



GENERAL MILLS FISCAL 2024 Q4 EARNINGS CALL

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CORPORATE PARTICIPANTS

Jeff Siemon, Vice President, Investor Relations & Treasurer

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 2024 fourth quarter and full-year 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 items.

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

Jeff Harmening

Thank you, Jeff and good morning, everyone.

Let me start with today's key messages.

We delivered on our updated guidance in fiscal 2024 by pivoting our plans and enhancing our efficiency in response to a more challenging operating environment. We drove improved volume performance in the second half of the year and generated industry-leading Holistic Margin Management cost savings, allowing us to continue to invest in our brands and deliver on our profit and cash targets.

As we look to the year ahead, our top priority is to accelerate our organic net sales growth, and specifically our volume growth, by delivering remarkable experiences across our portfolio of leading brands.

We plan to drive another year of strong HMM cost savings in fiscal '25, allowing us to reinvest in exciting growth ideas that meet consumer needs, which we expect to result in improved market share performance.

And we plan to continue our track record of strong free cash flow generation and disciplined capital allocation, consistent with our Accelerate strategy.

Slide 5 summarizes our full-year fiscal 2024 results. Following a year of double-digit growth in organic net sales and adjusted diluted earnings per share in fiscal '23, our results moderated in fiscal '24, though still met or exceeded our most recent guidance. Organic net sales were down 1 percent. Adjusted operating profit increased 4 percent and adjusted diluted earnings per share were up 6 percent, each in constant currency.

When looking at our performance on a 2-year compound growth basis, our results were in line or ahead of our long-term targets, with organic net sales and constant-currency adjusted operating profit up mid-single digits and constant-currency adjusted diluted EPS up high-single digits.

We began fiscal '24 focused on three priorities: continuing to compete effectively, improving our supply chain efficiency, and maintaining our capital allocation discipline. Our progress against these priorities was mixed, with challenging results on competitiveness offset by excellent performance on efficiency and capital discipline.

Let me briefly share a few details on each of these focus areas.

Our overall competitiveness fell short of our expectations in fiscal '24, driven in part by more challenging consumer sentiment across our core markets that impacted our categories, including both human and pet food. With that said, our efforts to strengthen our brand building, innovation, and in-store execution helped drive improved volume and market share trends in the second half.

We increased our media investment at a low-single-digit rate in fiscal '24, with a focus on strong campaigns that resonate with today's consumers. We rolled out new ingredient-superiority advertising on Life Protection Formula, helping return the largest Blue Buffalo product line to growth. And we invested in relevant messaging on Nature Valley, which helped return that brand to market share growth in the U.S. and contributed to Nature Valley becoming the #1 brand in the bars category in France for the first time in its history.

We increased our innovation pressure in fiscal 2024, introducing roughly 40 percent more "big bet" launches into market versus the prior year. This included a strong innovation year for Cereal, with General Mills launching each of the 5 largest new products in the U.S. Cereal category.

And we continued our strong in-store execution, including driving a 3 percent increase in our U.S. Retail distribution, which outpaced our competition.

We have more work to do to further improve our competitiveness, and I'll share in a moment how we plan to deliver remarkable experiences to consumers in fiscal '25 to help drive improved household penetration and stronger market share performance.

On our second fiscal '24 priority, I'm pleased to say that we were highly successful in improving the efficiency of our supply chain. We accelerated our HMM cost savings to nearly 6 percent of cost of goods sold, which was higher than our initial estimate and higher than historical levels.

We achieved this outstanding result by aggressively removing disruption-related costs in our supply chain, internalizing manufacturing, readjusting formulas, and optimizing logistics. We also drove returns from our investments to create a digitally enabled supply chain, and we expect those investments will create even more efficiency opportunities moving forward.

We also successfully delivered on our third priority for fiscal '24 – maintaining our capital allocation discipline. We continued our longstanding track record of industry-leading cash conversion, generating more than \$2.5 billion dollars of free cash flow at a 96 percent conversion rate. This allowed us to invest behind critical growth enablers for the company, including greater manufacturing capacity for our Fruit Snacks business, as well as cost savings initiatives such as internalizing more of our Blue Buffalo dry pet food production.

We continued to reshape our portfolio in fiscal '24, including acquiring the premium European pet food brand Edgard & Cooper earlier this year. And we were able to return more than \$3 billion dollars to shareholders through dividends and share repurchases.

Standing for Good remains a key pillar of our Accelerate strategy. We recently released our 54th annual Global Responsibility Report, where we provided an update on the progress we've made toward achieving our ESG goals, and shared how doing good, and good business, go hand-in-hand at General Mills.

Our Global Responsibility Report highlighted our 10 key Global Impact commitments, with our top three priority commitments being expanding regenerative agriculture, reducing greenhouse gas emissions, and advancing recyclable or reuseable packaging. I'm pleased to say that we continue to make progress in each of these areas.

To date, we've enrolled more than 500,000 acres in regenerative agriculture programs, which is more than halfway to our 2030 commitment. We've reduced greenhouse gasses by 7 percent across our full value chain, including a 51 percent decrease within our owned operations. And approximately 93 percent of our packaging is now recyclable or reusable by design.

To support these priorities, we've created a Climate Transition Action Plan to achieve our 2030 and 2050 greenhouse gas reduction goals, and we've committed to no deforestation in the supply chains of our palm, cocoa, and fiber sources by 2025.

While we still have more to do to achieve our commitments, I'm proud of the work we've already accomplished. We're building on our 150-year corporate history of doing good and taking actions with a strong sense of urgency, all while better integrating Standing for Good across our business.

As we turn our attention to fiscal '25, we believe the operating environment will continue to evolve. Amid ongoing uncertainty in the macroeconomic backdrop for consumers, we expect volume trends in our categories will improve, but gradually, building off the improvement we saw over the course of fiscal '24. At the same time, we expect aggregate dollar growth in our categories in fiscal '25 will be below our long-term projection of 2 to 3 percent.

As we look ahead, we're focused on a few key factors that will have the greatest impact on the operating environment and our ability to win in fiscal '25.

First, we expect ongoing macroeconomic uncertainty to result in continued value-seeking behaviors by consumers, affecting both the products they buy and the channels they shop. We know that consumers define value much more broadly than just the price at the shelf. So our focus will be on ensuring our brands deliver the right combination of great taste, health, convenience, and trust – all at the right price – to make them the preferred choice of consumers.

Second, the rate of inflation in goods and services in the U.S and many countries around the world remains higher than historical levels, even if it has moderated from recent highs. We continue to see inflation impacting our input cost basket in fiscal 2025, with labor being the primary underlying driver of inflation in our sourcing, manufacturing, and logistics costs.

And third, after a period of intense disruption during the pandemic, the relative stability of global supply chains is creating both challenge and opportunity for our business. On the one hand, service levels for our smaller competitors, including private label, have improved, which means greater competition at the physical and digital shelf. On the other hand, a more stable supply chain allows us to ramp up our innovation efforts and provides a backdrop for continued strong HMM productivity to offset inflationary headwinds.

To win in this evolving environment, we've set three priorities for fiscal '25.

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 more about our plans supporting each of these three priorities.

To accelerate organic sales growth, we're focused on creating remarkable experiences for our consumers. Whether they're making decisions at the physical or the digital shelf, our job is to make sure that decision is an easy one. Through our Remarkable Experience Framework, we're investing across 5 areas – brand communication, product, value, omnichannel availability, and packaging – to ensure we're the consumer's brand of choice.

Let me share a few examples of how we are going to provide remarkable experiences across our leading brands in fiscal '25.

We've stepped up the remarkability of our brand communication over the past 4 years as we adopted more modern marketing to engage with today's consumers. In fiscal '25, we plan to significantly increase our brand investment to keep our brands front-and-center for consumers, featuring relevant campaigns and partnerships.

For example, Big G cereals are collaborating with NFL players Travis and Jason Kelce to highlight their love for our iconic brands. Totino's is partnering with Pete Davidson on a campaign that increased brand awareness for Totino's pizza rolls by 4 times the CPG benchmark in early testing. General Mills is sponsoring Olympians and Olympic Committees across Canada, Great Britain, and Australia to unite consumers as they cheer on their sporting heroes. We're doubling down on our most iconic brand assets, like the Pillsbury Doughboy, to inspire families to make memories together. And we're highlighting ingredient superiority in campaigns that support the premium positioning of our Blue Buffalo pet food and Häagen-Dazs ice cream brands.

These modern and relevant brand messages, supported with increased brand-building investment, will enable us to continue building distinct, enduring brands that deliver superior experiences relative to the competition.

In addition to remarkable brand messaging, we are also focused on delivering a superior product to consumers.

We know, without a doubt, that consumers want food that tastes great. In fact, more than half of the top 20 fastest-growing brands in U.S. grocery stores over the past year are "taste-first" brands. In fiscal '25, 30 percent of our North America Retail business will have taste news, which is double the level from last year. We're making taste improvements on some of our biggest brands and product lines — Pillsbury biscuits will be flakier, Annie's mac & cheese will be cheesier, and Betty Crocker fudge brownies will be fudgier. And our new Fruity Cheerios and limited-edition Häagen-Dazs stick bar offerings deliver on consumers' desire for their beloved favorites in new, great-tasting flavors and formats.

We also know consumers continue to seek healthy, better-for-you offerings, and our brands are well positioned to meet those needs across our portfolio. This includes Old El Paso's new Carb Advantage Taco Shells, with just 6 grams of net carbs and 100 calories per serving, as well as new Mott's Apple Streusel Soft-Baked Bars, a better-for-you, on-the-go snack for all ages. And in our K-through-12 school business within North America Foodservice, we're broadening distribution on reduced-sugar varieties of Parfait-Pro yogurt and a number of leading Big G cereal brands.

We are also bringing greater convenience to consumers across an increasing number of occasions, including breakfast. Totino's is meeting that need through a new Breakfast Snack Bites line, and Nature Valley has launched a new Soft-Baked Breakfast Bar, made with grains, fruits, and seeds for a wholesome start to the day.

Another way we will deliver remarkable experiences to our consumers is through compelling value. We know this is critical to competing effectively today. As I mentioned earlier, consumers see value as more than just price. In tough economic times, consumers can't afford to waste, so they're looking for great-tasting products they know their family will eat. When household favorites like Nature Valley Crunchy bars and Yoplait Original Strawberry yogurt deliver on both affordability and taste — that's a compelling value. And we're reinforcing that message in fiscal '25 through more value-oriented brand communication across our portfolio.

We're also leveraging our Strategic Revenue Management toolkit to ensure we have the right pack at the right price in the right place. For consumers looking for value, we have larger packs of our Betty Crocker fruit snacks, as well as variety packs of our Pillsbury cookies and Minis cereal treat bars. And we're expanding distribution on smaller sizes of our Wilderness dry dog food in select retail channels.

We're also delivering compelling value through coupons. In fact, we plan to increase our coupon spend by more than 20 percent in the first half of fiscal '25. Through use of our first-party data, we can target specific consumers with digital coupon offerings, allowing us to deliver highly efficient, targeted value.

Blue Buffalo has driven tremendous growth for General Mills since 2018, though the business experienced headwinds over the past 12 months. Returning our Pet segment to growth is a key priority in fiscal '25.

Remarkable brand communication drives consumer response in pet food just as it does in our human food categories. Blue Buffalo's ingredient superiority message has resonated with pet parents, helping drive strong growth for Life Protection Formula dry dog food over the past six months. We're increasing investment behind this campaign in fiscal '25, and we're extending the ingredient superiority message to our Wilderness product line, highlighting its higher protein content in a compelling, head-to-head comparison campaign that begins in July. Overall, we plan to increase our Blue Buffalo media investment by double digits in fiscal '25, and we're partnering with select retailers to amplify this message to pet parents.

We continue to expect humanization to drive category growth over the long-term. We are accelerating our product innovation behind this trend with remarkable new product and packaging offerings, including new varieties of Tastefuls Purees, as well as seasonal gifting packs, so pets can join in on the family's seasonal celebrations.

We're also focused on delivering compelling value and providing a variety of solutions for pet parents. In fiscal '25, we're optimizing the price point of our core canned wet food line; we're launching smaller-sized treat packs to deliver on key in-store price points; and we're expanding our Wilderness range to include both grain and grain-free varieties that deliver greater choice to pet parents.

We're encouraged by the progress we made in fiscal '24 on our Life Protection Formula and Tastefuls product lines. Our plan is to build on that success by bringing more remarkable experiences to our wet food, treats, and Wilderness offerings, leading to topline growth for our Pet segment in fiscal '25.

On our second priority, creating fuel for investment, we plan to deliver another year of industry-leading HMM cost savings. We're targeting approximately 4 to 5 percent HMM savings in our cost of goods sold in fiscal '25, as we unwind remaining disruption-related costs and further leverage our advantaged digital infrastructure. As global supply chains continue to stabilize, we are advancing our core HMM efforts through actions such as reducing the number of ingredients in our network and simplifying our sourcing.

We are continuing to expand the use of Artificial Intelligence to reduce waste in our manufacturing and logistics networks. In fiscal '24, we leveraged new digital capabilities to reduce waste by 20 percent on manufacturing lines in some of our largest manufacturing sites, and we will continue to roll out these tools to more sites and segments in fiscal '25.

We'll also leverage digital capabilities to optimize our logistics network, enabling better service, resiliency, and efficiency. We expect these actions to result in one million fewer miles on the road each year.

Our third priority for fiscal '25 is to continue our track record of strong cash generation. General Mills continues to deliver free cash flow conversion at a rate well ahead of our food peer median. We converted 96 percent of adjusted after-tax earnings into free cash flow in fiscal '24, and we expect to drive free cash flow conversion of at least 95 percent in fiscal '25.

We'll deploy that strong cash generation in a disciplined manner by reinvesting into our business for growth and cost savings, with capital expenditures expected to total approximately 3.5 percent of net sales in fiscal '25. We'll continue to grow our dividend, including a 2 percent increase to the quarterly rate that we announced this morning, effective with the August 2024 payment. We'll retain flexibility to advance our portfolio reshaping goals through M&A, and if we don't find attractive acquisition candidates, we'll return excess cash to shareholders in the form of share repurchases.

While the operating environment continues to evolve and growth in our categories is expected to be somewhat below our long-term projections, I am confident that we have the right plans in place to accelerate our organic sales growth, create fuel to invest in our brands, and continue to drive strong cash generation in fiscal '25.

Our specific targets are outlined on slide 20. 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 EPS is expected to range between down 1 percent and up 1 percent in constant currency. And we expect free cash flow conversion to be at least 95 percent of adjusted after tax earnings.

With that, let me turn it over to Kofi to go into more details on our fourth-quarter and full-year results, as well as provide the key assumptions supporting our fiscal '25 guidance.

Kofi Bruce

Thanks, Jeff. And hello everyone.

Our fourth-quarter financial results are summarized on slide 22. As we previewed on our last earnings call, our results this quarter included a meaningful headwind from the comparison against favorable trade expense timing in last year's fourth quarter. This dynamic represented a 3-point headwind to price/mix and net sales growth and a 17-point headwind to adjusted operating profit in this year's fourth quarter.

With that in mind, our reported net sales of \$4.7 billion dollars were down 6 percent and organic net sales also were down 6 percent in the quarter, largely reflecting that comparison-driven price/mix headwind as well as lower pound volume.

Relative to our third-quarter trend, our organic net sales growth was about 5 points lower in Q4, driven by three main elements: three points from the trade expense timing comparison, one point from lower retailer inventory, and one point from slower net sales trends in International.

As we move into fiscal '25, nearly all those headwinds will be behind us, leaving us with better underlying momentum as we look to drive improved net sales performance in the new year.

Fourth-quarter adjusted operating profit of \$800 million dollars was down 10 percent in constant currency, reflecting the headwind from the trade expense timing comparison. Beyond that, we delivered another quarter of strong HMM cost savings, which was enough to offset input cost inflation and the impact of lower volume. Adjusted diluted earnings per share totaled \$1.01 in the quarter and were down at the same rate as adjusted operating profit, with our share repurchase activity offsetting higher net interest expense and a higher adjusted effective tax rate.

Turning to the components of our net sales growth in the quarter, organic pound volume was a 2-point headwind to net sales. Organic price/mix was a 4-point headwind, including a 3-point unfavorable impact from the trade expense timing comparison. Foreign exchange and the net impact of acquisitions and divestitures were not material to net sales in Q4.

Shifting to segment results, fourth-quarter organic net sales for North America Retail were down 7 percent, while U.S. Nielsen-measured retail sales were down 3 percent. The difference between Nielsen-measured retail sales and our net sales results was driven by the trade expense timing comparison and a modest decline in retailer inventory. Constant-currency segment operating profit was down 14 percent in the quarter, also reflecting the headwind from the trade expense timing comparison.

For the full year, organic net sales were 1 percent below year-ago results that grew double digits, driven by lower organic pound volume, partially offset by positive organic price/mix.

At the operating unit level, net sales for U.S. Meals & Baking Solutions, U.S. Snacks, and U.S. Morning Foods were each down 2 percent. Net sales were up 5 percent in Canada.

On the bottom line, full-year segment operating profit decreased 3 percent in constant currency, driven by higher input costs, lower volume, and higher SG&A expenses, partially offset by positive price/mix.

Moving on to our Pet segment results on slide 25, fourth-quarter organic net sales declined 8 percent, driven by lower organic pound volume and unfavorable price/mix. Net sales results in the quarter lagged all-channel retail sales by approximately 4 points, reflecting the headwind from the trade expense timing comparison and a decline in retailer inventory.

On the bottom line, fourth-quarter Pet segment operating profit was up 8 percent in constant currency, driven by HMM cost savings, partially offset by higher other supply chain costs.

For the full year, Pet segment organic net sales were 4 percent below year-ago results that grew high-single digits. F24 net sales were down low-single-digits on dry pet food, high-single-digits on wet food, and mid-single-digits on treats.

Full-year Pet segment operating profit was up 9 percent in Fiscal '24, driven primarily by HMM cost savings and positive price/mix, partially offset by lower volume, higher other supply chain costs, and higher SG&A expenses.

North America Foodservice organic net sales were up 4 percent in the fourth quarter, driven by higher organic pound volume and positive price/mix. Market index pricing on bakery flour was a 3-point headwind to net sales in the quarter. Net sales results were led by strong growth on breads, cereal, and frozen biscuits, partially offset by a decline on bakery flour.

On the bottom line, segment operating profit was up 9 percent in Q4, with positive price/mix and higher volume partially offset by higher input costs.

For the full year, organic net sales grew 2 percent, driven by higher pound volume and positive price/mix, despite a 4-point headwind from index pricing on bakery flour.

Segment operating profit was up 9 percent for the full year, driven by positive price/mix, partially offset by higher input costs.

Turning to our International segment on slide 27, fourth-quarter results were pressured by continued difficult market conditions in Brazil and China. Q4 organic net sales were down 10 percent, driven primarily by unfavorable price/mix. Net sales in Brazil declined double digits and were well behind our retail sales performance, in part due to continued consumer and customer headwinds in response to significant multi-year inflation. Net sales in China were also down double digits in the quarter, driven primarily by more cautious consumer sentiment that negatively impacted our Häagen-Dazs shop traffic and our premium dumpling business. Net sales were up in our Distributor markets and in Europe & Australia, led by growth on Mexican food and snack bars.

Fourth-quarter segment operating profit totaled \$22 million dollars compared to \$67 million a year ago, driven by unfavorable price/mix and input cost inflation, partially offset by HMM cost savings and lower other supply chain costs.

Full-year International organic net sales were down 2 percent. Net sales were down in Brazil and China, partially offset by growth in India, Australia, France, and the U.K.

Full-year segment operating profit was down 20 percent in constant currency, driven by higher input costs and lower volume, partially offset by positive price/mix.

Slide 28 summarizes our joint venture results. Cereal Partners Worldwide net sales were up 2 percent in Q4 and up 8 percent for the full year in constant currency, driven by positive price/mix, partially offset by lower pound volume. Häagen-Dazs Japan net sales were down 3 percent in the fourth quarter. For the full year, HDJ net sales were up 1 percent in constant currency, driven by positive price/mix.

Full-year combined after-tax earnings from joint ventures totaled \$85 million dollars and were up 14 percent in constant currency, driven primarily by positive price/mix at CPW, partially offset by higher input costs at CPW and Häagen-Dazs Japan.

Moving to other noteworthy Q4 income-statement items. Adjusted unallocated corporate expenses decreased \$47 million dollars in the quarter, primarily driven by lower compensation and benefits-related expenses. Fourth-quarter net interest expense increased \$18 million dollars, driven by higher rates and higher average long-term debt balances. The adjusted effective tax rate in the quarter was 20 percent compared to 19.1 percent a year ago, driven primarily by favorable non-recurring discrete tax benefits in fiscal 2023, partially offset by favorable earnings mix in fiscal 2024. Finally, average diluted shares outstanding in the quarter were down 5 percent to 570 million, reflecting our net share repurchase activity.

Our fiscal 2024 results are summarized on slide 30. Net sales of \$19.9 billion dollars were down 1 percent versus last year. Organic net sales also decreased 1 percent, driven by lower organic pound volume, partially offset by positive organic price/mix. Adjusted operating profit of \$3.6 billion dollars increased 4 percent in constant currency, driven by strong HMM cost savings, positive price/mix, and lower compensation and benefits-related expenses, partially offset by input cost inflation, higher other supply chain costs, and lower volume. Adjusted diluted earnings per share of \$4.52 were up 6 percent in constant currency, driven primarily by higher adjusted operating profit and lower net shares outstanding, partially offset by higher net interest expense and lower benefit plan non-service income.

Turning to margin results, we expanded our adjusted gross margin by 60 basis points for the full year, driven by strong HMM cost savings and positive price/mix, partially offset by input cost inflation, higher other supply chain costs, and supply chain deleverage. Our full-year adjusted gross margin of 34.8 percent was broadly in line with our pre-pandemic margin, reflecting our strong HMM cost savings and Strategic Revenue Management efforts offsetting the impact of significant cumulative inflation in recent years. This healthy gross margin position provides us strategic flexibility as we focus on reinvesting back into our brands to drive improved volume performance in fiscal '25.

Our Fiscal '24 adjusted operating profit margin increased 90 basis points to 18.1 percent, driven by higher Adjusted Gross Margin and lower SG&A expenses as a percent of net sales.

Turning to the balance sheet and cash flow on slide 32.

Fiscal '24 operating cash flow increased 19 percent to \$3.3 billion dollars, driven by increased net earnings, excluding net gains on divestitures in fiscal 2023 and the change in restructuring, impairment, and other exit costs. Capital investments totaled \$774 million dollars, or 4 percent of net sales. We delivered free cash flow conversion at 96 percent of adjusted after-tax earnings in fiscal '24. And our year-end leverage ratio stands at 3.0 times net debt to adjusted EBITDA, which is in line with our long-term target.

Leveraging our strong cash generation, we increased our total cash returned to shareholders from \$2.5 billion dollars in fiscal '23 to \$3.3 billion in fiscal '24. Our 9 percent annual dividend rate increase was partially offset by a lower net share count, resulting in a 6 percent increase in total dividends paid to nearly \$1.4 billion dollars. And our full-year net share repurchase activity totaled roughly \$2 billion dollars.

As we turn the discussion to Fiscal '25, we've provided some key assumptions on slide 34.

On the topline, we anticipate continued gradual improvement in category volume trends, though we expect full-year category dollar growth will be somewhat below our long-term 2 to 3 percent growth expectations as price/mix remains somewhat muted. With strong plans focused on delivering remarkable experiences, we expect to drive improved in-market competitiveness across our portfolio. We anticipate this translating to roughly balanced contributions from volume and price/mix in fiscal '25.

Moving down the P&L, as Jeff mentioned, we expect to deliver another year of strong HMM cost savings in fiscal '25, at 4 to 5 percent of cost of goods sold.

We're forecasting input cost inflation of 3 to 4 percent of cost of goods sold, driven primarily by the impact of labor inflation within our sourcing, manufacturing, and logistics costs, as well as a headwind from lapping favorable positions on several large, multi-year contracts.

Given our focus on accelerating our volume performance in fiscal '25, we plan to reinvest margin upside back into the business, including a significant increase in brand-building investment to support compelling growth ideas.

In addition, we anticipate that resetting incentive compensation after a below-average payout last year will be a 2-point headwind to operating profit growth in F25.

Moving below operating profit, we expect net interest expense to increase to approximately \$525 million dollars, driven primarily by higher rates on recently refinanced fixed-rate debt as well as higher long-term debt balances. Our adjusted effective tax rate is expected to be roughly 21 percent, which is up about one point from the prior year. We expect benefit plan non-service income to decrease to approximately \$55 million dollars. And we anticipate our share repurchase activity will reduce average diluted shares outstanding by roughly 3 percent.

Based on those assumptions, slide 35 reiterates the Fiscal 2025 outlook that Jeff shared earlier. Note that we expect our results in Q1 will be below our full-year growth expectations, reflecting a meaningful increase in brand-building investment as well as the comparison against strong organic net sales growth and adjusted gross margin performance in Q1 of last year.

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

Jeff Harmening

Thanks, Kofi. Let me wrap-up with a few thoughts. As we have throughout our company's long history, we'll remain agile to adapt to the environment and deliver on our consumers' changing needs, while continuing to invest for growth. With remarkable brands, industry-leading capabilities, and a world-class team, we're in a strong position to deliver on our goals in fiscal '25 and drive sustainable, profitable growth, and top-tier shareholder returns over the long term.