.

As for the scanner data, this chart illustrates the unusual volatility in the quarter, mostly tied to the aforementioned weather dynamics and the pause in SNAP payments.

So, to parse out the noise and provide a clearer view of the underlying state of the portfolio, let's look at our business at a category level.

Slide 7: On a Two-Year Basis, Frozen Returned to Growth with Strong Share Performance

Starting with frozen on slide seven. As you can see on this chart, in Q2 we were wrapping an exceptional quarter a year ago where volumes were up 3%. You can also see the ensuing drop-off tied to last year's temporary frozen supply constraints we've discussed previously. This year, our focus has been on restoring our frozen momentum, and it's working.

In Q2, while year-over-year growth softened due to lapping the very strong year-ago period I just mentioned, we drove strong growth on a two-year basis, sustaining the positive inflection we saw in Q1.

And importantly, 90% of our frozen portfolio held or gained volume share over the same period. This tells you that our strategic investments are working, and we're winning with consumers. As for performance versus the record year-ago period, we're pleased with where we are particularly given the timing shifts of some major frozen promotions to Q3.

Slide 8: Frozen Promotional Activity Continues to Recover

Speaking of promotions, slide eight shows our frozen promotion recovery also continues to inflect in the right direction. We're pleased with this trend and look forward to further progress in the second half of the year.

Slide 9: Solid Momentum in Frozen Single-Serve Meals...

Now let's take a look at our largest frozen business, single-serve meals, on slide nine.

On the left, you can see the continued upward inflection of our volumes across the last year, quarter, and most recent 5-week time period; you also see that trend versus two years ago. Why show the two-year look? Again, it's because in Q2 a year ago, we delivered extremely strong performance that we did not expect to exceed this year, having recently emerged from our supply impacts. The timing shifts of some of our major frozen promotions into Q3 further support this point. And even with the promotion shifts, when you look at the trend versus two years ago, you can see we've returned to solid growth at plus 1% in the latest period.

What's particularly encouraging, and you can see this on the right side of the chart, is that our 52.9% market share remains far and away the market leader and very close to last year's outstanding level.

Slide 10: ...And Similarly in Frozen Vegetables

We're seeing a similar story in frozen vegetables on slide 10.

Birds Eye continues to perform very well. On the left, you can see strong momentum building across all time periods, with the most recent data showing more than 3% volume growth versus a year ago and more than 9% versus two years ago.

On the right, you can see we've recovered the share we lost in the wake of our supply challenges. In fact, we're now above 19% share, and up 130 basis points versus two years ago. Our strategic execution is working. We've invested behind the brand, restored our supply, and are winning with consumers.

Slide 11: Snacks Performance Strong and Outperforming Broader Category

Moving to snacks on slide 11. Once again, our snacks business delivered strong performance in Q2, significantly outperforming the snacking categories in which we compete in both volume and dollars. In fact, this represented the fourth consecutive quarter of dollar sales growth in our snacking categories.

We have exactly the right snacks business for today's consumers. Our portfolio of protein-centric, high-fiber foods is in demand and on-trend. In an environment where some of our competitors are struggling with snack portfolios weighted toward salty and sugary carb-heavy products, our snacks are resonating strongly with consumers. This is a strategic advantage that positions us well for sustained growth.

Slide 12: Strong Performance in Protein Snacks

This is highlighted by our protein-centric snacks on slide 12. Our meat snacks business, including Slim Jim, Duke's and FATTY, posted 5% volume growth and 4%-dollar growth in the quarter. In fact, FATTY, our most recent acquisition, is on track to double in size in fiscal 26. Our seeds business, including David and BIGS, posted 4% volume growth and 4%-dollar growth. Protein is exactly what consumers are seeking, and we're delivering.

Slide 13: Convenience Channel Recovery Benefitting Slim Jim

On slide 13, I want to highlight an important dynamic that's benefiting our Slim Jim brand.

Compared to our broader portfolio, Slim Jim is disproportionately represented through the convenience channel, which includes the C-stores attached to gas stations. Accordingly, consumer traffic for this channel is correlated to gas prices. When gas prices are high, people filling their tanks tend to save money by reducing the number of trips inside the convenience store. This weakness in C-store traffic impacted Slim Jim performance in recent years. With gas prices having moderated, the trend has reversed exactly as we expected. C-store traffic has improved and so has Slim Jim's performance in this channel. Importantly, as you can see on this chart, Slim Jim's volume performance in broader, multi-outlet channels has remained positive throughout.

Slide 14: Sweet Treats' Inflation-Justified Pricing Now in Market; Elasticities Better Than Expectations

Now let me talk about the sweet treats side of our snacks portfolio on slide 14.

Two of our sweet treat businesses, Swiss Miss and Snack Pack, experienced unusually high costs due to cocoa inflation. We raised prices to offset that inflation, and because of the strength of these brands, the impact has been very encouraging. We're seeing the desired effect on dollars, Swiss Miss up 14% and Snack Pack up 8%. We're also seeing volumes hold up despite the incremental pricing, with Swiss Miss up 5% and Snack Pack up 1%.

Slide 15: Effectively Managing Canned Products in Dynamic Environment

Turning to slide 15 and our canned products. As I mentioned earlier, we planned for typical hurricane activity during the quarter, only to experience the first fall in ten years without a hurricane reaching landfall in the U.S. This, combined with the later start to winter, impacted consumption.

In addition, we've taken inflation-justified pricing on these businesses due to rising steel costs. The early elasticities are on track with our expectations.

What's most encouraging is what you see on the right. We exited Q2 with positive trends in several categories. Canned tomatoes improved from minus 3% to plus 3.5%-dollar growth, and chili improved from 3.6% to 12.3%-dollar growth as we effectively manage these businesses for cash.

Slide 16: Supply Chain Delivering Strong Performance

Our supply chain is also performing strongly. As outlined on slide 16, we delivered exceptional service levels of approximately 99% in Q2, the highest sustained levels of service we've achieved as a company. Our first half productivity came in at approximately 5%, which is very robust and keeps us on track to reach our full-year target.

We also completed our baked chicken modernization project during the quarter, which will enable us to insource previously outsourced production at lower costs going forward.

Slide 17: Launched Project Catalyst

Now let me introduce a new initiative, Project Catalyst, a multi-year comprehensive effort to leverage AI, data, and other new technologies to unlock significant value across our organization.

We're reimagining ways of working, transforming end-to-end processes, and connecting our people with cutting-edge technology in ways that will drive efficiency and effectiveness. We have senior leaders mobilized across the organization, are seeing real opportunities emerge, and are getting increasingly excited about its potential.

You'll hear more from us about this initiative in calendar 2026, including specific targets for the value we expect Project Catalyst to unlock.

Slide 18: Plans in Place to Deliver a Return to Organic Net Sales Growth in H2

So let me bring this all together on slide 18. Based on everything we're seeing, the underlying consumption trends, the inventory dynamics that we expect to normalize, and the robust investment slate we have in place, we are highly confident in our plans to deliver a return to organic net sales growth in the second half.

We've recently debuted on-trend, in-demand innovation, and have more coming to market. You can see some examples on this slide:

- Our new Banquet Mega breakfast bowls marks this brand's entry into the highly attractive breakfast category;
- Slim Jim is expanding into chicken with its Buffalo Wild Wings chicken sticks;
- Dolly Parton is extending into single-serve frozen meals, with delicious varieties like this beef pot roast; and

- Vlasic is building on the success of its pickle ball platform with the introduction of new Spicy Vlasic Pickle Balls.

We have more merchandising planned for the back half compared to the first half, particularly in frozen, as we expect promotional levels to continue to improve. And, we intend to increase advertising and promotional spending in the back half relative to H1 to support our growth businesses.

Slide 19: Reaffirming Fiscal 2026 Guidance

As a result, we are reaffirming our fiscal 2026 guidance today, as you can see on slide 19. Our team is executing well and creating positive underlying momentum. We're seeing continued upward inflection in our growth businesses, and we are on track in our cash businesses. Supply chain service levels and productivity are strong. And we have confidence in our ability to deliver in the back half.

With that, I'll turn the call over to Dave to walk you through the financials in more detail. Dave?

Slide 20: Dave Marberger

Thanks, Sean, and good morning everyone.

Slide 21: Q2 and H1 FY26 Results Largely On Track

Slide 21 shows our financial results for key metrics in the quarter and the first half. As a reminder, we entered the year with plans to invest margin to drive volume. As we mark the halfway point in the year, we've made solid progress against our objectives, and our first half results were largely on track to our expectations.

For Q2 specifically, Conagra's organic net sales were approximately \$3 billion, a 3% decline versus the prior year. Adjusted gross margin of 23.4% and adjusted operating margin of 11.3% were both down versus the prior year, but slightly better than our expectations, which I'll provide color on shortly. Adjusted earnings per share were \$0.45, down \$0.25 versus year ago.

On the right-hand side of the page you'll see our first half results, including organic net sales of \$5.6 billion, a 1.9% decline versus the prior year.

Slide 22: Q2 Net Sales Bridge vs. Year Ago

Slide 22 shows our second quarter net sales bridge.

Total Conagra organic net sales declined 3% over the previous year, with volumes down 3% and flat price/mix. Foreign exchange was a 10-basis point tailwind, and the divestitures of Chef Boyardee and our frozen seafood businesses together had a 390-basis point impact.

Sean discussed earlier the noise impacting the top line during the quarter. The largest driver impacting organic net sales was a reduction in retailer inventories related to the timing of our merchandising activities. We estimate this was a 100-basis point headwind to the quarter, resulting in a gap between our shipments versus consumption. We expect these shipments to occur in Q3 ahead of the planned merchandising events and we are already seeing that play out in recent weeks.

In addition, we saw a 60-basis point headwind due to lapping favorable trade timing in the year-ago quarter, in line with our expectations. And, as Sean discussed, unseasonal weather had a modest impact on results.

While our shipments and consumption can be impacted by these timing items, we remain confident in the underlying momentum in the business.

Slide 23: Q2 Net Sales by Segment

Slide 23 shows the composition of net sales by segment.

In Grocery & Snacks, we delivered net sales of \$1.2 billion, representing a 1.5% decline in organic net sales versus the prior year as lower volumes and unfavorable mix were partially offset by inflation-justified pricing actions.

Our Refrigerated & Frozen segment delivered \$1.3 billion in sales, with organic net sales down 5.1% versus the prior year. This was driven primarily by lower volumes, inclusive of the impact from the retailer inventory dynamics I just discussed, which slightly over-indexed to this segment, as well as approximately 140 basis points of unfavorable mix due to lapping certain promotional events in the year ago period.

In our International segment, organic net sales declined 2.9% versus prior year, an improvement versus Q1. We saw organic growth in our Mexico region, while Canada and Global Markets experienced volume softness in response to inflation-justified price increases.

Organic net sales in our Foodservice segment posted a second consecutive quarter of growth, with organic net sales growing 0.2% over the prior year. Volume declines were generally in line with Q1 results and were more than offset by favorable pricing.

Slide 24: Q2 Adjusted Operating Margin Bridge

Slide 24 shows that adjusted operating margin declined 406 basis points over the previous year to 11.3%. Price/mix was a 10-basis point tailwind as our targeted price increases more than offset the recently discussed trade timing headwind and unfavorable mix.

Total inflation remained elevated in Q2 but came in slightly favorable to our expectations. We saw some favorability related to moderating chicken prices, though proteins including beef, pork, and eggs continue to be key areas of cost pressure. Gross tariff inflation for Q2 was in line with expectations.

As Sean highlighted earlier, our productivity efforts remained strong in Q2 with core productivity including tariff mitigation at approximately 4.5% of cost of goods sold. Partially offsetting this was unfavorable operating leverage from lower internal production volumes as we focus on optimizing working capital. We also completed our baked chicken facility project in Q2, an important milestone in modernizing our supply chain.

Adjusted SG&A, which includes advertising & promotion expense, was 70 basis points unfavorable to year ago, including higher incentive compensation expense as we expected. On a standalone basis, A&P was also slightly higher than year-ago from increased investment, but favorable to our expectations.

Slide 25: Q2 Segment Adjusted Operating Profit & Margin

Our segment adjusted operating profit and margin results are summarized on slide 25. Overall, the drivers of the segment results are generally in line with the total company drivers just discussed.

Slide 26: Q2 Adjusted EPS Bridge

The adjusted EPS bridge for the second quarter is shown on slide 26. Adjusted EPS was \$0.45 in the quarter compared to \$0.70 a year ago driven by lower adjusted operating profit, lower adjusted equity earnings, a higher adjusted tax rate, and reduced profit from divested businesses, which more than offset favorable pension income and lower interest expense.

Slide 27: Key Balance Sheet & Cash Flow Metrics

Key balance sheet and cash flow metrics for the first half are shown on slide 27. Compared to the year ago period, we've made solid progress repaying our debt, with net debt lower by nearly \$850 million. We ended the quarter with net leverage at 3.83x which was favorable to our expectation. We remain committed to a balanced capital allocation approach as we continue to target long-term leverage of 3.0x.

Capital expenditures totaled \$219 million and dividends paid were \$335 million for the first half, both largely in-line with the prior year. As expected, free cash flow in the first half was impacted by our seasonal working capital build, including building inventories ahead of planned merchandising events, and lower operating profit.

We did not repurchase any shares in the quarter, nor did we have any additional M&A activity in the quarter.

Slide 28: Ardent Mills Joint Venture Update

Shifting gears, I want to provide a quick update on our joint venture, Ardent Mills. Ardent has performed extremely well over the years, and they play an important role for us through their contributions to our earnings and to our cash flow.

The core flour milling business for Ardent has continued to deliver solid results. However, lower prices and lower volatility in wheat markets have negatively impacted Ardent's commodity trading revenue this quarter. Incorporating our updated projections, we now expect adjusted equity earnings to be approximately \$170 million versus our prior expectation of \$200 million.

Slide 29: Reaffirming Fiscal 2026 Guidance

As Sean mentioned, we are reaffirming our fiscal 26 guidance for key metrics shown here on slide 29. We continue to expect an organic net sales change of minus 1% to plus 1% versus fiscal 25, adjusted operating margin of approximately 11.0% to 11.5%, and adjusted EPS in the range of \$1.70 to \$1.85 per share.

Slide 30: H2 and Full Year Considerations

Slide 30 provides a bit more color on our expectations for the remainder of the year. For the second half, we expect to return to overall organic net sales growth driven by the wrap of our frozen supply constraints, our recent inflation-justified pricing actions, and the robust investment slate we have planned.

Next, cash flow remains a top priority, including reducing our inventory to optimal levels. This opportunity is made possible, in part, by the supply chain investments we've made and the strong service levels we've achieved this year. We expect to make meaningful progress reducing inventory in the second half, though these actions come with short-term absorption headwinds which will impact year-to-go margins.

In addition, we expect A&P to increase in the second half relative to the first half, peaking at over 3% in Q3. These activations, alongside the innovation and merchandising planned, further

our priority of investing to drive volume in frozen and snacks. Taken together, these actions are expected to result in Q3 adjusted operating margin below our Q2 result.

For the full year, our estimates for total inflation including tariffs and total productivity are largely unchanged at approximately 7% and 5% of cost of goods sold, respectively. While more recent changes to tariff policies are generally favorable, the impact to Conagra is limited given our primary exposure to tin plate steel. On an absolute basis, we continue to expect tariff expense net of mitigation to increase sequentially as we progress through the remainder of the year.

We also continue to expect full-year A&P at approximately 2.5% of sales and adjusted SG&A, excluding A&P, at approximately 10% of sales, both unchanged vs. our prior expectations. And last, as I mentioned, we expect adjusted equity earnings to contribute approximately \$170 million.

Slide 31: Other Fiscal 2026 Considerations

And finally, slide 31 outlines our additional fiscal 26 guidance metrics. Aside from the change to adjusted equity earnings, our expectations for each of the other line items shown remain unchanged versus Q1.

That concludes our prepared remarks for today's call. Thank you for your interest in Conagra Brands.