



**Third Quarter 2024 Earnings Pre-Recorded Management Discussion**

October 30, 2024

Please view the following prepared management remarks together with our Quarterly Report on Form 10-Q, presentation slides, earnings release, and non-GAAP information that accompany these remarks, which includes a discussion of non-GAAP financial measures and reconciliations of non-GAAP financial measures to the comparable GAAP financial measures. The accompanying presentation slides, earnings release, and non-GAAP information are available on our website at [ir.kraftheinzcompany.com](https://ir.kraftheinzcompany.com) under News & Events > Events & Webcasts, or directly at [ir.kraftheinzcompany.com/events-and-webcasts](https://ir.kraftheinzcompany.com/events-and-webcasts).

We also invite you to listen to our live question-and-answer webcast with Kraft Heinz management, which will begin today at 9:00 a.m. Eastern Time and will be available on our website at [ir.kraftheinzcompany.com](https://ir.kraftheinzcompany.com) under News & Events > Events & Webcasts, or directly at [ir.kraftheinzcompany.com/events-and-webcasts](https://ir.kraftheinzcompany.com/events-and-webcasts).

## **Forward-Looking Statements**

The following remarks include a number of forward-looking statements as defined under U.S. federal securities laws, including, but not limited to, statements, estimates, and projections relating to our business and long-term strategy; our ambitions, goals, targets, and commitments; our activities, efforts, initiatives, plans, and programs, and our investments in such activities, efforts, initiatives, plans, and programs; and projected or expected timing, results, achievement, and impacts. Words such as “aim,” “anticipate,” “aspire,” “believe,” “commit,” “could,” “estimate,” “expect,” “guidance,” “intend,” “may,” “might,” “outlook,” “plan,” “predict,” “project,” “seek,” “will,” “would,” and variations of such words and similar future or conditional expressions are intended to identify forward-looking statements. These statements are based on management’s beliefs, expectations, estimates, and projections at the time they are made and are not guarantees of future performance. Such statements are subject to a number of risks and uncertainties, many of which are difficult to predict and beyond our control, which could cause actual results to differ materially from those indicated in the forward-looking statements. For additional, important information regarding such risks and uncertainties, please see our related earnings release, which accompanies this presentation, and the risk factors set forth in Kraft Heinz’s filings with the U.S. Securities and Exchange Commission, including our most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. We disclaim and do not undertake any obligation to update, revise, or withdraw any forward-looking statement in this presentation, except as required by applicable law or regulation.

## **Non-GAAP Financial Measures**

These remarks contain non-GAAP financial measures, including Organic Net Sales, Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Operating Income, Constant Currency Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EPS, Free Cash Flow, Free Cash Flow Conversion, and Net Leverage. These non-GAAP financial measures may differ from similarly titled non-GAAP financial measures presented by other companies. These measures are not substitutes for their comparable financial measures prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and should be viewed in addition to, and not as an alternative for, the GAAP results in these remarks.

These non-GAAP financial measures assist management in comparing the Company’s performance on a consistent basis for purposes of business decision-making by removing the impact of certain items that management believes do not directly reflect the Company’s underlying operations.

## **Q3 2024 Earnings Pre-Recorded Management Discussion**

### **ANNE-MARIE MEGELA, HEAD OF GLOBAL INVESTOR RELATIONS**

#### **Slide 1**

Hello. This is Anne-Marie Megela, Head of Global Investor Relations at The Kraft Heinz Company. I'd like to welcome you to our third quarter 2024 business update.

#### **Slide 2**

During the following remarks, we will make forward-looking statements regarding our expectations for the future, including related to our business plans and expectations, strategy, efforts and investments, and related timing and expected impacts. These statements are based on how we see things today, and actual results may differ materially due to risks and uncertainties. Please see the cautionary statements and risk factors contained in today's earnings release, which accompanies these remarks, as well as our most recent 10-K, 10-Q, and 8-K filings for more information regarding these risks and uncertainties.

Additionally, we will refer to non-GAAP financial measures, which exclude certain items from our financial results reported in accordance with GAAP. Please refer to today's earnings release and the non-GAAP information that accompany these remarks, which are available on our website at [ir.kraftheinzcompany.com](https://ir.kraftheinzcompany.com), under News & Events, for a discussion of our non-GAAP financial measures and reconciliations to the comparable GAAP financial measures.

#### **Slide 3**

Today, our Chief Executive Officer, Carlos Abrams-Rivera, will provide an update on our overall business performance. And Andre Maciel, our Global Chief Financial Officer, will provide a financial review of the third quarter, and will discuss our 2024 outlook.

We have also scheduled a separate, live question-and-answer session with analysts.

You can access our question-and-answer session at [ir.kraftheinzcompany.com](https://ir.kraftheinzcompany.com). A replay will also be available following the event through the same website.

With that, I will turn it over to Carlos.

**CARLOS ABRAMS-RIVERA, CHIEF EXECUTIVE OFFICER**

Thank you, Anne-Marie.

And thank you all for joining us today.

**Slide 4**

In the third quarter, two of our strategic pillars, Global Away From Home and Emerging Markets, grew top line and are gaining momentum, while we expect a more elongated recovery in specific U.S. retail categories that are experiencing continued pressure.

We drove profitability and generated strong cash flow, while continuing to invest across marketing, R&D, and technology to support further top-line improvement.

I am confident that we will continue to sustainably unlock efficiencies, with significant runway ahead through sourcing, digital, automation, and network optimization. These drivers are fueling productivity gains today and are a key reason for our ability to generate at least an additional 1.4 billion dollars in gross efficiencies from now until 2027.

Most importantly, we are confident in our strategy to grow our flagship brands.

Despite the near-term volatility, Kraft Heinz is well positioned – with a portfolio of leading, iconic brands that play in attractive categories where we have the right to win. We are committed to managing our business in a disciplined manner that preserves our ability to drive sustainable, long-term, profitable growth.

**Slide 5**

Looking at our third quarter results, Organic Net Sales declined 2.2 percent versus the prior year. This was a slight improvement versus the second quarter, where Organic Net Sales declined 2.4 percent.

Our teams are continuing to unlock efficiencies at a greater pace than inflation, generating Adjusted Gross Profit Margin expansion of 30 basis points versus the third quarter of last year.

This also helped contribute to Adjusted Operating Income growth of 1.4 percent and Adjusted EPS growth of three cents.

And year to date, we have generated an increase in Free Cash Flow of approximately 180 million dollars versus the prior year.

## Slide 6

While we continue to navigate near-term challenges, we firmly believe in our path forward to deliver consistent profitable growth. We are committed to:

- Continuing to unlock gross efficiencies to drive margin expansion,
- Investing in the areas that make sense for the long-term growth of our business,
- And powering brand superiority through innovation, renovation, and our Brand Growth System,
- All to accelerate long-term profitable growth.

## Slide 7

Moving to our performance across our three strategic pillars, we generated top-line growth in both Global Away From Home and Emerging Markets.

Across our ACCELERATE platforms in North America Retail, Organic Net Sales declined. This was primarily driven by weakening trends in *Lunchables*, which is overshadowing success across some of our iconic brands, such as *Philadelphia*, *Ore-Ida*, and Taco Bell. We have a comprehensive plan to improve *Lunchables'* performance, which I will outline in more detail on the next slide.

Turning to Global Away From Home, we generated top-line growth across both North America and International. This was driven by increased distribution in higher margin, non-commercial channels. And our Away From Home team continues to add new business and expand penetration beyond ketchup.

Finally, in Emerging Markets, we continue to capture share and grow Organic Net Sales through both price and volume/mix. Results were impacted by consumer and customer pressure in Brazil, as well as continued industry softness in China. In the rest of Emerging Markets, top line grew double digits versus the prior year.

## Slide 8

Looking beyond just our ACCELERATE platforms, in Q3 we faced challenges in North America Retail, with five brands accounting for over 80 percent of our decline.

While *Oscar Mayer* is declining, it grew Adjusted Gross Profit dollars by double digits, fulfilling its portfolio role of improving profits.

Moving to the other brands, we acknowledge that we have quite a bit of work to do, and meaningful improvement will take some time. We have identified action items that will drive recovery through our key enablers. These include our Brand Growth System, innovation, and sales excellence.

As a reminder, our Brand Growth System is a repeatable global model for growing our brands. Powered by proprietary consumer insights and over 70 analytical models, this is a process to solve consumer pain points with superior products delivered in a convenient way at the best value possible.

With our enablers, we will drive growth in these flagship brands by executing key action plans, including:

- Building a strong connection with consumers to drive conversion,
- Meeting evolving consumer needs with the right sizes, flavors, and formats,
- Driving brand superiority by delivering product attributes worth paying for,
- And increasing accessibility by expanding distribution in growing channels.

#### Slide 9

To turn around *Lunchables* and *Spoonables* and to build on the initial momentum we are already seeing in *Mac & Cheese* and *Capri Sun*, we are pulling forward investments across our enablers to drive improvement. Let me go a bit further into details of our plans across each.

*Lunchables* is an important brand for Kraft Heinz, and it is a top priority to expand category penetration in a changing competitive landscape. We are fully committed to making significant investments in the brand to boost household penetration and regain market share. We will do this through expanding flavors and formats – like we did with *Spicy Nachos*, which recently launched nationwide. We will also be investing to remain value competitive, leveraging a new campaign to engage both parents and kids, as well as launching product renovation in the first half of 2025.

On our *Spoonables* business, we are strengthening our value proposition to re-engage with lapsed users and attract new ones. To do this, we are expanding the successful rollout of our limited time flavors, like *Pickle Mayo*, which has achieved top-quartile performance in its exclusive launch with a key customer. We will also be providing value

formats for all families, and with our *Primal Kitchen* brand, offering premium products with consciously crafted benefits.

For Mac & Cheese, we are better connecting and engaging with families, and younger, more diverse consumers. To do this, we will attract millennials with feel-good flavors – adding to our line of our newly launched bold Ranch and Jalapeño flavors – and better meet the needs of all families with the right sizes and formats. We will also reinforce our superior attributes with targeted messaging and connect with younger consumers through culturally relevant campaigns.

And finally on *Capri Sun*, we are seeing early progress across both consumption and share trends. To build upon this momentum, we are optimizing our portfolio to better serve consumers across more occasions and channels. We are elevating “Kid Cool” through communications and partnerships, continuing product renovation across the broader line, and expanding into underdeveloped channels with innovative formats.

#### Slide 10

Looking beyond these concentrated areas, our portfolio spans over 200 brands, and more than 75 percent of our U.S. products hold the #1 or #2 share position in their categories. We have been prioritizing investments in our ACCELERATE platforms, which has led to meaningful growth across several of our iconic brands – including *Philadelphia*, *Ore-Ida*, and Taco Bell.

Starting with *Philadelphia*, this is a brand I am very excited about. We recently completed our first Brand Growth System pilot on *Philadelphia*, and we have already begun activating against our acceleration plan to optimize our investments. While it is still early, we are already seeing consistent results – a four percent increase in dollar sales both year to date and in the third quarter.

Thanks to our partnership with Simplot, we now have the capacity to meet the strong consumer demand for our *Ore-Ida* products. This enabled us to increase investments in marketing and promotions, contributing to a year-to-date increase in dollar sales of nine percent and a third quarter increase of four percent versus 2023.

And lastly, together with Taco Bell, we are making it easier for fans to re-create their favorite menu items right in their own kitchens. Led by expanded distribution and share gains, Taco Bell dollar sales grew by an impressive 28 percent in Q3, an accelerated pace from 23 percent year to date.



### Slide 11

Now turning to our next strategic pillar, Global Away From Home. We generated top-line growth across both North America and International. In the U.S., we gained 80 basis points of share in the third quarter across higher-margin, non-commercial channels. This growth combined with the planned exits from margin-dilutive businesses has contributed to meaningful improvement in profitability.

We also continued to expand beyond Ketchup, with our recently announced partnership with the Chicago Cubs. In addition to the entire spread of *HEINZ* condiments, fans can now enjoy our other beloved brands, such as *Kraft Mac & Cheese*, *Philadelphia*, and *Primal Kitchen*, throughout the ballpark. We are gaining traction in this important vertical and expect to win more activations.

In Emerging Markets, we are using our Go To Market model to increase distribution in Away From Home channels, with distribution points up 14 percent versus last year. With strong retail coverage in place, we are now focusing on expanding this model across the Away From Home channel.

### Slide 12

And that leads us into our final strategic pillar, Emerging Markets. In the third quarter, we grew Organic Net Sales 4.9 percent through our simple, effective strategy. *Heinz* led the way with approximately 9 percent growth versus 2023. Additionally, we expanded distribution by 5 percent across Retail and Away From Home channels, enabled by our Go To Market model.

### Slide 13

Moving to total Kraft Heinz volume. While improving compared to 2023 levels, gains across the business are offset by a 0.8 percentage point impact from *Lunchables*. Excluding the impact from *Lunchables*, we have seen sequential improvement in the rest of our business. And when looking at our total U.S. portfolio, nearly 80 percent of our categories have stable or improving unit volume in the third quarter compared to year to date.

### Slide 14

The underlying improvement in volume is a result of our investments in the business to support the top line. Year to date, we have increased investments in marketing by four percent versus the prior year. We have been leveraging best practices across the globe to

amplify our fans' irrational obsession with *Heinz* – and our creativity is paying off. Our global creative approach has helped generate *Heinz* Organic Net Sales growth of approximately four percent.

And beyond *Heinz*, we are marketing at the speed of culture to drive relevance across our brands, as seen with *Capri Sun*. When false rumors spread about discontinuing the iconic pouches, we swiftly responded by selling pallets of *Capri Sun* to reassure fans that the pouches are here to stay. The campaign generated 1.6 billion media impressions in just five days, with the pallets – over 3,800 pouches of *Capri Sun* – selling out in under two hours.

### Slide 15

Slide 15 highlights how our innovation continues to provide value to our consumers through benefits that are worth paying for.

We are developing high-quality, convenient solutions that feed the entire family with delicious meals in minutes. Leveraging 360CRISP™ technology, our newly launched *Delimex* Quesadillas deliver restaurant-quality crispiness straight from the microwave.

We are also satisfying changing consumer desires by evolving our core offerings to give them the globally inspired, exploratory flavors they crave. That is why we are innovating with bold and trendy mayonnaise flavors around the world.

Expanding options and functionality is more important today than ever as consumers want choices that provide unique benefits. For example, we are giving our fans new ways they can enjoy *Philadelphia* in the kitchen, with our cream cheese frosting, which is made with real ingredients.

And finally, we continue offering accessible solutions for every budget by unlocking new aisles, channels, and occasions – like we did with our 5-pack *Delimex* Burrito Bowls, which are exceeding distribution targets and driving incremental sales in club channels.

### Slide 16

Our innovation strategy is working. Our pipeline is gaining momentum and driving results. Year to date, our innovation as a percent of Organic Net Sales was 2.8 percent, which is an increase of 100 basis points from 2023.

As part of our Mexican food strategy, we have expanded our Taco Bell partnership, driving share gains of 1.1 percentage points in the third quarter.

And in Mac & Cheese, our Super Mario Shapes started rolling out in July and we are excited about the momentum. Dollar sales in our Mac & Cheese shapes portfolio grew three percent in Q3 but accelerated to over 25 percent in the last four weeks, as the Mario Shapes ramped up on shelves.

I am incredibly pleased to see our innovation pipeline building momentum and driving results, giving me confidence for what is coming as we head into 2025.

#### Slide 17

Our reinvestments in the business – through marketing, innovation, and renovation – are possible because of our ability to continue to sustainably unlock efficiencies. Our new ways of working through Agile@Scale and our strategic partnerships have generated 1.1 billion dollars of gross efficiencies since the beginning of 2023, when we set our 2.5-billion-dollar goal.

And we are not finished. We still have meaningful runway ahead. We are confident in our ability to unlock at least an additional 1.4 billion dollars in gross efficiencies from now through 2027. This will be achieved through both procurement and supply chain efficiencies, including but not limited to:

- Implementing transformational advancements in the supply chain such as digital, automation, and network optimization,
- Executing sourcing and operational excellence across the value chain,
- And maintaining disciplined execution and a continuous improvement mindset.

#### Slide 18

As you can see, while we have faced near-term challenges in select U.S. Retail categories, we are actively responding to drive our own recovery. We are managing the business in a disciplined manner to protect profitability and invest for growth.

Today, we are creating solutions that bring value for our consumers and selectively investing in trade to drive volume recovery. We continue to invest in marketing, R&D, and technology to fuel growth.

We are not losing sight of our long-term strategy – to drive profitable growth, generate strong cash flow, and return capital to our stockholders.

We also continue to leverage the power of our Ownership-Centric Culture, Agile@Scale, and our unique approach to strategic partnerships.

And we are continuing to sustainably unlock efficiencies with meaningful runway ahead. These productivity gains are helping accelerate innovation and renovation and are funding investments to deploy our Brand Growth System to drive brand superiority and marketing excellence.

With that, let me hand it over to Andre to provide more details on our third quarter financial results and to discuss our 2024 outlook.

**ANDRE MACIEL, EVP AND GLOBAL CHIEF FINANCIAL OFFICER**

Slide 19

Thank you, Carlos.

Slide 20

In the third quarter, Organic Net Sales declined 2.2 percent for total Kraft Heinz with price up 1.2 percentage points and volume/mix down 3.4 percentage points. We are pleased with the sequential trend improvement in both International Developed and Emerging Markets. We continued to experience pressure in specific U.S. Retail categories, with nearly half of the year-over-year decline coming from *Lunchables*.

In North America, Organic Net Sales declined 3.2 percent driven by lower retail sales, partially offset by growth in Away From Home.

In our International Developed Markets, Organic Net Sales declined 1.8 percent. I'm happy to report that we successfully closed our customer negotiation, which largely contributed to a meaningful sequential improvement in year-over-year volume/mix from the second quarter.

In Emerging Markets, Organic Net Sales was up 4.9 percent, with continued growth coming from both price and volume/mix. Results were impacted by Brazil, driven primarily by volume elasticity linked to price taken in commodity categories, as well as the expected lapping of retailer inventory buildup in the prior year. To a lesser degree, we continued to experience industry softness in China. The rest of Emerging Markets grew the top line double digits in the third quarter.

## Slide 21

Turning to the next slide, total Kraft Heinz Adjusted Operating Income grew 1.4 percent, and our Adjusted Operating Income Margin increased 80 basis points. This expansion was a result of unlocked efficiencies as well as lower variable compensation of approximately 50 million dollars.

Keep in mind, that Adjusted Operating Income does exclude an impairment charge of 1.4 billion dollars that was recognized in the quarter.

In North America, Adjusted Operating Income declined 0.6 percent versus the prior year, with declines in sales more than offsetting productivity gains.

In International Developed Markets, Adjusted Operating Income increased 4.2 percent, resulting from continued discipline of protecting the bottom line, including the generation of operational efficiencies.

In Emerging Markets, Adjusted Operating Income declined 4.5 percent due to maintaining elevated Go To Market investments to support top-line growth, primarily in LATAM. Performance is expected to continue to improve as we further lap these investments in the fourth quarter.

## Slide 22

As we continue to be mindful of the consumer environment, we are funding increased trade with supply chain efficiencies. As you can see on slide 22, our promotion levels have increased compared to 2023, driven by increased frequency while keeping depth relatively flat. And thanks to our investments in revenue management, the returns on our promotional activity improved by approximately six percentage points versus last year.

At the same time, we are being selective in these investments and not using tactics that undermine long-term profitability. As expected, our promotional levels have remained below 2019. And as Carlos discussed, we leverage a combination of strategies beyond promotions – including innovation, renovation, and marketing – to improve our competitiveness in the marketplace.

## Slide 23

On slide 23, you can see how we are using a full array of initiatives, including promotions, to drive progress on share trends across several categories in the U.S.

Take *Cool Whip* for example, where we went from gaining 0.1 percentage points of share in Q2 to gaining 1.6 percentage points in Q3. This was thanks to a combination of capacity improvements, effective media marketing – including recipe activation with our other dessert brands like *Jell-O* and *Jet Puffed* – and promotions.

Another example is Mac & Cheese Cups, where we used a combination of marketing, promotions, and price pack architecture to drive accelerated share gains of 1.8 percentage points in the third quarter.

For the last two examples, Carlos spoke to what we have done to drive sustained success in *Ore-Ida* and improvement in *Capri Sun*. In *Ore-Ida*, we maintained strong share gains of 0.9 percentage points across both quarters. And while we still have work to do on *Capri Sun* to recover share, we are seeing early signs of improvement.

#### Slide 24

Moving down the P&L, we continue to expand margins through end-to-end efficiencies. This helps us to offset inflation, while investing more in the business to drive long-term growth. Year to date, Adjusted Gross Profit Margin expanded 130 basis points versus last year, primarily driven by gross efficiencies.

This gave us the flexibility to increase year-to-date investments in marketing by four percent, R&D by 16 percent, and technology by 18 percent versus 2023.

#### Slide 25

I would like to highlight the excellent work of our teams to adopt a mindset of continuous improvement as we deliver a fifth consecutive quarter of best-in-class productivity levels. This has been largely attributed to an integrated supply chain and investments in digital and technology to enhance capabilities, as well as unwinding pandemic-related inefficiencies.

We are on target to generate at least 1.4 billion dollars of gross efficiencies through 2027 – with approximately 60 percent coming from procurement and 40 percent coming from the supply chain.

#### Slide 26

Turning to cash flow and profitability. We generated year-to-date Free Cash Flow Conversion of 75 percent, a 7-percentage point increase versus the prior year, primarily driven by improvements in working capital.

At the same time, we continue to increase investments for growth, with year-to-date CapEx spend increasing to four percent of net sales, up 10 basis points from the prior year.

In terms of Adjusted EPS, we increased 4.2 percent, or three cents, versus 2023. This was driven by positive impacts from results of operations, share repurchases, and effective tax rate.

#### Slide 27

We continue to strengthen our balance sheet while returning capital to stockholders.

Year to date, we returned approximately 1.8 billion dollars while maintaining our target Net Leverage ratio of approximately three times. Of this, approximately 1.5 billion dollars was through our competitive dividend and 350 million dollars was through share repurchases under our announced program. This leaves about 2.4 billion dollars remaining of our three-billion-dollar authorization. As a reminder, our share repurchase program is non-programmatic, a function of excess cash, and takes into consideration the macro-economic environment.

#### Slide 28

As we look ahead to the remainder of the year, we are expecting Organic Net Sales to be at the low end of the previous guidance range of down two percent to flat. This change contemplates a slower recovery than originally anticipated in *Lunchables*, including a 20-basis point headwind due to an upstream supplier issue. We have a solution and expect the impact to be limited to this year.

Our outlook now includes full year Adjusted Gross Profit Margin expansion at the lower end of the 75 to 125 basis point range. This is due to incremental inflation in coffee and dairy, additional trade, and the impact of the supplier issue. We now expect full year inflation to be approximately four percent, an increase from our original expectation of approximately three percent.

Adjusted Operating Income growth is now expected to be at the low end of the previous guidance range of one to three percent. This includes the impact of lower variable compensation, partially offsetting the top-line and margin pressures I have noted.

And finally, we expect Adjusted EPS growth to be at the low end of the previous range of one to three percent. Interest and Other Expense/(Income) is expected to be relatively

flat versus the prior year, driven by headwinds in FX and debt refinancing, offset by favorable pension income year over year.

As a reminder, this guidance does not reflect any impact from potential future share repurchases.

Now, moving to 2025. While it is too early to give guidance, we do not expect to reach an on-algorithm pace during the year. We do expect the positive momentum in Emerging Markets and Global Away From Home to continue, with an elongated recovery expected in U.S. Retail-challenged categories.

With that, I will pass it back to Carlos for some closing comments.

**CARLOS ABRAMS-RIVERA, CHIEF EXECUTIVE OFFICER**

Slide 29

Thank you, Andre.

Slide 30

We remain confident in our ability to execute on our strategy. Kraft Heinz is well-positioned to address these challenges and embrace the opportunities that lie ahead.

We are pleased:

- That we have two strategic pillars recovering, growing, and gaining momentum,
- That we have proven we can consistently drive productivity and unlock efficiencies,
- And that we have shown a disciplined approach to managing our business – one that has led to very attractive cash generation.

At the same time, we recognize the job to be done to improve the trends in U.S. Retail. The good news is that we are equipped with the right people, proven capabilities, and necessary financial capacity to meaningfully move the needle.

And while we are not anticipating hitting our long-term algorithm in 2025, I am confident that we have the right strategy to ultimately generate continued consistent, profitable growth.

Thank you for your time and interest.

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