The Kraft Heinz Company

Q3 2025 Earnings Call | October 29, 2025

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QUESTION AND ANSWER SESSION

Operator: Greetings. Welcome to The Kraft Heinz Company Third Quarter 2025 Earnings Call. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. Please note that this conference is being recorded. I will now turn the conference over to Anne-Marie Megela, Head of Investor Relations. Thank you, Anne-Marie. You may now begin.

Anne-Marie Megela
Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Thank you, and hello, everyone. Welcome to the Q&A session for our third quarter 2025 business update. During today's call, we may make forward-looking statements regarding our expectations for the future including items related to our business plans and expectations, strategy, efforts and investments and related timing and expected impacts. As well as statements regarding the proposed separation of Kraft Heinz into two independently traded companies. 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 this call, as well as our most recent 10-K, 10-Q and 8-K filings for more information regarding these risks and uncertainties.

Additionally, we may 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 available on our website at ir.kraftheinzcompany.com under News & Events or for a discussion of our non-GAAP financial measures and reconciliations to the comparable GAAP financial measures.

I will now hand it over to our Chief Executive Officer, Carlos Abrams-Rivera, for opening comments. Over to you.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Well, thank you, Anne-Marie, and thank you, everyone, for joining us today. I am encouraged by our progress in the third quarter, recognizing there's more work to do to navigate today's complex environment. We delivered a modest year-over-year recovery in top-line performance, showing progress versus the first half of the year. That said, the operating environment remains challenging, with worsening consumer sentiment and ongoing inflation, influencing buying behavior around the world.

To reflect our third quarter results and the expected continuation of these macro trends, we have updated our 2025 outlook. We remain on track to separate into two independent companies in the second half of 2026. And while we manage that transition, our priority is to drive performance today and position both businesses for long-term success. I want to thank our teams for their efforts and our customers, consumers, and shareholders for their support.

With that, I have Andre joining me, so let's open the call for Q&A.

Operator: Thank you. We'll now be conducting a question-and-answer session. Thank you. And our first question comes from the line of Andrew Lazar with Barclays. Please proceed with your question.

Andrew Lazar
Analyst, Barclays Capital, Inc.

Thanks so much. Good morning, Carlos and Andre. Carlos, in light of the weaker consumer sentiment that you've talked about. We are seeing a number of food companies sort of lean in more aggressively on investment spend, both pricing related, and broader A&C. I guess I'm curious how much of the 2025 profit revision, if any, is due to more aggressive spending behind the brands than initially contemplated versus just the impact of sort of higher costs and volume deleverage. And if there's not significant additional spending, I guess I'm curious why wouldn't more make sense now to help jump-start volume improvement in a still tough consumer environment as you think towards next year?

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Thanks for the question, Andrew. The profit revision is not linked to incremental investments beyond what we had previously communicated. The profit revision is a function of lower expectations of consumption in the US, which we can talk more about. It is a function of elongated recovery in Taste Elevation, which has been improving in a meaningful way, 70% of the revenue now is gaining market share. However, the recovery still is lower than what anticipated. So, there is a mix component to that.

We are also facing incremental inflation in meat and coffee and we didn't price certain elements of it due to competitive dynamics. And we had a few other one-offs affecting our supply chain results in Q3 that are not expected to repeat in Q4. However, they stick in the year.

Remember, that for this year we are increasing promotional investment around $300 million in the US. We have approximately $80 million of incremental marketing spending media. We have more R&D investments, and we have incremental head count in selected areas, mainly in commercial-related functions.

We are adding relevant investments to the business. And we don't think that adding more price at this moment will yield results. The investments we have made already allow us to have opening price points in critical categories to the retailers and to the consumers.

We have investments in meat and cheese, frozen potatoes, and Mac & Cheese, and a few others. We don't believe we should add more marketing at this point, remember the entire marketing investment increase is concentrated in the second half of the year. So, we don't think going even further beyond that will deliver returns at this point.

However, we are open, in the future, to adding more marketing as we continue to go deep in our brand assessments. But at this point, we don't think it's a matter of putting in more investments.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

I think the one thing I would add is as we think about this, our company is very much a consumer-centric brand-driven company. For us, what is important is that we're building brands for the long term. When we think about stepping up investments, we are thinking in terms of what Andre mentioned, in R&D, in marketing, continuing to drive the renovation of our products because I think that is going to be the way for us to be successful over the long term.

The fact that we have concentration in our efforts behind our brand growth system to make sure that we are continuing to bring distinct attributes that consumer value. That's going to be the way we continue to be able to be successful over the long term.

And by the way, I think some of the pricing that we have done strategically in terms of promotions has worked. If you look at our back-to-school campaign, we were actually successful in being able to drive great returns behind the key brands that we focused on during the back-to-school campaign, *Capri Sun*, *Lunchables*, *Jell-O*. So, I think we are going to continue to be tactical on our investments really building our brands for the long term. Thanks for the question very much.

Operator: The next question is from the line of Peter Galbo with Bank of America. Please proceed with your question.

Peter Galbo
Analyst, BofA Securities, Inc.

Hey, good morning, Carlos and Andre. I wanted to ask maybe a more conceptual question around the spin. If I think about it, one of your CPG peers is going through a similar dynamic right now in terms of kind of a split in your living kind of parallel lives, I guess, for a lack of a better word.

In the case of your peer, right, that there was an announcement, the market responded the way that it did. And there's been a pivot on their behalf, not in terms of pursuing the split, but in terms of how they're going about it, right? There's been an alteration in terms of the path forward.

I wonder just as you solicited feedback from investors and as you've heard from investors since your announcement, has there been any thought as to a pivot for Kraft Heinz, whether that means the leadership isn't the way that you thought it would pan out, the brands that you announced at the spin now, maybe some of them move from one to the other. Just any thoughts, again, as you've heard feedback that you may potentially pivot versus the initial announcement? Thanks very much.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Well, thank you for the question. Listen, let me give you a little bit of context on how we ended up with the decision. We have spent a number of months working with our Board of Directors to make sure we felt that we were going to do something where we would be unlocking shareholder value. We believe in the fact that we are creating two stronger companies that can be more focused for us to drive and unlock that shareholder value.

And if you think about the two companies, I think we have already shown that we have a playbook that we have focused on in a part of our business that would be part of Global Taste Elevation. In fact, if you look at our Taste Elevation progress into Q3, you are seeing already that playbook is working and that in fact, we are improving our dollar sales, that we're improving our share position. In September, we gained share in 70% of the US Taste Elevation business. So, the playbook that we have, has been working, and we want to apply it now to both companies with the right amount of resources and support.

Having said that, we also have said that we are going to continue to look at opportunities on what is the right way to support this with the right amount of experience, capabilities, and technical resources. So, I think that's something that we'll continue to do as we think about the announcements that we'll have ahead of the second half of the year, with the management teams and the way we're going to create the right operating models for us to grow.

So our focus remains on us doing the right thing, by us creating these two companies, and really in every situation and you picked a particular peer that you had in mind the reality is that there's many other examples of people who have done this, what we're trying to do is what is right for both Kraft Heinz and our shareholders.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

The other thing I'll add is the comments on perimeter and balance sheet. On the perimeter front, we said before, we decided this perimeter one, to allow focus. Two, based on history and growth potential of the different brands, the margin profile, and synergies. So, as we go deeper now, we're doing all the bottom up work, there's a lot of working on, as you can imagine. If at any moment, we think it might create more value to shareholders to have some adjustments, we will. But at this point, we think we did the right thing because we put a lot of thought before that.

The second, on the balance sheet. I know there was initially maybe some misunderstanding about what we intend to do with both companies, and we tried to clarify that in the subsequent forums. So, we said we are targeting both companies to be investment grade. We are committed to keeping the net debt at reasonable levels. Even in the prepared remarks, we're very clear our capital allocation priorities have not changed. And the second one after organic investments is to maintain the net debt at or below 3 times and we're committed to doing that, which should allow both companies to have good balance sheets with optionality.

And a clarification, when we say we want to have the companies be investment grade, for us, that means net debt is below 4 times. And obviously, the specifics are going to be still discussed in the upcoming months, and with rating agencies, but we are committed that that as well. Thank you.

Operator: Next question from the line of Tom Palmer with JPMorgan. Please proceed with your question.

Thomas Palmer
Analyst, JPMorgan Securities LLC

Good morning and thanks for the question. I wanted to just ask about emerging markets. It seems like excluding Indonesia, trends were more encouraging I guess, and you did provide some commentary here on Indonesia from a sales overhang. But how big is Indonesia within emerging markets?

And then when we think about the fourth quarter, the mid-single-digit growth guidance for emerging markets, what does that assume kind of for the business ex-Indonesia and Indonesia in terms of potentially seeing some improvement? Thank you.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Well, thanks for the question. Let me start, I guess, with the point of the context of Emerging Markets. You're correct. There is great progress outside of Indonesia, and we have continued to see not only the success in terms of growth, but also the continued improvement in terms of that growth.

And I think for me, what also gives me confidence is the fact that we think about the $1 billion in sales that we have in Emerging Markets, that actually is accelerating and it’s accelerating because of our key brands like *Heinz* which continues to show a tremendous amount of growth. In fact, in Emerging Markets, our *Heinz* brand year-to-date is growing 13%. We continue to see that as a valuable piece of our portfolio and one of our key growth drivers as we think about the future.

In the case of Indonesia, frankly what we have seen is a meaningful decline in consumer sentiment that has led them to a softening of demand. In fact, I think that the consumer sentiment in Indonesia year-over-year is about down almost 10 points in terms of consumer sentiment.

So that has led to reducing the sell-out growth expectations and some of the challenges that we have seen in terms of our distributor, a particularly distributor in the country, and also how that has disrupted the overall business.

At the same time, this is something now where we're taking actions to make sure that this it's something that we can correct in the future. So we are rightsizing the inventory to the right levels. We are transitioning to a new distributor, and we're also making sure that we're reducing the pricing instability that has been in the country. While we continue to invest in Indonesia in terms of our marketing of our brand and *ABC* is the largest brand that we have. And we believe that as we continue to drive superiority on the brand equity making sure we continue to drive also penetration in a meaningful way is going to be the best way for us to getting Indonesia back to where we want it to be in terms of continuing the growth of the business.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Just to add to that, Emerging Markets aside from Indonesia grew 9.2%. So, it did accelerate in a relevant way compared to the first half of the year, as we have said before. Indonesia, just maybe a little more specific is close to $300 million revenue. So, like 12% of Emerging Markets business. So it is relevant, but not massive.

And we do expect the recovery in the P&L only to happen in the second half of next year because we still have adjustments to do into Q4 and Q1. There is Ramadan, which is very important for Indonesia, and there is big seasonality in that business, so that will affect Q1.

So at the end of Q3 next year we're going to see the recovery there. But I think what is good is we invested a lot in this business in the past three years. There was a lot of marketing investments we have made in Indonesia behind our *ABC* brand, which is the leading brand in several categories, in a very good spot. From a market share standpoint, things are going well, but we have to make adjustments on the distribution network.

Operator: Next question is from the line of Steve Powers with Deutsche Bank. Please proceed with your question.

Steve Powers
Analyst, Deutsche Bank Securities, Inc.

Great. Thanks so much and good morning. Carlos, I don't believe I saw it anywhere this morning, and apologies if I missed the relevant disclosure, but are you able to frame maybe pro forma the performance of Global Taste Elevation Co. versus North American Grocery Co. in the third quarter?

And then also, update us on how you see those businesses progressing into the fourth quarter, just so we can better assess momentum into 2026 and eventual separation. And maybe alongside that, Andre, I don't know if you where you're sort of where you are in this process. But as you think ahead towards separation, I'm just curious if you have a more formal estimate around any one-time restructuring costs or cash costs that Kraft Heinz is likely to incur in preparation for the split. I'm just trying to see how we should handicap those dynamics over the next three or four quarters. Thank you.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Thanks for the question. Good morning. Look, both companies pro forma declined low single digits in the quarter. We see the Global Taste Elevation trajectory improving and in the very low single-digit territory at this point. The expectation for Q4 is for that to continue. Our main priority is putting Global Taste Elevation back to growth into 2026, as it has grown for several of the last 15 years. So that's the priority number one to us.

The North American Grocery Company had a significant improvement in trends in the third quarter compared to the first half, but also declining low single digits, though more than the Global Taste Elevation Company. But priority number one for the North American Grocery Company now is to ensure that we have stable cash flows heading into 2026, but in parallel, we're working hard to make sure that this company also has the prospects of growing low single digits into the future.

In terms of one-off costs, I think it’s too early to talk about that. There is a lot of work in motion right now. We are committed to being very disciplined with the use of cash like we have been. You can see our results despite the EBITDA decline, our cash flow is up year-over-year, and that is going to continue to be the case year to go. So count on us that we should be very disciplined and do the right type of investments that are needed to get those two companies set up for success.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Let me just add then, particularly as you think about the North America Grocery Company. If you look at our history, we have proven that we can be an efficient operator. So, as we think about our separation, we are going to have the same level of efficiency as we think about how do we actually drive both of those companies. I think that beyond that, we also have been a great and a confident company in terms of delivering strong cash flow for our shareholders.

Now I would also point out the fact that I mentioned earlier that we have a playbook that has worked. Some of that playbook, we actually already have deployed to some of the key brands that will be part of North America Grocery. So, if you think back to Q3 and our results on *Lunchables*, on *Capri Sun*, those are brands that now in the future will be part of a North American Grocery, and we were able to return to growth.

What will happen as we go into these two separate companies, and we can create two more focused companies, we can then put the right level of attention and resources to allow both of those companies to fulfill their true potential.

So going forward, the attention of management remains in us making sure that we continue to see the progress of the company because that will support both companies as we exit into the second half of 2026. And thanks for the question.

Operator: Your next question is from the line of David Palmer with Evercore ISI. Please proceed with your question.

David Palmer
Analyst, Evercore ISI

Great. Thanks and good morning, Carlos and Andre. In your slide presentation, you noted several of those key categories where you're clearly improving in terms of market share. Your guidance for the fourth quarter doesn't imply much improvement. And I just wanted to get your thoughts about maybe offsets. Is the -- are categories that you're in? Are they slowing, maybe some offsetting brands where you're seeing a little bit of deterioration?

And then separately, there's that story of the promotion spending that your -- those investments, the $280 million that you're making, that's maybe 2% of North America retail sales. When we track it in scanner data, I know these are audited numbers, but it only shows like that your volume and promotion is only up -- is only down, I'm sorry, 1%, basically unchanged. I'm just wondering what is going on with your promotions? Maybe you could tell us better than what the data is showing us, which doesn't show us much in terms of what activity you are doing? Thanks.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Thanks for the question. So, first, regarding Q4, you are right, the outlook implies revenue in Q4 worse than revenue in Q3, about 100 to 120 basis points. We have inventory phasing, especially in North America, especially in the U.S. So, we do expect this headwind of inventory to be north of 100 bps for the total company. It's a combination of inventory phasing Q4 last year to January given some timing of promotions, and some in September, October.

We also do expect lower consumption in Q4. The inventory has been in our outlook for a while, that's nothing new. The different aspect that also was one of the reasons why we adjusted the expectation for sales down year to go is related to the softness in consumption. So, we saw throughout Q3, the industry decelerating further in the U.S.

In October, aside from hurricane noise, it also started soft. So, we do expect the market share to continue to improve, especially in Taste Elevation. We should expect share to improve, but we expect the industry to get worse. So that results in the consumption overall in the U.S. to be relatively flat to Q3, but with the inventory headwind impacting us.

The second part of your question, on the promotions. So, we concentrated promotions most around the key holidays. So, our highest market share in the year historically is in Thanksgiving and Christmas. So, we do have a lot more promotional activity around this upcoming holiday.

Part of the investments we have made, they were to secure incremental distribution. So, that's part of joint business plans that we do every year with the retailers, and we were very intentional in some cases, to ensure that we could expand distribution which we have been generally getting.

And in some other cases, we did invest deeper than what we would normally do during Back-to-School to ensure that we can accelerate consumers trying our renovated products.

So, we focused a lot on trying to drive units to have those household penetrations coming in, in an expectation that this eventually will generate repeat purchases, which should help with the sales in the future.

Remember, we said that in the beginning last quarter that we would try to do different tactics to accelerate consumer trial of the new products. So, we see that. The ROIs of those are not good, to be honest, the lifts are low and maybe that's why when you look at the syndicated data, you have this perception.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Let me add a couple of things. I think, first of all, we talked quite a bit about the U.S. because if you think about our total company, the reality is that while we're seeing some pressure in Europe in terms of the consumer, particularly in the U.K., we actually are holding our share in a moment in which the U.K. consumer also is seeing some challenges.

And I mentioned earlier, Emerging Markets where we've seen actually strong growth, whether it's in Brazil, the recovery in Mexico that we feel great about, the stability in China, and realizing the Indonesia aspect that has been kind of holding us back in terms of getting to the double-digit growth that we can see in Emerging Markets into the future.

So I think from that perspective, it's why we spent quite a bit of time talking about the US. And if I do a double click on what some of the things Andre mentioned, the reality is that we are seeing some inventory pullback from customers. I think that's a response to what they're seeing in terms of consumer sentiment. So, the fact that we have now one of the worst consumer sentiments we have seen in decades. That we go into even a holiday season, we've already seen how customers are pulling back on inventory, and that's reflected in our guidance too. So, it is a unique moment right now in which the consumer negativity and the sentiment is extended longer than we had originally expected. And we are seeing already on top of that, the customers are also adjusting their own level of inventory to accommodate for that. Thanks for the question.

Operator: The next question is from the line of John Baumgartner with Mizuho Securities. Please proceed with your question.

John Baumgartner
Analyst, Mizuho Securities USA LLC

Good morning. Thanks for the question. Just sticking with the promotional environment in US retail. Despite the joint programming with retailers that you mentioned, Andre, and the larger investment dollars and the improving analytics, weak promos seem to be a theme right now across the center of the store. And Carlos, you mentioned some success with your lifts around Back-to-School, but lifts have also been weaker in other parts of your portfolio as well. So I'm curious what you're finding that's working differently in the areas where the lifts are stronger. Is there a distinction there? And then what changes are you making, if any, to your promo approach into 2026 given the consumer environment?

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

I think there were about 3 different questions in there. So let me take one. I think there's a part of it that we're getting at is some of the success between in Back-to-School. And for us, I think one of the things that we were playing in Back-to-school, and I think we did that effectively, is how do we make sure we are winning in those key moments in which consumers are going disproportionately to stores. So Back-to-School was actually one of our first pilots in which we kind of created a whole more executional approach of how we levered entire brands together during that particular moment. So, what you saw is an improvement in-store display, an increased investment both in marketing but also the promotional aspects inside of the retail environment. And that actually helped us make sure that we have a cross-selling, where brands cross shopping purchase improved by 60 bps.

We also saw an improvement in base velocity as a result of the investments that we made in Back-to-School. So with consumers going to the store, I mentioned the fact that we have brands like *Lunchables* and *Capri Sun*. So when they go to the store during Back-to-School time period, they were actually experiencing a product that we had renovated in both *Lunchables* and *Capri Sun*. So that helps us for the long term to make sure we continue to build stronger base volumes as we go into the future. And I think those are key learnings that we'll take as we go into the holidays, as we go into key other moments into the future. I think that was one of your questions. Andre, I think you want to address some of the other pieces.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Just to compliment. So what we have seen working better generally is more on higher frequency than deeper discounts. We see overall lifts coming down year-over-year. The ROIs are lower than they were last year, in part because of higher overall incremental activity, which dilutes the lift across different players, but also in our case, as I mentioned before because we're going deeper in certain occasions to drive household penetration.

As we head into next year, we have a lot of tests running in selected places to see different types of tactics that would work well, including some cases, cross merchandising and bundling products, adding more events in e-commerce, trying to go maybe go less deep and less focus on key holidays and maybe spread these resources around a more harmonic way throughout the year. So, there are a set of different things that the teams are currently assessing to make sure that we can improve those returns into next year again. Carlos.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

The one thing just to complete the thought on your question is, I think right now, we're also seeing some challenges with the consumer. What we are looking to do and the game that we're playing for the long term here is to make sure we continue to invest behind our brands to drive superiority from a consumer experience perspective.

I do think that right now, the challenges we're facing are more cyclical in nature. So, for us, it's important that as we get out of this particular era in which consumer sentiment is down that we come out of it with a much stronger portfolio with stronger brands. So I do think that we are preparing ourselves not to just be victims of the moment, but actually stronger – building a stronger company for the long term.

Operator: Our next question is from the line of Robert Moskow with TD Cowen. Please proceed with your question.

Robert Moskow
Analyst, TD Securities

Hi. Thanks for the question. I wanted to drill in a little bit on the commoditized categories, Carlos, like coffee and meats. The -- and I guess, cheese to some extent, these three categories are going to be like 40% of the sales of North America Grocery. And as you can see in your results here, sliced meats and coffee have become really problematic.

I guess, I wanted to know, have you started rolling out the Brand Growth System to these categories? Is it harder to implement it in these than it is in the others? In your CAGNY presentation, you yourself said that you have a much lower right to win in coffee and meats. And as a result, does that make it harder to get traction with Brand Growth System than the others? Thanks.*

***This question was not answered live on the conference call due to a technical issue that ended the call prematurely. Management provided the following response after the call.**

You're right that coffee, meats, and cheese are a relevant part of North America Grocery and are facing pressure. We will be applying our Brand Growth System (BGS) to the Balance portfolio and work has already started in meats, with *Oscar Mayer*. This will ensure we have a clear, category-specific roadmap. We've seen BGS work with brands like *Capri Sun* and *Lunchables*, and we would expect the same for these additional brands.

Within our Balance portfolio, our priority has been to generate profit dollars. As we prepare for the split, we will continue to do so and also aim to stabilize top line. Many of our key competitors focus solely on these individual categories. As we split into two companies, we will be in a position to focus and apply more resources to these categories, investing in the capabilities and expertise in those businesses. Plus, we are bringing the BGS discipline to compete more effectively. On a more tactical, short-term level, we are investing in price in Q4 to restore appropriate price gaps in both meats and coffee, despite the commodity pressure. This investment is contemplated in our guidance.

Finally, regarding our right to win, recognizing the dynamics in these commodity businesses, we do want to remind everyone that 75% of the North America Grocery business is in #1 or #2 share position, including in Meats and Cheese. And these brands continue to have very strong brand equity. We expect that deploying the Brand Growth System will enhance our right to win by helping to define the best path to improve our top line position in this portfolio. That work is underway now.