Conagra Brands

Q4 FY26 Earnings Call

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CORPORATE PARTICIPANTS

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

John Brase – *President and Chief Executive Officer*

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

PRESENTATION

Slide 1: Conagra Brands FY26 Q4 Earnings Presentation

Slide 2: Legal Disclosure – Matthew Neisius

Good morning! Thank you for listening to our prepared remarks for the Conagra Brands fourth 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, John Brase, 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 John.

Slide 3: John Brase

Good morning, everyone, and thank you for joining us.

I'm honored to be speaking with you today in my first earnings call as CEO of Conagra Brands. As CEO, I will be committed to transparency and accountability, both internally and externally. I view these calls as opportunities to speak clearly about where we are and where we're headed.

While we delivered fiscal 2026 results within our original guidance ranges in a dynamic environment, our results also reflect the continued need to take bold action to unlock our full potential.

On our call today, Dave is going to unpack our fourth quarter and full year results in detail. But before I do that, I would like to share my early observations about the business, where I see opportunities for improvement, and the actions we're taking to position Conagra for stronger, more sustainable value creation over the long term.

Slide 4: Early Impressions

I may be new to Conagra, but I'm not new to the consumer products industry. I've spent more than 35 years working with many of the same customers, categories and consumers that this company engages with every day. This experience has given me great perspective and appreciation for Conagra. It has also given me the humility to recognize that the best way for me to be effective in this role is to take the time to listen to and engage with our employees, our consumers, our retail partners, and our investors. That process is ongoing, but I've had the chance to hear from many of our stakeholders over the past six weeks. What I've learned has reinforced why I was excited to join Conagra.

Our portfolio holds real potential with distinct competitive advantages. We have iconic brands consumers know and trust and we operate in attractive categories with significant runway for growth. And with the right focus and investment, our portfolio can be even stronger.

We have strong innovation capabilities with a proven ability to develop products that resonate with our consumers, strengthen our brands, and expand our categories.

I see an organization that has already established an advanced foundation in technology and AI. We can build upon this as we seek to drive productivity, simplify processes, and enable faster, better decision-making.

And finally, Conagra is fortunate to have a deep and talented team. I've been impressed not only by the capabilities across the organization, but also by the passion I see from our people.

Slide 5: Opportunities for Improvement

While I am encouraged by our strengths, I also see several areas where I believe we can be better.

First, our focus on volume and margin has become imbalanced. We've reached an important inflection point where investments we've made over the past several years have improved volumes and strengthened our market position. The next phase is to translate that momentum into stronger profitability with a focus on restoring margin.

Second, we simply haven't invested enough behind our brands and our supply chain. That has consequences in consumer relevance, in service reliability, and in our ability to compete. We are going to fix that.

Third, and you'll hear me talk about this often, too much complexity has built up across our portfolio, our supply chain, and our organization. Complexity is the enemy of strong execution; it creates too many competing priorities and slows decision-making in an environment where speed, agility, and focus are critical.

Finally, our current capital allocation limits our financial flexibility, and we must have better balance here. Dave and I will both provide more detail on this later.

None of these issues developed overnight, and none will be solved overnight. But they are solvable, and we're going to take bold, decisive actions to address them head-on.

Slide 6: Priorities to Build a Strong Foundation for Growth

I've identified four priorities that will guide our actions moving forward:

- Stabilize and restore margins,
- Increase investment in our brands and supply chain,
- Simplify and reduce complexity within our portfolio and the organization, and
- Rebalance capital allocation.

These interconnected priorities are what we are focused on now and in the longer term and are how we will build a strong foundation for profitable growth. Let's take a closer look at each.

Slide 7: Stabilize and Restore Margins

Starting with our focus on margin restoration. Over the past several years, we have sacrificed a significant amount of margin in our business. This has been driven by continued inflation and an emphasis on driving volume, sometimes at the expense of margin. This has been most acute within our frozen business.

There are two primary levers to reverse this trend. The first is productivity, which will always be our initial defense against inflation. We'll focus on driving greater than four percent productivity while increasing the speed and agility of the organization.

The second is strengthening our price/mix. We will implement strategic, inflation-justified pricing actions where necessary, with particular emphasis on our frozen portfolio. While these actions may pressure volumes in the short term, they are essential to restoring margins and funding the investments necessary to support the long-term health of our categories and of our business.

Slide 8: Increase Investment Behind Brand Building & Supply Chain Resiliency

Which leads me to my next priority. In fiscal 27, we're increasing investment where we believe it will create long-term value. That begins with our brands.

We intend to increase advertising spend to approximately 3% of net sales this year, with a focus on the categories where we have the greatest opportunity to win, particularly frozen meals and meat snacks. This is the first step in moving toward a more sufficient level of marketing support for our key growth brands. It's not a modest adjustment; it's an increase of 14% year-over-year. It's a deliberate commitment to give our brands enhanced support to win with consumers, and I'm confident we have the right plans in place to deliver.

We're also increasing capital investment in our supply chain. Modernizing our supply chain strengthens service, improves resilience, and creates additional productivity opportunities.

Strategy matters, but execution is what our customers experience. We have to get this right to improve reliability, avoid surprises, and drive out costs.

Slide 9: Reduce Complexity Through Simplification and Prioritization

Radical simplicity is the organizing principle for how we will run this company moving forward. I firmly believe complexity is one of the biggest barriers to growth. For me, radical simplicity isn't necessarily about making things smaller, it's about making them clearer. It's about prioritizing our time and our capital on the things that matter the most and being discerning about where we're placing our bets.

I believe that we have operated with a portfolio that is too large and too complex for too long. We have significant opportunities to simplify, and I'm taking the time to do a detailed review with our teams to understand where we have the right to win.

Going forward, we'll actively manage our portfolio for better growth and stronger margins. Our objective is a simpler, more focused Conagra, one that concentrates our resources behind the brands and categories where we are best positioned. We'll also evaluate strategic options for non-core businesses.

Through Project Catalyst we also have opportunities to simplify how our work gets done by leveraging technology, including AI. Project Catalyst supports working capital reductions, strong free cash flow conversion, and long-term sales and productivity targets. I've been encouraged by what I've seen so far, and I'm excited to share more on the opportunities here as I further immerse myself in the work.

Radical simplicity will help our people spend less time on navigating complexity and more time creating value for consumers and customers. The simpler we become, the better we will execute.

Slide 10: Reset Dividend to Accelerate Deleveraging and Increase Financial Flexibility

The final priority is capital allocation. One of the most important responsibilities of management is deciding where every dollar creates the greatest long-term value.

You've already seen in our release this morning that, after careful consideration, we've made the decision to reset the dividend. This is not a decision we take lightly but one we believe is right for the long-term success of the company.

This action proactively realigns our capital allocation, accelerates progress toward our leverage target, supports critical investments, and strengthens our financial flexibility, including the ability to reshape the portfolio over time.

Our commitment to shareholders hasn't changed. Our objective remains a balanced approach to capital allocation with a dividend that returns meaningful capital to shareholders and can grow alongside earnings over time.

Slide 11: FY27 Guidance

Finally, I'll walk through an overview of our fiscal 27 guidance and Dave will provide more context shortly.

For the year, we expect organic net sales to decline (1)% to (3)%, adjusted operating margin to be between 10.0% and 10.5%, and adjusted EPS to be between $1.40 and $1.50.

These ranges reflect the decisive actions to restore balance between the top line and margin, invest in our brands and our supply chain, simplify the way we operate, and return to a more balanced capital allocation - actions that I'm confident will build a strong foundation for long-term growth moving forward.

Thank you for your time. Now, I'll turn it over to Dave.

Slide 12: Dave Marberger
Thanks, John, and good morning everyone.

Slide 13: Q4 and Full Year FY26 Results
Slide 13 shows our results for key financial metrics in the quarter and full year. For the fourth quarter, we delivered organic net sales of approximately $2.7 billion, flat versus the prior year. Adjusted gross margin of 24.5% and adjusted operating margin of 11.7% were both down versus the prior year but sequentially improved versus Q3. And adjusted earnings per share were $0.47, down $0.09 versus year ago, which I'll unpack shortly.

For the full year, organic net sales declined 0.4% versus year ago, adjusted operating margin was 11.3%, and adjusted EPS was $1.72, with all metrics landing within our original fiscal 26 guidance ranges.

Slide 14: Q4 Net Sales Bridge vs. Year Ago
Slide 14 shows our fourth quarter net sales bridge. Total Conagra organic net sales were flat versus the prior year, with volumes down 1.6% and price/mix up 1.6%.

Foreign exchange was a 50-basis-point tailwind to the quarter driven by a stronger Mexican peso, and the divestitures of Chef Boyardee and our frozen seafood businesses together represented a 460-basis point headwind. We also had a 53rd week in the fourth quarter.

Slide 15: Q4 Net Sales by Segment
Slide 15 shows the composition of net sales by segment for the fourth quarter.

In Grocery & Snacks, we delivered net sales of approximately $1.2 billion, with organic net sales up 0.5% versus the prior year driven by growth in our snacks domain, partially offset by a decline in our grocery business, largely reflecting elasticity impacts from inflation-justified pricing actions.

Refrigerated & Frozen also delivered $1.2 billion in net sales, with organic net sales declining 0.5% versus the prior year. Volumes grew modestly, reflecting volume share gains in key categories such as frozen meals and vegetables, along with the benefit of lapping last year's supply constraints. These gains were partially offset by slightly negative price/mix, as we resumed planned investments that were not in place a year ago.

In our International segment, organic net sales declined 2.4% versus prior year as growth in Mexico was more than offset by volume softness in Canada and Global Markets.

And in Foodservice, organic net sales increased 1.8%, marking the fourth consecutive quarter of organic growth as favorable price/mix more than offset slightly negative volumes.

Slide 16: Total Conagra Q4 Dollar Consumption ~Flat With Growth in Frozen and Snacks

Turning to Q4 consumption on slide 16, total Conagra shipments tracked in line with consumption as dollar sales were approximately flat and volume was down 2%.

Frozen consumption remained positive in both dollars and volume driven by volume share gains in single-serve meals and frozen vegetables along with the benefit of lapping last year's supply constraints.

Snacks grew dollar sales by nearly 2%, again outpacing our snacking categories, led by strong performance in sweet treats and continued momentum in meat snacks. Volume declines reflected elasticities from pricing actions in our cocoa-related businesses, as well as softness in the microwave popcorn category.

In staples, we remain focused on maximizing cash generation, with Q4 dollars and volume performance both reflecting the elasticity impacts from our mid-year inflation-justified pricing actions, particularly within our canned products.

Slide 17: Q4 Adjusted Operating Margin Bridge
Slide 17 shows that adjusted operating margin declined 215 basis points over the previous year to 11.7%.

Price/mix contributed 90 basis points to margin, as inflation-justified pricing actions more than offset incremental merchandising investments.

Total inflation, inclusive of both core inflation and gross tariffs, remained elevated in Q4 at approximately 6.5%. We saw sustained inflation in areas including beef and edible oils, as well as more recent increases in areas related to crude oil and logistics. Core productivity including tariff mitigation was strong at over 5% of cost of goods sold, including approximately $6 million of tariff refunds. Partially offsetting this was unfavorable operating leverage from lower internal production volumes primarily due to elasticity impacts of pricing, and continued action to reduce our inventory levels.

Adjusted SG&A, which includes advertising and promotion expense, was 70 basis points unfavorable largely due to lapping lower incentive compensation expense last year.

And finally, FX and M&A combined were a 20-basis-point headwind, while the 53rd week added an additional 30 basis points to Q4 adjusted operating margin, in line with expectations.

Slide 18: Q4 Segment Adjusted Operating Profit & Margin
Our segment adjusted operating profit and margin results are summarized on slide 18. Year-over-year margin drivers of segment results are generally consistent with the total company drivers I just discussed, though Refrigerated & Frozen margins continued to be the most pressured from elevated inflation and investments to drive volume.

Going forward, we see an opportunity to better balance the volume and margins, as John discussed. This includes implementing strategic pricing actions in several areas of the portfolio, including frozen, as we look to set a foundation for profitable growth moving forward.

Slide 19: Q4 Adjusted EPS Bridge
The adjusted EPS bridge for the fourth quarter is shown on slide 19.

Adjusted EPS was $0.47 in the quarter compared to $0.56 a year ago driven by lower adjusted operating profit, as inflation exceeded productivity, lower adjusted equity earnings related to our Ardent Mills joint venture, and reduced profit from divested businesses. Partially offsetting this was favorability in the tax rate and the benefit of the 53rd week.

Slide 20: Key Balance Sheet & Cash Flow Metrics
Key balance sheet and cash flow metrics for the fiscal year are shown on slide 20. In fiscal 26, we made significant progress reducing debt, lowering net debt by almost $1 billion versus fiscal 25. Our net leverage ratio ended the year at 3.83x, flat to Q3 and slightly ahead of our year-end expectations. We continue to target long-term leverage of 3.0x.

Capital expenditures totaled $423 million for the year, a 9% increase over the prior year as we made progress against our modernization and in-sourcing initiatives.

Free cash flow was $979 million, down versus prior year primarily due to lower operating profit and lapping the accelerated receipt of a portion of our outstanding receivables, partially offset by strong progress reducing our inventories. Free cash flow conversion of 119% came in ahead of our increased expectations, reflecting strong execution and continued focus across the enterprise on driving cash.

Finally, dividends paid were largely in line with fiscal 25 at $670 million and we did not have any additional M&A activity or share repurchases in the quarter.

Slide 21: Dividend Update
Turning to slide 21. As announced in our press release today, our Board of Directors approved a quarterly dividend at an annualized rate of $0.70 per share, representing a reduction of 50% versus our prior dividend rate.

The revised dividend is expected to provide approximately $335 million of additional discretionary cash on an annualized basis. We intend to deploy this across our highest priorities including reducing debt, supporting strategic brand-building investments, and funding key supply chain and modernization initiatives, as John mentioned.

From a balance sheet perspective, this action will accelerate progress toward our long-term leverage target of 3.0x while supporting our investment grade credit rating. It also improves our overall financial flexibility, increasing our capacity to strengthen the portfolio and drive long-term profitable growth.

We remain committed to returning cash to shareholders through the dividend. This action resets our dividend payout ratio near our long-term target of 50% to 55%, enabling the dividend to grow with earnings going forward.

Slide 22: FY27 Guidance
Slide 22 shows our fiscal 27 guidance.

For the full year, we expect organic net sales to decline in the range of (1)% and (3)%. Our outlook includes executing the strategic, inflation-justified pricing actions that we previously discussed, with the accompanying elasticity-related volume impacts. In total, we expect volumes to be down mid-single digits as we have assumed larger-than-historical volume elasticities, particularly within our frozen business. We're also increasing our A&P investments to approximately 3% of net sales, a 14% increase versus fiscal 26 as we look to drive additional momentum behind key growth platforms.

Next, we expect adjusted operating margin between 10.0% to 10.5%. This assumes inflation remains elevated throughout the year driven largely by increases in oil-related costs, logistics, and animal proteins such as beef. Additionally, we expect to incur approximately $40 million in expense related to wrapping a portion of last year's tariff mitigation, or roughly 0.5% of cost of goods sold. Partially offsetting this, we expect another year of strong productivity at greater than 4% of cost of goods sold as we drive cost savings initiatives across our supply chain. And SG&A, excluding A&P, is projected to be at roughly 10.5% of net sales.

And last, we expect adjusted EPS in the range of $1.40 to $1.50. Embedded in that outlook is equity income from our joint ventures of approximately $140 million, pension income of approximately $25 million, interest expense of approximately $360 million, and an adjusted tax rate of approximately 24%. Additionally, the wrap of last year's 53rd week will result in a $0.05 headwind to fiscal 27 adjusted EPS.

Slide 23: Other Fiscal 2027 Considerations

And finally, slide 23 outlines additional considerations for Q1 and the full year.

In Q1 we expect organic net sales to decline low-single digits reflecting current category trends as well as the pricing wrap from inflation-justified pricing actions put in place during fiscal 26. Our new pricing actions are expected to be reflected in market starting in mid-Q2.

We also expect inflation to be heightened in Q1 following oil and logistics pressure as we closed fiscal 26, as well as the tariff wrap which will over-index to Q1. Taken together, along with the planned step up in A&P, we expect Q1 adjusted operating margin in the high single digits.

Other fiscal 27 key assumptions include an increase in capital expenditures to approximately $550 million, reflecting increased investment in our supply chain to continue to advance modernization efforts, in-sourcing initiatives, and Project Catalyst. We continue to make progress and to invest in Catalyst, and we expect most of the associated financial benefits to come in fiscal 28 and beyond.

Additionally, we expect free cash flow conversion of greater than 90%, and our net leverage ratio to be approximately 4.0x, with a large majority of our discretionary cash allocated to debt paydown.

Before we wrap up, let me turn it back to John for some closing remarks.

Slide 24: Closing Messages

Thanks, Dave. I'd like to leave everyone with a few closing thoughts.

The more time I spend with this company, the more convinced I am that Conagra's best days are ahead of us. This is a company with iconic brands, talented people, and strong positions in categories that matter to consumers every day. These are enduring advantages. Our company's responsibility now is to unlock more of its potential.

I've always believed that leadership starts with defining reality, inspiring confidence in the path forward, and then delivering a plan that bridges the gap between reality and our aspirations.

We've been transparent today about where we need to improve, and the decisive actions we're taking because we want you to leave this call with confidence in where we are headed.

You'll hear me talk often about radical simplicity. That's because I believe simplicity creates speed, speed improves execution, and execution is ultimately what drives results.

We're moving with urgency to strengthen our foundation, invest behind our brands, simplify our business, and improve our financial flexibility. These actions are designed not simply to improve next quarter, but to position Conagra for sustainable growth and value creation for years to come.

This is only the beginning. We're actively developing our longer-term strategic roadmap, and I look forward to sharing more with you at our Investor Day in early calendar 2027.

As CEO, my commitment is straightforward. We'll be honest about where we stand and what we need to do to deliver consistent and reliable results. Over the coming months, we'll continue to listen, learn, and act decisively. We'll hold ourselves accountable for the commitments we make, measuring success by the results we deliver.

Thank you for your time today and for your continued interest in Conagra. I look forward to your questions.