

The J. M. Smucker Company

First Quarter Fiscal 2018 Earnings

SUPPLEMENTARY INFORMATION
August 24, 2017

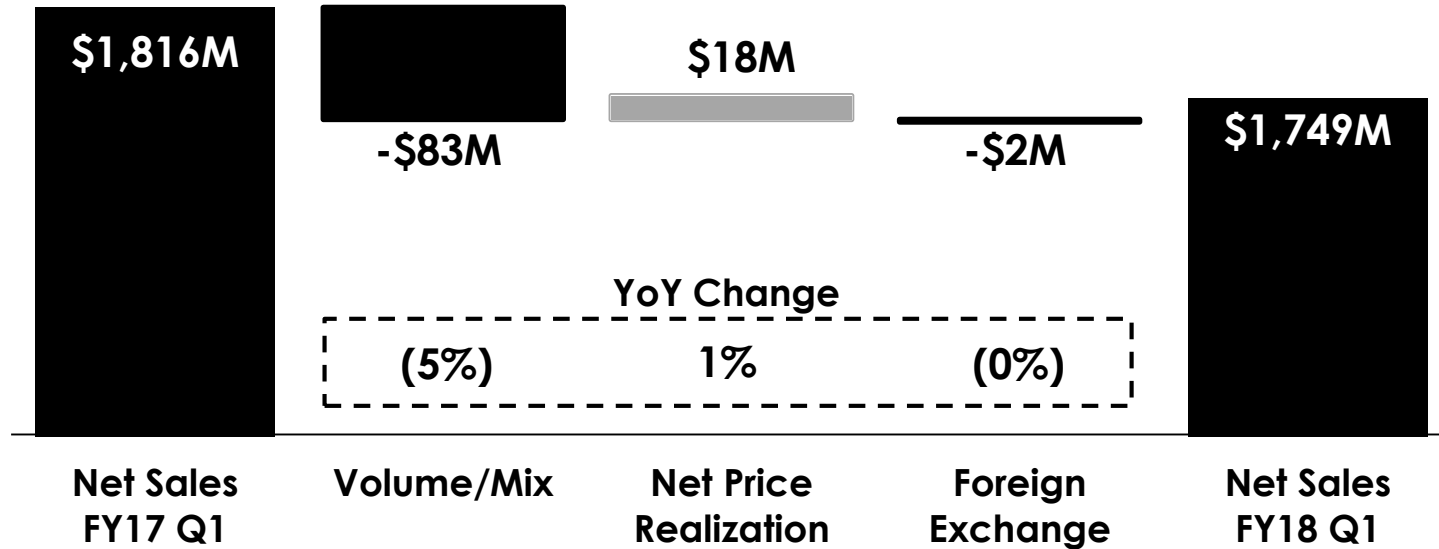


Consolidated Results

(\$ in millions, except per share data)	FY18 Q1	FY17 Q1	YoY Change
Net Sales	\$1,749	\$1,816	(4%)
Adjusted Gross Profit	\$650	\$719	(10%)
Adjusted Gross Profit Margin	37.2%	39.6%	-240bps
Adjusted Operating Income	\$301	\$364	(17%)
Adjusted Operating Income Margin	17.2%	20.0%	-280bps
Adjusted EPS	\$1.51	\$1.86	(19%)

Consolidated Results

Net Sales Analysis



Note: Amounts may not add due to rounding

Consolidated Results

Balance Sheet/Cash Flow Highlights

(\$ in millions)	FY18 Q1	FY17 Q1
Cash from Operations	\$304	\$239
Capital Expenditures	(70)	(50)
Free Cash Flow	\$235	\$189
	July 31, 2017	April 30, 2017
Total Debt (Gross)	\$5,228	\$5,399
EBITDA (as adjusted, TTM)	\$1,530	\$1,594
Gross Debt/EBITDA (TTM)	3.4x	3.4x

Note: Amounts may not add due to rounding

Segment Results – FY18 Q1

(\$ in millions)	COFFEE	CONSUMER FOODS	PET FOODS	INT'L & AWAY FROM HOME
Net Sales <i>YoY Change</i>	\$481 (6%)	\$492 (8%)	\$522 0%	\$254 3%
<i>YoY Change Summary:</i>				
Volume/Mix	(8%)	(11%)	2%	3%
Net Price Realization	2%	3%	(2%)	1%
Foreign Currency Exchange	-	-	-	(1%)
Segment Profit <i>YoY Change</i>	\$124 (29%)	\$111 (0%)	\$98 (20%)	\$38 (3%)
Segment Profit Margin <i>YoY Change</i>	25.7% -820bps	22.5% +180bps	18.8% -470bps	15.1% -100bps

Note: Amounts may not add due to rounding

Full-Year Fiscal 2018 Outlook

	Current	Previous
Adjusted EPS	\$7.75 - \$7.95	\$7.85 - \$8.05
Free Cash Flow	\$775M	\$775M
Capital Expenditures	\$310M	\$310M
Effective Tax Rate	32.5% - 33.0%	32.5% - 33.0%

Net sales are expected to be down slightly compared to the prior year.

Note: Outlook excludes any potential impact from the previously announced agreement to acquire the Wesson® brand

Forward-Looking Statements

This presentation contains forward-looking statements, such as projected net sales, operating results, earnings, and cash flows that are subject to risks and uncertainties that could cause actual results to differ materially from future results expressed or implied by those forward-looking statements. The risks, uncertainties, important factors, and assumptions listed and discussed in this presentation, which could cause actual results to differ materially from those expressed, include: the ability to achieve synergies and cost savings related to the Big Heart Pet Brands acquisition and other programs in the amounts and within the time frames currently anticipated and to effectively manage the related integration and restructuring costs; the ability to satisfy the closing conditions for the Wesson® transaction, including receipt of required regulatory approvals, without unexpected delays or conditions; the ability to generate sufficient cash flow to meet the Company's deleveraging objectives; volatility of commodity, energy, and other input costs; risks associated with derivative and purchasing strategies employed to manage commodity pricing risks; the availability of reliable transportation on acceptable terms; the ability to implement and realize the full benefit of price changes, and the impact of the timing of the price changes to profits and cash flow in a particular period; the success and cost of marketing and sales programs and strategies intended to promote growth in the businesses, including the introduction of new products; general competitive activity in the market, including competitors' pricing practices and promotional spending levels; the impact of food security concerns involving either the Company's or its competitors' products; the impact of accidents, extreme weather, and natural disasters; the concentration of certain of the Company's businesses with key customers and suppliers, including single-source suppliers of certain key raw materials and finished goods, and the ability to manage and maintain key relationships; the timing and amount of capital expenditures and share repurchases; impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets or changes in useful lives of other intangible assets; the impact of new or changes to existing governmental laws and regulations and their application; the outcome of tax examinations, changes in tax laws, and other tax matters; foreign currency and interest rate fluctuations; and risks related to other factors described under "Risk Factors" in other reports and statements filed with the Securities and Exchange Commission, including the Company's most recent Annual Report on Form 10-K. The Company undertakes no obligation to update or revise these forward-looking statements, which speak only as of the date made, to reflect new events or circumstances.

Non-GAAP Measures

The Company uses non-GAAP financial measures, including: net sales excluding foreign currency exchange; adjusted gross profit, operating income, income, and earnings per share; earnings before interest, taxes, depreciation, amortization, and impairment charges related to intangible assets ("EBITDA (as adjusted)"); and free cash flow, as key measures for purposes of evaluating performance internally. The Company believes that these measures provide useful information to investors because they are the measures used to evaluate performance on a comparable year-over-year basis. Non-GAAP profit measures exclude certain items affecting comparability which include amortization expense and impairment charges related to intangible assets, and integration and restructuring costs ("special project costs"); and unallocated gains and losses on commodity and foreign currency exchange derivatives ("unallocated derivative gains and losses"). The special project costs relate to specific integration and restructuring projects, and the unallocated derivative gains and losses reflect the changes in fair value of the Company's commodity and foreign currency exchange contracts. These non-GAAP financial measures are not intended to replace the presentation of financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). Rather, the presentation of these non-GAAP financial measures supplements other metrics used by management to internally evaluate its businesses and facilitates the comparison of past and present operations and liquidity. These non-GAAP financial measures may not be comparable to similar measures used by other companies and may exclude certain nondiscretionary expenses and cash payments. A reconciliation of certain non-GAAP financial measures to the comparable GAAP financial measure for the current and prior year periods is included in the "Non-GAAP Reconciliation" tables. The Company has also provided a reconciliation of non-GAAP financial measures for its fiscal 2018 outlook. As the amount of unallocated derivative gains and losses varies depending on market conditions and levels of derivative transactions with respect to a particular fiscal year, it is not determinable on a forward-looking basis and no guidance has been provided.

Non-GAAP Reconciliation

(\$ in millions)

Gross profit reconciliation:

Gross profit
Unallocated derivative losses (gains)
Cost of products sold – special project costs
Adjusted gross profit

Three Months Ended July 31,	
2017	2016
\$ 662.1	\$ 722.7
(12.6)	(7.7)
0.7	4.0
<u>\$ 650.2</u>	<u>\$ 719.0</u>

Operating income reconciliation:

Operating income
Amortization
Unallocated derivative losses (gains)
Cost of products sold – special project costs
Other special project costs
Adjusted operating income

\$ 233.8	\$ 293.8
51.5	51.7
(12.6)	(7.7)
0.7	4.0
27.1	22.2
<u>\$ 300.5</u>	<u>\$ 364.0</u>

Non-GAAP Reconciliation

(\$ in millions, except per share data)

Net income reconciliation:

Net income

Income taxes

Amortization

Unallocated derivative losses (gains)

Cost of products sold – special project costs

Other special project costs

Adjusted income before income taxes

Income taxes, as adjusted

Adjusted income

Weighted-average common shares outstanding

Weighted-average participating shares outstanding

Total weighted-average shares outstanding

Dilutive effect of stock options

Total weighted-average shares outstanding – assuming dilution

Adjusted earnings per share

	Three Months Ended July 31,	
	2017	2016
	\$ 126.8	\$ 170.0
	62.2	83.4
	51.5	51.7
	(12.6)	(7.7)
	0.7	4.0
	27.1	22.2
	\$ 255.7	\$ 323.6
	84.1	106.4
	\$ 171.6	\$ 217.2
	112,923,482	115,805,073
	581,019	529,367
	113,504,501	116,334,440
	48,794	141,056
	113,553,295	116,475,496
	\$ 1.51	\$ 1.86

Non-GAAP Reconciliation

(\$ in millions)

	Three Months Ended				Year Ended
	October 31, 2016	January 31, 2017	April 30, 2017	July 31, 2017	April 30, 2017
EBITDA (as adjusted) reconciliation:					
Net income	\$ 177.3	\$ 134.6	\$ 110.4	\$ 126.8	\$ 592.3
Income taxes	88.2	63.0	51.5	62.2	286.1
Interest expense - net	41.0	40.3	40.3	42.0	163.1
Depreciation	53.0	52.6	52.1	54.5	211.7
Amortization	51.8	51.7	52.1	51.5	207.3
Impairment charges	-	75.7	57.5	-	133.2
EBITDA (as adjusted)	\$ 411.3	\$ 417.9	\$ 363.9	\$ 337.0	\$ 1,593.7

Non-GAAP Reconciliation

Company Guidance

(\$ in millions, except per share data)

Net income per common share – assuming dilution reconciliation:

Net income per common share – assuming dilution

Special project costs

Amortization

Adjusted earnings per share

Free cash flow reconciliation:

Net cash provided by operating activities

Additions to property, plant, and equipment

Free cash flow

Year Ending April 30, 2018			
Low		High	
\$	6.19	\$	6.39
	0.38		0.38
	1.18		1.18
\$	7.75	\$	7.95
\$	1,085		
	(310)		
\$	775		

The J. M. Smucker Company

Additional Information:

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