Third Quarter 2021 Earnings Pre-Recorded Management Discussion
October 27, 2021

Please view these remarks in conjunction with our Q3 2021 earnings release, Q3 2021 Form 8-K and GAAP/non-GAAP reconciliations that can be found on our website at https://ir.kraftheinzcompany.com/ under SEC Filings, or via the following link: https://ir.kraftheinzcompany.com/sec-filings

We also invite you to listen to our live question-and-answer webcast with Miguel Patricio (Chief Executive Officer), Paulo Basilio (Global Chief Financial Officer), Carlos Abrams-Rivera (U.S. Zone President), and Rafael Oliveira (International Zone President), which will begin today at 9:00 a.m. Eastern Daylight Time and will also be available on https://ir.kraftheinzcompany.com/.
Slide 1

CHRIS JAKUBIK, HEAD OF GLOBAL INVESTOR RELATIONS, THE KRAFT HEINZ COMPANY

Hello. This is Chris Jakubik, Head of Global Investor Relations at The Kraft Heinz Company and welcome to our third-quarter 2021 business update.

Slide 2

During our review, we will make some forward-looking statements that are based on how we see things today.

Actual results may differ due to risks and uncertainties and these are discussed in our earnings release and our filings with the SEC.

We will also discuss some non-GAAP financial measures during these remarks. These non-GAAP financial measures should not be considered a replacement for, and should be read together with, GAAP results. And you can find the GAAP to non-GAAP reconciliations within our earnings release and the supplemental materials posted at ir.kraftheinzcompany.com.

Slide 3

Today, our Chief Executive Officer, Miguel Patricio, will provide an update on our overall business performance. And Paulo Basilio, our Global Chief Financial Officer, will provide an overall financial review and our near-term 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.

**Slide 4**

**MIGUEL PATRICIO, CHIEF EXECUTIVE OFFICER, THE KRAFT HEINZ COMPANY**

Thank you, Chris.

Let me start by saying that I am very proud of the Kraft Heinz team for delivering another quarter of results that exceeded our expectations.

Not only is our team generating strong results on both the top and bottom lines they are doing it by navigating an increasingly challenging environment.

By leaning into our scale, agility and new operating model, we are advancing our transformation in a way that provides us both near-term benefits as well as long-term advantages including strategic actions that strengthen our portfolio and financial flexibility.

**Slide 5**

As we can see on slide 5 this is evident in the Organic Net Sales growth continuing to be resilient on both a 2-year basis and versus the significant gains last year.

In fact, Organic Net Sales growth strengthened sequentially from Q2 to Q3.

Price realization is beginning to come through faster. And our focus on variable cost efficiencies is paying off.

We can see this in our gross margins where, in Q3, we remained in line with 2019 levels despite escalating cost inflation. And, as Paulo will discuss, we now expect to deliver more Adjusted EBITDA dollars for the full year than our previous guidance issued in September.
When we shared Q2 results in August, the world had felt some optimism around the pandemic as vaccines continued to roll out. But supply chain disruptions, labor issues, and raw material inflation had begun to take root.

Today, all of those issues remain, and they have evolved to be more challenging not only for us, but for every company in our industry.

Importantly, we are also evolving as a company. We are a much stronger company than we were two years ago. And, through our transformation, we are well positioned for the road ahead.

Slide 6

What gives us confidence in our ability to capture sustainable growth and profitability is not just what we are delivering but how we are delivering and why we can be even better.

From the outset of our transformation, you have heard me say how critical it was to build a culture of continuous improvement in every aspect of our operating model.

Internally, we talk a lot about daring to be better every day continuing to raise the bar in everything we do and leveraging our scale through our operating model to quickly adapt as the environment produces new challenges.

And as we look at how we are performing, we can see that we are not only acting to remedy short term challenges we are also creating long-term advantage.

Let me provide you with some examples.

First, our supply chain team has been truly remarkable. Since the outset of the pandemic, they have been leveraging our scale to minimize shortages, mitigate inflation and generally improve our agility through a change in mindset.
Second, our procurement team has continued to maintain relatively good raw material availability and contain inflation through partnerships with our suppliers.

Third, we have continued to build processes and capabilities across our value chain that will give us a competitive advantage going forward. For instance, stepping up design to value for our brands to increase the flexibility of our formulas with alternative ingredients and sizes while improving the quality our consumers experience.

**Slide 7**

These actions are enabling us to mitigate gross inflation into 2022 and deliver efficiencies for us to reinvest in our brands.

As far as gross inflation, for the full year 2021, we continue to expect inflation at the high end of the mid-single-digit range across our full cost basket with inflation accelerating in the second half to the high-single-digit range. And for 2022, we expect elevated inflation to persist at least during the first half of the year mainly driven by the carry-over impact from 2021.

Regarding gross efficiencies we remain on track to deliver the 400 million dollars we have planned for this year as part of our multi-year plan.

And, in the coming months, we will talk about new ways we are building agility to unlock additional efficiencies, faster.

**Slide 8**

At the same time, we remain confident in the many levers we can pull to respond to inflationary pressures and protect our ability to invest in growth.

As you can see on Slide 8 as we did in the third quarter in the fourth quarter of this year, we expect to continue delivering positive pricing even though we are lapping strong, mid-single-digit price increases in the second half of 2020.
And based on the actions we are implementing through the end of the year we expect to see strong pricing in the first half of 2022 and enough to offset the inflation we’ve seen, including the carry over impact from 2021.

And if input costs keep going up from today’s levels, we will take more actions, as appropriate.

**Slide 9**

Importantly to support our pricing power we continue to build relevance for our brands through our platform-based approach.

Our focus on consumer needs, instead of simple category definitions, is strengthening our insights, our R&D, and our creativity. This is guiding us on a path to renovate the product, packaging and brand proposition of approximately 70 percent of our brands by the end of 2022.

To support this, we have kept executing the investments we have in our plan. And through the first nine months of this year, we have:

- increased our advertising or working media spend by 9 percent versus last year;
- and increased our R&D spending by 17 percent.

And we are already seeing this come to life in some of our biggest brands in our biggest markets.

For example, in the United States *Oscar Mayer* gained roughly half a point of share in Q3 versus last year. And we have been seeing sequential share improvement since May driven by the renovation and relaunch of the brand that we talked about in February.

And *Ore-Ida* has continued to grow share, up more than 2 share points versus Q3 2020. With *Ore-Ida*, we have invested in production, marketing, and insights and are now gaining distribution through growth-oriented category plans developed with our retail partners.
In our Taste Elevation platform:

- we are gaining share across 80 percent of the countries in our International zone including:
  - 90 basis points of share in Latin America in Q3;
  - more than a point of share in Australia;
  - and, in the UK, Q3 share was up more than a point, aided by the Heinz vegan sauces we launched earlier this year.

We are also building on that momentum and leveraging the plant-based heritage of our global Heinz brand with innovations such as:

- Heinz Beanz Burgerz which launched in June;
- new Heinz Plant Proteinz soups in Australia and New Zealand;
- and Purgrains, plant-based easy meals in Canada.

Overall, we have made good strides in the right direction especially as it relates to near term pricing power.

At the same time, we are still at the beginning of our journey to fully leverage occasion-based insights and create new, culturally-relevant ways to engage our consumers.

And from a longer-term perspective, we are moving in the right direction getting closer to our consumers, strengthening our brands, reigniting relevancy, and winning in the marketplace, through sharper and more proactive execution.

**Slide 10**

We can see this happening in our biggest market, the United States, on Slide number 11.

In the U.S. our growth in both household penetration and repeat rates versus 2019 remained strong in the third quarter.
And within this performance, our priority Grow platforms, we were even stronger:

- with Taste Elevation gaining 5 percentage points in household penetration and 12 percentage points in repeat;
- and Easy Meals Made Better gaining 12 percentage points in household penetration and 20 percentage points in repeat.

Not only is this truly remarkable for such well-known, established brands it also speaks to the inherent strength and potential they have when we apply the right focus.

And as we make investments to add capacity, we believe we can capture even greater, ongoing consumption and market share going forward.

In fact, if we had this additional capacity in place now, our Organic Net Sales growth and market share performance would have been stronger in the third quarter.

Our overall market share softened in the third quarter and service levels were more challenging on a sequential basis.

This happened mainly in “back to school” categories where demand is outstripping our current capacity to serve. Categories like powdered beverages, which was up 7 percent versus Q3 2020, kids meal combos up 10 percent, kids single-serve beverages up 17 percent, and each of these posting strong growth on top of growth in 2020.

And while we are working to match the demand, we are likely to experience the same in certain holiday-driven categories in the fourth quarter even though household penetration and repeat rates should remain strong.

**Slide 11**

The other tremendous opportunity we have on the growth front, is our singular focus on driving our Taste Elevation platform in Emerging Markets.
In the third quarter, Emerging Markets Organic Net Sales remained 14 percent above 2019 as we continue to invest to capture whitespace in both retail and foodservice. And heading into next year, our expectation will remain consistent, full year double-digit Organic Net Sales growth in Emerging Markets.

Three factors give us confidence for that:

- one is the fact that where our go-to-market model is up and running, we are growing strongly with Eastern Europe, Middle East, and Africa up 28 percent and in Latin America up 35 percent;
- two, we expect to begin turning around and capturing the long-term opportunity in China next year having put in place a new team with extensive local experience in the market;
- and finally, we are beginning strengthening our footprint and growth potential even further through acquisitions and capacity additions.

For Emerging Markets, in particular, our improved financial flexibility can help us accelerate our long-term growth potential. We are doing this in two ways.

First, we are building critical capacity in priority markets like Russia and China to capture our full potential across channels.

Second, in recent weeks, we closed the acquisition of Assan Foods in Turkey, and announced the acquisition of Hemmer in Brazil both businesses focused on Taste Elevation in emerging markets. While relatively small acquisitions, they serve as highly accretive stepping stones to accelerate profitable, retail and foodservice growth across markets. And we will look for more.

**Slide 12**

Taking all this together we are seeing our efforts pay off where it counts strong sales performance in the channels we serve.
In the third quarter, on a global basis, across our Retail channels, we maintained the vast majority of sales gains from the exceptional growth we achieved in 2020 which translates to a roughly 10 percent bigger business versus 2019 levels.

At the same time, our sales through foodservice channels were more than 20 percent greater than last year as the channel rebounds and our growth outpaces the industry thanks to our renewed focus on insights, culinary trends, and distribution.

This profile reinforces our optimism about our potential going forward in the sense that:

• it shows that several pandemic-inspired cooking and eating behaviors are sticking even as mobility increases and restrictions lift;
• and, in the foodservice channel, we still see significant whitespace for us to play from converting larger players into new customers, to new players like ghost kitchens, to new flavors and innovations we can bring.

**Slide 13**

The final area I would like to highlight in terms of how we are delivering is how our people are delivering with purpose. It’s an area where, again, we are at the beginning of our journey.

As you can see on Slide 13, and as you will find in the ESG report we recently released, we have made great progress in a short amount of time. And we have set our direction, with strong goals, for the future in each pillar, Healthy Living & Community Support, Environmental Stewardship, and Responsible Sourcing. And knowing that the Diversity, Inclusion, and Belonging of our people are the foundation of our company, by 2025, we are targeting to have:

• gender parity within management positions globally;
• and demographic parity in the countries where we operate.

So back to my initial observation in terms of how we are delivering:

• our results show our transformation is helping us effectively manage through the challenges of the current environment;
Third Quarter 2021 Earnings Pre-Recorded Management Discussion | 10/27/21

- our brand-building investments and efficiency plans can sustain our momentum;
- and we continue to drive the key strategic initiatives that we believe will transform our business.

With that, let me pass it to Paulo to talk more about our financial performance and our outlook.

Slide 14

PAULO BASILIO, GLOBAL CHIEF FINANCIAL OFFICER, THE KRAFT HEINZ COMPANY

Thank you, Miguel.

Last quarter, I started the review of our financials stating that our performance to date reinforced our confidence that our gains relative to pre-pandemic levels were, in fact, durable and despite recent inflationary pressures, our profitability would remain at industry-leading levels.

The common theme across our businesses in the third quarter was resilience in both our top line and gross margins versus 2019 levels.

Slide 15

From a total company perspective our Q3 Organic Net Sales and Constant Currency Adjusted EBITDA exceeded our prior outlook.

Our Organic Net Sales growth strengthened sequentially from Q2 to Q3, versus both 2020 and 2019.

We achieved pricing gains on top of a strong prior year led by the US and International, with Canada holding strong prior year pricing levels.
At Constant Currency Adjusted EBITDA, as expected, the timing of cost versus price realization softened our margin percentage to lower-than-run-rate levels.

But within this, our gross margin was in line with 2019 levels despite cost inflation escalating ahead of price realization. This speaks to the progress we have made in the area of revenue management and variable cost efficiencies. It means that we are keeping to our path of improving our gross margin performance.

**Slide 16**

Below Adjusted EBITDA, as you can see on slide 16, our Adjusted EPS and Free Cash Flow performance continues to be strong.

Q3 Adjusted EPS remained relatively stable versus a very strong Q3 2020 in spite of dilution from the impact of the nuts divestiture. It also reflects a lower effective tax rate versus the prior year driven by favorable discrete items in the quarter.

Finally, our year-to-date Free Cash Flow generation remains strong versus 2019 levels as we continue controlling working capital. And, on a two-year basis, combining 2020 and 2021, we continue to expect that our Free Cash Flow conversion will exceed 100 percent.

As for our path ahead.

**Slide 17**

As reported, at the end of Q3, our net leverage stood at 3.3 times. And adjusted for the impact of the nuts divestiture, we would be slightly higher.

We also continue to expect the natural cheese divestiture to close before the end of this year. When it closes, we will remain focused on:

- retiring our debt opportunistically depending on market conditions;
- managing our leverage consistent with an investment grade profile;
• and accelerating our growth agenda with the significant financial and strategic flexibility this brings.

**Slide 18**

Which brings me to our earnings outlook.

As I said earlier, the resilience shown in our third quarter performance has served to reinforce our outlook.

For the full year 2021, we now expect:

• Organic Net Sales to be flat relative to what we previously described as exceptional 2020 levels;
• and Adjusted EBITDA of more than 6-point-2 billion dollars versus our previous expectation of at least 6-point-1 billion dollars.

This Adjusted EBITDA reflects the impact of our sale of the nuts business in June but does not include any impact from the natural cheese divestiture.

I would also note here that for the full year:

• we expect interest expense, excluding the impact of debt extinguishment costs, to be between 1-point-1 and 1-point-2 billion dollars, roughly 125 million dollars lower than 2020 levels, as we continue to pay down debt and reduce leverage
• and we now expect an adjusted effective tax rate of approximately 19 percent versus between 19 and 21 percent previously.

2022 will remain a very fluid environment. That said, we continue to believe that, from a top-line perspective, we will sustain stronger consumption versus pre-pandemic levels

• as our growth strategy continues to take hold;
• and as we retain consumers and trips that we gained during the pandemic in both developed and emerging markets.
And on the bottom line, we expect to maintain industry leading Adjusted EBITDA margins.

- By the end of 2021, we will have priced for the current inflation, including the carry over into 2022;
- we keep implementing and building up our efficiency savings plan;
- and we continue to execute the investments we have in our strategic plan.

Let me now hand it back to Miguel for some closing comments.

**Slide 19**

**MIGUEL PATRICIO, CHIEF EXECUTIVE OFFICER, THE KRAFT HEINZ COMPANY**

Thank you, Paulo. As we wrap up today’s prepared remarks, I wanted to simply restate.

As a company we have made tremendous progress in a short period of time. And we continue to deliver ahead of our expectations.

We are now leaning into our scale and agility to advance our transformation in a way that addresses near-term challenges and helps us build long-term advantage.

We remain in a very fluid environment and we still have much work to do to get where we want to be.

And, as I said earlier, how we are delivering makes us optimistic about our future.

Thank you for your time and interest in Kraft Heinz.

    # # #