Second Quarter 2022 Earnings Pre-Recorded Management Discussion

July 27, 2022

Please view these remarks in conjunction with our Q2 2022 earnings release, which is filed on Form 8-K, and available on our website at ir.kraftheinzcompany.com under Filings > SEC Filings or directly at ir.kraftheinzcompany.com/sec-filings, as well as additional information regarding our non-GAAP financial measures, including GAAP to non-GAAP reconciliations, 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 ir.kraftheinzcompany.com under News & Events > Events & Webcasts, or directly at ir.kraftheinzcompany.com/events-and-webcasts.

Q2 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 second quarter 2022 business update.

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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.

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Today, our Chief Executive Officer, 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 second quarter and will discuss our 2022 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 PATRICO, CHIEF EXECUTIVE OFFICER

Thank you, Anne-Marie.

And thank you everyone for joining us today. We delivered yet another quarter of strong results as we continue to successfully navigate a dynamic environment. This has been enabled by further advancements of our long-term strategy.

We are growing and strengthening our competitive position in the face of these turbulent times. We are better anticipating market conditions, adapting to an environment that is constantly changing and we have continued to demonstrate our resiliency to these waves of challenges.

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So, let’s take a deeper look into our results.

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In the second quarter, we generated double-digit Organic Net Sales growth versus the second quarter of 2021 as a result of continued solid consumer demand for our brands. This growth was higher than expected and is a 5.2 percent compound annual growth rate compared to the second quarter of 2019.

All three pillars of growth, that is: Our GROW platforms, Foodservice, and Emerging Markets contributed to these results. They’re hitting on all cylinders!

We see strong consumption in North America continuing with lower elasticity and improving market share trends. And we have delivered accelerated growth in Emerging Markets and Foodservice. In developed markets, particularly Europe, we delivered solid top line results even though this region has been more affected by higher inflation and constrained resource availability.

Looking to our Adjusted EBITDA results, we generated $1.5 billion dollars in the second quarter of 2022, slightly above our expectations. Compared to the second quarter of 2019, the compounded annual growth rate was a positive 1.9 percent on our ongoing business.

Importantly, we are offsetting record-level inflation through price realization and supply chain gross efficiencies.

In the second quarter, our Free Cash Flow reflects both a tax payment on our Natural Cheese divestiture, as well as a rebuild of inventory which is critical to improving our service levels and fully capturing market share improvement.

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As I mentioned, our top line acceleration is fueled by our three pillars of growth:

Demand across our GROW platforms, particularly, Taste Elevation, remained very strong;
Our Foodservice business is growing faster than the industry; and
Emerging Markets accelerated their pace of Organic Nets Sales growth.

Let’s take a look at each one.

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We have generated solid growth across the portfolio, with exceptional growth in our GROW platforms. They make up more than 60 percent of our North American business and have grown at about an 8 percent CAGR versus the second quarter of 2019, with the majority of the categories improving market share year-over-year, including our iconic brands such as *Heinz*, *Kraft* Mac and Cheese, *Philadelphia* Cream Cheese and *Kraft* Singles. As you can see, our consumer-centric strategy is working and the pricing power of our brands are taking hold!

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Take a look, for example, at the relatively limited elasticity we are seeing in our North America business, where we grew Organic Net Sales 9.8 percent, with pricing contributing approximately 13 percentage points and a volume/mix decline of approximately 3 percentage points in the second quarter. On a sequential basis, we saw roughly 4 percentage points of incremental pricing with only one percentage point of incremental impact to volume/mix. This is encouraging by historical standards and reflective of a much stronger portfolio that we have today.

Consumption in the U.S. specifically, continues to increase, up to 6.9 percent in the second quarter compared to 2.9 percent in the first quarter.

Earlier this year, Carlos shared our strategies to improve market share performance. And we continue to see consistent progress! Our year-over-year market share performance, on a mix adjusted basis, improved sequentially by approximately 10 basis points versus the first quarter of this year. On a non-mix adjusted basis, our share rebound is even more pronounced, with a 50 basis point improvement versus the first quarter, resulting in nearly flat market share in the second quarter.

For the one-time challenges that we addressed in the first quarter, we are seeing improvements. For example, in cream cheese, our service levels have recovered, and we have been gaining market share.

For constraints that we have been addressing through the first half of the year, such as in *Lunchables,* production levels are improving, and we expect these improvements to flow through into the third quarter.

And for the longer-term solutions, we have been making progress as well. With the contract we signed with Simplot, which will not only boost production capacity, but will give us additional capabilities as we strengthen our *Ore-Ida* business.

As a result of the great work our supply chain team has done, as well as what we are doing to more strongly connect with consumers, we expect to see market share results continue to rebound in the second half of the year.

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Let's now move to our second pillar of Growth, which is Foodservice.

In North America and International, Foodservice is growing at more than a 20 percent clip and continues to gain share. Today, this channel is approximately 13 percent of our overall sales and we are continuing to invest aggressively in both sales and capacity to capture further white space.

As I have said before, Foodservice is a strategic channel for us. First, it provides a platform for us to test innovation, quickly make adjustments, and prepare for retail launch, as I described with *Heinz* Dip 'N Crunch last quarter. And second, it is a powerful vehicle to drive consumer trial for our brands, particularly in Emerging Markets where consumers may not be as familiar with them.

Much of our current growth is coming from strong partnerships with QSRs, many of which have global footprints that align well with our whitespace opportunities. And during these times of inflation, we expect strong performance from QSRs with their relatively lower price points.

We are also leveraging our Chef program to not only expand our sales with existing customers, but also to acquire new customers.

Overall, we continue to expect Foodservice to be a strong growth engine for our company.

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Turning to our third pillar of growth, Emerging Markets. We have been expanding our presence through a sustainable and repeatable Go-To-Market model which is delivering accelerated growth.

As you can see, Organic Net Sales for our International Zone grew 11 percent in the quarter. Within the International zone, Emerging Markets, grew at a faster pace, 16 percent! And for those countries where we have already activated our Go-To-Market model, Organic Net Sales grew 29 percent over the same period, with this growth driven by a 12 percent increase in retail distribution points. And compared to 2019, Organic Net Sales grew 74 [sic] [1] percent, with growth driven by a 77 percent increase in retail distribution points.

1 l Organic Net Sales Growth versus 2019 was 79%.

With the opportunity we have on this front, we are investing aggressively to expand our Go-To-Market strategy. Those countries in which we have activated the Go-To-Market strategy represent approximately 35 percent of our Emerging Market business today. We plan to increase this to about 75 percent by year end.

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Let's now take a closer look at how we are navigating today's headwinds.

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Without a doubt, it's a tough environment out there.

- Inflation is still high, but we are seeing some costs beginning to recede from peak levels and others showing signs of leveling off.
- Service is still challenging, but we've made significant improvements.
- And while the Great Resignation persists, we have strong employee engagement.

In this difficult environment, we understand that operational excellence and delivering relevant solutions for consumers is critical. Our teams have demonstrated an ability to anticipate and adapt across our supply chain, and to work alongside our retailers in developing impactful consumer solutions.

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On the supply chain front, our evolving supply chain, powered by agile@scale, allows us to adapt to constantly changing conditions and better prepare us for what is to come. We have increased production, improved service levels and are continuing to unlock gross efficiencies. We are on track to deliver on our efficiency plan as we work to free up at least $2 billion in variables costs by 2024. Importantly, we are doing both, improving service and unlocking efficiencies. We are not neglecting one or the other. And we are accomplishing all of this while improving safety and reducing water, energy consumption and waste.

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On the consumer front, we are mindful of the current inflationary environment and how it affects consumers. Our portfolio is balanced, with our market share by consumer base not over-indexed to any one income level. Plus, we have lower private label exposure relative to the industry and to our historical levels.

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We are tailoring our approach to consumers through a robust assortment and effective promotions, comprehensive omni-channel communication, optimization of channel mix and product innovation and renovation.

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The breadth of our portfolio provides us the ability to offer bundled, affordable solutions. We also have the scale and insight to redeploy our programming resources in a strategic manner to provide solutions for both retailers and consumers. In other words, we can focus on traffic-building products by shifting investment resources across our portfolio, without needing to increase the overall spend. Such investments with retailers provide consumers solutions while driving the power of our brands and sustaining the consumption levels we have built. Let me provide you some examples where we are working with retailers to offer meal solutions.

Take a look at our Art of The Burger campaign, where retailers can pair their private label hamburger buns and patties with our condiments and cheese slices. Another great example is the $1 dollar grilled cheese sandwich night, where we combine *Kraft* Singles with private label bread and private label butter.

These are examples of wins for consumers with great value, wins for the retailer to drive traffic, and wins for Kraft Heinz!

As our relationships strengthen with customers, and we continue to improve inventory and service levels, we have more optionality to execute more mutually strategic programs like these with retailers. In the second half of 2022, we will increase the level of these programs, particularly around key occasions, but not to the extent seen in 2019.

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Consumers continue to shop online and we continue to deliver solid results. We are growing this channel with eCommerce retail sales increasing 18 percent versus the second quarter of last year and our messaging is resonating with consumers across our various paths of engagement.

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We are working effectively across all channels to provide solutions that consumers need. For example, for those looking for lower absolute price points, we have developed smaller packs to fit their budget, like our $1 *Lunchables*. Or if they are looking for maximum value, we have multi-pack offerings such as our *Kraft* Mac and Cheese 10-pack solution. We are anticipating and effectively navigating channel mix shifts in a comprehensive manner to make sure that the right product, is at the right channel, at the right time.

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We are also continually looking at our product portfolio to optimize our offerings. Removing elements that consumers don't want, or don't really care about, while at the same time reducing costs where possible to mitigate passing on inflation through price.

A great example of this is our *Capri Sun* renovation, which is launching now. We have reduced sugar by 40 percent and are using monk fruit concentrate to provide sweetness. This is great for consumers, especially parents who are looking to reduce sugar intake for their kids while maintaining the great taste that their kids love. And it also reduces our exposure to volatile commodity markets.

We view it as our responsibility to help consumers in this environment, and by leveraging our agility and scale, we are doing just that.

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We are also keeping our eye on the long-term and making strides in our transformation.

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Over the past two years, we have been building a culture of creativity with agile execution. We have built a team with top-notch talent and are investing in systemic solutions and key partnerships.

Today, our teams can faster access more robust insights through our partnership with Google and with our Kraft-o-Matic insights generator. Kraft-O-Matic is our in-house proprietary software and data science model that analyzes consumer behavior across all brands, utilizing integrated point-of-sale, panel and marketing data. While our internal agency, The Kitchen generates individualized content at scale. This Artificial Intelligence-powered tool enables us to create more than 500 customizations of a single marketing asset.

Today, we are onboarding internal media buying capabilities and are on track to be executing more than 30 percent of our eCommerce search and display activity through Kraft-o-Matic. With The Kitchen, we are now internally driving the social activity of 16 brands in our portfolio, including *Heinz*, *Kraft* Mac and Cheese, *Oscar Mayer*, and *Philadelphia*, our biggest opportunities.

Our ability to connect with consumers is critical to drive our strategy forward. And while there is more work to be done in this area, we are on the right track!

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Using our scale, we can accelerate our growth and capture more white space.

Let me give you an example. In 2019, we acquired Primal Kitchen. Since then, we have more than doubled the size of that business.

We have similar opportunities through our acquisitions of Hemmer in Brazil and Assan Foods in Turkey. Hemmer has a very strong footprint in the south of Brazil, while Kraft Heinz has a broader network with strong distribution in other areas of the country. As we bring the *Hemmer* brand on to the *Heinz* network, we expect to see significant expansion opportunities. And with Assan, we are already doing the same thing in a different way, leveraging Assan's strong distribution network to grow the *Heinz* brand in Turkey. In fact, compared to the second quarter of last year, we have sold 59 percent more volume for the *Heinz* brand in Turkey.

But deal making is no replacement for organic growth. Where we have acted, we have done so in a selective, price disciplined way that has enhanced our organic growth potential.

New partnerships are also key for us in our ongoing business transformation. We have a unique opportunity with our joint venture with NotCo. I am very excited about this opportunity for innovation and growth! Our management team is in place, moving with agility and already actively collaborating with the broader Kraft Heinz team in a completely new way.

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With that, I will now turn it over to Andre to provide more detail on our second quarter financial results and to discuss our outlook for the balance of the year.

ANDRE MACIEL, GLOBAL CHIEF FINANCIAL OFFICER

Thank you, Miguel.

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I am pleased with our performance in the second quarter as we balance our top line growth while protecting margin dollars.

We generated Organic Net Sales growth of 10.1 percent this quarter, with the increase coming from all of our growth drivers: our GROW consumer platforms, Foodservice, and Emerging Markets. As you can see, elasticity remains relatively low with volume/mix declining 2.3 percent on 12.4 percent pricing, reflecting the ongoing demand for our brands. On a sequential basis versus the first quarter, we saw price realization up over three percentage points, from 9 percent to 12.4 percent, while volume/mix was relatively flat, down 2.2 percent in the first quarter and 2.3 percent in the second quarter.

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Adjusted EBITDA came in at $1.5 billion, slightly above our expectations. Pricing and gross efficiencies offset inflationary pressure seen in the quarter and we continue to invest in and support the business and future growth. The impact from divestitures was approximately $105 million.

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Looking to Gross Margin, the second quarter of this year was 30.3 percent compared to 34.6 percent in the second quarter of 2021, or a 430 basis points decline. This decline is due primarily to the dilutive impact of pricing to offset the dollar inflation, which was approximately 450 basis points.

We generated $0.70 in Adjusted EPS, also above our expectation. Second quarter results include approximately a 7-cent negative impact versus last year from the divestiture of our Nuts and Natural Cheese businesses, the largest driver of the 8 cent year-over-year decline.

Finally, our Free Cash Flow generation in the second quarter reflects a rebuilding of inventories that will be key to sustaining improved service levels and market share gains. Free Cash Flow also reflects payment of taxes in conjunction with the divestitures.

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As we have mentioned before, we are pricing to protect Adjusted EBITDA dollars. By the end of the second quarter, 99 percent of our intended 2022 pricing actions have been announced with the vast majority already in the market. Much of this benefit was seen in the 12 percent price realization in the second quarter, with additional benefit from these pricing actions expected to come in the third quarter.

If it turns out that additional pricing is needed in the back half of the year, we will do it in a surgical way. At the same time, we are using solutions previously described by Miguel, including our broad assortment for value beyond price, and price-pack architecture to provide value to consumers.

We have been careful to price in a way that doesn't disrupt our future and we have been mindful of our pricing relative to private label, particularly in those categories in which such gaps could have more of an impact on our business.

To provide some context, and as Miguel already mentioned, our portfolio today is significantly less exposed to private label share. The current private label price gap for total Kraft Heinz remains consistent with pre-pandemic levels. We are managing these gaps, however, not in total, but based on the relative potential impact on our business. As such, we see three clear classifications of price gaps versus private label.

The first group consists of categories where demand has historically been less sensitive to price gaps. These are situations in which we are a meaningful share leader and price points are strategically driven by brand equity. And while our price gaps to private label tend to be higher, they do not typically impact our competitiveness. An example here would be *Kraft* Mac & Cheese. This group represents nearly 60 percent of our business.

The second group consists of categories in which demand is more sensitive to price gaps, but the size of those gaps are stable or contracting compared to private label. An example here would be cold cuts. This group represents approximately 25 percent of our business.

And the final group consists of categories in which demand is sensitive to price gaps and our price gaps to private label are expanding. Here, we evaluate each individual category to determine how to best protect our position. For example, within sandwich cheese, we have a robust price ladder offering the consumer choices from *Velveeta* slices to more premium *Kraft* Singles and thus, despite an increasing price, we have been gaining share. In bacon, our price points remain high, but we are covering higher commodity costs and protecting our Adjusted EBITDA dollars. With *Ore-Ida*, the recently announced partnership with Simplot will allow us to increase our capacity, rebuild inventory and therefore, improve our promotional flexibility.

We monitor private label price gaps closely, keeping the long-term at the forefront of our analysis. Even though we are not immune to price gap changes, the market dynamics and our competitiveness is playing out in-line with our expectations. Having said that, I would like to reiterate that we will continue to take actions to protect our EBITDA dollars from inflation using pricing, revenue management tools and supply chain efficiencies.

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Turning now to cost mitigation. We are managing our cost volatility through active portfolio management and our disciplined hedging strategy. As you can see, we started the year with commodity costs at a relatively lower percentage of total COGS as compared to COGS before the divestiture of our Natural Cheese and Nuts businesses.

And while some costs have started to recede from peak levels, like transportation, overall costs remain high. It isn't clear how fast and to what extent they will decline. As a result, we continue to execute our hedging and cost management strategy in a disciplined manner. Looking to the second half of 2022, approximately 70 percent of total COGS are hedged or locked through contracts.

At the same time, our teams are unlocking efficiencies with a continuous improvement mindset using levers such as value engineering and waste reduction to lower costs. We expect to free up at least $400 million in gross efficiencies this year and are well on our way to at least $2 billion by 2024.

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Finally, in terms of our overall capital allocation policy, there are no changes in our four main priorities. Which are to first, reinvest in the business to drive organic growth. Second, to remain committed to our dividend. Third, to maintain financial flexibility and our commitment to remaining invest grade. And fourth, to actively manage our portfolio in a patient and disciplined way.

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Looking to rest of the year, we are raising our expectations for Organic Net Sales from mid-single-digit to high-single-digit growth. This is primarily based on higher pricing and favorable elasticities seen to date, particularly in the US. Our outlook does contemplate greater price elasticity impacting volume and mix during the balance of the year as compared to the first half of the year. Also, we expect an improving, but still challenging supply chain in the back half of the year.

In terms of Adjusted EBITDA, we continue to expect to deliver between 5-point-8 to 6 billion dollars, including the 53rd week, as we leverage pricing and gross efficiencies to mitigate the higher inflation we are now expecting. The inflation for the full year is expected to be in the high teens, consistent with what we have seen year to date. And we will invest in our business transformation at levels consistent with our original plans. In other words, we will support our brands and make investments for our long-term advancement and growth.

We are anticipating roughly a 45/55 split between the third and fourth quarters for Adjusted EBITDA this year. This includes the benefit of the 53rd week and a $400 million dollar divestiture impact versus 2021.

With the recent strength of the dollar, we are now anticipating an approximate 1 percent foreign currency headwind in Adjusted EBITDA. Below the line, we continue to expect our effective tax rate for Adjusted EPS to be between 20 to 22 percent.

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

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MIGUEL PATRICO, CHIEF EXECUTIVE OFFICER

Thank you, Andre.

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We delivered another quarter of solid results while navigating today's challenges, enabled by continued advancements that we have made on our long-term strategy.

I am very proud of the Kraft Heinz team because despite all the challenges, our employees across the organization continue to do a tremendous job. We are anticipating and adapting to changing market conditions while managing inflation through pricing realization and gross efficiencies. And we are recovering market share by rebuilding inventories, relieving supply constraints, improving service levels, elevating customer relationships, and creating impactful disruptive marketing, all of which have been essential cornerstones in elevating our powerful brands and transforming our business.

We are better positioned than ever before to manage whatever comes our way, as we work to make life delicious for consumers around the world!

Thank you for your time and interest in Kraft Heinz.

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