Nomad Foods Limited

First Quarter 2021 Earnings Conference Call

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Robert Moskow, *Credit Suisse*

Jon Tanwanteng, *CJS Securities*

Ashish Mago, *Jefferies*

PRESENTATION

Operator

Good day, and welcome to Nomad Foods First Quarter 2021 Earnings Conference Call.

At this time, I'd like to turn the call over to Taposh Bari, Head of Investor Relations. Please go ahead.

Taposh Bari

Thank you for joining us to review our First Quarter 2021 Earnings Results.

With me on the call today are Chief Executive Officer, Stefan Descheemaeker, and Chief Financial Officer, Samy Zekhout.

Before we begin, I would like to draw your attention to the disclaimer on Slide 2 of our presentation. This conference call may make forward-looking statements that are based on our view of the Company's prospects, expectations and intentions at this time, including consideration related to the impacts of COVID-19. Actual results may differ due to risks and uncertainties, which are discussed in our press release, our filings with the SEC and this slide in our investor presentation, which includes cautionary language.

We will also discuss non-IFRS financial measures during the call today. These non-IFRS financial measures should not be considered a replacement for, and should be read together with IFRS results.

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Users can find the IFRS to non-IFRS reconciliations within our earnings release and in the appendices at the end of the slide presentation available on our website.

Please note that certain financial information within this presentation represents adjusted figures for 2020 and 2021. All adjusted figures have been adjusted for exceptional items, acquisition-related, share-based payment, and related expenses, as well as non-cash FX gains or losses, and all comments from hereon will refer to those adjusted numbers.

With that, I will hand you over to Stefan.

Stefan Descheemaeker

Thank you, Taposh, and thank you, all, for joining us on the call today.

Earlier today, we reported first quarter 2021 results, which represent the highest quarterly revenues, Adjusted EBITDA, and adjusted EPS in our Company's history. We're pleased to report a strong start of the year, as we anniversary accelerated demand resulting from the COVID-19 pandemic.

Before getting into the details of the quarter, I'd like to leave you with a few messages upfront.

First, with the performance that we achieved in Q1, we are well-positioned to deliver our full-year guidance. When we introduced it in February, we qualified our guidance as ambitious but achievable. Following Q1 performance, we are increasingly confident in our ability to achieve these plans.

Second, we believe our record Q1 performance would have been even stronger had we not been capacity constrained. Sustained and elevated demand exceeded forecast, and despite our efforts to keep up we exhausted production capacity and safety stocks. As a result, there were custom orders that went unfulfilled, notably in categories such as fish. I will walk you through our plan of action, which we expect will result in improved service levels in a positive market chain inflection beginning this summer.

Third, we delivered strong gross margin expansion despite the dynamic inflationary backdrop. Our procurement team executed well, and we benefited from favorable mix and lower promotional activity. Overall, we continue to expect low single-digit inflation in 2021, and we believe we have the levers to manage our gross margin effectively.

Fourth, we announced the planned acquisition of Fortenova's Frozen Food Group, a sizable, strategic and highly accretive deal, which will complement our core portfolio starting in the second half of this year, and result in combined annualized EPS above $2 per share.

With that, let's jump into the details of Q1, beginning with the highlights on Slide 3.

Revenue growth of 3.6% was driven by 1.8% organic revenue growth, in addition to the contribution from M&A as we acquired Findus Switzerland. Gross margin expanded 130 basis points, a great outcome overall, and one that sets Nomad apart from many other packaged food companies.

Adjusted EBITDA growth of 15% to €138 million, and adjusted EPS growth of 42%, to €0.47 per share. We achieved 1.8% organic revenue growth in Q1, which built on the 7.7% growth during the first quarter of last year, when demand accelerated at the onset of the COVID-19 pandemic. Our Q1 performance represents 10% organic revenue growth on a two-year basis.

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Growth during the quarter was once again led by our branded retail portfolio, namely core frozen food staples such as fish fingers and coated fish. We continue to build around our core with innovative new products launches such as Green Cuisine.

With the pandemic now in its 15th month, we continue to experience elevated demand as consumer mobility remains restricted across Europe. For example, many corporate offices remain closed, and restaurants still have capacity restrictions.

With that said, we're also experiencing more rational shopping behavior than earlier in the pandemic. Consumers have developed new routines, which include more family meal times, and the purchase of food online. These trends are likely to persist and are well-addressed by our portfolio.

Overall, we continue to track in-line with our retention expectations, and continue to engage with the millions of new consumers who purchase our products over the past year. At Nomad, we continue to invest in our brands through effective advertising, breakthrough innovation, and superior products. These efforts, which have driven our success since 2017, will continue to fuel our performance in the years to come, while helping retain new consumers who entered our portfolio since the beginning of the pandemic.

I mentioned earlier that we achieved strong Q1 results despite capacity constraints. As you may recall, capacity utilization was up 90% plus in our largest factories prior to COVID, resulting in operational efficiency. However, it limited our ability to fulfill a sustained level of demand like we've seen over the past 15 months. Since the onset of COVID, we've treated supply constraints through tactical actions, including increased shifts, and select co-packing arrangements. These actions resulted in improved service level and higher safety stock last summer after the first wave of COVID.

The second wave, which began last November, stimulated a new and unforeseen level of demand. Despite our efforts to accelerate new capacity versus the first wave, we were still unable to fully service customer demand, and this resulted in lost revenue during the first quarter of 2021.

In addition to near-term mitigations, we have also made strategic decisions to invest in new permanent capacity that will fuel growth in 2022 and beyond. This includes a new production line at our factory in the U.K., which will go live later this year. These actions underscore our confidence in the long-term growth prospect of business, which fully align with the ambitions of our retail partners.

Q1 supply constraint not only led to out of stocks, but also limited our ability to promote our products. Despite the challenges, many markets have made progress in building stronger joint business plans with key customers. This has led to a shift in the timing of certain Q1 commercial activity for the rest of the year. These plans, which are expected to correspond with increased supply, should result in a positive market share inflection beginning this summer.

After taking other drivers of growth into consideration, including international expansion in an anticipated recovery in foodservice, we remain confident in our plans to achieve another year of organic revenue growth in 2021, even as government restrictions ease.

Turning to profitability, we achieved nearly 200 basis points of EBITDA margin expansion during the first quarter, driven largely by our ability to expand gross margins despite negative mix from Findus Switzerland, whose initial gross margins are below our base business. This was driven by many factors, most notably our ability to successfully navigate a dynamic inflationary backdrop, which is affecting many food companies.

During Q1, we benefited from favorable mix in our base business as product, category and channel mix all worked in our favor. Moreover, we achieved strong procurement efficiencies, driven by practical buying

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opportunities. We continue to complement strong performance in our base business with strategic acquisitions.

During the first quarter, we began the integration of Findus Switzerland, which closed on December 31. We welcome the new team into Nomad Foods organization, and have been working hard to introduce them to our ways of working and culture. While still early, I can say that there is a high level of excitement and alignment between our strategy and our purpose of serving the world with better food.

From a commercial perspective, we have already applied our Must-Win Battles framework to this business, identifying the core areas of investments, and mobilizing activation plans in support. In addition, we are introducing innovations such as Green Cuisine, which is expected to be available in Switzerland later this year. Overall, the Findus Switzerland integration is off to a great start, and with strong performance during Q1.

Finally, we announced our agreement to acquire Fortenova's Frozen Food Business Group during the first quarter. This deal, which will take our Adjusted EPS above $2 on an annualized basis, expands Nomad's Frozen Food leadership into eight new markets, notably Croatia, Serbia and Bosnia and Herzegovina. It will also introduce us to ice cream, a new and complementary category.

Overall, this acquisition will represent approximately 10% of our pro forma revenue base with an attractive growth profile, and a meaningful opportunity for value creation. We look forward to closing this acquisition in the third quarter and welcoming the team to the Nomad Foods organization.

We had a very active first quarter. I'd like to spend a few minutes showcasing some of our most exciting commercial activations that began in Q1 and will continue throughout the year.

First, is our new Captain campaign Get on Board. This is a follow-up to a successful Captain reboot from 2018 where we modernized our brand icon, and leveraged this asset across the European fish portfolio.

In Q1, we further evolved this campaign by highlighting the freshness of our white coat fish portfolio, married with convenience of frozen. We also introduced a new on-pack QR code feature, allowing consumers to discover the origin of their fish through an immersive online experience.

Both the Get on Board campaign and the traceability tool we introduced in Q1 will expand across our network this year.

During Q1, we also announced a new strategic partnership with WWF to promote the common goal of driving more sustainable eating and agriculture. This initiative will build on our existing sustainability efforts within our vegetable portfolio. We will work together with our farmers, policy makers in the commercial sector to drive food productivity, while reducing carbon emissions and supporting biodiversity.

In an effort to enhance biodiversity and reduce food waste, we'll drive on-pack communication across several markets and then to its consumers to make choices that will benefit them, and the planet.

You see here an example of how we would execute these initiatives on-pack which is now live in Spain. As a company, we continue to make great strides along our sustainability agenda. Just last week, we published our Fourth Annual Eating for the Planet report, demonstrating progress across key sustainability commitments.

Amongst the highlight is our commitment to nutrition with 90% of our sales derived from healthy meal choices. This achievement was recognized by the Dow Jones Sustainability Index in 2020 when Nomad Foods achieved a perfect score of 100% in health and nutrition for the second consecutive year.

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In summary, we are pleased with our first quarter performance and are off to a strong start in 2021. We are on pace to achieve our full-year guidance and have an exciting new acquisition, which along with underlying growth in our base business, will help propel Nomad Foods new heights in the post-COVID world.

I will now hand it over to Samy to discuss our Q1 financials, and full-year outlook in more detail. Samy?

Samy Zekhout

Thank you, Stefan. Thank you, all, for your participation in the call today.

Turning to Slide 7, I will provide more detail on our key first quarter operating metrics, beginning with revenues, which increased 3.6% to €707 million, driven by 1.8% organic revenue growth, and a 3% growth from the acquisition of Findus Switzerland. As expected, this was offset by a 1.3% headwind relative to the anniversary of a leap year.

We are pleased to achieve organic revenue growth of 1.8%, which comes on top of a 7.7% increase during the first quarter of last year, and represents nearly 10% growth on a two-year basis. Performance during the quarter was once again led by our branded retail business, which grew mid-single digits. This was offset by double-digit declines in food service and private label, which represents approximately 10% of our revenue.

We achieved 130 basis points of gross margin expansion during the quarter. This was driven by a combination of product mix, strong procurement execution and lower promotional activity. This performance in our base business more than offsets 30 basis points of dilution, resulting from the inclusion of the Findus Switzerland acquisition, whose gross margin have a lower starting point. With that said, we expect to improve the gross margin profile of this business in the coming years as we apply the Nomad playbook in Switzerland.

Overall, our gross margin outlook remains unchanged despite our strong Q1 performance. Specifically, we expect product mix and promotional levels to normalize in the coming quarters and inflation, while manageable, to be higher in quarters two through four versus what we expensed in Q1.

Moving down to the rest of the P&L. Adjusted operating expenses declined 2% year-over-year, reflecting a more normalized spend versus the relatively elevated Q1 last year. Adjusted EBITDA increased 15% to €138 million, and Adjusted EPS increased 42% to €0.47 for the quarter, reflecting strong performance in the business and significant share repurchase activity we have conducted over the past 12 months.

Turning to cash flow on Slide 8. We generated €98 million of adjusted free cash flow in the first quarter, equating to 117% cash conversion. Our commitment to best-in-class cash generation remains a top priority and we will look to build on last year's strong performance in 2021.

With that said, there are few unique factors this year that are worth highlighting. We have taken strategic investment decisions to support future demand in our core categories, which will result in a higher Capex commitment for this year. These investments will fuel our ability to drive sustained organic revenue growth and market share expansion.

Additionally, we are looking to rebuild stock levels as a result of the unprecedented demand, thereby allowing us to support the seasonal demand expected at the end of 2021, and the start of 2022. We remain committed to our long-term 100% free cash flow conversion objective, and are striving to come

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close to this target in 2021 despite the increased capital investments and the normalization of working capital.

With that, let's turn to Slide 9 to review our 2021 guidance, which is based on foreign exchange rates as of May 3, 2021. Overall, we are pleased with our strong start of the year, which demonstrate our ability to achieve total and organic revenue growth, while meaningfully increasing our margins in a dynamic macro environment. We have a strong commercial agenda in place for the remainder of 2021, which is aligned with our increased ability to supply. This should result in a positive market share inflection beginning this summer and support our topline objectives for the year.

Regarding inflation, a hot topic amongst FMCG companies, we continue to expect a low single-digit increase in 2021 due to our active management of our cost inputs and have built our commercial plan accordingly. With that said, we continue to monitor the macro-environment, and we'll use all our levers, including price and productivity, to navigate the dynamic landscape.

As I mentioned earlier, our gross margin expectation remain unchanged with the base business expected to be roughly flat versus 2020, and Findus Switzerland to result in approximately 30 basis points of dilution due to their lower initial gross margins versus the base business.

Taking all these factors into consideration, we are reiterating guidance for the full-year 2021, which doesn't yet include potential contribution from the pending acquisition of Fortenova's Frozen Food business.

We continue to expect Adjusted EPS in the range of €1.50 to €1.55 per share, which equates to 11% to 15% growth versus the prior year.

That concludes our remarks. I will now turn the session over to Q&A, thank you.

Operator, back to you.

Operator

Our first question comes from Andrew Lazar of Barclays. Please go ahead.

Andrew Lazar

Great. Thanks very much for the question. Hello, Stefan and Samy.

Stefan Descheemaeker

Hi, Andrew.

Samy Zekhout

Hi, Andrew.

Andrew Lazar

Hi. First off, I was trying to get a better sense on the differential that you saw in the quarter between shipments and consumption. Just trying to get a sense of the magnitude that supply constraints held back sales growth.

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Stefan Descheemaeker

But I understand the question as really about the difference between the sell-out and sell-in. Branded sell-out was mid-single digit percentage, so that's what it is. As you know, you have a lot of puts and takes between, let's say the Nielsen, the 50% of what you see out of a business and the final piece, but that's—ultimately that's the bottom line. Branded business is doing well, and you remember on top of that, we also have our core brands, which is slightly ahead of that, so that's that.

But basically to move from the Nielsen to the first part of the sell-out, you have to move first to flat, and then from flat you have to go to your off-selling which is, as I said, which is mid-single digits. Then obviously you're giving back a bit with our food service and the private label, which is going down.

Andrew Lazar

Thank you for that. Then, you talked a little about expecting a share—market share inflection as you go into later in the year and capacity comes online. Can you give us a sense of how market share has trended more recently as a result of the capacity constraints? I'm trying to get a sense of, have others, whether it be private label or other branded players, I would assume they would have had some similar supply constraints, right? Given the elevated demand. But if I guess if share has changed hands a little bit, have others been able to have more excess capacity than you did perhaps or weren't run as effectively or as efficiently as you had been prior to the pandemic? Just trying to get a sense of how that trended.

Stefan Descheemaeker

It's an excellent question, Andrew. I think, the first point, you remembered, we mentioned that capacity utilization pre-COVID is in the region of 90%-plus, which is, in and off itself, is fine. What we know is our competitors, the "private label producers" were lower. In a "pre-COVID situation" 90%-plus is fine because, in terms of fixed cost recovery, it's a good situation to be. But then obviously when you're starting from 90%-plus and you have to go through the COVID-19, you quickly go way beyond even sometimes 100% where the orders obviously have a bigger cushion. Yes, what we understand is that a big portion of this market share loss is really due to the difference of capacity utilization between us and the other players, and that's the kind of things obviously we're dealing with right now.

We're taking some very tactical approach, which is increasing the shift, the number of shifts, sometimes five to six or sometimes from six to seven days, which is big. We have access also to some co-packing, that's the second piece. More fundamentally, despite all the pluses and minuses in the puts and takes and the differences, we believe that long-term, this situation, basically people, if we believe in our retention and we do believe in the retention, we know that after COVID, we're going to be from a higher baseline. That's why we decided to commission a new line, which should be ready in early Q4 in England, which is great. We're continuously considering these kind of options.

Yes, we believe it's a big part. That's why, yes, this market share has been taken by people that have had lower capacity utilization. All in, what we believe is market share is around down 1% of the past year, but that's obviously something what we have all the intent to recoup in the course of the year.

Andrew Lazar

Yes, and I thought it was interesting, your comment about building in an additional line, obviously capacity internally as opposed to simply leveraging just co-packers, which obviously speaks to your belief around retention post-pandemic and such. I appreciate that.

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Stefan Descheemaeker

We love gross margin as well, and we prefer that to keep the gross margin for us, as you know.

Andrew Lazar

Yes, as long as obviously as long as you see the demand, obviously.

Stefan Descheemaeker

Yes, yes. It's a reflection. It's not a full science, but it's a very articulated guess, we have, yes.

Andrew Lazar

Yes, and then, very, very quickly, just last, how much would your—I'm trying to get a sense of your level of flexibility or conservatism, if you will, for the year and how you're thinking about it. How much of the full-year guidance is dependent on capacity coming back in the timeframe that you anticipated? I'm trying to get a sense of, we obviously have to track capacity coming online and I'm sure you have visibility to that, but how much of the full year is dependent on that versus potentially with more capacity potentially driving upside to the full-year? Thank you.

Samy Zekhout

Yes, Andrew, I think, let's say, overall, as we've said, we are off to a good start. In Q1, the plan today was assume a return to full capacity, to capacity available as of Q3, Q4. This is how our share plan has been built at this stage. If you think the guidance that we have, we maintain still at 11% to 15%, as we—from an EPS standpoint, as we have mentioned, and to start, that with issues we had in Q1 should be gradually fading away as we get into Q3, and as Stefan was mentioning, with the buildup of the line starting in Q4, that is going to start to help the end of the year as it's going into 2022.

Andrew Lazar

Thank you.

Operator

Our next question comes from Andrew Olsen of UBS. Please go ahead.

Andrew Olsen

Hey, good morning, guys. I was wondering if we could just give—if you guys could just give a little bit more color, and I appreciate the color you already gave in terms of gross margin. But just thinking through your ability to price in the current market, how do you view your pricing power in the market relative to offsetting the slightly higher inflation that you talked about? Then, I think just comparing gross margin in the quarter to the sustainability for the rest of the year, what do you feel might roll off or might get more tough as we look out for the rest of the year?

Samy Zekhout

Andrew, I'll comment on both and give perspective on that. I think what you're seeing today overall from the pricing power standpoint is we had the forecast that we're planning for effectively a manageable level of inflation. What we saw in Q1, as we had mentioned, is an exceptional performance to really get a very

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good input price that has enabled us to deliver the performance that we have seen. We saw some deflation in Q1. We saw some help as well in mix, and in the business and category mix, if you want. We saw as well some fewer promos simply adjusting our own planning to the capacity situation in our business and innovation planning as we talked.

These factors are going to normalize in the year-to-date period. The one element that's important is we did enter the year with pricing plans, and those were based effective on the planned inflation that we had. What you see in Q1 with a better situation than the rest of the year has not changed our ability to deliver against our pricing.

Getting into the end of the year and into 2022, we clearly have strong brands. You know we demonstrated very good pricing power, and the ability to drive pricing wherever it was necessary. The other piece which I'd like to really insist on, it's not just about pricing but it's about net revenue management, and there is a number of areas that we are really exploring and looking at as we've done in the past, and we now evaluating the game in the context we are facing. But very clearly, we have the plans in place to end the year on a strong momentum, and the pricing point is there to stay.

On the margin, I think we commented on that one. The only point I wanted to highlight to you, Taposh will probably take you through more detail as you get into the modeling later on, but the gross margin outlook has not changed. I think the inflation will be up low-single digits, as we had mentioned. This is going to be offset by productivity. We will execute the pricing plan as we have planned for in the categories that were impacted by inflation as we had mentioned. Overall, if you want, we are not changing our plans for the year and we have, despite the fact that we had a good start, because simply we're going to see some other effect in the rest of it that are going to get us to the guidance that we have laid out. The inclusion of Findus Switzerland effective will negatively impact our margin development, but that's no change versus the guidance that we give you.

Andrew Olsen

Understood. Okay, thanks so much for the colors. That's great, thanks. I'll pass it on.

Samy Zekhout

Welcome.

Operator

Our next question comes from Robert Moskow of Credit Suisse. Please go ahead.

Robert Moskow

Hi. You might have answered this, but I was surprised that the inflation guidance hasn't moved higher. It's low to begin with at low single-digit. Is that just a reflection of hedges you have in place? Contracting? Spot rates for just about everything are up here in the U.S. Do you expect a materially higher degree of inflation in 2022 based on where things are headed?

Stefan Descheemaeker

Yes, I think the one element I'd like to acknowledge in this call is from an outlook standpoint, the inflation that we had planned for was materializing, and we came into the year with a manageable view of it. We have pricing plan and we have productivity as I had mentioned. The one element that has been happening in Q1, and that is helping us is the fact that the procurement team, our procurement team has

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done an absolutely exceptional job at buying out the input materials and which has helped in Q1, and going into the rest of the year as well. Overall, we are seeing inflation, not to the same extent as many others. FX is helping us as well. Remember that we buy about 20% to 25% of our COGS in U.S. dollar. At this stage, frankly too early to talk about 2022, but from what we see, we believe inflation continues to be manageable for us, and we have the levers to manage it.

Robert Moskow

Okay, got it. In terms of your market share losses in frozen fish, can you give us an order of magnitude of what it's going to cost on the promotional side to get those share gains back? Maybe Taposh will give us more color in terms of the guidance. Is this just a shift in your promo plans or is there incremental spending that needs to happen?

Stefan Descheemaeker

Robert, it's going to be more a promo shift. As Samy said, one of the reasons the gross margin is a bit higher is promo. Obviously, when you have some supply chain constraints, you don't want to go too much in promotion doesn't make any sense. You would waste money, but obviously we are also able to shift some of these promo slots to the second part of the year, which is probably going to happen. That's why, by the way, hence the answer from Samy in terms of the gross margin and the way we think we're going to go in the remainder of the year. But the fact is, yes, at the same time, yes, we think sales would have been higher. It's a combination of these different elements and that's why we think we're going to be a bit more aggressive in the second half, which makes sense.

Robert Moskow

Okay. Thank you.

Operator

Our next question comes from Jon Tanwanteng of CJS Securities. Please go ahead.

Jon Tanwanteng

Hi, guys. Thank you for taking my question and great quarter.

Stefan Descheemaeker

Thank you, Jon.

Jon Tanwanteng

I was wondering if you could talk about trends heading into April and May, and if you could break out maybe sequentially month-by-month or year-over-year, how those are looking? That'll be appreciated. Thank you.

Stefan Descheemaeker

Yes, let's say—when you look at the year, I would say Q1 is up to a great start as we had mentioned. With four months, let's say, of the year now complete, we are increasingly confident in our ability to achieve the full-year plan I would say overall. The trend continues to be stronger and the plans are unchanged versus what we had mentioned earlier.

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The one element that's important, I think, to keep in mind overall is that we need to look at things as well on the two-year basis. Many companies have done that but I think it's a good perspective to highlight, the fact that the two-year growth for us was about 10% I think for the year. That's what we did in Q1 and that's frankly what we're going to be after for the rest of the year.

Jon Tanwanteng

Okay, great. Thank you. Just on the Capex side, I know you said you've increased your expectation for investment into the U.K. How much capacity does that actually add for you? Number one. Number two, is that enough to accommodate the expected demand levels you're seeing across your business. Are there other places where you need to expand or maybe can you spread out the increased volume across the recently acquired assets you purchased?

Stefan Descheemaeker

Well, Jon, as you know, it's a never-ending process. You're continuously reassessing, especially in these very volatile situations. We're trying to find out exactly what the demand is going to be post-COVID. We're feeling sufficiently comfortable with this additional line, which I think should bring something like 7,000 tons of finished goods, which is good. But obviously we're not limited to this. We have other elements that we could play with, as we said we have a network of different plants, and different fishing lines that we've been able to maximize, that's one thing. And second also, we're playing with the shift. All in, we have different elements to play with. At this stage, we're feeling comfortable.

Jon Tanwanteng

Got it. Then maybe just when you get this capacity online, is there a gross margin benefit, because if you're running hot now and using maybe outsourced co-packing, then maybe it's not as efficient as you'd like it to be. Is there a benefit to getting this online and then pulling some manufacturing in-house?

Stefan Descheemaeker

Absolutely, absolutely, that's very clear. This line is a good payback and I can tell you it's physically painful to see all these goods, gross profit going to some other places. We'll be very pleased, number one, for our customers, for consumers, but also for ourselves.

Jon Tanwanteng

Great. Thank you very much, guys.

Stefan Descheemaeker

Thank you.

Operator

Our next question comes from Rob Dickerson of Jefferies. Please go ahead.

Ashish Mago

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Hi, good morning. This is Ashish on for Rob. Thanks for the question. Just wanted a bit more color on inflation, you mentioned low single-digit inflation for the year. Can you give us some more color on where you are seeing cost pressures and cost relief with respect to inputs?

Stefan Descheemaeker

Yes, we mentioned that the level of inflation was going to be normal in 2021, net of FX. We had mentioned effectively as well that the procurement team has done an exceptional job in Q1 in managing very well. The inflation situation in India to some, let's say, deflation and FX as well was an offset to the overall pool of costs that we have. Our outlook for the year remains unchanged versus what we have communicated earlier.

Ashish Mago

Got it. Thank you. Then just a quick follow-up on the marketing spend, how did the marketing spend trend in the quarter and how should we think about it for the remainder of the year?

Taposh Bari

We're investing behind the brands, behind innovation, behind, frankly, the equity as well. We talked about the Captain campaign, we talked about affecting the Captain equity renewal and we continue to support our brands very clearly. They're comparable to last year's level and we are trying to support in a disproportionate way any kind of innovation that is driving meaningful value.

Ashish

Got it. Thank you. I'll pass it on.

Operator

This concludes the question-and-answer session. I would like to turn the conference back over to Nomad CEO, Stefan Descheemaeker, for any closing remarks.

Stefan Descheemaeker

Thank you for your participation today. When we presented at CAGNY in February, we made a case that Nomad Foods is a different type of food company.

Our first quarter results demonstrate the powerful value creation playbook with strong organic growth and capital allocation, driving a 42% increase in our adjusted earnings per share. Looking out, our portfolio of frozen food brand is uniquely positioned in a post-COVID world, while the acquisition of Fortenova has us well on pace to achieve our long-term goal of double-digit EPS growth, year-in and year-out.

I hope you and your loved ones remain safe this summer, and we look forward to updating you on progress when we report next in August.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

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