



GENERAL MILLS FISCAL 2025 Q1 EARNINGS CALL

September 18, 2024

Pre-Recorded, Available by 6:30 a.m. Central Time

CORPORATE PARTICIPANTS

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Jeff Harmening, Chairman and Chief Executive Officer

Kofi Bruce, Chief Financial Officer

PRESENTATION

Jeff Siemon

Good morning! This is Jeff Siemon, Vice President of Investor Relations and Treasurer. Thank you for listening to General Mills' prepared remarks for our fiscal 2025 first-quarter earnings. Later this morning we will hold a separate, live question-and-answer session on today's results, which you can hear via webcast on our investor relations website. Joining me for this morning's presentation are Jeff Harmening, our Chairman and CEO, and Kofi Bruce, our CFO. Before I hand things over to them, let me first touch on a few housekeeping items.

First, on our website, you will find our press release that posted this morning, along with a copy of the presentation and a transcript of these remarks. Please note that today's remarks include forward-looking statements that are based on management's current views and assumptions. The second slide in today's presentation lists several factors that could cause our future results to be different than our current estimates.

Second, I'd like to call your attention to a change we've made to the name of one of our operating segments. Beginning in fiscal 2025, we have renamed the former Pet segment to North America Pet, to clarify for investors that pet food results outside North America are captured in our International segment. To be clear, this is simply a change in the name of the segment and has no impact on prior-year operating segment results.

Finally, I'd like to remind you that the fiscal 2025 guidance we're reaffirming today does not include an impact from the proposed North America Yogurt divestitures that we announced last week. We expect to incorporate the impact of the divestitures into our guidance after the transactions are closed.

And with that, I will turn it over to Jeff.

Jeff Harmening

Thank you, Jeff, and good morning, everyone.

The theme for this morning's presentation is progress. We've made important progress this quarter on improving our competitiveness, reshaping our portfolio, and delivering on our financial goals. At the same time, there is more to do to fully meet our objectives for fiscal '25.

In terms of competitiveness, we entered fiscal 2025 declaring that our top priority is to accelerate our organic net sales growth. We made progress on that priority in the first quarter, strengthening our core by delivering more remarkable experiences to consumers, which translated into sequential improvement in our volume, net sales, and market share trends.

We made progress advancing our Accelerate strategy and our portfolio shaping ambitions with last week's announcement of the proposed divestitures of our North America Yogurt business to Lactalis and Sodiaal.

And we made progress on achieving our financial targets for fiscal 2025. Having delivered an expected improvement in Q1, and with strong plans for the rest of the year, we are reaffirming our full-year fiscal 2025 guidance.

Before getting into our Q1 results, let me first share a summary of the proposed divestitures of our North America Yogurt business. These transactions represent another significant step forward for General Mills as we advance our Accelerate strategy and our portfolio reshaping ambitions. Because of the drag that Yogurt has been on our net sales and profitability over time, this deal enhances the underlying growth profile and margin structure of our remaining portfolio. In addition, it allows us to sharpen our focus on our global platforms and local gem brands where we have better opportunities to drive profitable growth.

Including these transactions, General Mills will have turned over nearly 30 percent of our net sales base since fiscal 2018, including entering the fast-growing premium pet foods category, adding to our away-from-home portfolio, and divesting yogurt, European dough, and large parts of our main meal and side dish businesses in the U.S. In total, this work has increased the underlying growth exposure of our portfolio by more than a full point.

Slide 6 summarizes the financial highlights of the proposed transactions. We are selling our U.S. and Canadian yogurt businesses to Lactalis and Sodiaal, respectively, for a combined \$2.1 billion dollars in cash. We expect the transactions to close in calendar 2025, subject to receipt of regulatory approvals and other customary closing conditions.

The North American Yogurt business contributed approximately \$1.5 billion dollars to General Mills net sales in fiscal '24, with a margin structure that was meaningfully below the company average. We anticipate the combined transactions will be approximately 3 percent dilutive to adjusted earnings per share in the first 12 months after the close, excluding transaction costs and other one-time impacts. That dilution reflects the divested earnings as well as stranded costs, which we expect to be able to eliminate within two years after the deals close, partially offset by the impact of incremental share repurchase activity that we'll fund with the net after-tax proceeds.

I'd like to thank our North America Yogurt team members for their significant contributions, and for their continued work as we transition the businesses to new owners. I'm confident that Lactalis and Sodiaal are the right homes for these businesses. As dairy-focused experts with generations of experience in this industry, they are well-equipped to drive success for our people and growth for these brands into the future. I'm equally

confident that this transaction will create value for General Mills shareholders, leaving our company in a stronger position to drive consistent, profitable growth over the long term.

Now let's transition back to our first-quarter fiscal 2025 results, which are summarized on slide 7. As we communicated on our fiscal 2024 fourth-quarter earnings call, we expected our Q1 results to be below our full-year targets, driven by challenging net sales and margin comparisons. Our results finished broadly in line with our expectations, with sequential improvement from our Q4 trends leading to pound volume finishing flat to last year and organic net sales down 1 percent. On the bottom line, adjusted operating profit was down 4 percent and adjusted diluted earnings per share were down 2 percent, each in constant currency.

Looking ahead, we have more work to do to achieve our goals, and we expect to drive further improvement in our competitiveness and our top- and bottom-line growth for the remainder of the year.

As we entered fiscal 2025, we outlined three factors that we expected would impact our operating environment and our ability to deliver on our priorities, including value-seeking behaviors from consumers, continued inflation, and a stabilization of global supply chains. And with three months behind us, we're broadly seeing the environment evolve as we anticipated.

Consumers continue to seek value in many forms across all our core markets. In the U.S., we've begun to see consumers shift a bit more to at-home food occasions as a way to economize, since a meal away from home costs more than 4 times as much as a meal at home, on average. This shift contributed to 1 percent pound volume growth in our U.S. retail categories in Q1, which is above our long-term expectations.

One area where consumer trends have been a bit more challenging than we anticipated is in China, where continued economic headwinds for consumers are translating into a significant year-over-year reduction in traffic through our Haagen-Dazs shops.

In terms of inflation and supply chain stabilization, we are generally seeing the environment develop as we expected. Input cost inflation is stable but somewhat elevated versus long-term historical averages. And supply chains are broadly in a healthy place, which has allowed our competitors to restore their service levels, but has also enabled us to step up our innovation efforts, double down on our digital infrastructure investments, and drive elevated levels of Holistic Margin Management cost savings.

To deliver our fiscal '25 guidance, we outlined three key priorities that we will focus on this year:

Our number one priority is to accelerate our organic sales growth by delivering remarkable consumer experiences across our leading food brands.

Second, we will create fuel for investment by generating strong levels of HMM cost savings to offset inflation and reinvest back into our brands.

And third, we will continue to drive strong cash generation while maintaining our disciplined approach to capital allocation.

Let me share a few examples of how we are making progress against these priorities.

To improve our competitiveness in fiscal '25, we're focused on creating more remarkable experiences for our consumers. Wherever they are making the purchasing decisions, our job is to make sure that decision is an easy one. Through our Remarkable Experience Framework, we're investing across 5 areas – remarkable products, packaging, brand communication, and omnichannel execution, all at a compelling value – to ensure we're the consumer's brand of choice.

We're deploying this Remarkable Experience Framework across our portfolio to drive growth, build long-term brand equity, and ensure that our brands stand out in a competitive marketplace. And what I'm most pleased about is that we have more big ideas on our biggest, billion-dollar brands in fiscal 2025.

This includes remarkable product news and innovation like Fruity Cheerios, nut-free Nature Valley bars, Old El Paso hot snacks, and Pillsbury monster cookie dough.

We're investing in remarkable brand communication on compelling campaigns on Blue Buffalo, Haagen-Dazs, and Old El Paso, as well as partnering with football stars Travis and Jason Kelce to deliver their fan-favorite cereal picks, a new Kelce Mix, and a lineup of Kelce content that celebrates cereal culture.

And we're delivering remarkable value to consumers with value-oriented marketing messages on digital channels and with compelling offers through our Good Rewards loyalty program, all while delivering the right pack size in the right channel at the right price on the General Mills brands consumers love.

With strong plans focused on delivering remarkable experiences to consumers throughout our biggest brands, we're starting to see improvement in our competitiveness across our business.

In North America Retail, our market share trends in the first quarter were improved over fiscal '24 in six of our top ten U.S. categories. We'll look to continue that improvement in Q2 through scaled cross-category merchandising events, improved customer service levels, and strong seasonal activations on Pillsbury refrigerated dough, Progresso soup, and Betty Crocker desserts.

In North America Foodservice, we continued to drive growth and market share gains in Q1 on cereal, biscuits, and frozen baked goods in key away-from-home channels where consumer traffic has been growing, including K-through-12 schools, healthcare, and colleges and universities. And we sustained our strong momentum on bread in in-store bakeries.

In North America Pet, we delivered improved trends on our retail sales and market share in Q1. Blue Buffalo grew share in dry feeding, which represents more than 60 percent of our net sales base, thanks to remarkable brand communication that drove continued strong growth on Life Protection Formula and Tasteful.

On Wilderness, we made progress reducing our retail sales declines in Q1, and we expect to drive sequential improvement again in Q2 as our new advertising gains traction and our grain-free varieties and smaller pack sizes benefit from incremental distribution.

And on Treats, we're launching more innovation, including incremental seasonal offerings, that should help us build momentum in the back half of fiscal '25.

Shifting to our International segment, our Q1 competitiveness improved even as our net sales results were mixed. We drove market share growth in Europe & Australia, led by share gains on Haagen-Dazs in the UK, France, and Australia. And we saw encouraging improvement in Brazil, with retail sales growth in measured channels.

In China, we've continued to see challenges as consumer confidence is near all-time lows, which contributed to year-over-year traffic declines in our Haagen-Dazs Shops in Q1. Even so, we saw some green shoots, including net sales growth for Haagen-Dazs in retail and E-commerce channels in China.

Looking ahead, we plan to build on the progress we made on our competitiveness in Q1. We'll do that by staying focused on delivering more remarkable experiences to consumers across our leading food brands, resulting in stronger market shares and accelerated organic net sales growth for our business in fiscal 2025.

Our second enterprise priority in fiscal '25 centers on driving industry-leading HMM cost savings to fuel increased investment back into our business. Increasingly, we're finding new opportunities for HMM savings by leveraging the advantaged digital infrastructure we've built over the past several years. This digital foundation is helping us efficiently manage complexities in our supply chain network, drive meaningful reductions in finished goods waste, and enable real-time analytics to unlock savings across our end-to-end supply chain.

For example, in our manufacturing operations, we're applying artificial intelligence to real-time data, allowing us to track raw materials through each step in our manufacturing process. From there, machine learning models translate the data into insights, enabling our operators to make almost real-time improvements to system performance, and enabling our system engineers to identify and address root causes. Where we've piloted these approaches, we're seeing a double-digit reduction in finished-goods waste, which has the added benefit of further reducing our greenhouse gas emissions.

We remain on track to deliver approximately 4 to 5 percent HMM savings in our cost of goods sold in fiscal '25, which is ahead of our long-term trend. That strong performance is giving us the flexibility to reinvest back into the business to accelerate our topline growth.

On our third priority – continuing to drive strong cash generation – we remain on track to achieve free cash flow conversion of at least 95 percent of after-tax net earnings in fiscal '25. We'll use that cash in a disciplined manner by investing into our business for cost savings and growth, with capital expenditures expected to total approximately 3-and-a-half percent of net sales in fiscal '25. We've continued to grow our dividend, with a 2 percent increase to the quarterly rate effective with our August 2024 payment.

We'll continue to look for options to strengthen our growth profile through M&A, with our near-term focus on bolt-on acquisitions, with the most likely transaction size ranging up to \$1 to \$2 billion dollars, which would be more similar to our Annie's or Tyson pet treats acquisitions, as opposed to Blue Buffalo. And if we don't see

attractive acquisition candidates, we plan to return excess cash to shareholders in the form of share repurchases.

Despite the continued changes in the operating environment, we remain confident in our plans to deliver on our three priorities for fiscal '25. With those strong plans, and having made good progress in Q1, we are reaffirming our full-year financial outlook for fiscal '25, which is summarized on slide 16.

With that, let me turn it over to Kofi to go through more details on our first-quarter results.

Kofi Bruce

Thanks, Jeff. And hello everyone.

Our first-quarter financial results are summarized on slide 18. Reported net sales of \$4.8 billion dollars were down 1 percent, and organic net sales were also down 1 percent, reflecting unfavorable price/mix. As Jeff mentioned, we delivered an important step up in organic pound volume, which was flat year-over-year in Q1 after declining 3 percent for the fiscal year 2024.

Adjusted operating profit of \$865 million dollars was down 4 percent in constant currency, as we expected, driven by input cost inflation, unfavorable price/mix, and higher SG&A expenses, including increased media investment, partially offset by HMM cost savings and lower other supply chain costs. Adjusted diluted earnings per share totaled \$1.07 in the quarter and were down 2 percent in constant currency, driven by lower adjusted operating profit, higher net interest expense, and a higher adjusted effective tax rate, partially offset by a lower share count.

Slide 19 summarizes the components of total company net sales growth. Organic net sales declined 1 percent in the quarter, driven by lower organic price/mix. Organic pound volume, foreign exchange, and the net impact of acquisitions and divestitures were not material to net sales in Q1.

Shifting to segment results, first-quarter organic net sales for North America Retail were down 2 percent, which reflected good improvement over our Q4 performance. At the operating unit level, net sales for U.S. Snacks declined 5 percent and U.S. Morning Foods was down 3 percent. Net sales for Canada were up 6 percent in constant currency. And U.S. Meals & Baking Solutions net sales were flat in the quarter.

As Jeff noted, we improved or maintained our market share in 6 of our top 10 U.S. categories versus fiscal 2024.

On the bottom line, constant-currency segment operating profit was down 6 percent in the quarter, driven by higher input costs and lower volume, partially offset by positive price/mix.

Moving on to slide 21. First-quarter organic net sales for our North America Pet segment were down 1 percent from a year ago, which, similar to NAR, was an important step up from our fiscal 2024 trend. Net sales were down mid-single digits for treats, down low-single digits for wet pet food, and roughly flat for dry food.

As discussed previously, we drove sequential improvement in retail sales and market share trends for our U.S. pet food business in Q1, and we gained share in dry feeding, thanks to continued strong growth on Life Protection Formula and early signs of improvement on Wilderness.

Turning to the bottom line, first-quarter North America Pet segment operating profit was up 7 percent in constant currency, driven by HMM cost savings, lower other supply chain costs, and higher volume, partially offset by unfavorable price/mix, input cost inflation, and a double-digit increase in media investment.

North America Foodservice organic net sales were flat in the quarter, driven by growth on breads, snacks, biscuits, and baking mixes, offset by declines on bakery flour, including a continued headwind from index pricing, as well as pizza crust.

As Jeff mentioned, we drove strong competitiveness in non-commercial channels in Q1, with continued market share gains in K-through-12 schools, healthcare, and colleges and universities.

On the bottom line, North America Foodservice segment operating profit was up 21 percent in Q1, driven by lower other supply chain costs and strong HMM cost savings, partially offset by input cost inflation.

For our International segment, first-quarter organic net sales were down 1 percent. The main headwind in the quarter was in China, and in particular, reductions in traffic in our Haagen-Dazs shops, driven by a more challenging consumer environment. That was partially offset by continued growth in Europe & Australia and our distributor markets.

While not included in our organic sales growth, our reported results in International in Q1 included Edgard & Cooper, a European natural pet food brand we acquired on April 30th that has been growing at a strong double-digit rate.

First-quarter segment operating profit totaled \$21 million dollars versus \$50 million dollars a year ago, driven by input cost inflation, unfavorable price/mix, and higher SG&A expenses, partially offset by HMM cost savings, lower other supply chain costs, and higher volume. We expect a significant reduction in headwinds from inflation in the International business in the remainder of fiscal 2025, which should help drive much improved profit performance in the year to go.

Slide 24 summarizes our joint ventures results. Cereal Partners Worldwide net sales were up 1 percent in constant currency in Q1, led by good growth in Latin America. Häagen-Dazs Japan net sales were flat in constant currency, reflecting growth on our core cup and handheld formats, partially offset by lower contributions from new products.

First-quarter combined after-tax earnings from joint ventures of \$19 million dollars were down 14 percent in constant currency, driven by favorable discrete tax items a year ago, higher SG&A expenses, and lower volume at CPW, partially offset by favorable price/mix at CPW and lower SG&A expenses at Häagen-Dazs Japan.

Turning to our margin results, our first-quarter adjusted gross margin essentially matched year-ago levels at 35.4 percent of net sales, with benefits from strong HMM cost savings offset by input cost inflation and unfavorable price/mix.

Our first-quarter adjusted operating profit margin was down 50 basis points to 17.8 percent, as we expected, driven by higher SG&A expenses as a percent of net sales, reflecting our continued investment in our brands.

Moving to other noteworthy Q1 income-statement items, adjusted unallocated corporate expenses decreased \$27 million dollars in the quarter. As a reminder, we expect corporate unallocated items to be up for the full year, as we reset incentive compensation to a normalized level after a below-average payout last year.

First-quarter net interest expense was up \$7 million dollars, driven by higher average long-term debt balances.

The adjusted effective tax rate was 21.9 percent compared to 21.1 percent a year ago, driven by certain nonrecurring discrete tax benefits in the prior-year quarter, partially offset by favorable earnings mix this year.

Finally, average diluted shares outstanding in the quarter were down 5 percent to 564 million, reflecting our continued net share repurchase activity.

Turning to the balance sheet and cash flow on slide 27, first-quarter operating cash flow increased year over year to \$624 million dollars, primarily driven by a favorable change in accounts payable, partially offset by lower net earnings. Capital investments in the quarter totaled \$140 million dollars. And we returned nearly \$630 million dollars in cash to shareholders in Q1 through dividends and net share repurchases.

I'll wrap up my comments by summarizing our reaffirmed Fiscal 2025 outlook. We expect organic net sales to range between flat and up 1 percent. Adjusted operating profit is expected to range between down 2 percent and flat in constant-currency, including a 2-point headwind from resetting incentive compensation to target levels. Adjusted diluted earnings per share is expected to range between down 1 percent and up 1 percent in constant currency. And we expect free cash flow conversion of at least 95 percent of adjusted after-tax earnings.

With that, let me now turn it back to Jeff for some closing remarks...

Jeff Harmening

Thanks, Kofi. I'll close out with a few thoughts. Last week's announcement of the proposed sale of our North America Yogurt business was another reminder of our multi-year effort to reshape our portfolio for stronger long-term growth. And while that is important, what's even more important is our work to strengthen our core and increase our ability to generate profitable organic growth. That's why I'm encouraged by the progress we made in the first quarter to strengthen our brands and improve our competitiveness. And at the same time, our entire team knows there is more work ahead to reach our objectives. I look forward to reporting back on the results of that work and the further progress we've made in the future quarters.