



Conagra Brands

Q1 FY27 Earnings Call

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CORPORATE PARTICIPANTS

Matthew Neisius – *Vice President, 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 FY27 Q1 Earnings Presentation

Slide 2: Legal Disclosure – Matthew Neisius

Good morning! Thank you for listening to our prepared remarks for the Conagra Brands first quarter, fiscal 2027 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.

Slide 4: Key Messages

When we last spoke in July, I outlined the priorities that I believe will strengthen Conagra and position the business for sustainable growth. After spending the quarter working closely with our teams and engaging across the organization, I'm even more confident that we're focused on the right opportunities and taking the right actions.

There are three points I'd like you to take away from today:

First, we delivered a solid start to the fiscal year despite a challenging operating environment. Dave and I will get into the details here shortly, but overall, we feel good about our execution thus far.

Second, we're making tangible progress against the priorities we laid out last quarter. It's still early, but we're moving from words to action, and we're already seeing encouraging proof points.

And finally, based on our first quarter performance and our outlook for the balance of the year, we are reaffirming our fiscal 2027 guidance.

Slide 5: Q1 Delivered a Solid Start to the Fiscal Year

Turning to our first quarter results on slide five, organic net sales declined (1.1)%, consistent with our expectations. Adjusted gross margin was 23.8%, adjusted operating margin was 11.5%, and adjusted EPS was \$0.41, all ahead of our expectations.

Overall, I'm pleased to say that we executed well in Q1. We knew coming into fiscal 27 that the environment would remain challenging. Consumers continue to be thoughtful about where they spend their dollars, and we're managing through a volatile input cost environment.

Against that backdrop, our teams stayed focused on execution and delivered a first quarter that gives us confidence in our full-year plan.

Slide 6: Total Conagra Consumption Remained Broadly Stable Despite a Challenging Environment

Turning to consumption on slide six, total Conagra dollar consumption declined approximately (0.6)% during the quarter, roughly one point better than our domestic shipment performance.

Within frozen, dollar consumption declined (0.7)%, while volume performed slightly better at down (0.5)%.

Birds Eye vegetables and Healthy Choice single-serve meals delivered particularly strong results, growing 7% and 8% respectively. These brands bring together nutrition, great taste, and portion control at a compelling value.

This performance was more than offset by softness in brands like Marie Callender's and P.F. Chang's. In addition, we took actions to improve profitability on brands like Sandwich Bros, where we opted not to repeat certain merchandising events, which resulted in top line headwinds but improved profitability.

In snacks, dollar consumption was approximately flat despite a (3.9)% decline in volume. Meat snacks delivered growth, more than offsetting pressure in the convenience store channel, reinforcing our confidence in our capabilities and portfolio of brands in this category. While

we're pleased with our strong growth on FATTY, we know we have more work to do on Slim Jim, and you'll see this as a near-term focus area for increased investment in both merchandising and marketing. Slim Jim is an iconic brand with strong consumer relevance, and we're working aggressively to restore growth.

Popcorn remained pressured by broader category softness. We continue to believe strongly in the category's long-term potential, as we have leading brands, broad consumer appeal, and attractive consumption occasions.

Both categories represent areas where we're focusing our increased marketing dollars on strengthening engagement and improving performance over time, which I'll touch on more shortly.

Within staples, consumption trends improved sequentially as we move beyond most of the impact from last year's strategic pricing actions and the related elasticities. We saw growth in tomatoes, chili, and pickles, which was more than offset by declines in whipped toppings and salad dressings. We'll continue managing these businesses with discipline and a focus on cash generation, while ensuring they provide strong value for consumers.

Taken together, these results highlight both the strength of our portfolio and the opportunity in front of us. We have brands consumers know and trust; our job is to support them with the right investment, innovation, value, and execution.

Slide 7: Last Quarter, We Outlined Our Priorities To Build a Strong Foundation for Growth

Our portfolio has meaningful strengths, but we also have clear opportunities to improve our execution and strengthen our performance. That is exactly what the four priorities we introduced in July are designed to do. We remain focused on our priorities to restore margins, increase investments in our brands and supply chain, reduce complexity, and rebalance capital allocation.

These priorities are already shaping how we operate and where we focus our resources. And as you'll see on the next slide, we've made tangible progress against each of them.

Slide 8: Translating Our Priorities Into Action

On margins, we expect to start seeing results from our strategic, inflation-justified pricing near the middle of the second quarter. Our productivity pipeline also remains on track to deliver more than 4% for the full year.

On investment, we've increased our A&P and sharpened where those dollars are being spent. As you'll see shortly, that investment is already driving meaningful improvements in reach and engagement, and doing so much more efficiently. We're also advancing several capital and network optimization initiatives across our supply chain which will help improve our longer-term cost structure.

On simplification, we've taken several concrete actions. We streamlined our leadership structure to establish clearer ownership, reduce layers, and accelerate decision-making. We've also launched a comprehensive review of our SKU portfolio. We're making bold decisions now to focus our resources on our strongest opportunities and reduce complexity across manufacturing and procurement.

One early example is our decision to exit the Celeste frozen pizza business. While that action created a modest 15-basis point headwind to the first quarter net sales, it allows us to redirect our resources toward brands and categories where we have greater scale and stronger growth potential. Importantly, we expect the decision to be accretive to margins going forward.

We are taking an aggressive approach to reduce SKU complexity across our business. This work will require thoughtful execution and close coordination with our customers, including alignment with customer reset cycles and our internal supply chain operations. As a result, the benefits will build over time, with a majority expected to be realized over the next 12 to 18 months.

We're also advancing strategic options for certain non-core businesses. I'm not going to get ahead of that process or speculate about individual brands. But we are taking an aggressive look at where we have the strongest right to win, where our resources can generate the best returns, and whether we are the best owners of every business in our portfolio.

Finally, on capital allocation, we reset the dividend in July, increasing the cash available for debt reduction and reinforcing our path toward our target leverage ratio of 3.0x.

These are tangible actions, not simply plans, and they demonstrate the urgency with which we are moving.

Let me spend a moment on our marketing investments, where we're already seeing encouraging proof points.

Slide 9: Focused Brand Investment Is Improving Reach and Engagement

In Q1, we increased A&P investment by 15%, which led to more modern, relevant creative campaigns for key brands like Healthy Choice, Banquet and Slim Jim. That investment generated approximately four times the media impressions compared with last year's first quarter, while media productivity improved 35%. So, we're investing more and getting more for every dollar we spend.

We're building a capability here that I believe can become an important competitive advantage for Conagra. Ultimately, success will be measured by whether this work drives stronger trial, consumption, share, and sustainable growth, but I'm encouraged by the strong progress we have already made.

Slide 10: Reaffirming FY27 Guidance

Finally, turning to our full-year outlook, we are reaffirming our fiscal 2027 guidance.

We're pleased with our start to the year, particularly on profit. At the same time, we are only one quarter in, and areas of uncertainty remain, particularly around the impact of our planned pricing actions and the volatile input cost environment we're operating in. We have accounted for these factors in our outlook and remain confident in our ability to deliver within our guidance ranges.

Overall, I'm encouraged by our first quarter performance and the progress we're making against our priorities, and the direction we're heading.

With that, I'll turn it over to Dave.

Slide 11: Dave Marberger

Thanks, John, and good morning, everyone.

Slide 12: Q1 FY27 Results

Slide 12 shows our results for key financial metrics in the quarter.

For the first quarter, we delivered organic net sales of approximately \$2.6 billion, a (1.1)% decline versus the prior year. Adjusted gross margin of 23.8% and adjusted operating margin of 11.5% were down versus the prior year but ahead of expectations, which I'll unpack shortly.

And adjusted earnings per share were \$0.41, up \$0.02 versus year ago.

Slide 13: Q1 Net Sales Bridge vs. Year Ago

Slide 13 shows our first quarter net sales bridge. Total Conagra organic net sales declined (1.1)% versus the prior year, with volumes down (2.1)% and price/mix up 1.0%.

Foreign exchange was a 20-basis point tailwind to the quarter driven by a stronger Mexican peso. The divestitures of Chef Boyardee and our frozen seafood businesses together represented a 50-basis point headwind, both of which have now been fully lapped.

Slide 14: Q1 Net Sales by Segment

Slide 14 shows the composition of net sales by segment for the first quarter.

In Grocery & Snacks, we delivered net sales of approximately \$1.1 billion, a (2.0)% organic sales decline versus the prior year. Volumes were down (5.4)% while price/mix was up 3.4%, reflecting inflation-justified pricing actions and the corresponding elasticity impacts.

Refrigerated & Frozen also delivered approximately \$1.1 billion in net sales, with organic net sales down (1.6)% versus the prior year. Volumes were roughly flat driven by the factors John just mentioned, while price/mix was negative, primarily reflecting unfavorable mix.

In our International segment, organic net sales grew 0.9% versus prior year driven by strong growth in Global Markets and roughly flat performance in Canada and Mexico.

And in Foodservice, organic net sales increased 3.3%, marking the fifth consecutive quarter of organic growth. Favorable price/mix complemented volume growth of 2.5%, with volume benefiting by approximately 150 basis points due to the accelerated timing of specific customer orders.

Slide 15: Q1 Adjusted Operating Margin Bridge

Slide 15 shows that adjusted operating margin declined 33 basis points over the previous year to 11.5%, ahead of our expectations of high-single digits.

Price/mix contributed 130 basis points to margin, with inflation-justified pricing actions more than offsetting incremental merchandising investments.

Inflation, inclusive of both core inflation and our tariff wrap, came in at roughly 5% in Q1. While still elevated, we saw favorability relative to our expectations primarily in proteins. However, we also saw an acceleration in fuel and logistics costs throughout the quarter, which we expect to further impact Q2 and the remainder of the year.

Partially offsetting inflation was solid delivery of our core productivity initiatives and the recovery of approximately \$4 million in tariff refunds. We were also impacted by unfavorable operating leverage from lower internal production volumes, primarily due to the elasticity impacts of last year's pricing and continued actions to improve working capital by reducing our inventory levels.

Adjusted SG&A, which includes advertising & promotion expense, was 40 basis points favorable to year ago as a percentage of net sales. This was primarily driven by favorable timing of SG&A spend within the year and a one-time benefit of \$10 million related to incentive compensation, partially offset by our planned increase in A&P investment.

And finally, FX and M&A combined were a 10-basis point headwind to Q1 adjusted operating margin, in line with expectations.

Slide 16: Q1 Segment Adjusted Operating Profit & Margin

Our segment adjusted operating profit and margin results are summarized on slide 16. Q1 year-over-year margin drivers of segment results are generally consistent with the total company drivers I just discussed.

In the domestic retail and International segments, elevated inflation and increased A&P investment more than offset pricing and productivity, while our Foodservice segment saw profit and margin growth in the quarter.

Additionally, corporate expense declined 20% year over year, largely driven by the incentive compensation and timing items within SG&A that I just mentioned.

Slide 17: Q1 Adjusted EPS Bridge

The adjusted EPS bridge for the first quarter is shown on slide 17. Adjusted EPS grew approximately 5% to \$0.41 in the quarter, compared to \$0.39 a year ago.

Adjusted operating profit was down slightly but was more than offset by higher equity earnings from our Ardent Mills joint venture, driven by recent volatility in the wheat markets. The combined impact from pension income, interest expense, adjusted taxes, FX, and M&A was neutral.

Slide 18: Key Balance Sheet & Cash Flow Metrics

Key balance sheet and cash flow metrics for the quarter are shown on slide 18.

We continued to prioritize reducing debt, lowering net debt by nearly \$200 million versus the first quarter of fiscal 26. Our net leverage ratio ended the quarter at 3.99x, and we remain on track to finish the fiscal year at approximately 4.0x.

Conagra had approximately \$4 million of net cash used in operating activities in Q1, in line with our expectations driven primarily by our seasonal working capital build. Capital expenditures totaled \$124 million in the quarter, dividends paid were \$168 million, and we repurchased \$44 million in shares to offset dilution from our share-based equity incentive compensation plans. There was no M&A activity in the quarter.

Slide 19: Reaffirming FY27 Guidance

As John mentioned, we are reaffirming our fiscal 27 guidance metrics, shown here on slide 19.

For the full year, we continue to expect organic net sales to decline in the range of (1)% to (3)%. Our outlook includes executing the strategic, inflation-justified pricing actions that we previously discussed, with the accompanying elasticity-related volume impacts. We continue to expect full-year volume declines of mid-single digits factoring in greater-than-historical volume elasticities, particularly within our frozen business. As previously discussed, we expect to increase our A&P investments to approximately 3% of net sales for the year as we look to drive additional momentum behind key growth platforms.

Next, we continue to expect adjusted operating margin between 10.0% and 10.5%. This assumes inflation remains elevated throughout the year, now trending higher within our 5% to 6% inflation range, driven by accelerating logistics and fuel costs along with sustained pressure in areas including packaging and edible oils. This inflation estimate includes approximately 40 basis points related to wrapping a portion of last year's tariff mitigation, which over-indexed to Q1 a year ago.

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.

SG&A, excluding A&P, is projected to be at roughly 10.5% of net sales.

And last, we continue to 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 20: Q2 FY27 Considerations

And finally, slide 20 outlines additional considerations for the second quarter.

In Q2 we expect organic net sales to decline approximately 2%, reflecting the inflation-justified pricing actions that will be implemented mid-quarter, along with the corresponding elasticity impacts.

We expect inflation in Q2 to be higher than Q1, driven primarily by higher logistics and fuel costs, which we expect to persist for the full year.

In addition, we are accelerating some of our planned increase in A&P investment into Q2, targeting roughly 3% of sales for the quarter.

And last, some of the favorability from Q1's SG&A was due to timing, and we expect those expenses to hit in Q2. All of this combined is expected to result in Q2 adjusted operating margin in the high single digits.

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

John Brase

Thanks, Dave, and thank you all for your time today.

Before we close, I want to reiterate how energized I am by the progress we're making. It's still early, but the actions underway across Conagra, and the commitment of our teams, are reinforcing my confidence in the opportunity ahead.

We'll have much more to share at our Investor Day on January 26, 2027. We'll go considerably deeper into our vision for the future and the bold actions we will take to deliver sustainable value.

What you've seen today is early evidence of the progress underway, and we look forward to sharing more in January.