

The Kraft Heinz Company

Q2 2025 Earnings Call | July 30, 2025



COMPANY PARTICIPANTS

Anne-Marie Megela

Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Andre Maciel

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

OTHER PARTICIPANTS

Andrew Lazar

Analyst, Barclays Capital, Inc.

Peter Galbo

Analyst, BofA Securities, Inc.

David Palmer

Analyst, Evercore ISI

Leah Jordan

Analyst, Goldman Sachs & Co. LLC

Megan Alexander Clapp

Analyst, Morgan Stanley & Co. LLC

Max Gumport

Analyst, BNP Paribas Securities Corp.

Alexia Howard

Analyst, Bernstein Institutional Services LLC

QUESTION AND ANSWER SESSION

Operator: Greetings and welcome to The Kraft Heinz Company Second Quarter 2025 Earnings Call. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Anne-Marie Megela, Global Head of IR.

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 second 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. These statements are based on how we see things today and actual results may differ materially due to risk 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.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Well, thank you, Anne-Marie. And thank you, everyone, for joining us today. Listen, I'm pleased to report that our second quarter results came in line with our expectations, with an improvement in year-over-year top line performance. Our investments in product superiority, manufacturing capabilities and key areas of our business are starting to pay off. It's driving momentum and giving us confidence to reiterate our 2025 full year outlook. And while we do not have any new news to report today in our consideration of strategic transactions, I do want to assure you that we are actively progressing on our evaluation with a focus on unlocking long-term shareholder value.

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

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Operator: We'll now be conducting a question-and-answer session. Our first question is from Andrew Lazar with Barclays.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Great. Thanks so much. Good morning. Carlos, during the quarter, Kraft Heinz put out a release that the company was considering various strategic transactions to create value. And there's nothing specific from the company yet, perhaps maybe we can talk a little bit more in generalities.

And there is obviously a report from the Wall Street Journal about potential business separation. I know you can't comment on specifics, but I guess how would you respond to investors that would say such actions oftentimes can be nothing more than financial engineering moves that come with higher costs and dysnergies rather than sort of unlocking value. I'm really just trying to provide maybe a forum where you can talk a little bit about these sorts of things, maybe more in general as Kraft looks at a lot of different possibilities to try and unlock value.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Well, thank you, Andrew. Always great to hear from you. As I said, our board is working with urgency on our evaluation of those strategic options to unlock, as you said, long-term strategic value creation. And what I will say also is, and I'll remind our investors, that we will operate with the same financial discipline you have come to expect from us. So, any actions, if any, will be consistent with that goal of unlocking that long-term shareholder value. And that's essentially all I can say at this time. But thank you for your question.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Yeah. Gave it a shot. Thank you.

Operator: Our next question is from Peter Galbo with Bank of America.

Peter Galbo

Analyst, BofA Securities, Inc.

Andre, maybe a bit more of a technical one. But there was a pretty sizable impairment that was taken in the quarter and was just hoping to get a little bit more detail. It seemed like it was maybe more at the

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enterprise level, but I didn't know if that flowed down to any of the brands in particular, or if it's at all tied to as you contemplate kind of strategic transactions and you think about moving different pieces like that the reporting change triggered the impairment. And again, it's relatively sizable, so just hoping to get some more detail there. Thanks very much.

Andre Maciel

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

Sure. Thanks for the question, Peter. Look, we recorded a \$9.3 billion noncash impairment charge. The trigger for that was only the fact that we have a sustained decline in the stock price, and that has reduced the carrying value of our intangible assets. We have been monitoring this for some time. We disclosed in our previously filed 10-Q the risk that this could happen. So, it's not really new and nothing beyond that. This does not change the view of the value of the company, and we are confident in our direction and strategy.

Operator: Our next question is from David Palmer with Evercore ISI.

David Palmer

Analyst, Evercore ISI

Thanks. I was just wondering how you're thinking about your pricing and promotion levels currently. Where do you see perhaps an opportunity to challenge or to ramp up promotions or narrow price gaps? And where do you feel like you've taken the steps already that you're comfortable where you are versus your competition even if that's private label? And I have a follow-up.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thank you, David. Let me start, and then I'll hand it off to Andre to give additional commentary. I would just say as context, we are essentially a consumer-centric brand, first of all, which means that we are making sure that our brands are going to continue to build for the long term. What you see from us is that we continue to invest, make investments across the board.

Some of that investment is actually pricing. We're including about 100 bps in pricing year-over-year. We also are, on top of that, investing another 30 bps in marketing so that we can reach about 4.8% of marketing as a percentage of net sales by the end of 2025, which will be the highest level in nearly a decade.

In terms of pricing, one clarification that I will make is that if you look at pricing in North America, when you exclude the cost inflation, it's actually negative. That gives you a sense that we're also being thoughtful about how to think about pricing.

Andre, anything else you would add?

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Andre Maciel

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

Well, as we said before, we have built into the initial plan about \$300 million of investments. We have added a little more towards the second half. We have been concentrating the investments mainly on the key windows. You see more activity now in the third quarter as we are at the peak of this summer.

There is some investments that we have saved for this moment as we have a lot of product renovations hitting the market and some core innovations hitting right now. We concentrated efforts on that so we can have the new product, the extra marketing, and those investments hitting at the same time to improve the chance of success.

Carlos, what do you want to add?

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

The only thing I would add, David, here is that it's important to note that we are pricing well below inflation. In fact, we are expecting inflation to be about 5% to 7% this year, and we're only passing around 1% of the pricing. So we are, in fact, keeping the consumer in mind as we're taking these actions on pricing. It sounds like you had another question, David?

David Palmer

Analyst, Evercore ISI

Thank you for that. Just one thing I'm thinking about with regard to Kraft Heinz, particularly as you think about strategic actions, and presumably, there's parts of the business that might garner a higher multiple than the others, the problem that we see across food right now where legacy parts of businesses that might be growthier are not doing as well as they might have done over the long term.

And I'm wondering how you're thinking about that with regard to whether it's Accelerate, Protect or Balance, we're seeing on average declines continuing in those businesses. What are your prospects, I guess, to make your growth parts growthy in the near term, particularly if you want to shine a good light on those parts of the business as you think about strategic actions? Thanks.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thank you. Let me go back to our strategy that we have been consistent following for the last 18 months or so, which is we are making investments to make sure that we're growing across Emerging Markets, North America Retail and Away From Home. And in fact, we are continuing to make investments to drive that growth and return capital to our shareholders.

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When you look at our pillars, in fact, in Emerging Markets you saw we grew our top line by around 8% through both price and volume, at the same time expanding margins substantially. We now in Emerging Markets have the highest operating income margin ever.

If you look at North America Retail and Accelerate platforms, we're actually investing in the power of the Brand Growth System, and we are executing through agile ways of working. Let me just say that if you look at the Nielsen data, IRI data over the last four weeks, in fact, when you exclude cold cuts and bacon that drove about 40% of the decline, the rest of the portfolio in total in North America Retail actually is improving substantially.

In fact, in the last four weeks, ex-cold cuts and bacon, we are down 2.7%, and then year-to-date we're down 4%. You can see that the actions we're taking in North America Retail are also helping us drive the kind of improvements that we want to see in the business. Finally, in Away From Home, we're also expanding our footprint, through distribution and driving new innovation into the marketplace.

The last thing I would say is that we're not done. We're going to continue to invest in the business because we are confident in this strategy. We are making sure we continue to invest in marketing, like I said earlier. We continue to increase our investment in e-commerce, which is helping us also drive improvements in North America. Frankly, we also have a solid balance sheet and a strong cash flow that allows us to continue to make these investments. We feel very good that when you look deeply into our growth pillars, all those investments we're making are taking shape in order for us to be able to continue to drive the company towards long-term success.

Andre Maciel

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

And I think beyond that, we have, as we said before, a lot of product renovation hitting the market right now behind Mac & Cheese, *Lunchables*, Mayo, just to name those three. We have 20% marketing increase year-over-year expected in the second half. The vast majority of all the media increases are all happening now in the second half.

We have, as we said, stepped up some investments in price towards the key windows that are still to come. There is a lot more happening and we should continue to see the Accelerate part of the portfolio in North America improving gradually throughout the remaining quarters.

Operator: Our next question is from Leah Jordan with Goldman Sachs.

Leah Jordan

Analyst, Goldman Sachs & Co. LLC

Thank you. Good morning. Just seeing if you could provide more detail on your sales trends across Emerging Markets? I know there's a big opportunity for distribution gains in Away From Home in the region. So just curious how those gains have tracked versus your expectations so far this year? And how

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should we think about the pace of those gains in the back half versus the front half? And really, what's giving you the confidence in that double-digit exit rate for this year?

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Great questions. Thank you, Leah. Listen, we were very pleased to see that the top line now grew about 8%. I think what's behind those numbers, though, is the fact that the growth is coming from both volume and price. The fact that we are doing that while actually increasing our margins at the same time, gives us quite a bit of confidence that as we look at the end of this year, we should be able to hit our long-term algorithm of double-digit growth there.

For us, we continue to invest in that business and it's not going to stop. Today already, it represents about \$2.5 billion of our business overall. I think what other thing that gives me confidence is the fact that when you look and step back and you look at Emerging Markets, it's really a simpler portfolio. It is focused on taste elevation, in particular on our *Heinz* brand, and we have a strong go-to-market model. When you look at the double click of *Heinz* in Emerging Markets, we actually grew about 18% year-over-year.

It is building on the strength of our key brand in a business that we know how to operate with a model that we now have been able to replicate across markets. So, it's something that now we have been building on the success that we have had in the past historically. Now, we're expanding to make sure that we're growing in LATAM, we're growing in the Middle East, Asia, and Africa. For us, we continue to believe that this is a place where we have tremendous opportunities for now and for the long term.

Thank you, Leah.

Leah Jordan

Analyst, Goldman Sachs & Co. LLC

You had called out incremental inflation and promotions that were pushed from 2Q into 3Q. Just any color on the magnitude of that impact we should think about on a quarterly cadence basis? And then what was the driver of that timing shift for those two items? And how are you thinking about inflationary cost pressures today?

Andre Maciel

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

Look, magnitude is in the range of 30 to 40bps. It's nothing special. It's mostly the recognition based on the inventory positions and the throughput, that's how those inventories got recognized in the P&L. So that's why it shifted from Q2 to Q3, but nothing really beyond that.

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Operator: Our next question is from Megan Clapp with Morgan Stanley.

Megan Alexander Clapp

Analyst, Morgan Stanley & Co. LLC

Hi. Good morning. Thanks so much. I wanted maybe a follow-up just on the organic sales growth in North America Retail. There was a comment in the prepared remarks that you expect gradual long-term improvement in top-line trends. And clearly, it seems like just based on your comment around exit rate on Emerging Markets and food service that the gating factor here continues to be North America Retail. So maybe you can just update us on how you're thinking about timing of getting back to just maybe stabilization, first and foremost, in North America Retail. Thank you.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thank you. For me, what I would say is, if you go back to the strategy, what's fueling our growth and the improvements in North America performance, it is all the fact that we have now invested through our Brand Growth System back in our products. We're investing in our growth superiority. We're investing in better marketing. We're investing in better tools with e-commerce investments that we have made over the last six months. That is giving us confidence that we continue to see that now play into the marketplace.

We ended last year with Brand Growth System impacting about 10% of our business. But at the end of this year, it will be about 40% of our business and disproportionally focused on North America Accelerate platforms. You can see how when we are applying that methodology, that actually is driving improvement in performance.

In fact, let me give an example with *Capri Sun*, which is a business that we renovated. We invested back in the business. We improved the marketing. We improved the products. We made sure that we highlighted the benefits that we have with parents and kids that has no artificial flavors, that we have superior taste, that we have better qualities in terms of things that kids love to have, that we have better promotions partnering with Nintendo, that we bring in new ideas into the marketplace like *Capri Sun* with new promotional limited-edition products, whether that is we bring it to new channels, whether it's club, whether it's convenience.

So, you see how when we apply the Brand Growth System on a brand like *Capri Sun* that is comprehensive, the investments we make, the improvement that it yields in our business. So that, along with the fact that we continue to step up our marketing, as I mentioned earlier, about 30 bps to get us to about 4.8% by the end of the year, that combination of the way we are investing, the fact that we're investing more and that we're using agile ways of working to then take those learnings and apply it to the portfolio is a combination that we believe are the right tools in order to drive complete continued improvements in our North America Retail business.

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Megan Alexander Clapp

Analyst, Morgan Stanley & Co. LLC

Thank you. And maybe just a quick follow-up for Andre on the gross margin outlook. Inflation, I think, overall looks to be unchanged for the year, that 5 % to 7%, obviously a wide range. But would you be able to update us on what base input cost inflation is versus tariffs, if that's changed at all? And then how should we be thinking about what carries into 2026, just what looks to be a – given a kind of lower exit rate on gross margin in the back half relative to the first half? Thank you.

Andre Maciel

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

In terms of inflation before tariffs, we have the peak of the commodities hitting in Q2, but some of that in terms of P&L recognition got pushed into Q3, and we should expect some sort of relief starting in Q4. So it should start to reach the inflection point. We still have markets of high commodity inflation, particularly on meat and coffee.

Regarding the tariffs, the current expectation based on the latest is an impact of approximately 100 bps this year. And if the tariffs remain as they are right now, it will create a full year annualized impact of approximately 180 bps. So, there will be some carryover into that effect in 2026.

As I said before, there are a lot of actions in place for our procurement teams and also for our commercial teams to mitigate as much as we can, being mindful about the current consumer situation. But some pricing is required, and that's what we are doing.

Operator: Our next question is from Max Gumport with BNP Paribas.

Max Gumport

Analyst, BNP Paribas Securities Corp.

Hi. Thanks for the question. Center store peers that have recently established their off-calendar FY 2026 outlooks have embedded some pretty meaningful margin pressure over the coming quarters from substantial reinvestment. I recognize with your marketing going to at least 4.8% of sales and media spending going up at least 20% year-over-year, you are also reinvesting. But it still feels a bit less sizable than what we are seeing from some of these peers. So particularly in light of the continued volume declines, just want to get a better sense for what's giving you the confidence that your investment plans for this year are appropriate. Thanks.

Andre Maciel

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

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Thanks for the question. Look, as with everything we do, we are always very disciplined in our investments, and we like to test investments before scaling them up. We feel good about the actions that we are doing for this year. I think those are the right ones, and the magnitude are appropriate as well.

As we said in the last earnings, if we see the results we expect from them, we will not hesitate to step up. Keep in mind as well that we are actively expanding the Brand Growth System to more brands as we speak. This is part of the reason as well why we decided to step up investments a little more beyond what we initially said last quarter. As opportunities show up as part of this assessment, we will continue to step up investments.

At this point, we're really trying to grow the business in a way that we think is healthy, not through price, but through stronger products and stronger attributes, stronger marketing, which takes more time, but it's the right thing to do. But we are going to step up investments if we deem it's appropriate.

Anne-Marie Megela

Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Operator, we have time for one more question.

Operator: Our last question is from Alexia Howard with Bernstein Research.

Alexia Howard

Analyst, Bernstein Institutional Services LLC

Can I ask about the pace of innovation? If I remember correctly, you were pretty low on the innovation front for much of the pandemic and the global supply chain disruptions. But it sounded as though you exited 2024 at a somewhat higher rate, but probably still quite a lot lower than peers.

Can you talk about where you're at today as a percentage of sales? Where you'd like to get to over time? And how quickly you could get there, just so we can get a sense for how quickly that might be ramping up? Thank you, and I'll pass it on.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thank you, Alexia, for your question. Let me just give you a little bit of context, which is, for us, it's important that when we define innovation, we're also thinking through what are the places that we can, in fact, renovate many of our key products.

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When we talk about our Brand Growth System and the fact that it allows us to focus on us, making sure we bring the attributes to consumers they care about in our core business, that is actually a key part of also thinking through how do we maintain innovation within our business.

As you pointed out, if we go back to 2022, that number on innovation was around 1.6% of our sales. By the end of last year, it was about 3% of our sales. We're going to continue to drive from that investment on innovation to contribute a larger part of our business as we go forward.

I would say it is already paying off. If you think about the innovation that we have brought in, like the experience of bringing the Taco Bell restaurant experience to home, it is now the second year in which we're growing that business double digits, and now we're expanding to Canada.

I mentioned earlier, *Capri Sun* bottles, that we are now bringing into club. We're bringing in single-serve too. And now, it's achieving high levels of velocities, too, wherever we have taken that product outside of the pouch.

And we're also making sure that we continue to drive innovation in our *Heinz* business. I mean, whether that is looking at how do we take it into pasta sauce, which is happening across many of our businesses across both Europe and Latin America. But it's also making sure that we continue to expand on the importance of our *Heinz* Mayo business across our international portfolio and continue to expand into new countries as we go into 2026.

While you're right that we continue to see opportunities for innovation, our focus continues to be making sure we have the right core products with the right renovation in those businesses. And at the same time, being thoughtful about how we are actually bringing innovation to market that has the long-term opportunity to be here for many, many years. And I'm pleased to see what I'm seeing. I also think that there's more for us to do.

The last thing I would say is it's important to recognize, and when we talk about the Brand Growth System, it also creates and highlights opportunity for us to go after new innovation. You're going to continue to see us go to marketplace, whether that is with the kind of focus on not only line extension and new exciting flavors, the ways in which we can actually continue to make sure our brands are relevant for now and for the future. More to come.

Thank you, Alexia.

Operator: Thank you. This concludes today's conference call. We thank you for your participation. You may now disconnect your lines.
