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00:10:06.270 --> 00:10:19.200

Taposh Bari: Hello, and welcome to the Nomads Foods Second Quarter 2021 Earnings Call. I am to Taposh Bari, Head of Investor Relations, and I am joined on the call by Stefan Descheemaeker, our CEO and Samy Zekhout, our CFO.

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00:10:20.310 --> 00:10:31.440

Taposh Bari: On our call today, we will review our financial results for the quarter and conclude with a question and answer session. For those planning to ask a question, we ask that you do so using the Zoom raise hand feature.

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00:10:32.850 --> 00:10:37.710

Taposh Bari: Before beginning, I would like to draw your attention to the disclaimer on slide two of our presentation.

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00:10:38.820 --> 00:10:50.070

Taposh Bari: 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.

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00:10:51.420 --> 00:11:02.340

Taposh Bari: 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.

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00:11:03.870 --> 00:11:14.220

Taposh Bari: We will also discuss non-IFRS financial measures during the call today. These non-IFRS financial measures should not be considered a replacement for -

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00:11:14.640 --> 00:11:27.570

Taposh Bari: and should be read together with - IFRS results. 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.

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00:11:29.310 --> 00:11:35.760

Taposh Bari: Please note that certain financial information within this presentation represents adjusted figures for 2020 and 2021.

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00:11:36.510 --> 00:11:46.200

Taposh Bari: All adjusted figures have been adjusted for exceptional items, acquisition related, share based payment and related expenses, as well as non cash foreign exchange gains or losses.

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00:11:46.800 --> 00:11:52.830

Taposh Bari: All comments from here on will refer to these adjusted numbers, and with that I will hand the call over to Stefan.

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00:11:55.170 --> 00:11:58.230

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

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00:11:59.610 --> 00:12:08.460

Stefan Descheemaeker: Earlier today we reported our second quarter 2021 results which mark the highest second quarter Adjusted EPS in our company's history.

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00:12:09.510 --> 00:12:12.660

Stefan Descheemaeker: Despite the anniversary of our most difficult comparison of the year.

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00:12:14.580 --> 00:12:27.150

Stefan Descheemaeker: The power and resilience of our value creation model was evident during the quarter as contributions from M&A, share repurchases and margin expansion more than offset an expected organic revenue decline.

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00:12:29.370 --> 00:12:32.520

Stefan Descheemaeker: Based on our year to date performance and our plans for the second half,

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00:12:33.570 --> 00:12:43.590

Stefan Descheemaeker: we remain confident in achieving our 2021 full year guidance, which calls for another year of organic revenue growth and double-digit Adjusted EPS growth.

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00:12:46.140 --> 00:12:57.930

Stefan Descheemaeker: Further, with the pending acquisition of Fortenova's frozen business we expect a 2021 Adjusted EPS base of over \$2 per share on a combined and annualized basis.

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00:12:59.460 --> 00:13:04.530

Stefan Descheemaeker: This will create a higher, new baseline from which we expect to grow in the coming years.

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00:13:06.690 --> 00:13:11.130

Stefan Descheemaeker: With that let's jump into the details of Q2, beginning with the highlights on slide three.

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00:13:13.110 --> 00:13:20.820

Stefan Descheemaeker: Total revenues were down slightly as an expected decline in organic revenue was offset by contribution from the acquisition of Findus Switzerland.

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00:13:21.930 --> 00:13:23.880

Stefan Descheemaeker: And favorable FX translation.

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00:13:25.350 --> 00:13:36.000

Stefan Descheemaeker: On a two year basis, compared to 2019, total revenues grew at a CAGR of 5% and organic revenues grew at a CAGR of 4%.

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00:13:38.100 --> 00:13:51.990

Stefan Descheemaeker: Adjusted gross margins expanded 50 basis points or 90 basis points on a like for like basis - when excluding the effect of Findus Switzerland, whose initial gross margins are below those of our base business.

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00:13:53.730 --> 00:13:59.400

Stefan Descheemaeker: We are pleased with these results, as we continue to navigate a dynamic inflationary backdrop.

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00:14:01.920 --> 00:14:11.460

Stefan Descheemaeker: Adjusted EBITDA grew to 123 million euro representing 4% growth versus last year and an 11% CAGR versus 2019.

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00:14:12.840 --> 00:14:13.650

Stefan Descheemaeker: And finally.

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00:14:14.820 --> 00:14:25.140

Stefan Descheemaeker: Adjusted EPS was 40 euro cents per share, representing 18% growth versus the second quarter of 2020 and a two year CAGR of 22%.

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00:14:28.500 --> 00:14:39.150

Stefan Descheemaeker: Shifting now to the details of the quarter, we achieved strong performance, despite the easing of restrictions across Europe and the anniversary of peak COVID-related demand a year ago.

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00:14:40.560 --> 00:14:50.460

Stefan Descheemaeker: Growth in the frozen food category remained elevated on a two year basis, but did normalize versus the first quarter when most of Europe was under lockdown.

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00:14:52.500 --> 00:15:03.060

Stefan Descheemaeker: Against this backdrop, we experienced sequentially improving market share trends during the second quarter with market share in May and June both increasing versus the prior year period.

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00:15:05.640 --> 00:15:17.700

Stefan Descheemaeker: Our market share improvement has been enabled by better supply and service levels, which after dipping to the low 90% range earlier this year, have returned to the high 90%'s since May.

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00:15:19.830 --> 00:15:26.670

Stefan Descheemaeker: We are encouraged to see a positive market share inflection and expect this momentum to build through the rest of the year.

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00:15:28.740 --> 00:15:36.570

Stefan Descheemaeker: Confidence in our growth expectations for 2021 is supported by strong underlying fundamentals within our core portfolio.

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00:15:38.460 --> 00:15:52.230

Stefan Descheemaeker: Improved capacity is leading to more normal promotional activity and, in turn, particularly strong market share performance in our core categories such as fish fingers, coated fish, peas, spinach and Green Cuisine.

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00:15:54.930 --> 00:16:07.050

Stefan Descheemaeker: Green Cuisine continues to be a key driver of both absolute growth and share gains as we build distribution, grow penetration and drive trial across our European footprint.

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00:16:08.910 --> 00:16:20.130

Stefan Descheemaeker: Our chickenless range as performed exceptionally well since being introduced late last year and early signals of a recent fishless launch in Germany are very encouraging.

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00:16:23.070 --> 00:16:35.430

Stefan Descheemaeker: Further, with the Tokyo 2020 Olympic games under way, we are thrilled for Green Cuisine to be the official plant-based sponsor of Team GB in UK as we democratize the meat-free category.

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00:16:37.170 --> 00:16:44.970

Stefan Descheemaeker: One of our incredible athletes - Max Whitlock- has already won the gold medal at the Tokyo games. Congratulations Max.

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00:16:47.010 --> 00:16:56.250

Stefan Descheemaeker: We have several 360-degree activations underway and I'm excited to bring them to life, with the help of Max and our other sponsored athletes.

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00:16:58.530 --> 00:17:09.930

Stefan Descheemaeker: In two short years, Green Cuisine has become one of the leading meat-free brands within Europe and now has nearly 14% share of the frozen meat-free category across Western Europe.

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00:17:11.340 --> 00:17:18.570

Stefan Descheemaeker: Consumers love our products and we continue to believe we have every right to win it is exciting white space growth opportunity.

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00:17:21.540 --> 00:17:29.340

Stefan Descheemaeker: Our second quarter performance was also helped by strength in foodservice, which grew over 40% versus the prior year period.

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00:17:31.080 --> 00:17:44.250

Stefan Descheemaeker: While this business is still down double digits versus pre-COVID levels, it is recovering nicely, and given the strong rates of growth is providing a meaningful contribution to the overall performance of the business.

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00:17:45.750 --> 00:17:49.680

Stefan Descheemaeker: We expect it to be a recurring theme for at least the next three quarters.

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00:17:52.950 --> 00:17:55.620

Stefan Descheemaeker: I'd like to shift now to the topic of inflation.

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00:17:57.180 --> 00:18:05.490

Stefan Descheemaeker: Since presenting at CAGNY five months ago, we stated that we expect to manage inflation in the low single digit percentage range this year.

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00:18:06.570 --> 00:18:09.300

Stefan Descheemaeker: Despite rising commodity costs.

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00:18:10.680 --> 00:18:28.740

Stefan Descheemaeker: Between the actions taken by our procurement team, the length of our cover positions, favorable FX tailwinds and the nature of our COGS basket, we've seen limited inflationary pressure on our P&L for most of this year and have not yet had the need for significant price increases.

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00:18:30.600 --> 00:18:44.760

Stefan Descheemaeker: As a result, our gross margin guidance for the year remains unchanged and we are pleased to be in a position to reiterate our 2021 earnings guidance. I'd like to applaud the efforts of our organization for their exceptional work.

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00:18:46.830 --> 00:18:57.960

Stefan Descheemaeker: With that said - similar to many other food companies in the market - we are experiencing an uptick in raw materials inflation noticeably in oil, packaging, freight and logistics.

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00:18:59.370 --> 00:19:13.740

Stefan Descheemaeker: As we have in the past, we will deploy our entire toolkit of levers, including productivity and price to protect our margins and ensure that we can continue to deliver against our stated growth algorithm for years to come.

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00:19:16.470 --> 00:19:21.630

Stefan Descheemaeker: Lastly, we prepared for the acquisition of Fortenova with the refinancing of a large portion of our debt.

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00:19:22.830 --> 00:19:38.220

Stefan Descheemaeker: As a result of this transaction, we were able to: one, significantly reduce our like-for-like interest rate; two, extend our maturities; and three, generate 400 million euros of incremental borrowing capacity.

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00:19:39.930 --> 00:19:51.390

Stefan Descheemaeker: Taking all of these factors into consideration, we expect the net increase of our annual interest expense to be marginal despite taking on an incremental 400 million euros in debt.

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00:19:54.240 --> 00:20:03.450

Stefan Descheemaeker: We are eager to close in the Fortenova transaction at the end of Q3 and look forward to integrating the business and brands into the Nomad portfolio.

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00:20:06.900 --> 00:20:13.860

Stefan Descheemaeker: As a reminder, this is a transaction that we expect to be strategically and financially impactful for years to come.

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00:20:16.170 --> 00:20:27.390

Stefan Descheemaeker: From a strategic perspective, Fortenova will expand our geographic reach into eight Central and Eastern European countries new to Nomad, many with leading market share positions.

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00:20:28.830 --> 00:20:39.390

Stefan Descheemaeker: It will also introduce us to ice cream, a new and high margin category which will create a nice seasonal hedge to the frozen savory business during the summer months.

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00:20:41.490 --> 00:20:53.190

Stefan Descheemaeker: The business also has significant exposure to out-of-home consumption and international tourism, creating a cyclical tailwind as the world returns to life after COVID-19.

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00:20:55.050 --> 00:21:14.130

Stefan Descheemaeker: Financially, we expect Fortenova to be high single digits accretive to Adjusted EPS in its first full year prior to synergies. This transaction is expected to increase our Adjusted EPS to over \$2 in 2021 on a combined and annualized basis.

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00:21:15.750 --> 00:21:28.530

Stefan Descheemaeker: We expect this to set a new baseline for growth in 2022 and beyond, as we build on momentum in our base business, realize Fortenova synergies and allocate excess capital in an accretive manner.

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00:21:30.780 --> 00:21:36.780

Stefan Descheemaeker: In summary, we are pleased with our second quarter results and remain on pace to achieve our guidance for the year.

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00:21:38.580 --> 00:21:47.640

Stefan Descheemaeker: We have an active commercial agenda over the coming months, which we expect to result in market share gains, growth in our international business and a recovery in foodservice.

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00:21:49.530 --> 00:21:55.170

Stefan Descheemaeker: We will continue to mitigate inflation by driving productivity and raising prices, where justified.

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00:21:56.760 --> 00:22:03.090

Stefan Descheemaeker: We are building Green Cuisine into one of the largest and fastest growing plant protein brands in Europe,

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00:22:04.230 --> 00:22:09.600

Stefan Descheemaeker: attracting new consumers into our portfolio and driving innovation within the frozen food aisle.

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00:22:11.100 --> 00:22:18.450

Stefan Descheemaeker: And finally, we expect that the pending acquisition of Fortenova will serve as a new catalyst for growth in 2022 and beyond.

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00:22:20.460 --> 00:22:25.650

Stefan Descheemaeker: With that I will turn the call over to Samy to review the financials and guidance in more detail. Samy?

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00:22:27.900 --> 00:22:44.190

Samy Zekhout: Thank you, Stefan and thank you all for your participation on the call today. Turning to slide nine, I will provide more detail on our key second quarter operating metrics beginning with revenues, which declined 1% to 596 million euro.

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00:22:45.840 --> 00:22:53.520

Samy Zekhout: Organic revenues declined 4.5% as we anniversaried peak COVID related demand during the prior year period.

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00:22:54.630 --> 00:23:03.900

Samy Zekhout: This was offset by the acquisition of Findus Switzerland and favorable currency translation, which combined to benefit revenue growth by four percentage points.

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00:23:05.550 --> 00:23:12.780

Samy Zekhout: On a two-year compounded basis, second quarter revenue grew 5% and organic revenue grew 4%.

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00:23:14.940 --> 00:23:27.090

Samy Zekhout: Versus the prior year, an expected decline in our branded retail business was offset by growth in our non-branded business with foodservice growth of over 40% and private label declining modestly.

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00:23:29.010 --> 00:23:42.210

Samy Zekhout: We achieved 50 basis points of gross margin expansion during the quarter or 90 basis points when excluding the dilutive effect of the Findus Switzerland acquisition, whose gross margins have a lower starting point.

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00:23:43.560 --> 00:23:52.350

Samy Zekhout: This is a solid outcome in the context of a heightened inflationary backdrop and significantly increased promotional activity versus the prior period.

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00:23:53.580 --> 00:23:59.100

Samy Zekhout: Gross margin expansion was driven by a combination of productivity and transactional FX.

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00:24:00.840 --> 00:24:10.140

Samy Zekhout: We are pleased to be in a position to reiterate our gross margin guidance for the year and as Stephen mentioned are well equipped to navigate a dynamic inflationary backdrop.

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00:24:11.940 --> 00:24:22.530

Samy Zekhout: Moving down to the rest of the P&L. Adjusted operating expenses declined 3% year over year reflecting growth in A&P and a decline in indirect costs.

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00:24:23.850 --> 00:24:33.690

Samy Zekhout: Adjusted EBITDA increase 4% to 123 million euro and Adjusted EPS increased 18% to 40 euro cents for the quarter.

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00:24:34.920 --> 00:24:43.380

Samy Zekhout: Both metrics build on last year's record performance and were positive during the quarter, despite an anticipated decline in organic revenues.

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00:24:44.730 --> 00:24:58.170

Samy Zekhout: Further Adjusted EPS also benefited from a 10% reduction in our weighted average share count versus the year ago period, reflecting the significant level of share repurchase activity conducted over the past 12 months.

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00:25:00.750 --> 00:25:12.000

Samy Zekhout: Turning to cash flow on slide 10. We generated 103 million euro of adjusted free cash flow through the first six months of the year, equating to 66% cash conversion.

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00:25:13.320 --> 00:25:21.660

Samy Zekhout: Cash flow and conversion were below the prior year period, due to the effects of COVID, which was a significant cash flow tailwind in 2020.

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00:25:23.010 --> 00:25:35.010

Samy Zekhout: In the first half of 2021 we rebuilt our inventory position, which was depleted in the year ago period, while undertaking a series of projects to support our long term growth ambitions.

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00:25:36.120 --> 00:25:41.820

Samy Zekhout: This resulted in 55 million euro of working capital outflow and an uptick in capex.

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00:25:43.320 --> 00:25:53.940

Samy Zekhout: Looking forward, we expect Adjusted free cash flow conversion to remain at a similar level in Q3 given the seasonality of the business and improve significantly by your end.

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00:25:55.650 --> 00:26:05.910

Samy Zekhout: While 100% productivity will be difficult to achieve in 2021 given our working capital and capex needs this year, we remain committed to this objective longer-term.

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00:26:07.500 --> 00:26:18.300

Samy Zekhout: As Stefan mentioned we refinanced our senior secured notes and euro term loan in Q2, resulting in a lower interest rate, extended maturities and incremental borrowings.

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00:26:19.260 --> 00:26:30.480

Samy Zekhout: This was a very successful transaction with the 750 million note issuance representing the best pricing amongst similarly rated European bands in the past five years.

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00:26:32.280 --> 00:26:54.810

Samy Zekhout: Following the acquisition of Fortenova, our pro-forma leverage will be in the high 3x's and deleverage to the two's range by the end of 2022. With that let's turn to slide 11 to review our 2021 guidance, which is based on foreign exchange rates as of August 2, 2021.

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00:26:56.850 --> 00:27:04.950

Samy Zekhout: We are reiterating our 2021 full year guidance based on our year to date performance and our plans for the second half of the year.

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00:27:06.150 --> 00:27:17.760

Samy Zekhout: As seen on this slide, our guidance continues to call for Adjusted EPS of 1.50 to 1.55 euro per share, representing growth between 11 and 15%.

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00:27:19.500 --> 00:27:26.850

Samy Zekhout: Based on current FX rates, guidance equates to a range between \$1.79 and \$1.85 in US dollars.

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00:27:28.500 --> 00:27:43.170

Samy Zekhout: Guidance is based on a continued assumption of organic revenue growth in a range of 1 to 2% and based on contribution from Findus Switzerland and translational FX, total revenue growth in a range of 3 to 5%.

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00:27:45.270 --> 00:27:56.820

Samy Zekhout: This assumes a continued normalization of category growth and does not take into consideration the possibility of another series of lockdowns across Europe as a result of the Delta Variant.

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00:27:58.590 --> 00:28:09.210

Samy Zekhout: We have a very active calendar plan for the back-half of the year, which we expect to result in continued market share gains and enabled by an improved capacity situation.

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00:28:10.920 --> 00:28:19.170

Samy Zekhout: As a result, we expect our retail business to grow in the back half despite assumptions that the frozen category we decline modestly versus the prior.

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00:28:21.420 --> 00:28:32.310

Samy Zekhout: In addition, we expect a contribution from our non branded and international businesses, neither of which is tracked within the Nielsen data available to the investment community.

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00:28:34.110 --> 00:28:37.980

Samy Zekhout: Finally, a quick word on the pending Fortenova acquisition.

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00:28:39.420 --> 00:28:51.570

Samy Zekhout: We recently completed debt refinancing, which as Stefan mentioned reduced our interest rate, extended maturities and provided 400 million euro of incremental borrowings.

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00:28:52.800 --> 00:28:59.760

Samy Zekhout: The net effect is a marginal increase our interest expense, which we expect to absorb in our existing guidance.

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00:29:01.410 --> 00:29:13.140

Samy Zekhout: While we will update guidance on Fortenova upon closing, it is important to note that the seasonality of this business is highly concentrated in the summer quarters mainly Q2 and Q3.

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00:29:14.490 --> 00:29:29.790

Samy Zekhout: The business is tracking in-line with the figures that we provided at the time of signing and we continue to expect Fortenova to be high single digit accretive to Adjusted EPS in 2022 before taking synergies into account.

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00:29:31.560 --> 00:29:41.970

Samy Zekhout: However, given the seasonality considerations that I just mentioned, we do not expect a material change to our 2021 guidance upon closing of the transaction this fall.

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00:29:44.820 --> 00:29:52.920

Samy Zekhout: Had we owned Fortenova at the start of this year our 2021 Adjusted EPS guidance would that be north of \$2 US dollar per share.

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00:29:53.910 --> 00:30:03.990

Samy Zekhout: And as Stefan mentioned, we expect this will set a new baseline for growth in the coming years and contribute to the 2025 targets introduced at last year's Investor Day.

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00:30:07.110 --> 00:30:16.890

Samy Zekhout: Before concluding, I would like to announce that our Board of Directors has approved a new buyback authorization of up to \$500 million dollars.

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00:30:17.700 --> 00:30:32.730

Samy Zekhout: Our capital allocation strategy has not changed and our near term priority is to close the Fortenova acquisition this fall. Beyond Fortenova, we remain committed to M&A and have an active pipeline that we are working on.

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00:30:34.470 --> 00:30:47.070

Samy Zekhout: With that said, we continue to see value in our shares and this authorization provides us added flexibility to further enhance shareholder value, while maintaining a reasonable leverage profile.

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00:30:48.330 --> 00:30:54.360

Samy Zekhout: That concludes our remarks, I will now turn the session over to Q&A. Thank you operator, back to you.

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00:30:55.920 --> 00:31:07.440

Moderator: Thank you, we will now begin the question and answer session, please use the raise hand function to ask a question, our first question will come from Andrew Lazar, Barclays.

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00:31:40.590 --> 00:31:47.820

Andrew Lazar - Barclays: I wanted to start with market share progress as obviously this is such a key component to achieving the 1 to 2% full year organic growth target.

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00:31:48.960 --> 00:31:56.430

Andrew Lazar - Barclays: Organic sales only fell about 1% through the first half so obviously Nomad will need a pretty significant acceleration in the second half to get there.

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00:31:56.760 --> 00:32:07.170

Andrew Lazar - Barclays: I was hoping to get your perspective on that and how the share inflection plays into it, especially with a little more depth around Must Win battles and things of that nature and then I got a quick follow up.

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00:32:09.360 --> 00:32:17.790

Stefan Descheemaeker: Yeah you're right Andrew you know, obviously market share, from the start, we already said it was a fundamental pillar for our plan for growth in 2021.

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00:32:18.480 --> 00:32:28.710

Stefan Descheemaeker: And yes, we knew from the start that we would be capacity constraint, it's gone you've already seen the result in May and June in terms of market share

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00:32:29.070 --> 00:32:37.770

Stefan Descheemaeker : unconstrained. And obviously promo can start back so that's great. July, the same thing. So that's on its way and to your point

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00:32:38.370 --> 00:32:45.690

Stefan Descheemaeker: above and beyond obviously volume and sales, you know what is absolutely paramount for us is market share for Must Win battles.

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00:32:46.110 --> 00:32:53.310

Stefan Descheemaeker: From the start, you may remember back in 2016 we said it's key for us. And what we've seen, which is very, very interesting -

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00:32:54.000 --> 00:33:05.850

Stefan Descheemaeker: is that all market share in Must Win battles has been positive throughout most of Covid, now up 100 basis points since May, so it's obviously quite significant.

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00:33:06.390 --> 00:33:17.580

Stefan Descheemaeker: And we definitely believe in terms of retail that market share in terms of Must Win battles for us it's the ultimate indicator of brand health, so we're pleased with that.

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00:33:18.030 --> 00:33:28.800

Stefan Descheemaeker: And it doesn't change anything in terms of what we've said all along, over the last five/six years. I think it makes a lot of sense and we're making progress.

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00:33:30.810 --> 00:33:40.500

Andrew Lazar - Barclays: The second question would be you know, despite the healthy EBITDA upside in 2Q, at least versus sort of consensus, obviously you kept the full-year guidance the same.

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00:33:40.950 --> 00:33:46.200

Andrew Lazar - Barclays: Would you suggest this is simply out of prudence, you know, given the dynamic operating environment or

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00:33:46.650 --> 00:34:00.750

Andrew Lazar - Barclays: you know, is it that the second half, requires maybe a significant step up in spending for some reason or costs are looking more challenging. I'm trying to get a sense of what played into your thoughts around guidance in light of the better second quarter, thank you.

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00:34:02.100 --> 00:34:12.270

Samy Zekhout : Yeah thanks Andrew for the question. I'll take that one. I think the year is playing out as expected and our full-year guidance isn't changed as a result.

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00:34:13.500 --> 00:34:20.490

Samy Zekhout: As you can imagine, , as you highlighted actually the environment remains pretty dynamic on multiple fronts. Our Adjusted EPS is

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00:34:21.120 --> 00:34:32.280

Samy Zekhout: up 30% through the first half of the year and we are pleased with our performance. At this stage, it is clear that for us it's prudent to reiterate our guidance, but we will certainly update you along the way.

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00:34:33.240 --> 00:34:33.630

Andrew Lazar - Barclays: Thank you.

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00:34:56.640 --> 00:34:58.830

Moderator: Hi Rob Dickerson, would you like to ask a question?

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00:35:05.730 --> 00:35:12.780

Robert Dickerson - Jefferies: So I guess first question is just a follow up to Andrew's question around the share gains just a little bit more detail.

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00:35:13.680 --> 00:35:26.910

Robert Dickerson - Jefferies: Stefan I know you know, in the past when we spoke about the business, you know it sounds like given you know your exposure throughout the EU, and you know timing differential in certain resets per country.

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00:35:28.740 --> 00:35:36.360

Robert Dickerson - Jefferies: That I was just thinking that as, let's say you didn't pick up as much share as you could have through Covid , because of the capacity constraint.

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00:35:36.840 --> 00:35:42.780

Robert Dickerson - Jefferies: Now it sounds like that capacity constraint has been lifted, you're pointing to already seeing some share gains.

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00:35:43.380 --> 00:35:54.690

Robert Dickerson - Jefferies: It sounds like you know those share gains aren't contingent, you know, on kind of go forward conversations with retailers and shelf reset timing

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00:35:55.050 --> 00:36:03.180

Robert Dickerson - Jefferies: to get product back on shelf. It's more just in filling that inventory on the space you still have that you never lost, is that fair?

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00:36:04.560 --> 00:36:11.820

Stefan Descheemaeker: Well it's part of that you know phase of with it by definition over the retail conversation it's a bit more complicated than that.

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00:36:12.300 --> 00:36:18.090

Stefan Descheemaeker: But definitely you know we're now in a more in a position to be more promo aggressive the right way obviously.

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00:36:18.600 --> 00:36:30.180

Stefan Descheemaeker: A&P the same thing so and, overall, you know I think our relationship with the trade has improved a lot. So that combined to your point with

148

00:36:30.720 --> 00:36:39.420

Stefan Descheemaeker: no no real capacity constraint that obviously allows us to play our game , which is a game, back to what I mentioned to Andrew is

149

00:36:39.780 --> 00:36:52.860

Stefan Descheemaeker: obviously you know Must Win battles is paramount - 70% of our business. The highest growth, the highest margin and so it's a really interesting combination between market share gains and gross margin.

150

00:36:53.730 --> 00:36:56.520

Stefan Descheemaeker: Overall at the end of the day, you know the consumers

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00:36:57.000 --> 00:37:03.420

Stefan Descheemaeker: have to appreciate, the consumer is going to decide, but what we see is that we are confronted by their choices.

152

00:37:04.560 --> 00:37:12.180

Robert Dickerson - Jefferies: Okay got it and then it sounds like kind of what you're implying as well is you know, kind of just looking to see what the price came in and Q2.

153

00:37:12.780 --> 00:37:25.080

Robert Dickerson - Jefferies: I heard a lot of commentary around you know go forward material pricing expectations that you know it's fair to assume kind of what's implied in the back half to get you to your full-year,

154

00:37:25.590 --> 00:37:31.470

Robert Dickerson - Jefferies: organic is essentially mostly volume driven. I know it's a simple question, but I just want to clarify.

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00:37:33.660 --> 00:37:40.830

Stefan Descheemaeker: We will be held by volume for sure, but there is effective dynamic coming across there that we've been managing across the quarter

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00:37:41.280 --> 00:37:53.940

Stefan Descheemaeker: to support our plans in our investments. So I think that let's say we've always wanted to clearly win in the marketplace, I mean by supporting our brands in the right way and through all of the valuable related pricing on investments for sure.

157

00:37:55.050 --> 00:37:57.240

Robert Dickerson - Jefferies: Okay, and then just quickly on Fortenova.

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00:37:58.920 --> 00:38:07.140

Robert Dickerson - Jefferies: You know, I know, last year, obviously, was a pressured year just giving away from home channel it's a business that has decent exposure to that channel.

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00:38:08.580 --> 00:38:15.450

Robert Dickerson - Jefferies: You know if you're expecting to close in Q3 if we're thinking about into next year kind of relative to kind of how you view

160

00:38:15.870 --> 00:38:29.790

Robert Dickerson - Jefferies: the longer run rate growth potential of that business, is there a possibility that that growth could in fact be a bit higher in 2022 just kind of given the ongoing recovery of away from home relative to long term? That said, I'll pass it on.

161

00:38:36.630 --> 00:38:47.430

Stefan Descheemaeker: Well, you know I think again, you know it's a very dynamic environment Rob so it's difficult to say. The only thing we can say, we can see at this stage is the business is moving according to plans.

162

00:38:48.360 --> 00:38:56.070

Stefan Descheemaeker: To your point definitely you know it's more driven by things like touristic season, so we can expect something obviously interesting

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00:38:56.460 --> 00:39:01.560

Stefan Descheemaeker: in 2022. We haven't seen fully yet you know what the impact of 2021 yet.

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00:39:02.340 --> 00:39:10.980

Stefan Descheemaeker: We can only assume that 2021 in terms of tourism is going to be better, but definitely it's not a full season yet. So there definitely you know we

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00:39:11.760 --> 00:39:19.770

Stefan Descheemaeker: have our plans, there is Covid in the middle we're going to apply our plans according to our game.

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00:39:20.250 --> 00:39:34.620

Stefan Descheemaeker There are many levers in that game with Fortenova and so we're going to apply it. So, in the meantime, if there are some Covid related impact which are positive, even better, but we're not counting on it.

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00:39:35.400 --> 00:39:36.840

Robert Dickerson - Jefferies: Alright, got it thanks so much.

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00:39:38.100 --> 00:39:38.760

Nomad Foods: You're welcome.

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00:39:41.490 --> 00:39:45.210

Moderator: Our next question is from Jason English, Goldman Sachs.

174

00:40:07.830 --> 00:40:16.470

Jason English- Goldman Sachs: So the first two questions have kind of come at the organic sales outlook at least in some way shape or form and I'm not yet ready to

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00:40:17.070 --> 00:40:23.190

Jason English- Goldman Sachs: move off that because there's obviously been a tremendous amount of investor concentrating around your ability to get to that 1% to 2%.

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00:40:23.580 --> 00:40:31.950

Jason English- Goldman Sachs: in light of what we've been seeing Nielsen data and now your guidance is implying an acceleration to 3% to 5% to get to that 1% to 2% range which optically

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00:40:32.490 --> 00:40:44.460

Jason English- Goldman Sachs: I'm sure you appreciate looks like a reasonably daunting task. So can you walk us through again the building blocks and maybe put a little more tea some quantification on some of these things, so you mentioned like non branded international

178

00:40:45.270 --> 00:40:49.860

Jason English- Goldman Sachs: that are outside of the scope of Nielsen, remind us how large those are and what you're expecting.

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00:40:50.370 --> 00:40:56.250

Jason English- Goldman Sachs: You mentioned capacity situation is a dampener that's no longer going to be a dampener, how much has that dampened your growth?

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00:40:56.910 --> 00:41:03.600

Jason English- Goldman Sachs: And what are the other puts and takes that we should be contemplating to have confidence in your ability to get to that 3% to 5% in the back half? Thank you.

181

00:41:05.100 --> 00:41:20.430

Stefan Descheemaeker: Okay, let me start with the first part of the answer which is the situation as of today and Samy will go on with the second part, which is looking forward. So the first thing, as usual, and you know this.

182

00:41:21.600 --> 00:41:27.960

Stefan Descheemaeker: Nielsen is only part of the story for us it's probably something like at best 60%so.

183

00:41:28.740 --> 00:41:42.660

Stefan Descheemaeker: All Nielsen data include Green Cuisine, which is obviously several percentage better than the worst food data. Foodservice it's been a 1% drag the past 15 months now it's 1% tailwind.

184

00:41:43.260 --> 00:41:55.590

Stefan Descheemaeker: International is not in Nielsen it will be a tailwind starting definitely in Q3 Nordics has been a drag in the past was a tailwind in Q2 starting to get there. So that's

185

00:41:56.070 --> 00:42:00.480

Stefan Descheemaeker: the big difference between obviously what Nielsen says for the first two quarters

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00:42:00.810 --> 00:42:12.210

Stefan Descheemaeker: and, and obviously or final results. With that you know I will give the word to Samy for the second part, which is obviously you know the latest estimates for the year.

187

00:42:12.900 --> 00:42:21.120

Samy Zekhout: I think, as you combine all of the facts that Stefan has said, which is clearly , building on the momentum that we have on

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00:42:21.540 --> 00:42:31.440

Stefan Descheemaeker: Must Win battle with the share gains that you have seen, I mean recently clearly with the step up in Foodservice and the first one would include actually Green Cuisine in there.

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00:42:32.580 --> 00:42:41.370

Stefan Descheemaeker: The fact that effective Foodservice is stepping up as we go and the element effective international that are not included in the numbers

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00:42:42.030 --> 00:42:47.370

Stefan Descheemaeker : that gets us to reiterating if you want the confidence of the 1% to 2% guidance there.

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00:42:48.360 --> 00:43:03.210

Stefan Descheemaeker: A clear assumption for category growth up for modest decline versus 2020, but we expect our branded retail will grow year-on-year and the other piece you need to keep in mind that have to come easier than in first half overall.

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00:43:05.400 --> 00:43:07.890

Jason English- Goldman Sachs: Understood. Thank you that's really helpful, I'll pass it on.

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00:43:09.180 --> 00:43:09.600

Jason English- Goldman Sachs: Thanks.

194

00:43:11.010 --> 00:43:14.370

Moderator: Our next question is from Robert Moskow, Credit Suisse.

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00:43:56.580 --> 00:44:04.350

Robert Moskow - Credit Suisse: Bad news is it's going to be the same question as the last four but maybe a little different. You said, the back half

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00:44:04.980 --> 00:44:14.670

Robert Moskow - Credit Suisse: depends on market share gains, but you know a lot of your peers give us a lot of data on how their market share is trending and I don't think I've ever seen

203

00:44:15.630 --> 00:44:28.200

Robert Moskow - Credit Suisse: share data from Nomad on a weighted average basis or percentage of portfolio. Is there any way you could give us a sense of like did you gain a lot of share in 2020? Did you gain a lot of share in 2019?.

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00:44:30.480 --> 00:44:35.940

Robert Moskow - Credit Suisse: Do you have that data internally and how do you think your share has trended over time? And then a follow up.

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00:44:38.220 --> 00:44:43.950

Stefan Descheemaeker: Well, you know I think overall you know our market share was up consistently in the past.

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00:44:44.580 --> 00:44:53.700

Stefan Descheemaeker: And again, not only in terms of sales but even more importantly in terms of I think you would appreciate that in terms of margin which is

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00:44:54.120 --> 00:44:59.040

Stefan Descheemaeker: absolute fundamental. So it's really a combination, and margin means also Must Win battle. .

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00:44:59.490 --> 00:45:08.490

Stefan Descheemaeker: So Must Win battle the market share is up even more, and as a result our market share in terms of margins, –gross margin, gross profit is even even bigger.

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00:45:09.120 --> 00:45:19.740

Stefan Descheemaeker: So that's that. In terms of 2020, as we said market share was down modestly, I would say, mainly driven by capacity constraints. Same thing

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00:45:20.130 --> 00:45:29.640

Stefan Descheemaeker: for Q1, we said that you know we mentioned that you know market share was down. If you remember that our service level went down to the low 90s.

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00:45:30.030 --> 00:45:44.130

Stefan Descheemaeker: So, unsurprisingly, with that and obviously with lower promotion intensity you only can go can go down and we knew this would happen. Q2 was flat, but with May and June up

212

00:45:45.390 --> 00:45:54.030

Stefan Descheemaeker: And July it's still incomplete, but what we look at what we can see at this stage is we are, we are. So that's where we stand.

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00:45:55.200 --> 00:46:00.840

Stefan Descheemaeker: And I think it's something that we already communicated. But fine, we will make it even more straight forward.

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00:46:01.920 --> 00:46:03.210

Robert Moskow - Credit Suisse: Alright, I appreciate it.

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00:46:04.710 --> 00:46:15.600

Robert Moskow - Credit Suisse: Another follow up, inflation, you know we we've heard a quantification from other companies as to how much inflation they're getting it seems to be high single digit maybe even 10%.

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00:46:16.110 --> 00:46:26.430

Robert Moskow - Credit Suisse: I haven't heard from you, but can you give us a sense of where you are right now? Is it is it mid-single? Is it is it higher than that? Is it offset by currency?

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00:46:28.110 --> 00:46:34.290

Stefan Descheemaeker: We clearly are seeing inflation similar to other package goods companies.

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00:46:35.250 --> 00:46:43.650

Stefan Descheemaeker: But the reality is that our portfolio and our business structure is actually putting us in a stronger position in order to navigate

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00:46:44.610 --> 00:46:51.930

Stefan Descheemaeker: through inflation, I would say our mix is clearly playing us, helping us, for instance let's say the fact that we have

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00:46:52.590 --> 00:46:58.860

Stefan Descheemaeker: a high share of our portfolio in fish and vegetable is definitely a help because we see more modest inflation there.

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00:46:59.310 --> 00:47:08.760

Stefan Descheemaeker: FX is a tailwind, as you know, and clearly I mean market inflation is not a great indicator for us, given that we buy, by scale.

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00:47:09.270 --> 00:47:18.030

Stefan Descheemaeker: And, for example, I mean we are the number one buyer I mean of white fish in the world, so we are able to leverage clearly our scale, I mean from that perspective.

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00:47:18.300 --> 00:47:25.260

Stefan Descheemaeker: So inflation, there is but if you are definitely more manageable given all of the factors that we have and we have a lot as well of

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00:47:25.920 --> 00:47:44.100

Stefan Descheemaeker: ways to clearly navigate in a very efficient way through productivity scale, as I had mentioned mix is a help as well not mentioning effects which I have already called for, and indeed I mean pricing in its revenue management which we continue to deploy year after year..

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00:47:44.400 --> 00:47:45.240

Robert Moskow - Credit Suisse: All right, well, thank you.

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00:47:47.250 --> 00:47:48.090

Moderator: As a reminder

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00:47:48.330 --> 00:47:55.020

Moderator: please use the raise hand feature if you'd like to ask a question. Our next question will come from Faiza Alwy from Deutsche Bank.

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00:48:05.160 --> 00:48:09.300

Faiza Alwy - Deutsche Bank: So I also wanted to first just follow up on the top line again.

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00:48:10.650 --> 00:48:21.000

Faiza Alwy - Deutsche Bank: I guess, are you able to talk about how much you expect the category to decline as we go into the back half in your core markets?

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00:48:25.740 --> 00:48:44.820

Stefan Descheemaeker: I'll take on that on. Actually the category is expected to decline low single digit, as we have already mentioned, and our assumption actually is for modest growth in our branded , business for sure, and that's where we are overall.

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00:48:45.210 --> 00:48:54.360

Faiza Alwy - Deutsche Bank: And you know can you talk a little bit more about sort of quarterly variation as we go through the back half, because I know that the comp

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00:48:54.750 --> 00:49:04.050

Faiza Alwy - Deutsche Bank: is tougher in 4Q, but I wonder if some of the initiatives that you have whether it's you know international or

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00:49:04.770 --> 00:49:16.140

Faiza Alwy - Deutsche Bank: you know some of the other sort of product initiatives that you might have are more catered towards the fourth quarter? So just any any further color on the two quarters in the back half.

236

00:49:24.900 --> 00:49:35.310

Stefan Descheemaeker: Sorry, I mean there was just a point to underline, sorry for that. I mean we're going to get you the detail through Taposh, who will walk you through the modeling.

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00:49:35.670 --> 00:49:50.250

Stefan Descheemaeker: I mean the Q3 sales comp are easier and then Q4 we invested significantly in SG&A, so it presents an easier comp as well. So I mean, as it relates to the specific modeling element that you're requesting Taposh will take you through that.

238

00:49:51.270 --> 00:49:52.110

Stefan Descheemaeker: Got it okay.

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00:49:52.470 --> 00:49:59.820

Faiza Alwy - Deutsche Bank: And then just on the gross margin as we think about the back half, I wonder if you could talk about

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00:50:00.300 --> 00:50:15.570

Faiza Alwy - Deutsche Bank: your conservatism around gross margin, how much if it might be related to you know just some of the cost inflation that you highlighted versus maybe incremental promotions that you might be doing to boost the top line.

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00:50:17.220 --> 00:50:24.450

Stefan Descheemaeker: Yeah our full year gross margin expectation are unchanged Faiza. I think I mean our raw material are lockedt for the year.

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00:50:24.990 --> 00:50:31.890

Stefan Descheemaeker: And we have really good cover, as you have already seen, and you continue to see. For us promotion are

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00:50:32.430 --> 00:50:39.750

Stefan Descheemaeker: an important part of the of the business model, and of course I mean this is how we contribute to a lets say stepping up our growth for sure.

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00:50:40.530 --> 00:50:49.110

Stefan Descheemaeker: Retailer and consumer value promotion, this is a category where promotions are needed if you want to grow the top line and gain share, I mean overall.

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00:50:49.350 --> 00:50:59.130

Stefan Descheemaeker: So I said, the overall, I mean to close to your question, I mean the reality is that just full year gross margin are clearly unchanged, our expectations for the year.

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00:51:00.510 --> 00:51:02.100

Faiza Alwy - Deutsche Bank: Okay got it Thank you so much.

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00:51:04.920 --> 00:51:09.810

Moderator: Our next question is from Jon Tanwanteng from CJS Securities.

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00:51:17.010 --> 00:51:23.040

Jon Tanwanteng - CJS Securities: Thanks for taking my question, my first one, you know I know you're not providing specific guidance around the delta variants,

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00:51:24.300 --> 00:51:33.480

Jon Tanwanteng - CJS Securities: but I was wondering since the UK is your biggest market can you just talk about the trends in July and how that's played out between the rise and fall of Covid cases and other things like labor shortages

252

00:51:34.230 --> 00:51:43.710

Jon Tanwanteng - CJS Securities: resulting in you know empty shelves and empty freezers, is that a net tailwind for you with more consumption and maybe more retailers desperate for stock or is it a headwind maybe you can't get stock.

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00:51:44.550 --> 00:51:45.660

Jon Tanwanteng - CJS Securities: Yeah.

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00:51:46.500 --> 00:51:51.810

Stefan Descheemaeker: Yeah well you know what happened in the UK is an interesting one.

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00:51:52.110 --> 00:52:01.800

Stefan Descheemaeker: I think it can be an improvement indeed to your point, but overall what's important and when you take the big picture for Nomad is July is we are improving our market share.

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00:52:02.760 --> 00:52:12.210

Stefan Descheemaeker: It remains a small month, so if there is a bit of tailwind after the result of what happened with the retailers in UK even better.

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00:52:12.780 --> 00:52:27.210

Stefan Descheemaeker: And that's that. And so with Fortenova obviously we're going to close probably in end of Q3, so we preparing ourselves.

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00:52:28.290 --> 00:52:38.280

Stefan Descheemaeker: So that's obviously also an interesting one in terms of ice cream, an interesting compliment to us. So that's that at that

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00:52:38.490 --> 00:52:49.470

Stefan Descheemaeker: stage. But again Delta we haven't come to any change with Delta, I think at this stage we're not expecting any additional lockdown.

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00:52:50.550 --> 00:52:53.460

Jon Tanwanteng - CJS Securities: Okay, great and then it's good to see the share

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00:52:54.300 --> 00:53:01.110

Jon Tanwanteng - CJS Securities: repurchase authorization, but just you know, given your leverage, you know the high threes in the near term. How should we think of your willingness to allocate capital there

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00:53:01.410 --> 00:53:06.870

Jon Tanwanteng - CJS Securities: you know versus paying down debt, maybe what level of net debt, you know leverage makes it more comfortable to actually repurchase shares?

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00:53:09.300 --> 00:53:19.530

Stefan Descheemaeker: Our position isn't changed. I think our authorization was exhausted and the Board has agreed and decided I mean to reup the program to 500 million.

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00:53:20.280 --> 00:53:33.210

Stefan Descheemaeker: We clearly continue to let's say focus on trying to enhance shareholder value overall. Our near term focus is on Fortenova and M&A and now we've added another level of flexibility with this authorization .

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00:53:35.490 --> 00:53:36.360

Jon Tanwanteng - CJS Securities: Okay, great Thank you.

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00:53:38.850 --> 00:53:45.390

Moderator: At present we have no further questions. As a reminder, if anyone would like to ask a question, please use the raise hand feature.

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00:54:00.030 --> 00:54:05.430

Taposh Bari: Sophie if there are no further questions why don't we go back to Stefan for his closing remarks.

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00:54:09.660 --> 00:54:25.050

Stefan Descheemaeker: Okay, let me go to the final remarks to your point Taposh. So again, thank you for your participation today. Second quarter results demonstrate the power, the resilience of value creation model.

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00:54:26.370 --> 00:54:31.980

Stefan Descheemaeker: We achieved record Adjusted EPS performance, despite the anniversary of peak Covid demand a year ago.

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00:54:32.580 --> 00:54:40.470

Stefan Descheemaeker: And as you can see, we're navigating a number of dynamic macro factors this year - return to other home consumption, inflation.

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00:54:41.070 --> 00:54:59.130

Stefan Descheemaeker: But meanwhile we continue to leverage our scale and balance sheet to build on the strong foundation of our brands and we are welcome with the new acquisitions in our portfolio. In summary, we remain on pace to achieve or guidance for 2021 and are on pace to achieve our long term financial targets.

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00:55:00.240 --> 00:55:01.560

Stefan Descheemaeker: Thank you, and have a great day.