

The J. M. Smucker Company

First Quarter Fiscal 2021 Earnings

SUPPLEMENTARY INFORMATION
August 25, 2020

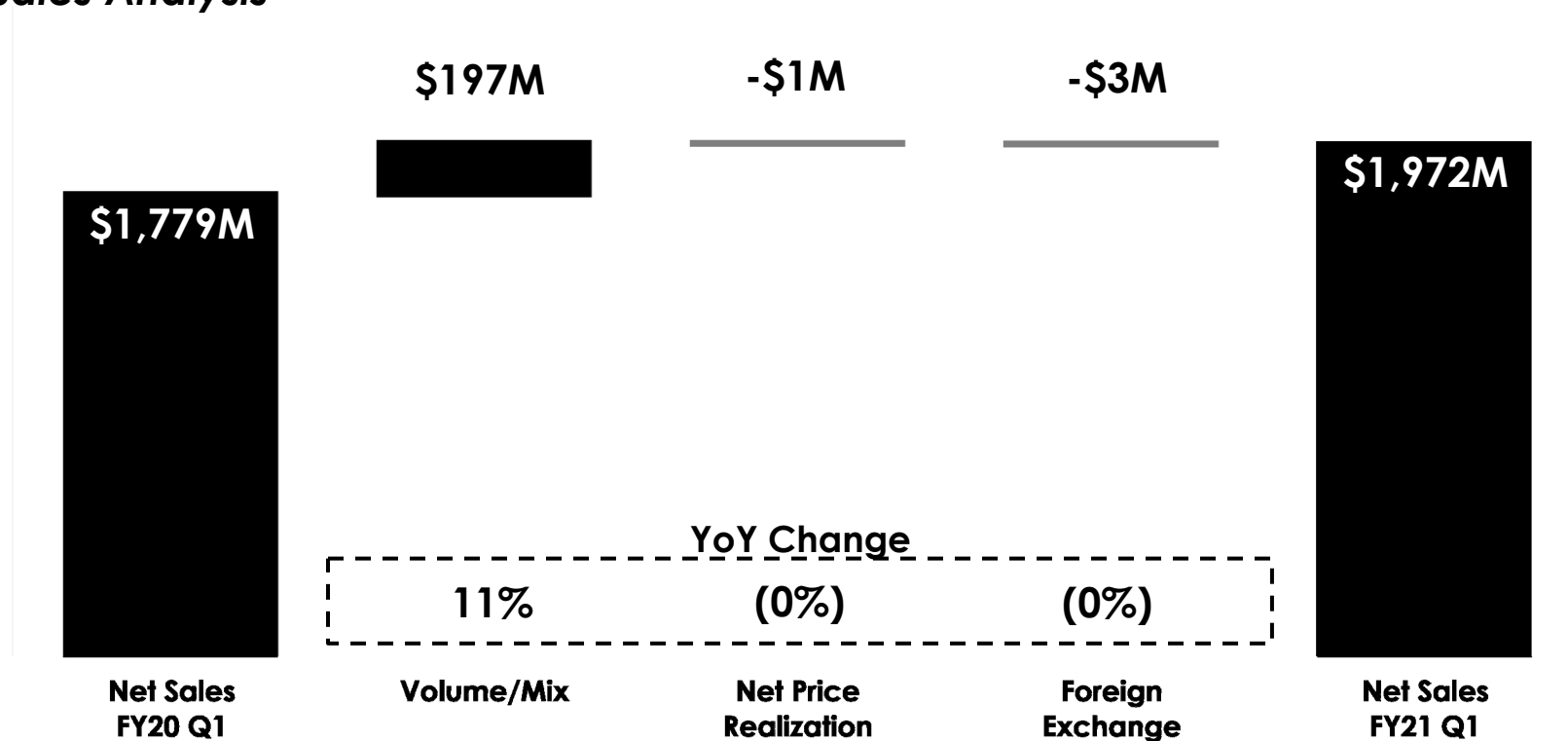


Consolidated Results

(\$ in millions, except per share data)	FY21 Q1	FY20 Q1	YoY Change
Net Sales	\$1,971.8	\$1,778.9	11%
Adjusted Gross Profit	\$759.2	\$670.6	13%
Adjusted Gross Profit Margin	38.5%	37.7%	80bps
Adjusted Operating Income	\$404.5	\$290.7	39%
Adjusted Operating Income Margin	20.5%	16.3%	420bps
Adjusted Effective Tax Rate	24.4%	25.1%	-70bps
Adjusted EPS – Assuming Dilution	\$2.37	\$1.58	50%

Consolidated Results

Net Sales Analysis



Note: Amounts may not add due to rounding

Consolidated Results

Balance Sheet/Cash Flow Highlights

(\$ in millions)	FY21 Q1	FY20 Q1
Cash from Operations	\$409.0	\$221.5
Capital Expenditures	(76.6)	(73.0)
Free Cash Flow	\$332.4	\$148.5
	July 31, 2020	April 30, 2020
Total Debt (Gross)	\$5,368.6	\$5,621.3
EBITDA (as adjusted, TTM)	\$1,822.5	\$1,714.8
Gross Debt/EBITDA (TTM)	2.9x	3.3x

Note: Amounts may not add due to rounding

Segment Results: FY21 Q1

(\$ in millions)	PET FOODS	COFFEE	CONSUMER FOODS	INT'L & AWAY FROM HOME
Net Sales YoY Change	\$692.6 3%	\$570.9 23%	\$489.2 22%	\$219.1 (9%)
YoY Net Sales Change Summary:				
Volume/Mix	5%	23%	19%	(8%)
Net Price Realization	(2%)	0%	3%	0%
Foreign Currency Exchange	-	-	-	(1%)
Segment Profit YoY Change	\$125.3 4%	\$182.6 42%	\$131.5 62%	\$30.9 (4%)
Segment Profit Margin YoY Change	18.1% +20bps	32.0% +430bps	26.9% +680bps	14.1% +70bps

Note: Amounts may not add due to rounding

Full-Year Fiscal 2021 Outlook

	Current	Previous
Net Sales	0% – 1%	(2%) – (1%)
Adjusted EPS – Assuming Dilution	\$8.20 - \$8.60	\$7.90 - \$8.30
Free Cash Flow	\$925M - \$975M	\$900M - \$950M
Capital Expenditures	\$300M	\$300M
Effective Tax Rate	24.0%	24.0%

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 impact of the COVID-19 pandemic on the Company's business, industry, suppliers, customers, consumers, employees, and communities, particularly with respect to the Company's Away From Home business; disruptions or inefficiencies in the Company's operations or supply chain, including any impact of the COVID-19 pandemic; the ability to achieve cost savings related to cost management programs in the amounts and within the time frames currently anticipated; the ability to generate sufficient cash flow to continue operating under the Company's capital deployment model, including capital expenditures, debt repayment, dividend payments, and share repurchases; volatility of commodity, energy, and other input costs; risks associated with derivative and purchasing strategies the Company employs to manage commodity pricing and interest rate 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 Company's businesses, including product innovation; 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 products or its competitors' products; the impact of accidents, extreme weather, natural disasters, and pandemics (such as COVID-19); 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 Company's ability to manage and maintain key relationships; impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets or changes in useful lives of other intangible assets or other long-lived assets; the impact of new or changes to existing governmental laws and regulations and their application, including tariffs; the outcome of tax examinations, changes in tax laws, and other tax matters; foreign currency exchange rate 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 Financial Measures

The Company uses non-GAAP financial measures, including: net sales excluding foreign currency exchange; adjusted gross profit; adjusted operating income; adjusted income; adjusted 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 investors' understanding of its performance is enhanced by disclosing these performance measures. Furthermore, these non-GAAP financial measures are used by management in preparation of the annual budget and for the monthly analyses of its operating results. The Board of Directors also utilizes certain non-GAAP financial measures as components for measuring performance for incentive compensation purposes.

Non-GAAP measures exclude certain items affecting comparability that can significantly affect the year-over-year assessment of operating results, which include amortization expense and impairment charges related to intangible assets, integration and restructuring costs ("special project costs"), and unallocated gains and losses on commodity and foreign currency exchange derivatives ("unallocated derivative gains and losses"), as well as the related tax impact of these exclusions. 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. Additionally, income taxes, as adjusted is calculated using an adjusted effective income tax rate that is applied to adjusted income before income taxes. While this adjusted effective income tax rate does not generally differ materially from the GAAP effective income tax rate, certain exclusions from non-GAAP results can significantly impact the adjusted effective income tax rate.

These non-GAAP financial measures are not intended to replace the presentation of financial results in accordance with U.S. 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 "Unaudited Non-GAAP Financial Measures" tables. The Company has also provided a reconciliation of non-GAAP financial measures for its fiscal 2021 outlook.

Non-GAAP Reconciliation

(\$ in millions)

	<u>Three Months Ended July 31,</u>	
	<u>2020</u>	<u>2019</u>
Gross profit reconciliation:		
Gross profit	\$775.4	\$699.6
Unallocated derivative losses (gains)	(16.2)	(29.0)
Adjusted gross profit	<u>\$759.2</u>	<u>\$670.6</u>
Operating income reconciliation:		
Operating income	\$361.1	\$257.6
Amortization	59.6	58.8
Unallocated derivative losses (gains)	(16.2)	(29.0)
Other special project costs	-	3.3
Adjusted operating income	<u>\$404.5</u>	<u>\$290.7</u>

Non-GAAP Reconciliation

(\$ and shares in millions, except per share data)

Net income reconciliation:

Net income

Income tax expense

Amortization

Unallocated derivative losses (gains)

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 – assuming dilution

	Three Months Ended July 31,	
	2020	2019
	\$237.0	\$154.6
	76.6	52.1
	59.6	58.8
	(16.2)	(29.0)
	-	3.3
	\$357.0	\$239.8
	87.0	60.1
	\$270.0	\$179.7
	113.5	113.3
	0.6	0.6
	114.1	113.9
	-	-
	114.1	113.9
	\$2.37	\$1.58

Non-GAAP Reconciliation

(\$ in millions)

	Three Months Ended				TTM Ended July 31, 2020	Year Ended April 30, 2020
	October 31, 2019	January 31, 2020	April 30, 2020	July 31, 2020		
EBITDA (as adjusted) reconciliation:						
Net income	\$ 211.2	\$ 187.4	\$ 226.3	\$ 237.0	\$861.9	\$ 779.5
Income tax expense	67.9	55.1	72.1	76.6	271.7	247.2
Interest expense - net	49.1	45.1	45.6	46.1	185.9	189.2
Depreciation	52.6	53.3	53.5	54.1	213.5	210.2
Amortization	58.8	58.8	59.9	59.6	237.1	236.3
Other intangible assets impairment charges	-	52.4	-	-	52.4	52.4
EBITDA (as adjusted)	\$ 439.6	\$ 452.1	\$ 457.4	\$ 473.4	\$1,822.5	\$ 1,714.8

Note: Amounts may not add due to rounding

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

Unallocated derivative losses (gains)^(A)

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, 2021	
	Low	High
Net income per common share – assuming dilution	\$ 6.83	\$ 7.23
Unallocated derivative losses (gains) ^(A)	(0.22)	(0.22)
Amortization	1.59	1.59
Adjusted earnings per share	\$ 8.20	\$ 8.60
Free cash flow reconciliation:		
Net cash provided by operating activities	\$ 1,225	\$ 1,275
Additions to property, plant, and equipment	(300)	(300)
Free cash flow	\$ 925	\$ 975

(A) As unallocated derivative losses (gains) vary each quarter based on market conditions and derivative positions taken, we do not project derivative gains or losses on a forward-looking basis. Therefore, the forward-looking unallocated derivative losses (gains) in the table above reflect the net cumulative amount already recognized in GAAP results as of July 31, 2020, that is expected to be allocated to non-GAAP results in future periods.

The J. M. Smucker Company

Additional Information:

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