Fourth Quarter 2023 Earnings Pre-Recorded Management Discussion
Feb. 14, 2024

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,” “commit,” “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 Gross Profit, Adjusted Gross Profit Margin, Adjusted Operating Income, Adjusted EBITDA, Constant Currency Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS, 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 2023 Earnings Pre-Recorded Management Discussion

ANNE-MARIE MEGELA, HEAD OF GLOBAL INVESTOR RELATIONS

Slide 1

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 2023 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 earnings 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, Carlos Abrams-Rivera, 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, and will discuss our 2024 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 Carlos.

CARLOS ABRAMS-RIVERA, CHIEF EXECUTIVE OFFICER

Thank you, Anne-Marie.

And thank you all for joining us today.

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I am very proud of our 2023 results and accomplishments. None of this would have been possible without the incredible team here at Kraft Heinz.

We delivered results above our long-term algorithm – driving full year Organic Net Sales growth of 3.4% while improving both share and volume trends.

We unlocked nearly $700 million in gross efficiencies, contributing to Adjusted Gross Profit Margin expansion of approximately 240 basis points and enabling reinvestment in SG&A, primarily across marketing, R&D, and technology.

And we did this without losing sight of our financial discipline. We strengthened our balance sheet, ending the year with Net Leverage of 3 times.

At the same time, we executed $300 million in share buybacks, issued nearly $2 billion in dividends, and increased CapEx.

I'm excited for the future of Kraft Heinz. In 2024, we expect to drive top line growth, return to positive volumes, expand operating margins, and continue to reinvest in the business.

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Looking at 2023 results, we generated accelerated profitable growth – driving Organic Net Sales, Constant Currency Adjusted EBITDA, and Adjusted EPS growth – all above our long-term algorithm.

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And consistent with our strategy, we increased investments for future growth. SG&A was up $327 million versus 2022, primarily driven by marketing, technology, and R&D. We also increased CapEx spend by $97 million.

2023 was a year of right-sizing investments. In 2024, we will continue to increase our investments but at a more moderate pace, as we believe we are approaching optimal levels.

Slide 7

We have turned a corner in our transformation. Our strategy is working and is driving overall shareholder value.

Slide 8

Now, let's take a look at the business performance across Foodservice, Emerging Markets and GROW platforms in U.S Retail.

In 2023, each of these key pillars contributed to Organic Net Sales growth. Global Foodservice and Emerging Markets both grew 14%, and our GROW Platforms in U.S. Retail grew 2%.

In the fourth quarter, Foodservice grew Organic Net Sales approximately 7%, and Emerging Markets grew 12% – both in line with our long-term algorithm pace. Organic Net Sales declined 2% in our U.S. Retail Grow platforms, primarily due to ongoing consumer pressure.

Let's go through each pillar in more detail.

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In Q4, our global foodservice business delivered approximately 7% sales growth. North America foodservice grew approximately 5%, and our International zone grew more than 10% – both outpacing industry growth.

For full year 2024, we expect continued momentum, with Organic Net Sales growing in-line with our long-term algorithm. We'll continue driving success in Foodservice by expanding distribution in new, attractive higher margin channels, innovation, and global brand activations.

Turning now to Emerging Markets.

Slide 10

In the fourth quarter, we again delivered double-digit growth. Organic Net Sales grew 12.3%, outpacing total International zone growth of 7.1%. Emerging Market growth was primarily driven by volume/mix, which was up 8%.

Our strategy for growth in Emerging Markets is driven by our Go-To-Market model. This data-centric, repeatable model drives distribution and is designed to capture opportunities with the right product in the right market. As planned, we ended 2023 with approximately 90% of our Emerging Markets' either already leveraging the model - or in the process of implementing it.

For 2024, we expect to generate double-digit growth. In the first quarter, we will be lapping shipment timing in the prior year in Brazil. As a result, we expect to see relatively lower sales in Q1 compared to the rest of the 2024. However, we are confident in our performance, as sell-out in the country remains strong.

And now onto our final pillar of growth, GROW Platforms in the U.S. Retail.

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Before getting into the results, I would like to spend some time unpacking the dynamics in our North America business, as there are several moving pieces here. Let me first start with what worked well, and then I'll move into where we experienced some performance headwinds.

We set out a series of action plans in the beginning of 2023 to address market share and volume declines – and they worked. Share recovered across key categories with sequential volume improvement throughout the year.

I also wanted to highlight some notable performance in our GROW platforms in the quarter.

We again grew Organic Net Sales in Taste Elevation, up low-single digits.

Our Cream Cheese business saw strong growth, a function of service recovery and successful joint business plan execution with our retail partners. This also led to share gains of 2.8 percentage points in the quarter.

In our Ore-Ida business, through our partnership with Simplot, we resolved our capacity issues, generating strong growth and gaining 1.3 percentage points of share.

Within our meats business, our discipline paid off, as we grew full year Adjusted EBITDA mid-single-digits despite top line pressure. We even saw sequential share improvement, from losing 2.5 percentage points of share in Q3 in Cold Cuts to relatively flat share in the fourth quarter, as we worked to resolve the remaining service challenges. We are doing what we set out to do on this business, to deliver improved profitability and rebuild our foundation.

Now turning to some of the headwinds we experienced in the quarter. First, the industry was more challenging than we had originally anticipated as the impact of higher interest rates continues to weigh on the consumer and the impact from lapping excess SNAP benefits in the quarter hit peak levels. We will lap the reduction of SNAP benefits in the second quarter of 2024.

Secondly, our Organic Net Sales was impacted by trade timing and a retailer inventory de-load, both of which we were anticipating. Together, these drove the approximately 150 basis point gap versus our performance in U.S. Retail consumption.

The trade timing was a one-time occurrence and a function of lapping a prior year trade accrual release. With regards to the inventory de-load, this is anticipated to be limited to the fourth quarter, as retailer inventory was nearly flat year-over-year on a full year basis.

As a result of these puts and takes, Organic Net Sales in North America declined 3% with our U.S. Retail GROW platforms declining 2.3%.

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Looking to market share, you can see the underlying momentum. Despite tough industry pressures, we continued to improve our share from the lows earlier in the year.

As a reminder, we faced expected headwinds after pricing 75% of our portfolio in February, followed by the reduction in SNAP benefits in March. We are also monitoring the impact of resumed student loan repayments in October, but we don’t believe there is a meaningful impact at this point.

Our total U.S. retail performance, represented by the dark blue line, recovered from the lows and continued to improve into the fourth quarter. We did see a dip from November to December, primarily driven by our meats business as a result of less promotional spend. Consistent with our overall strategy, we will not go after share in an unprofitable, unsustainable way, particularly in our meats business. Our focus remains on delivering the best value for our consumers and doing it in a way that provides an economically beneficial structure for us and our customers.

In Taste Elevation and Easy Meals, represented by the light blue line, we continue to gain share. In December, we gained 30 basis points of share and finished the year strong.

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The improvement we saw in market share performance was driven by action plans that we set at the beginning of the year.

We executed on our joint business plans with key customers to drive shelf space and quality merchandising, with a 1.5 percentage point share of shelf expansion versus prior year.

We increased marketing investment, with full year spend up 15% versus prior year.

We ramped up innovation throughout the year, supported by a 15% increase in R&D spend.

And finally, we solved remaining supply constraints, with a case fill rate in the high 90s as we exited 2023.

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And from a marketing and innovation perspective, we laid a lot of groundwork in the year.

We launched our first ever global *Heinz* campaign that highlights the irrational love for the brand, born out of actual consumer stories. This campaign spans more than 16 countries and goes beyond just Ketchup, into categories including Beans and Mayonnaise. You can continue to expect more of this global approach as we look to generate best-in-class marketing activations, with our new Global Growth Office now at the center.

And we also received external recognition for our efforts. At the Cannes Lions International Festival of Creativity, we were awarded 21 Lions for our marketing campaigns. *Heinz* was the most awarded food brand, and the fourth most awarded brand overall.

On the R&D side, we have made investments in both products and technology. Our agile ways of working and partnerships are allowing us to develop better products, faster. A great example is our 360CRISP™ technology platform, which leverages our new intellectual property. We launched *Lunchables* Grilled Cheesies in September, with more new products expected in 2024.

We are also elevating the plant-based space through our partnership with NotCo, which leverages artificial intelligence to develop great-tasting products quicker than ever before. We started with NotCheese and NotMayo in early 2023, and in November we announced the launch of NotMac & Cheese. We plan to scale into several more categories and begin international expansion in 2024.

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And finally, I would like to thank each and every one of our people at Kraft Heinz. Without you, none of our success would be possible.

We have made significant investments in our people, and I can say with confidence that our culture has truly become a competitive advantage for us.

Our employees are more engaged than ever. In 2023, we had the highest engagement score. Not only are we improving relative to ourselves, but we are also above the external benchmark for overall engagement – and we're in the top quartile on key cultural attributes including growth, inclusion, and empowerment.

The transformation inside our company is being noticed outside, as well. We're receiving external recognition, being named by *Chicago Tribune* as a "Top Workplace" and by *Forbes* as one of "America's Best Large Employers." And this goes beyond North America. We were certified as a "Great Place to Work" in 16 countries, up from zero in 2019.

With that, let me hand it over to Andre to provide more details on our fourth quarter financial results and to discuss our 2024 outlook.

ANDRE MACIEL, EVP AND GLOBAL CHIEF FINANCIAL OFFICER

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Thank you, Carlos.

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For total Kraft Heinz, Organic Net Sales declined 0.7%. Price was up 3.7%, while volume/mix declined 4.4%. We saw sequential volume improvement relative to the third quarter, as expected.

In North America, Organic Net Sales declined 3%, with price up 2.5% and volume/mix declining 5.5%.

The implied elasticity impact is over two, but there are a couple of nuances here. First on the price side, as Carlos noted, there is a trade timing impact as we lapped a trade accrual release in the prior year. On the volume side, we saw a retailer inventory de-load in the quarter. Accounting for these two anticipated dynamics, we are otherwise in-line with historical elasticity levels.

In the International zone, Organic Net Sales grew 7.1%, with price up 7.7% and volume/mix declining 0.6%. We continue to see strong performance here, with growth across both Developed and Emerging Markets.

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Let's take a closer look at our North America zone. Organic Net Sales declined 3%. Our U.S. Retail consumption for this same period declined to a lesser degree, down 1.6%.

This was primarily driven by the trade timing and the inventory de-load I just mentioned.

Furthermore, our topline was impacted by the decline in SNAP benefits that disproportionately impacted some of our categories where we over-index to SNAP consumers.

The same dynamics hold true for our U.S. Retail GROW platform performance. Organic Net Sales declined 2.3%, while U.S. Retail consumption was flat. Performance was further impacted again by the year-over-year decline in SNAP benefits.

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Turning to Constant Currency Adjusted EBITDA, total Kraft Heinz declined 5%. This includes a negative 7% impact from a 53rd week in the prior year. Excluding this, we grew 2%.

We also experienced a couple of non-recuring impacts in the fourth quarter, which we were not originally expecting, that negatively impacted our Adjusted EBITDA performance by approximately $25 million. The primary driver here consisted of costs related to a system write-off as a result of refining our global approach to modernize technology assets.

Despite these impacts, our Adjusted EBITDA Margin increased 40 basis points in the quarter, driven by Adjusted Gross Profit Margin expansion, that more than offset increased investments in SG&A.

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In the fourth quarter, supply chain efficiencies, moderating inflation, and rational promotions all contributed to our Adjusted Gross Profit Margin performance.

For the full year, we over-delivered on our annual efficiency target of $500 million, generating nearly $700 million driven by continuous improvement throughout our supply chain, and in part by getting back to a more normalized operating environment.

Inflation continues to moderate, with approximately 3% inflation in the fourth quarter, primarily driven by tomatoes and sweeteners.

On the promotional front, we continue to see a rational environment while at the same time improving our return on investment. Our ROI increased about 5 percentage points in 2023 versus the prior year, a testament to the investments we have made in our revenue management team and technology.

Our strategy here is working – with COGS efficiencies and revenue management fueling an Adjusted Gross Profit Margin of 34.8% in the quarter, a 260-basis point year-over-year improvement.

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In terms of Adjusted EPS, in the fourth quarter, we declined about 8%, or 7 cents, versus the prior year. This was primarily driven by a 53rd week in 2022 and a higher effective tax rate in the current year. These impacts were partially offset by positive Adjusted EBITDA performance and less interest expense.

On a full year basis, Adjusted EPS grew over 7%, or 20 cents, versus the prior year. This increase was driven by strong Adjusted EBITDA performance, despite lapping a 53rd week in the prior year.

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And we continue to strengthen our balance sheet while at the same time, reinvesting in the business. We generated full year Free Cash Flow Conversion of 81%. The year-over-year improvement was primarily driven by inventory, with working capital back to 2019 levels.

We increased capex spend by $97 million versus the prior year, to 3.8% of net sales. About 50% of the increase was linked to spend on digital initiatives.

And lastly, we have improved Net Leverage one year ahead of our initial plan, ending the year at our target ratio of approximately 3.0x, even as we executed against our new share buyback program that was approved by the Board in November.

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We are prioritizing shareholder returns through disciplined capital deployment. For the full year, we returned approximately $2.4 billion to shareholders through capital returns.

About $2 billion was through our competitive dividend. And we repurchased $450 million of shares through January, of which $300 million was in the fourth quarter and $150 million was in January. This leaves about $2.6 billion remaining against our $3 billion authorization.

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Before getting into our guidance for 2024, I would like to take a moment to discuss some of the puts and takes, as we see it, when we think about the operating environment for the year.

Overall, the cost environment is getting better. Inflation is moderating, but on a year-over-year basis, costs are still higher.

In regard to consumer health, we continue to see a pressured consumer, with a retained focus on seeking value.

And at the same time, the interest rate environment remains high.

I also wanted to highlight a change in our profitability metric that we include in our guidance.

If you recall, throughout 2023 we provided guidance for Adjusted EBITDA. Going forward, we will be providing guidance for Adjusted Operating Income.

This change is as a result of our work to re-wire the organization and create a closer connection to total shareholder return, driving an increasing level of accountability throughout the company.

This also aligns to our profitability metric within our incentive KPIs.

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Now, let me take you through our 2024 outlook and some key assumptions.

We expect Organic Net Sales growth of 0 to 2%. We anticipate a positive price contribution throughout the year, with an inflection to positive volume growth in the second half of the year. Growth is planned to come from Foodservice, Emerging Markets and U.S. Retail, driven by our GROW platforms.

Adjusted Operating Income is anticipated to grow 2 to 4%. Within this, Adjusted Gross Profit Margin is expected to expand modestly, between 25 to 75 basis points. Looking to SG&A, 2023 was a year of right-sizing investments. For marketing, we ended the year at healthy levels, with marketing as a percentage of net sales at 4.5%. We plan to increase investments in SG&A in 2024, but to a much lesser degree than what we saw in 2023 as we begin to approach more optimal levels.

For Adjusted EPS, we expect 1 to 3% growth versus the prior year. This growth is driven primarily by Adjusted Operating Income growth, with headwinds coming from taxes and interest and other expense.

In terms of taxes, we expect an effective tax rate on Adjusted EPS to be in the range of 20 to 22%. This represents an approximately 200 basis point, or 7-cent headwind on Adjusted EPS. This is driven by an increase in statutory rates and fewer discrete items that were benefits in 2023.

Within interest expense and other expense/(income), we expect a $45 million headwind year-over year, or an approximate negative 3 cent impact to Adjusted EPS. This is driven primarily by FX headwinds and debt refinancing that will come at a higher rate.

Our outlook does not contemplate any additional share buyback in the year, outside of what we have already repurchased in January.

And finally, a little color on the shape of the year. As we think about our Organic Net Sales guidance, we do expect Q1 2024 to have a similar profile to Q4 2023, and as we progress throughout the year, we should trend to our long-term algorithm.

With that, let me pass it to back to Carlos for some closing comments.

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Thank you, Andre.

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Let me again reiterate how proud I am of our 2023 performance. It was a great year and we have made continued progress against our strategy.

We are growing across our key pillars, we are investing in our business to drive future growth, and we are doing so while maintaining financial discipline.

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With that, I hope to see many of you at CAGNY next week, where you will be able to meet members of the Kraft Heinz leadership team and create the CAGNY 2024 Sauce of the Year.

Thank you for your time and interest in Kraft Heinz.