

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



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QUESTION AND ANSWER SESSION

Operator: Good day and thank you for standing by. Welcome to the Kraft Heinz Company first quarter results conference call. At this time all participants are in a listen-only mode. After the speakers' presentation there will be a question-and-answer session. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Anne-Marie Megela, Global Head of Kraft Heinz Investor Relations

Anne-Marie Megela

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

Thank you, and hello everyone. Welcome to our Q&A session for our first quarter 2024 business update. During today's call we may make forward-looking statements regarding our expectations for the future, including items related to our business plan 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 and Events for a discussion of our non-GAAP financial measures and reconciliation to the comparable GAAP financial measures.

Before we begin the Q&A session, it gives me great pleasure to hand it over to our Chief Executive Officer, Carlos Abrams-Rivera for opening comments.

Over to you, Carlos.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Well thank you, Anne-Marie, and thank you, everyone, for joining us today. So, before we begin our Q&A I'd just like to provide some perspective on our top obsession here at Kraft Heinz, our consumers. And while we've seen a notable uptick in consumer sentiment in the first quarter, there is a gap between high and low earners, which continues to remain wide. And it shows a clear and continued bifurcation.

So, the lower income consumers are challenged with interest rates remaining high, gas prices elevated and savings dwindling. So, there's a clear pullback of restaurant spend by these lower earning households, especially restaurants and convenience stores. These consumers instead are looking for value as they prepare more meals at home. So, in contrast, there has been meaningful growth in travel

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024

and accordingly, an increase in hospitality and entertainment sales driven by the bounce back among the higher earners.

And here at Kraft Heinz we are there to meet the evolving needs and tastes of all consumers, whether they're looking for value in serving their family delicious meals at home or seeking culinary delights as they set out on new adventures. They can look to the iconic and trusted brands of Kraft Heinz. So, for us it's about having brands that are accessible and available to everyone. And I believe we're well positioned to serve all of these consumers for three primary reasons. One, because we're bringing innovative food solutions and faster than ever before; two because we continue to renovate our core brands for today and tomorrow; and three, because we have the best team in the industry, full stop.

We're on track to meet our goals of generating \$2 billion incremental net sales from innovation, and the world has taken notice, as we were recently named one of the world's top 50 Most Innovative Companies by Fast Company. But more importantly, we are expanding the choices we offer our consumers so that they don't have to sacrifice. Whether it's providing greater value through multipacks, plant-based options such as our newly released NotCo Mac & Cheese or expanding the choices in our iconic brands such as zero sugar Heinz Ketchup.

Myself, I've been travelling around the world visiting with our employees, and they are consumer obsessed. Their sense of ownership, collaboration, and agility is so inspirational. I just want to say thank you to every one of them for their dedication. We are proud of our progress, but far from satisfied, as we continue focusing on serving those consumers and making life delicious for everyone.

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

Operator: Thank you. Our first question comes from Andrew Lazar with Barclays. You may proceed.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Thanks. Good morning, Carlos, and Andre.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Morning.

Andre Maciel

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

Hi, Andrew.

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024

Andrew Lazar

Analyst, Barclays Capital, Inc.

Thanks. It looks like KHC is still losing share in North America Retail, though at a more modest pace recently. But in the ACCELERATE Platform specifically, your remarks call out holding or gaining share in about 55% of this platform. I guess, would you expect this percentage to be higher given the disproportionate allocation of resources to this platform? I guess a little more detail on share trends within ACCELERATE would be helpful.

And then, you mentioned US restaurants softening a bit. Are you starting to see any of that on the flip side benefit at-home eating for your business? And if not, why would that be? Thanks so much.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Yeah. So thank you, Andrew, for your question. Before I get into the ACCELERATE, let me just at least give you a view how I'm seeing the business perform so far. And if you look at the last five weeks, just to remove the noise of Easter, we actually have continued to see volume share improvement versus year-to-date, and we're holding dollar share at the same pace in the US. So that's at the macro level at the US for our company. Now, if you look at ACCELERATE Platforms, we actually continue to outperform the other platforms. So far, we are seeing flat dollar share and growing volume share by 0.2 points.

And now let me just break out the other two and then I'll go back to ACCELERATE. We are losing share in PROTECT platforms as we continue to see the impact of the decline in SNAP benefits. At the same time, I'm actually pretty excited about the renovations we are seeing in these brands because we are going to continue to bring more consumer preference options as we go through the year. In our BALANCE part of our portfolio, we are losing share, but improving versus year to date, primarily driven by coffee.

Now, to your question about ACCELERATE platforms, there's a couple of big brands that are in there that I would like to unpack a little more. If you think about our Mac & Cheese business, which is within the ACCELERATE platforms, what you're going to be continuing to see is, one, we are going to start lapping a lot of the headwinds from SNAP. Mac & Cheese was probably one of the categories that was more impacted by SNAP. And as we go into Q2, beginning now in May, you'll see a plethora of new innovations from gluten-free to new options on flavors on our Mac & Cheese business, as well as some new and exciting things for the category with some new SKUs that we're bringing in the second half of the year.

If you look at the other parts of our ACCELERATE Platform, that includes our condiments. And in the condiments side, what I would say is, our category actually is expanding. So, we are growing, and we're actually growing volume share. So, for us, how do we continue to drive this growth within the category that has the right tailwinds behind it? And you'll see us continue to expand on the number of offers and innovations as we go through the year.

The one note that may be also helpful to understand in our ACCELERATE Platform is also we also got out some non-strategic business, in particular, our Heinz bulk vinegar, which it was a business that, for us, in

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024

terms of economics, didn't make as much sense. So, we also exited that in the first quarter of the year. So hopefully that gives you a sense how we're thinking about ACCELERATE within the context of our company.

I think the second part of your question is on our Away from Home business. And I think, let me just say that right now, as I mentioned in the prepared remarks, we are seeing some slowing of the restaurant traffic in the US, and some of it is impacting our business. But also some of the impact that we saw in the first quarter was due to us exiting some low-margin businesses as we think about making the right choice for the overall P&L. The actual exit of the businesses was about \$15 million in the first quarter, and that's going to be similar throughout the rest of the year.

Now for us, we believe as we go forward, we actually believe that it's about us continuing to drive the importance in Away from Home in new channels. I mentioned in the opening remarks that we're also seeing great opportunities in terms of travel and leisure. And that's an area where our teams are both focused because of not only growth, but also because it allows us to expand margins into those areas. And we also are seeing improvement in terms of distribution of our core businesses as we go into Q3. So again, I feel very good about Away from Home. I think that the trends will continue to improve.

And at the same time, for us at Kraft Heinz, we have the scale to make sure that no matter where our consumers are shopping, at hotels, restaurants or at home, that we have the distribution opportunity for us to kind of make sure that we are there to service anywhere they are.

Andrew Lazar

Analyst, Barclays Capital, Inc.

Thanks very much.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thanks for the question, Andrew.

Operator: Thank you. One moment for questions. Our next question comes from Ken Goldman with JP Morgan. You may proceed.

Ken Goldman

Analyst, JPMorgan Securities LLC

Hi. Good morning. Thank you.

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Morning, Ken.

Ken Goldman

Analyst, JPMorgan Securities LLC

Hi. You mentioned inflation in your comments in a few areas. I guess two questions here. First, I don't think you updated us. Forgive me if I missed it, but I think last time you were talking about maybe 3% cost inflation for the year. I'm just curious if that's still a reasonable number.

And then I guess, second, more broadly, there's been a lot of attention paid to cocoa, obviously, but coffee inflation's been fairly notable as well. And I'm just curious, right, even though historically coffee is somewhat of a pass-through category, do you think that if you or your competitors need, you'll be able and even willing to raise prices to customers as much as you typically might have? Or do you maybe expect a little more, I guess, pushback than usual?

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thank you, Ken, for the question. Okay, let me start and then I'll ask Andre to continue to build on it. For us, we are certainly committed to continue to provide families with affordable options. And that is something that we take very seriously. And if you think about 2023, we did end the year with 3% inflation, but we only passed about 1% pricing to consumers. So, we did that very, very much intentionally in a way for us to make sure we are all doing everything we can to offset things so that consumers don't see it.

Now Andre, if you want to comment a little more in terms of cost inflation today in the coffee category.

Andre Maciel

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

Sure. Good morning, Ken. We still expect inflation to be in the low-single-digit territory like we said before. So, nothing has changed on that regard, with inflation a bit more concentrated in Q2 and Q3 than in the other quarters. And that's primarily because of the big three commodities: cheese, meat, coffee, which we are seeing particularly in meat and cheese a higher level of inflation happen in Q2, Q3 as you are lapping very favorable comps from last year. So, we don't see any other meaningful change here. And the pricing we would be taking is very surgical and would be around those categories that have been suffering the largest impact.

And I'll say, cocoa, luckily, is not a relevant part of our portfolio at all. I mean, a little bit in the Netherlands. But beyond that, there's nothing worth mentioning. And we don't see any reason to

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



believe at this point that we would not be able to continue to pass through the prices in those commodity categories like it has always been the case.

Ken Goldman

Analyst, JPMorgan Securities LLC

All right. Thank you. And if I could ask a quick follow-up. Just the increase in gross margin guidance coupled with no other changes implies a bit higher SG&A than you previously expected.

So just assuming that's accurate, are there any key areas in operating expenses we should think about that are maybe a little bit higher than planned? Obviously not a huge amount, or maybe the plant shutdown is the primary, I guess, culprit here so to speak. Just trying to get a little color there if we could.

Andre Maciel

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

As you saw in CAGNY, we are starting to deploy our Brand Growth System, which is the method that will allow us to continue to improve in our marketing, continue to strengthen our brands. And one of the components of the Brand Growth System is ensure that you have the sufficient level of marketing across the portfolio.

And we're starting to see a few selected areas where we need to step up marketing investment, thinking on the long-term. And we have been gradually approving incremental investments on top of what we initially planned on the marketing side in particular, which I think is a great thing for us. That's all.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thank you, Ken.

Operator: Thank you. One moment for questions. Our next question comes from Bryan Spillane with Bank of America. You may proceed.

Bryan Spillane

Analyst, BofA Securities, Inc.

Hey, thanks, operator. Good morning, everyone. I just had two questions. One, just I guess a detail. Can you share with us – I think in the past you've shared with us how much the SNAP issue has impacted organic sales. So, do you have that for the first quarter?

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



Andre Maciel

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

Look it's never 100% precise. We're talking about the macroeconomic model. But we estimate on the US retail business, in the range of 200 bps negative impact.

Bryan Spillane

Analyst, BofA Securities, Inc.

Okay. Thank you. And then question on Away from Home in the US and the deceleration, and again, you've quantified the impact of the plant closure. But just can you give us a sense of how much of the impact of exiting the customer. But can you give us a sense of just how much of the decline is also related to like traffic at restaurants? I'm just trying to get a sense of the weighting of what's actually driving the slowdown.

And then also, as you look into the second half, right, where you're expecting – there's an expectation that there's going to be some recovery. Just what underpins that? And I say that in the context of as we're going through earnings season, a lot of the restaurants have incrementally gotten worse or slower. So, just is there maybe too much optimism baked into the back half expectation for a recovery when it looks like a lot of these restaurant companies are guiding down?

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Let me start and then Andre, if you want to build on that. And thanks for the question, Bryan. First of all, I continue to feel very good about our overall strategy globally about Away from Home. Again, it's a business that we are seeing continue to improve outside the US and even as we are seeing some of the slowing of the restaurant business here in the US.

If I think about the second half, there's a few things that I think we'll feel better as we go into this rest of the year, even in the US here. First of all, we mentioned about this factory impact that we had to close for unplanned maintenance. And that's going to affect us in Q2. And that will be behind us as we go into the second half of the year.

The second part is that we are also going to be expanding the number of clients in our portfolio. So, there's number of things that I cannot speak to today, but that we'll see as we go into Q3 in which will actually expand the distribution of our products.

And then the third part is that we are going to continue to drive the focus on us going into attractive higher-margin channels. So again, beyond the restaurants, in places like leisure, hospitality, and travel where we are actually seeing better performance because of the higher income consumer and us getting into those channels in particular. And I think within that channel we are seeing very successful programs

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



around our Heinz Selection program and hospitality experiences that allow us to bring differentiated type of programs in an industry that, until now, we really haven't played as strongly.

So, and then lastly what I'll say is, this is an area where we're going to continue to drive innovation in Away from Home. I mean, already you are seeing how we are taking our HEINZ REMIX machine, and we are actually using that and planning it to work in the partnership that we have with BurgerFi which is now our first restaurant to debut our HEINZ REMIX. And we're going to see that expanding as we go into 2024.

So, the idea is not only the fact that we're going to be present, but we're also going to continue to be innovative in both the channel and the type of products we're going to bring into those channels. And Andre, anything else you want to talk about?

Andre Maciel

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

I don't think so.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thanks for your question, Bryan.

Bryan Spillane

Analyst, BofA Securities, Inc.

All right. Thanks, guys.

Operator: Thank you. One moment for questions. Our next question comes from John Baumgartner with Mizuho Securities. You may proceed.

John Baumgartner

Analyst, Mizuho Securities USA LLC

Good morning. Thanks for the question.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Morning. Thanks.

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



John Baumgartner

Analyst, Mizuho Securities USA LLC

Carlos, you highlighted consumer stress as a theme. And I wanted to ask in North America where the volume declines are still more pronounced, things like Mac & Cheese, which you just detailed for Andrew, but also ketchup and juices, these are categories where private label's been underpenetrated historically. And now you're seeing volumes growing a bit. Are you seeing anything different, whether it is new merchandising by retailers or new price sensitivity among consumers that's changing the dynamic in these categories at all? So, I'm curious for your take on the pockets of private label share growth.

And then maybe a follow-up. Are there any specific categories in US retail where you're expecting material benefits from joint business plans or a reinvestment for the duration of this year?

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thank you for your question. First on the private label, first of all, we are fortunate that we have such iconic and beloved brands in our portfolio. And I think what you're seeing is that really we haven't seen much of a change in terms of our overall gaps versus private label. And I think for us, the benefit that we have had is that over the last two years, we have spent a significant amount of energy in continuing to renovate our portfolio. And today we certainly have in the US renovated almost 100% of our portfolio to make sure that it continues to be relevant for today and tomorrow.

And I think that, along with the fact that we are also very much focused on delivering great value to consumers. We have to make sure that as we think about value, that it's not just about the price point. It's also about it's worth paying for. So that's why our focus in driving quality products in a way that is affordable and giving more consumer choices, that is also driving the overall value equation for consumers. So, what you're seeing in the data is private label has been gaining share. But really, they have stabilized and they're taking more share from other branded players.

In terms of our JBP, that continues to be a strength of ours. But frankly, it comes with the fact that we have been building this trust and partnership with our key retailers that allows us to truly leverage the scale of our total portfolio in a way that helps us to both drive our distribution of innovation as well as improve our overall performance and execution in-store. Because of these partnerships, we can do things in-store that probably other peers cannot do. Whether that's about the holiday season coming up now in the summer, we have the range in our portfolio that allows us to create truly differentiated and unique value promotions that other people cannot do. So, it's something that we continue to elevate and we continue to build on as we have strengthened our portfolio and the partnerships we have with the key retailers.

John Baumgartner

Analyst, Mizuho Securities USA LLC

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



Thanks, Carlos.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thanks for the question.

Operator: Thank you. One moment for questions. Our next question comes from Steve Powers with Deutsche Bank. You may proceed.

Stephen Powers

Analyst, Deutsche Bank Securities, Inc.

Yes, hey, good morning, guys. Thanks. Hey, Carlos, in the prepared remarks you talked about the unplanned maintenance that you had to take on one of your Away from Home plants. It seems that you've resolved that issue, and you expect the impacts to be isolated to the second quarter. But maybe just a little bit more details on what transpired there. There any kind of root cause diagnostic? And then just do you expect that to be a pretty quick bounce back and recovery in 3Q? Or is the recovery going to be more spread across the back half? Thank you.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Yeah. Thank you for your question, Steve. Yeah, listen, I wouldn't give you that much more information than I already shared. It was a temporary shutdown in our plant for that unplanned maintenance. Now that particular factory was very much focused on our Away from Home business. And so those condiments are places that we cannot source from other places and much within our network of factories. So that's why, in particular, it created a little bit of a dissonance in the Q2 only. And Andre, if you want to give a little more details on the impact in our – what we see in the range of the portfolio for Q2.

Andre Maciel

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

Yeah. So, as we said in prepared remarks, production has resumed and is gradually going back towards the prior level. Not there yet, but production has resumed and that's why I expect the impact to be – we do expect production to be fully back on track within the quarter. And then the impact on top line, as we said, would be in the range of 50 to 100 bps to the total company growth which is a function of how fast we can really bring the production fully up to speed.

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thanks for the question, Steve.

Operator: Thank you. One moment for questions. Our next question comes from David Palmer with Evercore ISI. You may proceed.

David Palmer

Analyst, Evercore Group LLC

Two questions. Thanks. First, a follow-up on food service. What is your general food service assumption going forward that underlies your mid-single-digit organic growth that you have planned for the year? Is that that you basically expect that current trends industry wide and globally will remain at a similar level that you saw in the first quarter or improving from there?

And then secondly, just Oscar Mayer, and the beverage business, both were declining maybe mid-single digits or so in measured channels in the first quarter. Could you maybe talk about the challenges and general plans and prospects for improvement for each of those? Thanks very much.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thank you. Maybe Andre, if you can comment in Away from Home and maybe I can build on the Oscar Mayer and beverage business.

Andre Maciel

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

Yes. So first, if you think about our second half, as we said, we expect to be on algo throughout the entire second half. And if you think about our three pillars of growth, first on Emerging Markets, as we said, Q1 came in line with what we said will happen, mid-single digit, primarily because of the shipment phasing in Brazil. So, as we head into Q2, we do expect Emerging Markets to be now very close or at our long-term algo and in the second half fully on the long-term algo. So that's – a point comes from that roughly, maybe a little more. On the US Retail business as a function of industry improving gradually, volume continues to improve. All the innovation, renovation, Carlos mentioned a few examples. We do expect to be, if not on algo, at least approaching algo. So that would be a big contributor for the improvement as we head into the second half.

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



And then finally on Away from Home, we don't need to be fully on algo to deliver our numbers in the second half and that's not what we're contemplating. So, we don't expect Away from Home to be fully back on algo. Even though on the International side, we should be back there. In the US, where we think the dynamics of the industry is what gives us a pause. We do expect improvement, a gradual improvement on the industry plus the business wins.

But I mean, I think we're still a bit of a pause to see how much of the industry will recover. But again, we don't need to be fully on algo in U.S. Away from Home to deliver our guidance for the second half.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

And then, just going deeper on the Oscar Mayer and beverage questions, David, what I would say, if you go back to our CAGNY presentation, those are businesses that are in two different portfolio roles within our company. So, our beverage business is within our PROTECT business in which we actually are allocating resources in order to protect the profitability through the renovation across those brands to drive the growth.

So, if you think about some of the key brands there, you'll see that our MiO liquid concentrate in which we actually just renovated our entire design or product. We have a new campaign, a marketing campaign focused on the wellness that the brand can offer.

If you think about Crystal Light, we just debuted our first major innovation in 10 years, and we're launching a number of new and exciting functional benefits. For us it's about how do we continue to drive that sense of focus and renovating of those particular products? Because we know they're differentiated and we think they are well positioned for the long term.

And Oscar Mayer is part of our BALANCE business, which, again, we are making sure we're making the right investments in order to protect our distribution. And at the same time we also are being thoughtful about how we are going to manage a business that is very exposed to the commodity side of things.

So, we are being also thoughtful of making sure we are protecting the top line while at the same time making sure we have the right gross margin management in order for us to make it work within the entire Kraft Heinz portfolio.

Andre Maciel

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

Yeah. The only think I would add on the BALANCE portfolio as a whole. You saw in prepared remarks that the overall the BALANCE declined 4% in the quarter, but the gross profit dollars grew 5%. So, as we have said before, we continue to – it's a balancing act, and we continue to make sure that we don't starve those brands of the core investments to sustain their business. But we should not expect, on average, growth coming from there.

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



David Palmer

Analyst, Evercore Group LLC

Great. Thank you.

Anne-Marie Megela

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

Operator, we have time for one more question.

Operator: Thank you. One moment for our last question. Our last question comes from Robert Moskow with TD Cowen. You may proceed.

Robert Moskow

Analyst, TD Cowen

Hi. Thanks for the question. Andre, I think you might have already answered this, but mathematically, I think the guidance now for food service, it implies a 50 basis point reduction to the overall company compared to, I think, the high-single-digit guidance you had last quarter. So, does the rest of the portfolio need to offset that? Are you expecting anything to be a little better than you expected? Or is it just absorbed?

And then secondly, I think the slides said that you're seeing improvement in retail trends in US Retail. And maybe that's just versus year ago. But can I assume that, despite the market share being down versus year ago, do you need to make any adjustments to your marketing plan for 2024? Is there any increased price investment or advertising investment that needs to be made that's different from what you expected? Thanks.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Andre, you want to start with Away from Home, and I can comment on the retail trends?

Andre Maciel

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

Yeah. So, good morning, Rob. First, as you said, the 50 bps that we mentioned in prepared remarks, I should be clear, is linked – the 50 to 100 bps due to plant shutdown and is focused on the second quarter. So, we do not expect impact from that as we go into the second half. So, as we head into the second half, as I said before, we do expect Emerging Markets to be fully back on algo. We do expect the

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



US Retail, North America Retail to continue to improve, like it improved in Q1. We expect it to improve more in Q2 and then more in the second half. As a function, again, of lapping SNAP and a lot of contribution from innovation and renovation.

And on Away from Home, we do expect the rest of the world to gradually improve and get close, if not on algo. And then the US becomes then the question where we don't need to be at mid-single digits in the second half for us to achieve our guidance. But we do expect a gradual improvement of industry. And I think we have seen that from different sources as well. I think that there is a general expectation of that. Together with all the business wins that we have done, and that we're going to be past the situation with the plant as we head into the second half.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Thank you, Andre. On the retail trends, I guess I'll go back to the point at the beginning, which is we are seeing volume share improvements versus the last five weeks with the year-to-date. So, we are seeing that the momentum is happening already. And for us, what we are going to be doing is focusing on those things we can control, which is as you go into the year to go, you'll see us continue to drive the renovation of our brands. Like I mentioned, whether it's in our PROTECT platforms, in our ACCELERATE, which is driving more innovation as you'll see now in Q2, and will continue to step up through the rest of the year. And then be smart in our marketing investments.

Andre mentioned earlier that part of the reason we're taking some of those gross margin dollars and investing back in the business is because now we are deploying a Brand Growth System that allows us to think about how do we make sure we're being smart about where to spend and places that maybe we haven't been spending at sufficient levels. So you are, in fact, going to see that continued focus on us driving the right dollars against the right priorities for us to drive the retail growth. And thank you for the question, Rob.

Robert Moskow

Analyst, TD Cowen

Thank you.

Anne-Marie Megela

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

And thank you, everyone, for joining us. This concludes our earnings call for the first quarter, 2024. Thank you.

The Kraft Heinz Company

Q1 2024 Earnings Call | May 1, 2024



Operator: Thank you. This concludes the conference. Thank you for your participation. You may now disconnect.
