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Nomad Foods

First Quarter 2022 Earnings Conference Call

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CONFERENCE CALL PARTICIPANTS

Robert Moskow, *Credit Suisse*

Cody Ross, *UBS*

Steve Powers, *Deutsche Bank*

Jonathan Tanwanteng, *CJS Securities*

Ryan Bell, *Consumer Edge Research*

PRESENTATION

Operator

Welcome to the Nomad Foods First Quarter 2022 Earnings Conference Call.

The conference is being recorded. After the presentation, there will be an opportunity to ask questions.

I would now like to turn the conference over to Anthony Bucalo, Head of Investor Relations. Please go ahead.

Anthony Bucalo

Hello and welcome to the Nomad Foods' first quarter 2022 earnings call.

I am Anthony Bucalo, Head of Investor Relations, and I am joined on the call by Stefan Descheemaeker, our CEO, and Samy Zekhout, our CFO.

Before we begin, I would like to draw your attention to the disclaimer on Slide 2 of our presentation. This conference call may include certain forward-looking statements that are based on our view of the Company's prospects, expectations, and intentions at this time. 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, our 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. Please note that certain financial information within this presentation represent adjusted figures for 2021 and 2022. 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. Unless otherwise noted, all comments from here on will refer to those adjusted numbers.

With that, I will hand you over to Stefan.

Stefan Descheemaeker

Thank you Tony and welcome to the team for your first quarterly earnings. Good afternoon everyone and thank you all for joining us on the call today.

We're pleased to review our results for the first quarter and to report that we are executing well and remain on track to deliver the 2022 guidance we set back in February. Our business has been significantly disrupted by a difficult macro backdrop and we see these results as a great achievement for our team. We're not entirely satisfied with our performance, but we are encouraged by the resilience of our business model, the strength of our brands, and our ability to navigate difficult waters.

With the war in Ukraine, we faced an unprecedented geopolitical challenge starting the first quarter of 2022. Our input costs have risen sharply year-on-year, while our consumers are coming under increasing pressure from high inflation across Europe. It is with this backdrop we are focusing on performance and delivery, driving world-class retail execution and strengthening our consumer proposition, while further refining our supply chain through targeted investments and process improvements.

Looking ahead to the rest of the year, we are well-hedged on input costs, and we expect at least one more round of price increases to help offset a significant portion of our cost inflation. Supported by our strong free cash flows, we plan to maintain our investment in brand and supply chain improvements, supporting us in 2022 and beyond. We're also investing in our latest acquisition in the Adriatic. We are well-positioned for the future.

With that, I'd like to recap our first quarter key financial metrics, beginning with reported revenues of €733 million euro, which increased by 3.6%, driven by the first year of inclusion of our newly acquired Adriatic business. Organic revenue declined by 4.5%, reflecting difficult volume comparisons against the COVID lockdown that were still in place this time last year. We delivered an adjusted gross margin of 27.9%, 250 basis points lower year-on-year, reflecting the impact of acquisition, lower organic sales, and higher raw material costs.

Adjusted EBITDA of €132 million euro represents a 4% decline compared to last year, as higher input costs before pricing weighed on the result. Finally adjusted EPS was €0.43 euro cents per share. Although this represented a 9% decline versus last year, we are still on track to deliver our 2022 adjusted EPS guidance of €1.71 to €1.75 Euros.

Turning to Slide 4, in the first quarter, positive revenue growth was driven by the first time inclusion of our Adriatic's frozen business and a small boost from currency. Our organic sales declined 4.5% as we lapped last year's strong volume results driven by COVID lockdowns. We lost sales in the U.K. due to a poultry shortage and lost sales in another large market due to a pricing dispute with a major retail customer. Stripping out these one-off items, our organic revenues would have been down low single-digits for the period. We have since successfully resolved both issues.

We did not get the full benefit of our pricing actions during the quarter as our pricing was phased across the period with many of our increases weighted to March. We expect our second quarter sales trends to improve as we get the full benefit of our first quarter pricing and begin lapping post-COVID lockdowns comparisons. However, we do not expect our margin recovery to gain momentum until the second half of the year after we take our next round of pricing on top of our first round from Q1. Traditionally, we take pricing once annually, acting early in the year. However, we are in a period of unprecedented cost inflation, and we will be taking more pricing midyear to recover costs.

We're planning at least one more wave of pricing for the second half of the year, starting earlier in the UK. This should boost our top line and help offset the record inflation we are experiencing. Just to be clear, there is always a time lag between COGS increases, which are linear, and our price increases to the retailer, which are staggered. What matters to us is the long-term evolution of our margin, and we believe it is imperative to recover gross profit dollars and margins this year to position us appropriately for next year. We are on track to deliver that recovery in 2023.

Our market share trends were highly encouraging in the quarter. Overall, we grew value share 10 basis points across all of our markets. However, we grew share 60 basis points on average in our top four markets, which represents more than 60% of our sales. These are the must-win battles where we define our commercial success. Higher input costs weighed on our gross margin and profit in Q1. However, we are well-prepared for the rest of 2022 with roughly 85% of our raw material hedged. On energy, we are effectively recovered for 2022 and have begun hedging for 2023. In edible oils, we have had no shortage to date, and we've taken a covered position on all our requirements for 2022.

With this supply crisis, we have accelerated the execution of our risk mitigation strategies, and we have taken steps to diversify our sourcing portfolio across key ingredients. We're also adjusting our product formulations wherever appropriate, while still meeting our high-quality standards. We're also quickly taking steps to reduce the volume of Russian waters; fish we use in our products, further derisking our business.

In the year-to-date, we have been highly encouraged by the performance of our new business in the Adriatic region, driven by an outstanding team across the eight markets. Our Easter performance was strong, giving us confidence of a return to pre-COVID tourism levels for the summer selling season when ice cream consumption peaks. The integration program is progressing well, and we are confident we will meet our €15 million euro synergy target by 2024.

In August 2021, we announced a $500 million dollar buyback program, which expires in August 2024. In Q1, we repurchased nearly €27 million euro in shares, and we continue to regard share repurchase as a highly accretive option to drive shareholder value.

Turning to Slide 5. This is not the first time Nomad has been tested during a period of uncertainty. Over our history we've passed through multiple challenges and have come out a better company on the other side. After Nomad's creation in 2015, we turned the Company around and created the growth culture and must-win battle focus, which is now at the center of who we are today. We managed through the unique challenges of Brexit in 2019 and then the COVID-19 pandemic in 2020 and 2021. We will be challenged this year by high inflation and the war in Ukraine, but I believe we have robust plans in place and are well-positioned to deliver to our commitments and come out a stronger organization. In this difficult environment, we are continuing to provide security of supply for our retail partners, and I'm especially pleased with how our supply chain has evolved to meet these new challenges.

In 2020 and early 2021, we navigated the exceptional COVID demand growth when our facilities were running at higher than 90% capacity. Through late 2021 and in this year-to-date, we have again step-changed our capacity to source, convert, and supply at the highest quality despite global shortages of raw materials and exceptional inflationary pressures. Our current service levels improved significantly from a year ago, finishing the first quarter of 2022 at a 96% fill rate, an improvement of 300 basis points versus the same period last year.

Additionally we've maintained our focus on innovation, and we are actively evolving our portfolio to reflect new market realities. This is especially important in light of the rapidly climbing costs for all of our proteins. Our flagship Green Cuisine plant protein line is gaining share, and we have more innovation planned for the second quarter with that brand. We are also pleased that in the Grocer Gold Awards for 2022, Green Cuisine has been shortlisted for Food Brand of the Year. In addition, our Proud to Power Team GB for the 2020 Tokyo Olympics campaign has also been short-listed for Consumer Initiative of the Year.

Finally, it is worth noting that even with this difficult backdrop, we are resolute in our focus on our social responsibility commitments. We've maintained our efforts on meeting our ESG goal, especially in the area of net carbon neutrality. When looking out to the balance of 2022, we believe we are on track to deliver against our most important financial metrics. As Samy will discuss later in more detail, we are guiding to grow our business in line with what we have achieved in recent years. I believe it is important to look at what we have accomplished in the creation of this business since 2015.

After consolidating BirdsEye, Iglo, and Findus, we've grown revenues from €1.9 billion euro to €2.6 billion euro in 2021 with a run rate this year of €2.9 billion euros, including a full year of our new Adriatic business. We expect to have more than double adjusted EPS from 2016 to the end of 2022. We have successfully integrated more than €1 billion euro of accretive acquisitions, including Goodfella's, Aunt Bessie's, and Findus Switzerland, and we plan to add more value-creating strategic assets in the future.

There is volatility in the situation, including our supply chain, and we expect to see some elasticity in our sales this year, but we are confident that our business is well-positioned to produce good results under difficult conditions.

I also am confident that our growth will accelerate when this period of uncertainty eases, supported by our excellent team across Europe, a strong brand portfolio and ourproven track record of deploying capital in an optimal way, driving value for our Shareholders.

With that, I will now hand the call over to Samy to review our financial results and guidance in more detail. Samy?

Samy Zekhout

Thank you Stefan and thank you all for your participation on the call today.

Turning to Slide 7. I will provide more detail on our key first quarter operating metrics. We reported revenues of €733 million euro in the first quarter, a growth of 3.6% year-on-year, driven primarily by the acquisition of our Adriatics business. As a reminder, that transaction was finalized in September 2021. Beyond M&A, first quarter revenues also benefited 1.4 percentage points from favorable FX translation. These growth drivers were offset by a 4.5% decline in organic revenues due to difficult lockdown comparisons, supply chain constraints in the U.K., and the loss of some promotional volume in key markets.

Gross margins were 27.9% during the first quarter, reflecting a 250-basis point decline compared to the prior year and in line with our expectations. This was composed of a 200 basis point decline in our base business, as inflationary pressures impacted margins during the quarter. The remaining 50 basis points contraction was driven by the inclusion of the Adriatic's acquisition, whose gross margin are seasonally lower at this time of the year. Mitigating pricing follow at a lag with further price increases expected to be implemented through 2022.

Moving to the rest of the P&L, first quarter adjusted operating expenses of €94 million euro were stable year-over-year. This year-on-year stability reflects a more normalized level of A&P spend. We remain committed to supporting our brands with appropriate level of spending. First quarter Adjusted EBITDA of €132 million was down 4% versus the prior year, and our adjusted EPS of €0.43 reflected a 9% decline versus the prior year, reflecting the factors previously discussed.

Turning to cash flow on Slide 8, we generated €46 million euro of adjusted free cash flow in the first quarter, equating to 62% free cash flow conversion. This is below Q1 of last year as we are still benefiting from a COVID-related tailwind before we rebuilt our inventory position during the remainder of 2021. Change in working capital switched from a source of cash last year to a €29 million euro use of cash in this quarter as we built raw material inventories in anticipation of possible shortages. While Capex was flat versus year ago in Q1, we do expect a higher Capex for the year as we support strategic investment decisions.

Changes in both cash interest and cash tax in the quarter were broadly offsetting primarily due to phasing. We expect to deliver strong free cash flows in this year. However, we also expect a combination of stepped-up capital investment, higher inventories, and the implementation of the EU's unfair trading practice directive to leave us short of our typical 90% to 100% medium-term conversion targets.

With that, let's turn to our final slide, Slide 9, to review our 2022 guidance, which we are reiterating from CAGNY and our Year End 2021 earnings report in February. Our guidance on sales and EPS is based on our best projections of cost inflation and other factors in the second half of 2022. As Stefan mentioned in his remarks, we plan to recover cost inflation through several waves of pricing throughout the year and thus, we expect an improving gross margin profile over the course of 2022. We expect the second wave of pricing to support margin recovery in the second half so that we can start 2023 with an appropriate level of margin.

We remain reactive to market dynamics. Hence, we may need to execute a third wave of pricing towards the end of the year should inflationary pressures persist. The Adriatic's business is weighted towards the second and third quarter, and we expect a favorable mix from the Adriatics to provide a tailwind to margin during those quarters as well.

So to be clear, we expect a sequentially improving financial performance throughout 2022 based on our improving margin evolution as our pricing takes hold. We expect organic revenue growth in the low single-digit range for 2022. This will be driven by phased price increases to the first and second half of the year. Low single-digit growth is consistent with what we guided in February.

However, we expect a different mix of volume and price in our sales buildup than in our original guidance. In our original guidance, we expected a relatively balanced mix of volume and price with a small spread between the two. However, we now expect a wider spread between price and volume with significantly higher pricing, but much more negative volumes as we push for maximum cost recovery. We expect the Adriatic contribution to revenue to support our reported revenue guidance of high single-digits for the full year.

All-in, we expect adjusted EPS in arange of €1.71 to €1.75 euro per share, another year of double-digit growth.

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

Operator

Thank you.

The first question comes from Robert Moskow with Credit Suisse. Please go ahead.

Robert Moskow

Hi. Thank you.

I wanted to ask one question about the guidance. I think you said you might need a third wave of pricing if inflation persists. I want to know, does that mean that if inflation keeps climbing from here you'll need a third wave? Or does that mean that if costs stay as high as they are today, you'll need a third wave? Then I'd like a quick follow-up.

Stefan Descheemaeker

Hi, Robert.

Actually, what this means is that what we have seen is a steady increase in inflation. Now we're in the middle of, let's say, the execution of the current pricing, which is the second wave. If effectively inflation keeps on creeping up overall, then we would effectively consider a third wave at this stage.

Robert Moskow

Okay.

Then my next one, I wanted to make sure I understood your competitive positioning in fish. You've been very transparent about 50% of your supply coming from Russia. That would seem like a logical thing to present to a retailer to raise price, but I was wondering if you knew whether your competitors in private label and other brands, are they facing the same challenges as you and therefore, they have to raise as well? Or do you think that you're the one who has to raise more than they do because of your sourcing?

Stefan Descheemaeker

Thanks, Rob, for the question.

It's very simple. Obviously, we don't have the full intelligence, but we have I'd say a good intelligence. Our understanding is that our competitors, some brand players but mostly private label producers, are exactly in the same situation, if sometimes probably even more dependent on Russian fish. So for them, they're facing the same situation, I would put it that way. I think we're moving quite fast. I can't judge for them.

Then in terms of cost increase, I would put it that way, Robert, it's broad-based. It's not limited to fish, by the way. It's about across the board. But in terms of fish, well, I don't see why they would have a different situation in terms of price.

The only question they're facing, but I'm not in their shoes, is one day they are going to decide, obviously, to pass the price, the cost increase, A, from the private label supplier to the retailer and, B, from the retailer to the consumers. That is obviously something which is not in my remit. But it's going to come, no matter what. It's more a question of when than if.

Robert Moskow

Okay. I'll get back in the queue. Thanks.

Stefan Descheemaeker

I would even argue, if you don't mind, that as a private label, you're starting from a lower baseline in terms of price, but you're facing exactly in absolute terms the same kind of COGS increase, which means that in relative terms, if and when you're going to pass the COGS increase in relative terms, it's going to be a steeper increase.

Robert Moskow

Got it. Thank you.

Operator

The next question comes from Cody Ross with UBS. Please go ahead.

Cody Ross

Hey. Good morning, folks. Thank you for taking our question.

First question, I'm a little confused about your organic growth guidance for 2022. In your press release, you noted a modest organic revenue decline for the year. In the slides and your commentary, you noted a low single-digit organic growth. Can you just help us put those two together?

Stefan Descheemaeker

Yes, sure. I think there has been a corrected statement been made in the press release. Right now, I think an incorrect version has been put there. There will be modest growth. The remarks I have put in the speech in the comments on the earnings are the correct ones. It is a modest organic growth for the year. That's what is intended at this stage.

Cody Ross

Got it. That's helpful. Thank you for that.

Then you held your full year EPS outlook. Many Investors we speak with are concerned about the second half operating environment as it gets tougher. Can you just help us understand some of the assumptions underpinning your expectations for the second half, assuming organic sales growth sequentially build, gross margin declines moderate, and then operating expense, should we expect that to decline in the back half? Is that the right way to think about it? Thank you.

Stefan Descheemaeker

Yes. I would say, overall, when you take the total math, what we see effectively is a bit of a steady inflation impact across the quarter, more or less, if you have a bit of a ramp-up gradually, coming from, let's say, the end of last year getting into this year. At the same time, we have implemented the first wave of pricing in Q1, which is executed as we speak and where we see the impact, effectively, full-fledged impact as of probably the end of Q1, as we have mentioned. Then we are in the process of implementing the second pricing.

So there is effectively when you look at point-to-point, end of December to early January, you see this gradual development of pricing with quite a significant step-up in pricing in order from an average standpoint to recover the totality of the inflation or at least to end up with an exiting picture, if you want, that would have compensated for the inflation. So when you take those two elements into consideration, there is an element of neutralization, that's the objective in order to preserve the cost structure and set the right base for 2023.

At the same time, effectively, we continue to maintain our cost discipline. We continue to maintain an effort to tighten the screw. We have made some discretionary interventions that are clearly not impacting the business there. We still have some element of protection as we see at this stage in terms of in case effective inflation moves up a bit further. We have talked about the possibility of a third wave, and we do have as well some discretionary intervention that it could trigger, should the situation require some more intervention.

So at this early stage, under the hypothesis that we have, clearly, we feel comfortable with the guidance range that we have €1.71 million to €1.75 per share EPS.

Cody Ross

Thank you. I'll pass it on.

Operator

The next question comes from Steve Powers with Deutsche Bank. Please go ahead.

Steve Powers

Yes. Hi, good morning.

I was hoping you could give us a little bit more perspective on your raw materials expectations, less from a cost perspective but more from an availability perspective. I'm most focused on fish, white fish from Russia, but just more broadly, if relevant. I guess in the case where EU or U.K. relations with Russia continued to deteriorate and there's a tail risk of excessive tariffs or even importation bans on Russia white fish, how do you size that risk? Then what are your mitigation strategies in the event that tail risk might actually play out?

Stefan Descheemaeker

Well, we've not been waiting for it to materialize. At this stage, to be fair, I think at this stage, we just can be sourced in a normal way. So that’s one thing. But at the same time, as we said repeatedly, we’re taking steps to reduce the volume purchase there. Again, it's not like you switch off and switch on the light. You're talking about fish and you need to breed, to obviously grow the fish; you need to make sure that you have the right quality. It has to be MSC or ASC, so high quality standard, which is really what Nomad is all about.

But with that constraint, which is a great constraint, yes, we need to find—we are finding some ways to increase the purchase from outside of Russia. We're working with some replacement in terms of species like hake for example, which is very close in terms of flesh and taste. We're starting—and it's something that is going to be significant in the coming years—we're starting with farm fish use. Today, something like 98% is wild caught, but definitely, the future lies also with farm fish, provided again that we're dealing with the same kind of quality criteria.

So in other words, instead of going to MSC, which is Marine Stewardship Council, we're going to ASC, which is Agriculture Stewardship Council. This is the kind of things we're going to develop together with the farms; mostly it’s in Southeast Asia. So we're taking appropriate steps to get there. In the meantime, yes, obviously, you're also working with Green Cuisine, which is we have a fantastic product, which is called fishless fingers. It's working very well, aside, by the way, from any threats. But that's definitely a product that is today one of the best sellers in the U.K., and coming in countries like Germany.

So other options we're taking. But definitely, I can tell you, let's say, the procurement team and the R&D teams are reasonably busy right now, which is the right thing to do, by the way, because we don't think that there is a way back to the previous situation. So we want to reduce our dependency and we're going to, no matter what happens in the future. So we don't think it's going to be back to a normal situation. There is a new normal, and we're trying to define this new normal together with those suppliers. That's for fish.

In terms of other materials, well, let's say, aside from the fact that everything has been—the price has been increasing, it's been a let's say, broad-based situation. Big things, I think, coming from these countries is, for example, edible oil. So it's impacted by the war, but we are contracted for edible oils, and we have taken covered position on NOLA requirements for 2022. So we have had no shortages to date.

We also use rapeseed oil, as you know. Rapeseed oil has been an important—I mean a lot of people have heard for the first time, sometimes rapeseed oil and how important that is in food. So we're working with our key suppliers, and we've been working with our key suppliers to ensure that multi-specs are approved and sought if required, which is fine. I think, again, we're doing this without damaging at all the quality standards that we have with Nomad.

Energy is another thing. Obviously, we know where we stand at this stage. We have a multiyear cover strategy to 2025. We’re covered in 2022, well hedged in for 2023, starting in 2024. So I think we've taken the right measures. But again, it's not going to stop here. So more to come in the coming weeks, months, and quarters.

Steve Powers

That is extremely helpful. Thank you for that perspective.

If I could ask one follow-up on a different topic. On the second and potentially third rounds of pricing that you're anticipating or contemplating, in your low single-digit organic growth guidance, how have you factored in potential retailer friction, as you saw in the first quarter on future waves of pricing? Is that something you've baked into the outlook?

Stefan Descheemaeker

We have been very much, let's say, observing that in the conversation we had. Just to give you some perspective in the context of the first round and I'll give you some perspective. At the same time, if you want for every price increase we have done historically, we had a number of tension points because this is an exercise that usually starts in September, October of the prior year, and that ends up around end of February, depending on the market.

There has always been a point of, let's say, debate, negotiation and so on. This year, we only had one and which has ended up actually in a positive way, which is quite unusual, but that tells you one thing, which is effectively, retailers and manufacturers are in the same boat at this stage. I do think that the simple fact that there is a broad-based inflation, it's a challenge that's hitting everybody. There is a matter of frankly preservation of margin even at their end, which they do understand. The question effectively is about talking about funding, if you want the old pricing and who is going to be taking (phon) pricing by the most.

At this early stage, if you want, we had gone pretty successfully in the first wave. On the second wave, we are managing the mix. There are different variables that we have. I just want to highlight to you that pricing is pricing (inaudible), but there's a number of other elements that we are looking at, such as promotion as an example, or potentially, if you want to work in a bit more on the mix, working effectively as well on trade terms in order for us to boost the total mix.

That's what we call our revenue growth management strategy. We are clearly leveraging both sides which purely price and revenue growth management to circumvent some possible risk at this stage. But indeed, I mean, those risks are there, and it's our job to manage the totality of the portfolio of risk in order to deliver against the objective.

Steve Powers

Very good. Thank you, both.

Operator

The next question comes from Jon Tanwanteng with CJS Securities. Please go ahead.

Jonathan Tanwanteng

Hi, good morning. Thank you for taking my questions and nice quarter.

You mentioned that you were 85% hedged on your supply. Where are you open ended at this point, either by feedstock or end market? Kind of what are the risks there that you're looking at?

Stefan Descheemaeker

To your point, I think we're hedged 85% until the end of the year, and I think we're making progress moving forward in 2023. The 15% is really where there are some categories where it's really difficult. Some of our ingredients, it's impossible, quasi-impossible, to hedge.

So we're pushing the system to the limit, but I'm coming from an environment where we like to hedge 100% on a 12-month basis. I think we're making progress from that standpoint, but we also need to recognize there are some pieces of the business where it's almost impossible.

There is nothing that I would like to pinpoint. I think it's more broad-based. But let's say, it's more ingredients, let's say, we mentioned, for example, eggs, that kind of things are just more difficult than some other categories, I would put it that way.

Samy Zekhout

I'm sure that you're familiar with all of the food business, but in an institution like us where you have effectively fish, poultry, and veg and so on, it's not necessarily in the best interests even of the supplier to really lock in an entire year.

I think the team has done an extraordinary job to get us to the 85% and are really pushing even furthermore. But it's really a question of realigning with suppliers and making sure that we can benefit from their production in whichever form it is in order for us to look completely for the year the price.

As Stefan said, there's an antagonism on this one, which is at the same time as we want to get the 85% higher, we need to plant the seeds to frankly get to a proper coverage for 2023.

Jonathan Tanwanteng

Okay. Great. Thank you.

I don't know if you addressed this, but how should we think of your capital allocation priorities, given valuations are down across the board in a number of sectors and assets and including your own shares? Are repurchases more of a priority now? Or is M&A still the focus for you guys?

Samy Zekhout

The message is still the same. Clearly, it's all about frankly seeking for the best opportunity to maximize return at this stage. We have stated that we have an opportunistic approach on that one, and we are in constant assessment of all of the options available, including those that you mentioned and of course supporting the business. So that's frankly the view that we have.

Jonathan Tanwanteng

Okay, great.

Samy Zekhout

Yes, sometimes also it's buying additional commodities, by the way.

Jonathan Tanwanteng

Okay. If I could ask one more.

Is your scale enabling you to take share and engage shelf space in a tough environment versus maybe what your competitors are doing at this point?

Samy Zekhout

Sorry, can you repeat the questions. I'm not sure that we get it.

Jonathan Tanwanteng

Yes. Is your scale and those supply agreements enabling you to drive shelf space and market share gain in this environment?

Samy Zekhout

Well, I think overall, I think all the supply chains have been obviously challenged. We're not the only ones. I would say that in some categories where we have a significant position, yes, scale is a positive, especially long-term agreements. People remember, especially in more challenging times.

Stefan Descheemaeker

I think I would say—I would call it, frankly, scale and know-how and category captaincy. Retailers are really looking at us clearly to help reshape the shelf if at some point there are movements within food across the different sectors. So that's clear. It's not just scale, I think, in itself. The organization has developed a very deep knowledge, a very deep in-store knowledge and shelving knowledge whereby the retailers are really looking at us to frankly help them design the shelf, while maximizing from their revenue at their end, and we clearly must say requested or ask to help them in that respect.

Jonathan Tanwanteng

Understood. Thank you and good luck.

Stefan Descheemaeker

Thanks.

Operator

The next question comes from Ryan Bell with Consumer Edge Research. Please go ahead.

Ryan Bell

Good morning.

Would you be able to discuss how the Fortenova integration is going? Then also maybe give a little bit of an understanding about the recovery on the on-premise broadly across your portfolio, but obviously, specifically for Fortenova and the regions that they operate in?

Stefan Descheemaeker

Well, overall, to make it simple, the Fortenova acquisition is doing—integration is doing extremely well. By the way, it's an interesting pattern because all the acquisitions we've been through so far with a clear focus behind frozen food, which I keep believing that the focus is paying off in terms of obviously know-how, in terms of how to approach an acquisition, how to generate the synergies. Every time we're going through another acquisitions, we I think, or let's say, our model is improving. Fortenova is really in the middle of this.

So the first thing is what we've seen after an extensive due diligence is no real surprise. By definition, you always have surprises. But let's say, at this stage, we have more good surprises than bad surprises. That's one thing. The team is extremely supportive, extremely excited to be part of being a core strategy of the organization, which is a big change for them. I can tell you in terms of energy, it makes a huge difference. People also want to learn and I think we have, let's say, some interesting tools that they can take.

On top of that, to your point, I think we also have back to on-premise, we think it's a great asset for ice cream but also for frozen food. We have 120,000, let's say, freezers across the organization. It's part of our Capex, by the way. It's something that we knew from the start that we need to obviously, let's say, improve the quality of the assets.

It's something we're doing right now. We just signed the last piece of it right now for this year. What we've seen at least so far is Easter has been extremely good for us. So we're starting to come back to pre-COVID situations in terms of ice cream because this is obviously, let's say, out-of-home, imports was a bitten, obviously has been, let's say, there were some issues during COVID. I think we can see it's improving big time.

So we're quite confident that what's going to happen in the summer is going to be extremely helpful with a very good team, improve the infrastructure, new tools and post-COVID. So yes, I think we really like the acquisition. By the way, we also love the margins, imports, ice cream, gosh, it's a great margin. We love it.

Ryan Bell

If I could just ask one more.

You took phased pricing throughout 1Q, and you highlighted a significant portion of that actually came towards the back half or the back end of the quarter. Would you be able to talk about the depth of the price increases kind of as we got towards the end of the quarter, just to understand the magnitude of the full effect of those pricing?

Stefan Descheemaeker

Yes. I think the comment was really just to talk more about the pricing impact on the sales and execution. The reality is that in the FMCG world, when you pass the list price, you have to support your business during transition time and you have to put in place the relevant level of promotions, together with the retailer in order to facilitate the transition from a given price point to another price point. So managing your promotion during a price increase is essential. So what happens is, just to pick an example, if you have a market that's technically raising prices on Jan 1, you rarely, if you want a net impact on your net sales of pricing, you start to see the effect after probably 45 days or so, 45, 50 days on average.

So it's not that we have deferred the execution. I think what's really important was that we did execute the price, actually, even the U.K. started even earlier than that, but the majority of the markets have executed all of the pricing between Jan and February. But let's say, the ramp-up of the effect on a net basis after promotion is really hitting most as of March, let's say.

Ryan Bell

Would you be able to say kind of the size of that pricing on a percentage basis?

Stefan Descheemaeker

Yes. I think it's quite good. I think it's in the range probably of the mid-single-digit level at this stage, depending on the market. Some of them was a bit on the high end of the, let's say, single-digit, the other ones were really closer to the mid-single, but the average is probably around the mid-single from the list price execution standpoint, not after promotions, at list price.

Ryan Bell

Thanks so much.

Stefan Descheemaeker

Welcome.

Operator

The next question comes from Robert Moskow with Credit Suisse. Please go ahead.

Robert Moskow

Hi. Just a follow-up.

The frozen category in Europe, the data looks pretty weak. Declines have continued. I thought it was due to increased mobility among consumers. How is the category doing compared to others in Europe? Has that influenced at all the retailer's willingness to allow higher pricing to go through? Thanks.

Samy Zekhout

Well, I think to start with the second part, I don't think it impacts the willingness to come up with prices because they also, by the way, as you know, I mean, they are private labels. So they're going through the same kind of COGS as us. So that would be a big mistake and they're not making this mistake. To your point, I think at this stage, yes, let's say, frozen is a bit weaker than the others. But you need also to remember that during the same period last year, I mean during COVID, it significantly over performed the other categories, ambient and perishable. So overall, and when you see on a two year basis, we're still doing very well. So I'm not concerned, but definitely, we want to see, obviously, things moving on. So that's one thing.

So yes, we're very much taking a longer term approach, two years approach, three year approach. The numbers are very, very consistent. I also believe, by the way and I don't know if you noticed that we've come up with an announcement in terms of sustainability and the LCA, which is life cycle assessment. We've come up with a study, a very thorough study, by the way, end-to-end in terms of, let's say, or 22 bigger SKUs. We compared the carbon footprint end-to-end really from, let's say, the field to the fork with the equivalent in, let's say, in fresh or in ambient.

I think for most of them, we're doing equal or better than these guys. The reason is most of the time it's attributed to waste because the waste level at the store level is obviously much better for us, same thing for the consumers. So I think one thing what we need to probably communicate better is also less waste is great in terms of sustainability, but it's even better for the disposable income. So in other words, if you're going to save money on a full year basis, if you go to the same price with frozen foods because the waste level is just much lower, not only at the retailer level, but also the consumer.

So that's the kind of things that we believe that the fundamentals of course, are great. At this stage, as I said, yes, it's a bit weaker. But when you're taking the long-term sense, as I mentioned…

Robert Moskow

Okay. Thank you.

Operator

The next question comes from Cody Ross with UBS. Please go ahead.

Cody Ross

Hey, there. Thank you for taking our follow up. Just a quick question.

You only repurchased 27 million of shares, yet stock is down 30% this year, and you have nearly 400 million left in dry powder. At what point would you consider accelerating your share repurchase? Thank you.

Samy Zekhout

Yes, I'm going to repeat the message I gave you before. We have made those repurchases effectively prior to the Ukraine war. We made it very clear, actually, in our communication that the priority for us is to make sure that we clearly had access to supply in order to serve our consumers that was really important. That's why effectively, we spent probably more money in inventory and building up. I mean, those things that were necessary to have our plant functioning, our full regime, I mean from that perspective.

So from a general standpoint, if you want, as we generate cash, if you want, let's say, quarter-after-quarter, we're looking at effectively the best way to allocate this capital. Frankly, at this stage, frankly, there is no, let's say, secret bullet there. We're just after Shareholder value maximization. We are in a constant, let's say, look of that, taking into consideration, of course, the external environment, which is all about effective supply availability, the question was raised earlier.

So I think it's—there's no magic formula. There's not going to be a threshold per se, but it's all about really what's affecting the right mix that's going to get us the maximization of Shareholder value.

Operator

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

Stefan Descheemaeker

Thanks, Operator, and thank you for your participation on today's call.

Twenty-twenty-two has gotten off to a challenging start, but we're optimistic. Yes, the troubling war in Ukraine has presented us with a difficult set of hurdles, as it has for everyone around the globe, but we are encouraged by the great people working at Nomad, a fruitful partnership with our retail customers, and our loyal consumers. We remain focused on delivering our business objectives even in these tumultuous conditions. Frozen food is, as I said, a healthy, nutritious, affordable option for all families, especially during difficult times like these.

Our business is built to survive in tough conditions, and we expect to come out of this crisis stronger than before. We delivered a fifth consecutive year of record financial performance in 2021, and we expect to do so again in 2022.

Operator

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