



Fourth Quarter 2022 Earnings Pre-Recorded Management Discussion

Feb. 15, 2023

Please view the following prepared management remarks together with our Annual Report on Form 10-K, the earnings release that accompanies these remarks, the related presentation slides, and the non-GAAP information that accompanies 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 related earnings release and presentation slides and accompanying non-GAAP information are available on our website at ir.kraftheinzcompany.com under News & Events > Events & Webcasts, or directly at 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 under News & Events > Events & Webcasts, or directly at 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,” “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 EBITDA, Constant Currency Adjusted EBITDA, Adjusted Gross Profit, Adjusted Gross Profit 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.

Q4 2022 Earnings Pre-Recorded Management Discussion

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ANNE-MARIE MEGELA, HEAD OF GLOBAL INVESTOR RELATIONS

Hello. This is Anne-Marie Megela, Head of Global Investor Relations at The Kraft Heinz Company. I'd like to welcome you to our fourth quarter and full year 2022 business update.

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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 earning's release and the non-GAAP information available on our website at ir.kraftheinzcompany.com under News & Events for a discussion of our non-GAAP financial measures and reconciliations to the comparable GAAP financial measures.

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Today, our Chief Executive Officer and Board Chair, Miguel Patricio, will provide an update on our overall business performance. And Andre Maciel, our Global Chief Financial Officer, will provide a financial review of the fourth quarter and full year 2022, and will discuss our 2023 outlook.

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

You can access our earnings release, supplemental materials, and audio of our question-and-answer session at ir.kraftheinzcompany.com. A replay of the question-and-answer session will be available following the event through the same website.

With that, I will turn it over to Miguel.

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MIGUEL PATRICIO, CHIEF EXECUTIVE OFFICER AND BOARD CHAIR

Thank you, Anne-Marie.

And thanks to all of you for joining us today. Let me start by saying that our hard work has certainly paid off. In 2022, we delivered strong results with great momentum as we closed the year. I am very proud of the entire Kraft Heinz team, and our partners, for making this happen. We did it while navigating a difficult environment, with ongoing inflation and supply chain disruptions, keeping in mind the challenges our consumers are facing while never losing sight of the future.

We have been transforming our company over the last few years, and I am pleased to say that in 2022 we have made incredible progress. However, there is still much work to do. With the foundation that has been laid, I am very optimistic for what the future holds for us, our consumers, and our stakeholders.

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As you can see here, we've accomplished a lot this year. And I'm excited to share the details with you. With that, let's dive in.

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For the full year, we delivered 9.8% Organic Net Sales growth versus prior year. We also came in at the top end of our Adjusted EBITDA guidance, at slightly over \$6 billion dollars.

Turning to the fourth quarter, we saw accelerated momentum on several key metrics. In terms of Organic Net Sales, we grew 10.4%, driven by our 3 pillars of growth and continued ongoing demand for our brands – powerful brands that resonate with the consumer.

For Adjusted EBITDA, in the fourth quarter we delivered 8.6% growth, or 5.6% when removing the impact of divestitures and the benefit of the 53rd week.

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Our top-line growth is coming from all three pillars: Grow Platforms in U.S. Retail, Foodservice and Emerging Markets. Let me talk through our performance in each one of these areas.

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Our strategy is working. In the fourth quarter, total North America Zone Organic Net Sales grew 9% versus the fourth quarter of last year, and our U.S. Retail GROW platforms have grown approximately 15% over the same time period.

And our growth strategy has been working consistently since we began our transformation, with our portfolio delivering elevated growth versus 2019. Total North America Zone Organic Net Sales have grown at a 6% compound annual growth rate versus the fourth quarter of 2019. And our U.S. Retail GROW platforms have grown approximately 9% over the same time period.

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Our Organic Net Sales growth in North America continues to be driven by strong price execution, necessitated by record levels of inflation we saw in 2022 and relatively low elasticities. In the fourth quarter, Organic Net Sales was up over 9%, reflecting a sequential decrease in pricing relative to the third quarter as we begin to lap pricing that was taken in the prior year.

Our US retail consumption continues to see quarter over quarter acceleration and increased to 10.5% in the fourth quarter. This reflects positive price of 16.3% and a volume/mix decline of

5.8%. Looking at consumption, elasticities are holding steady, and we continue to see strong consumer demand for our products.

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Moving onto market share performance, we saw further improvement in the fourth quarter. Mix adjusted share vs prior year improved by 20 basis points relative to the third quarter. Non-mix adjusted share had a slight improvement relative to the third quarter. I am pleased to say that we are on the right track, with sequential market share improvement each month within the fourth quarter.

We continue to compete very well against private label. Looking at share performance in the fourth quarter relative to the third quarter year-to-date period, we had the most significant improvement in share when comparing to branded competition and private label. Private label saw a slight increase, while branded competition is down as private label continues to gain share from other branded players. Private label growth is not coming from us, rather from other branded competition, underscoring the strength of our brands.

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And as we have highlighted before, our portfolio of iconic brands is balanced, with our market share by consumer base not over-indexed to any one income level. We saw year-over-year market share improvements for all income levels relative to the beginning of the year. And in fact, the largest group of consumers of our products by income is growing the most, with a 13% increase in consumption in the fourth quarter.

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Now let's move to our second pillar of growth, Foodservice, where we continue to see double-digit growth.

Kraft Heinz foodservice grew over 20% both in the year and in the fourth quarter, with strong performance across North America and International. We gained share in both zones and significantly outpaced industry growth.

In North America, we are focused on best-in-class execution to support category leading brands. TDPs were up in 2022 relative to 2019, despite purposely reducing our number of SKUs by approximately 50% to drive focus and profitability. In International, our Chef Model continues to be very successful. In 2022, it was responsible for 30% of new business wins.

As a result of our continued commitment and the strong growth we are seeing, we have invested in additional capacity that will come online in the second quarter. We are adding new assets for our Dip and Squeeze Ketchup, which will enable 50% more production capacity, and a new line for Single Serve Ketchup packets, which will enable 20% more production.

Foodservice remains an attractive channel for us, and we are very encouraged by the growth we have seen. We are underpenetrated and we expect to continue to see strong results in 2023.

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Turning now to our third pillar of growth, Emerging Markets.

In 2022, Emerging Markets grew approximately 15%, ahead of total International Zone growth of 12%. And in those markets where the Go-to-Market model has been implemented for at least 6 months, Organic Net Sales grew 25%.

As we ended the year, we increased the percentage of Emerging Markets leveraging the Go-To-Market model from approximately 30% in 2021 to over 70% in 2022. This 70% represents countries where the model implementation had either begun or has been fully completed. And we plan further expansion in 2023, targeting approximately 90% of Emerging Markets to be leveraging the Go-To-Market model by the end of the year.

As you can see, our three pillars of growth are delivering. We have gained momentum in each of these areas despite a difficult, yet improving, environment.

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With the supply chain still challenged and consumer wallets being squeezed, our teams are actively providing consumers with solutions, while also improving service levels and delivering on efficiencies. And our efforts here are paying off, supporting topline growth.

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Specifically, the breadth of our portfolio uniquely positions us to be there for all consumers. Last quarter we shared some of the solutions we are providing as new trends emerged. Consumers are looking for convenient, filling, and nutritious meals, while at the same time paying more attention to the price tag.

Our consumers, now more than ever, are looking for choices that they can enjoy On the Go, that are Easy to Prep, are Feel-Good Foods, and provide Price Point Optionality. Within each of these needs, we have multiple brands that consumers can turn to.

The value we create through our brands is why we are confident that consumer demand for our products will remain strong. And in fact, in the fourth quarter many of these product solutions were gaining share, including *Lunchables* and *Kraft* Mac and Cheese Cups, further evidencing that consumers are turning to our trusted brands in these tough times.

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And although the operating environment is getting better, we are not in the clear. The issues with upstream suppliers are stabilizing, but there are challenges that arise from time to time, more sporadic in nature, that we continue to address with agility.

This is reflected in our case fill rate. Year-to-date through the third quarter, U.S CFR was just below 90%. In the fourth quarter, we continued to see small improvements each month, ending December at the highest level we have seen all year. But we are still not where we need to be, with a goal of getting back into the high 90's.

From an efficiency perspective, we delivered approximately \$450 million dollars of gross savings in 2022, well ahead of our target of \$400 million dollars per year. And we are ahead of our plan to deliver \$2 billion dollars by 2024!

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Now, let me turn to our long-term strategy. Despite all the challenges last year, we continued to make advancements. 2022 was an incredible year for Kraft Heinz for many reasons.

Let me take you through a couple of key highlights.

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First, we continued to strengthen our portfolio, unleashing the power of our GROW platforms. Following the divestitures of some of our non-core businesses, we have a portfolio that's less vulnerable to commodity volatility and trade-down risk.

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We continued to invest in our brands, renovating consumer favorites such as *Philadelphia*, *Lunchables*, *Kraft Singles*, *Capri Sun* and *Delimex*. We have done so by leveraging our Brand Design-to-Value framework, where we invest in what's important to consumers and remove what isn't, in some cases generating efficiencies to reinvest in the business.

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We also expanded Agile@Scale throughout the organization. We invested in dedicated talent, digital technology solutions, and trained the organization on the disciplined processes of agile ways of working.

Revenue Management is one area where we have seen significant value creation through a proprietary digital solution. In this space, we've developed analytics to drive sales growth by optimizing our promotions. As an example, in the second half of the year we analyzed the Hot Dog and Bacon categories for the key power windows – Labor Day, Thanksgiving and Christmas. We found that by making an incremental investment in trade, we could execute

promotions that would increase our market share while driving profit and increased sales for our retailers. A win-win all around.

All in, the projects we executed in 2022 contributed more than \$100 million dollars in EBITDA to our results and are poised to drive even more value in 2023 and beyond.

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We are connecting with consumers through disruptive marketing and it's being recognized more and more externally. In 2022, we won 11 Cannes Lions, the most in our history. And through data, technology, and our in-house agency, The Kitchen, we are driving amplified earned media and moving at the speed of culture.

Last year, we drove more earned media coverage for our brands than ever before. Earned impressions more than doubled over the last 2 years, with seven brand activations garnering 1 billion or more earned media impressions in 2022 alone.

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We built strategic partnerships to accelerate our strategy. These partnerships allow us to drive speed, quality, and capabilities across the entire value chain.

And to top off 2022, we are excited to announce a new multi-year partnership with IHOP. This is an example of how we're taking new and unexpected approaches within some of our product categories. In April, we'll launch IHOP-branded coffee in retail – leveraging the scale and capabilities of our existing coffee business, and partnering with a fan favorite brand like IHOP, to reach new consumers.

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In 2022, we continued to unlock the value of Primal Kitchen, which has doubled net sales since we acquired the business. And we integrated our 4 recent acquisitions, expanding our footprint to new geographies, gaining new distribution points, as well as leveraging Kraft Heinz' existing distribution network to drive sales of our new brands. Through these acquisitions, we have also gained new capabilities to allow us to explore new channels such as

Direct-to-Consumer.

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We continued to unlock efficiencies, overdelivering our gross savings plan for the year, with approximately \$450 million dollars of variable cost efficiencies.

And we strengthened our balance sheet and returned to investment grade rating in about 2 years!

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And none of these accomplishments would have been possible without our incredible Kraft Heinz team. We have made investments in our people, and it shows, with significantly improved employee engagement.

And with that, I will pass it on to Andre to walk you through our fourth quarter results and 2023 outlook.

ANDRE MACIEL, GLOBAL CHIEF FINANCIAL OFFICER

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Thank you, Miguel.

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In the fourth quarter, I am very pleased that we finished the year with strong momentum and are well positioned for 2023.

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Q4 Organic Net Sales growth was 10.4%, with both Zones delivering strong performance. North America grew 9.2% and International grew 14.3%. As you can see, both Zones delivered robust price with elasticities below historical levels.

Looking at Constant Currency Adjusted EBITDA, Kraft Heinz grew 10.7% in Q4. This includes a negative impact of 4.9% due to divestitures and acquisitions and a positive 7.4% impact from the 53rd week. At the segment level, North America and International grew Constant Currency Adjusted EBITDA 7.8% and 28.0%, respectively.

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Reported Net Sales was up 10.0%, with strong price realization of 15.2% despite lapping the first round of price at the end of 2021. Volume was down 4.8%, with elasticities still below historical levels. We experienced headwinds from 2021 divestitures and currency, and a tailwind from the 53rd week.

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We generated over \$1.7 billion dollars in Adjusted EBITDA in the fourth quarter. Price offset inflationary pressure in the quarter, but not on a full-year basis. This is due to the lag between when we realized inflation and when we priced. The impact from divestitures in the quarter was approximately \$70 million dollars. And the impact from the 53rd week was stronger than initially expected, coming in at approximately \$120 million dollars.

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Looking to Adjusted Gross Profit Margin, the fourth quarter came in at 32.2%, which as expected, was a sequential improvement versus the third quarter, and the highest achieved in the year. Fourth quarter Adjusted Gross Profit Margin was in line with 2019 levels, and we have made significant progress in narrowing the year-over-year margin gap, but we are still 60 basis points below Q4 2021 driven entirely by the dilutive impact of pricing in the P&L.

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Moving to Private Label. As we have said before, our portfolio is significantly less exposed to private label than in the past. Following the divestiture of our nuts and natural cheese businesses in 2021, we have lower private label exposure relative to the industry.

As we look at our price gaps to private label, remember that sensitivity is low for approximately 60% of our US retail business. For 35% of our business, price gaps are more

relevant, but these gaps have been preserved throughout Q3 and Q4. Coffee is the only sensitive category where price gaps have increased, but dollar market share is stable.

We continue to actively monitor the competitive landscape very closely and will continue to take necessary actions to protect our Adjusted EBITDA dollars.

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Total sell-out volumes in the US were up 1% in the fourth quarter 2022 versus 2019. More importantly, base volume, which highly correlates with brand equity, grew 8% when adjusted for a negative 2% impact from strategic SKU rationalization. Incremental volumes contributed negative 5% to overall volume. This is driven in part by ongoing service level constraints, but in our case, it's mainly a consequence of our revenue management execution, as we have been investing significant resources during the last three years to improve the way we spend trade for both ourselves and retailers.

As you can see in the chart on the right, we have reduced volume sold on promotion more versus our branded competitors, and this is coming from a higher base. We feel confident that we will not go back to 2019 levels.

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Turning to Adjusted EPS, we generated 85 cents in the fourth quarter, up 7.6% versus prior year. These results include a 5-cent negative impact from lapping divested businesses and a 6-cent benefit from the 53rd week in 2022.

Pension income continues to be a headwind, contributing a 3-cent negative impact due to the higher interest rate environment and decline of equity markets. We currently see this headwind also impacting 2023. It's important to note that this is a non-cash impact and our pension plans remain overfunded, with relative funding levels being fully preserved.

For the full year, Adjusted EPS was \$2.78, down 5.1% versus prior year. This includes a negative 26-cent impact from divested businesses, a negative 6-cent impact from a higher

effective tax rate, and a negative 5-cent impact from the reduction in pension income.

Although the tax rate was a headwind for the year, it was still significantly lower than our ongoing tax rate as we recognized approximately 200 basis points of favorable discrete items in the year.

These negative drivers were partially offset by lower interest expense contributing a 13-cent benefit and the 53rd week contributing a 6-cent benefit.

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Our 2022 Free Cash Flow conversion of 45% reflects a rebuilding of inventories that will be key as we continue to improve service levels. Free Cash Flow also reflects the payment of taxes in the second quarter in conjunction with the divestitures. These two items together brought down full year Free Cash Flow Conversion by 31 percentage points. For the fourth quarter, Free Cash Flow Conversion is more in-line with historical levels at 64%.

We ended 2022 with a net leverage ratio of 3.2 times, a significant improvement over the past couple of years. We remain focused on our target ratio of approximately 3 times and believe this level provides us with sufficient financial flexibility.

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For 2023, we expect Organic Net Sales to grow between 4 to 6% compared to 2022, above our long-term algorithm of 2 to 3%. The growth is anticipated to be price driven, with elasticity increasing relative to prior year, but not to the magnitude of historical levels. Nearly 95% of the pricing contemplated in our 2023 outlook has already been accepted, and about 90% is implemented.

We expect high-single digit inflation for the year, with pricing and gross efficiencies contributing to Adjusted Gross Profit Margin recovery. Half of the inflation we are seeing in 2023 is carryover from 2022 and the other half is new. Of the inflation that is new, approximately one-third is from conversion costs and two-thirds is from input costs. Inflation in the first half of the year is expected to run in the low double-digits and then taper to high

single-digits in the back half of the year.

Adjusted Gross Profit Margin expansion is expected to fund incremental investments across marketing, technology, and people. As we outlined in our long-term algorithm, we are investing for growth, funding these investments while preserving our top tier Adjusted EBITDA margin.

Constant Currency Adjusted EBITDA is expected to grow between 2 to 4%, or 4 to 6% when excluding the impact from the 53rd week in 2022. Based on current foreign exchange rates, we expect a 1 percentage point headwind from currency. This step up in performance demonstrates that our growth transformation is working. As you may recall, our long-term algorithm calls for Adjusted EBITDA growth of 4 to 6%.

We expect Adjusted EPS to be in the range of \$2.67 to \$2.75, which includes approximately a \$0.04 negative impact from expected unfavorable changes in non-cash pension and post-retirement benefits, and a negative \$0.04 currency headwind at current foreign exchange rates.

Our Adjusted EPS outlook contemplates a tax rate of 21.5%, which is under the assumption that none of the discrete benefits we received in 2022 will repeat. The expected 2023 year-over-year Adjusted EPS also includes negative \$0.06 impact from lapping the 53rd week in 2022.

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With that, let me hand it to Miguel for closing comments.

MIGUEL PATRICO, CHIEF EXECUTIVE OFFICER AND BOARD CHAIR

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Thank you, Andre. I am very proud of our results. Not only because they were strong, but because of what they show about our transformation. Even with the dynamic environment we

are facing, we grew Organic Net Sales, grew Adjusted EBITDA, and began to recover our gross margin in the fourth quarter, all while continuing to invest in our brands and to provide value to our consumers. Today, we are a better company, with better results and are making the right strategic investments in the business. We are accelerating profitable growth and are on a path to strong Adjusted EBITDA and cash generation. This momentum gives me even more confidence that we are on the right path in our journey to Greatness. To hear more about this path forward, please join us next week at CAGNY.

Thank you for your time and your interest in Kraft Heinz!

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