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Nomad Foods Limited

Fourth Quarter and Full Year 2022 Earnings Call

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CONFERENCE CALL PARTICIPANTS

Andrew Lazar, *Barclays*

John Baumgartner, *Mizuho Securities*

Rob Dickerson, *Jefferies*

Cody Ross, *UBS*

Stefanos Crist, *CJS Securities*

PRESENTATION

Operator

Ladies and gentlemen, greetings, and welcome to the Nomad Foods Fourth Quarter and Full Year 2022 Earnings Call.

At this time, all participant lines are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce you to your host, Anthony Bucalo, Investor Relations. Please go ahead.

Anthony Bucalo

Hello, and welcome to the Nomad Foods Fourth Quarter 2022 Earnings Call.

I'm Anthony Bucalo, Head of Investor Relations, and I am joined on the call by Stéfan 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 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, 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, comments from here on will refer to those adjusted numbers.

With that, I will hand you over to Stéfan.

Stéfan Descheemaeker

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

I'm pleased to report that 2022 marked the sixth consecutive year of generating record sales, Adjusted EBITDA and adjusted EPS. I would like to thank all the dedicated people at Nomad who made it possible under historically challenging conditions.

Last year, we made significant adjustments to our business model as we evolved to mitigate the impact of COVID-19 and the Ukraine war. Importantly, we maintained our strong foundation built on world-class people, iconic brands in a great category, and healthy financials that will allow us to continue investing for the long term.

Frozen food remains a great value for consumers, with sustainable growth expected ahead. Frozen food is high in nutrition, low in waste, and the best value for money across the food category. During periods when consumers are looking for value in nutrition in their food choices, frozen meets those needs, and more. As a category leader, Nomad is positioned to deliver that value to our millions of consumers.

In 2020 and '21, our business excelled during the COVID lockdowns, as consumers pantry loaded and ate more meals at home, adopting many of our products into their everyday lives. I'm happy to say that we have held on to most of these gains.

In 2022, we started the year with the supply chain still under pressure from the COVID impacts. The war in Ukraine further complicated the situation, creating historic input cost increases and consumer uncertainty. We took four major steps to successfully mitigate the short- and long-term disruptions.

- First, we de-risked our fish supply by diversifying our species and geographies, while ramping up high-quality farmed sources.

- Second, we leveraged our powerful supply chain to build inventories of key ingredients to protect against any shortages.

- Third, we successfully priced our products to close the gap with this great inflation.

- Finally, we refinanced our debt portfolio in November, extending our debt maturities to mid-2028 and 2029.

We believe that 2023 is setting up to the transitional year to a more normalized consumer environment. With the improvements we implemented in our business last year and the plans we have in place for this year, we are on the right path to meet our financial objectives and maintain our growth. We also have the right plans in place to capture market share, boosted by our great brands, communication and innovation. We plan to strengthen our brand by increasing investment in A&P, and this is especially crucial as conditions normalize. We will also be broadening our affordable choices to address inflationary pressures on consumers. We will manage our supply chain for greater efficiency and use those cost savings to enhance lines of plant growth.

Finally, we plan to maximize the value of our portfolio through prudent pricing and improved revenue growth management strategies. This will help drive our efforts to recoup the COVID-19 impact of two years of record-setting cost inflation. Revenue growth management will be especially important as we maximize the value of our portfolio and win market share by placing the right product at the right place and at the right price.

Taken together with the expected rebounding of our cash flow and the increased visibility of extended debt maturities, we believe we will have significant flexibility to return cash to shareholders, while positioning our business for growth beyond next year.

We will be taking a deeper dive into our strategy later today at CAGNY, and we hope you will join us again.

With that, I'd like to recap our 2022 key financial metrics, beginning with revenues.

Q4 organic revenues grew 7.7%, for a third sequential quarter of improving sales trends. Our full year organic revenues grew 1.8%, as our price increases in the back half of the year offset volume declines. This low single-digit organic sales performance is in line with our guided expectations from the beginning of the year.

Adjusted gross margin declined 80 basis points to 25.7% in the fourth quarter and declined 120 basis points for the year. We saw a sequential improvement in gross margin trends in the second half due to our pricing initiatives.

Adjusted EBITDA was up slightly at €130 million in Q4 and grew 8% to €524 million for the year.

Finally, adjusted EPS was €0.33 per share in Q4, flat versus last year. At current U.S. dollar spot rate, our Q4 adjusted EPS was US$0.35. Adjusted EPS was impacted by our November financing, and we saw an approximately €0.02 impact on earnings for Q4 and for the full year.

Despite a historically challenging macroeconomic environment, we delivered another record financial performance in sales, Adjusted EBITDA and adjusted EPS. Since 2016, we have increased our total revenues by more than 50%, Adjusted EBITDA by more than 60%, and doubled our adjusted EPS. We have generated more than €1.7 billion in adjusted free cash flow during that period, as well.

Our organic revenues returned to growth as successful price increases exceeded mid-single-digit declines in full year volume and mix. In the fourth quarter, we further narrowed the gap between price and input costs, a gap which has widened after the outbreak of the war. When looking ahead to this year, our dialogue remains active with retailers regarding further updates to our pricing. Adjusting pricing will allow us to recover our costs, while protecting the business with stepped up investments in A&P and innovation.

Excellence in execution is a hallmark of Nomad and our supply chain had a great performance. Our service levels ended the year at 96.6%, a 30-basis-point improvement. As of today, we have more than half of raw material costs covered for the coming year. We believe our supply chain is a source of competitive strength and the source of savings to sustainably help fund top line growth this year and beyond.

Last year, we raised prices to protect our margins and ensure that we will have the appropriate profitability to invest in our business. Many of our private label competitors did not follow our pricing. As a result, we've seen volume declines and margin losses in market share. However, this was predicted and is part of a broader process. We believe volume and market share losses are short term in nature, which we expect to rebound this year, as we will discuss at CAGNY later today.

We successfully extended our debt maturity profile in November. We refinanced our $960 million Term Loan B due mid-2024 with two Term Loan B's totaling to $830 million due 2029. Our debt portfolio is now secured until mid-2028 and '29 at the competitive interest cost and is 75% fixed. With our maturities extended, we now have significantly more latitude in executing our use of cash strategies.

This year, we're taking important steps to make Nomad strong in the market and better positioned for long-term growth. First, we refinanced our debt in November to give us greater visibility on how to invest our cash. Commercially, we're investing in our brands with greater A&P to ensure that we have the resources to innovate and grow our leadership position.

When accounting for higher interest charges and stepped-up investments, we are establishing our 2023 adjusted EPS guidance at the range of €1.50 to €1.55 to reflect those investments. This represents an adjusted EPS range of $1.61 to $1.66, at current U.S. dollar spot rates. The guidance excludes any impact of capital allocation. Excluding the impact of incremental interest and investment in A&P and people for 2023, our forecasted adjusted EPS range for this year would have been in the range of €1.70 to €1.75. This would also have excluded any positive impact from capital allocation.

We made significant adjustments to our business model as we navigated last year's volatile macroeconomic environment.

- First, we completed a major initiative to protect our fish supply. Throughout the year, we continually sought alternative sources for our signature fish products. We also secured new high-quality farmed fish, and we expect to see the benefit of that early this year. We believe this protects the security of high-quality supply for sourcing, but also provides opportunities to exercise pricing power when purchasing fish in the future.

- Second, we leveraged our world-class supply chain to address volatile markets against unprecedented cost increases. Procurement was a key source of strength in 2022, as we built raw material inventories to protect against possible shortages. Our service levels improved for the full year, delivering consistently for our customers and consumers. We continue to improve our supply chain efficiency through intense internal cost control programs, and we expect much of those savings to be reinvested in top line growth this year.

- Finally, we priced to close the gap with inflation. In a typical year, we price once in the first quarter. However, with the outbreak of the war in Ukraine, we saw rapid increases in raw material prices and we were compelled to act. We took pricing throughout the year, where appropriate, and made significant progress, including the gap between price and cost. We will enter this year with the improving margins needed for investment in our brands. Alongside a vigorous revenue growth management strategy, we will continue to price consistently with the inflationary market dynamics as they occur.

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, Stéfan, and thank you all for your participation on the call today.

Turning to Slide 7, I will provide more detail on our key fourth quarter operating metrics, beginning with reported revenues, which increased 6.6% to €750 million, up 7.7% organically. Fourth quarter revenues were negatively impacted by 1.1% of unfavorable FX. For the year, total revenues were up 12.8%, driven by 1.8% organic growth and 10.8 percentage points from acquisitions.

Overall, our sales benefited from lapping 2021 comparisons, as well as strong pricing execution across all four quarters of the year. We did see elasticity in our top line performance. This impacted our market share and overall volumes. Our volume and mix was off mid-single -digits, while our value share was off about half-a-point for the year. We expect market share to improve sequentially this year due to our innovation efforts on value and affordability, as well as stepped-up A&P investments.

Adjusted gross margins were 25.7% during the quarter, reflecting an 80-basis-point decline versus the prior year. Margins were impacted by higher raw material costs, offset to some degree by pricing. This is the second quarter of an improving gross margin trend. We will continue to look at pricing to stay price competitive in the market and manage any additional inflation. However, as we look out to the next year, our expectation is for a relatively stable gross margin, as we will continue to recoup costs through price.

Finally, we are planning to refresh our universal shelf registration statement on Form F-3 on March 1, to ensure that we can continue to access capital markets efficiently. No offerings are currently planned.

Moving down through the rest of the P&L, our adjusted gross profit grew 3% to €193 million for the fourth quarter. Adjusted COGS increased to €558 million, an increase of 7.7% and €40 million versus last year. Adjusted operating expense of €103 million was up 9% year-over-year.

Our Adjusted EBITDA and our adjusted EPS performances were positively impacted by higher pricing in our core business, offsetting a considerable portion of our raw material cost for this quarter and the full year. Fourth quarter Adjusted EBITDA of €113 million was up slightly versus last year. Adjusted EBITDA margin landed at 15.1%, a decline of 90 basis points.

Finally, our adjusted EPS of €0.33 was flat in Q4. This translates to $0.35 in U.S. dollar terms at spot rate. Adjusted EPS was negatively impacted by debt refinancing, and this had a roughly €0.02 impact on earnings for Q4 and for the full year.

Full year adjusted gross profit grew 8% to €815 million. Full year COGS increased to just above €2.1 billion, up 14%, driven by raw material inflation. Full year adjusted operating expense grew 12% for the year to €380 million. As a percentage of sales, adjusted operating expense was flat at 13%.

Full year Adjusted EBITDA landed at €524 million, up 8%. Adjusted EBITDA margin was 17.8%, also down 90 basis points from last year.

Full year adjusted EPS of €1.68 landed in the middle of the guidance range we provided in Q2 earnings of 8%. This was $1.80 at current U.S. dollar spot rates. Excluding our November refinance, we estimate our 2022 adjusted EPS would have been €1.70 or $1.82 at current USD spot rates.

Turning to cash flow on Slide 9, we generated €189 million of adjusted free cash flow for a cash flow conversion of 65%. Cash flow was impacted by a working capital increase of €96 million and the one-time implementation of the Unfair Trade Practice Directive, or UTPD, in the EU, an €80 million drag. In 2023, with more normalized working capital levels and UTPD in the base, we expect to return to a cash flow conversion of 90% to 95%.

Our cash flow performance was short of our typical annual goal of 90% to 95% conversion. However, we took important steps last year to protect our business by building raw material inventories to mitigate shortage risk. We make it a top priority to guarantee supply for our customers and consumers, and we did so. We are proud of this accomplishment, and we believe keeping products on the shelf was crucial in maintaining the confidence of our retail partners and consumers.

Conditions in the raw material markets are improving and we have begun releasing working capital. We expect to continue to install throughout this year. Capex of €79 million was flat versus last year. We supported these strategic investments and integrated our recent acquisitions into our broader company spending plan throughout the year.

Changes in cash tax decreased €15 million to €80 million, while cash interest was at €22 million to €80 million, mostly due to the comparison with last year's refinancing period.

With that, let's turn to Slide 10 to review our 2023 guidance, which we are initiating today, and is based on foreign exchange rates as of February 21, 2022.

Starting with the top line, we expect revenue growth in the mid-single-digit range for the year. We expect our pricing initiatives to offset expected volume declines, declines in which we expect to rebound. We expect this year's cash flow to be consistent with our historical performance. With our working capital and UTPD adjustment behind us, we expect our cash conversion ratio to rebound the previous level, 90% to 95%.

As Stéfan highlighted in his opening comments, with higher interest costs from our refinancing and stepped-up commercial investments, we expect adjusted EPS in a range of €1.50 to €1.55 per share or $1.61 to $1.66 at current USD spot rates. This excludes any impact of capital allocation. When excluding the impact of incremental interest and stepped-up investments in A&P and people for this year, our forecast adjusted EPS range for 2023 would have been €1.70 to €1.75. This also would have excluded any positive impact from capital allocation.

I will now turn the session over to Q&A. Operator, back to you.

Operator

Thank you. ladies and gentlemen, at this time, we will be conducting a question-and-answer session. Ladies and gentlemen, we will wait for a moment while we poll for questions.

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

Andrew Lazar

Good morning, everybody.

Stéfan Descheemaeker

Morning, Andrew.

Andrew Lazar

Maybe to start off, fourth quarter gross margins came in below where we had forecast, pricing was in line with what we modeled, and volume was even a little bit better, so I was hoping, first, just to get perspective on what—I know the margins sequentially improved, but they really were so down year-over-year, so I'm curious what drove some of that, as a starting point. Thanks.

Samy Zekhout

Yes, hi, Andrew. Actually, that was exactly in line with what we had planned for, which was effectively the continuation of the execution of our pricing strategy to recover cost, and costs are flowing through the quarter, so it's just a question of phasing and timing, I mean, on that one. That doesn't change the point and the strategy to recover inflation through pricing.

Andrew Lazar

Okay, and then you talked about …

Samy Zekhout

And we are price leaders. Sorry, just an additional point. We are pricing ahead of the others, anyway.

Andrew Lazar

Then, I know you talked about stable gross margins for the year, I think, in '23. I was hoping you could add a little context maybe around the expected sort of cadence. Would we expect gross margin to still be under some pressure in the first part of the year and then start to recover a bit in the back half to get stability for the year? Just any perspective on cadence of margin and profitability through the year would be helpful. Thank you.

Samy Zekhout

It's exactly that. We won't see the significance of, let's say, the change that we saw last year, but, effectively, now that the full process of pricing is in place, we have now very good visibility on the inflation as we move forward. So, effectively, we will see a sequencing of the gradual improvement of the margin over the year, absolutely.

Andrew Lazar

Thank you.

Operator

Thank you. Our next question comes from the line of John Baumgartner from Mizuho Securities. Please go ahead.

John Baumgartner

Good morning. Thanks for the question. Samy, just thinking of the cost environment for 2023, I don't think I heard you give an actual cost inflation estimate for this year, although I may have missed it so just wanted to confirm on that front; and then I think I heard that more than 50% of your raw materials are covered for this year, which I think is sort of similar to where it was back in November, and it sounds like you have good visibility into cost at this point, so can you just sort of reconcile, has anything changed structurally with the shift in fish sourcing, where that precludes you from taking that coverage position higher at this point, are you expecting relief and you're giving sell flexibility where you haven't taken coverage higher at this point? How do you think about the cost environment going forward right now?

Samy Zekhout

Absolutely. I think we have mentioned the point that, let's say, after a year of significant inflation in 2022, we are seeing effectively the trend softening, okay? Clearly, it is not moving to a point of decline, but effectively we're seeing much lower inflation on several of the raw material and packing material across the board the world. So, the inflation level that we are going to face in 2023 will be lower than the one of 2022, but will still be there and will require some pricing action in order to continue on the journey of protecting our, let's say, cost structure in order for us to allow for investment in the future. The 50% that has been mentioned, John, was actually a projection we stated that by the end of the year, we intended to be effectively in the range of about 50-plus percent, and we're continuing on that journey.

Now, why aren't we effectively increasing that is because effectively there are down trends now in the market and we want to opportunistically take the, let's say, action in order for us to source ourselves at a lower cost when effectively the ingredient prices are going down. So, effectively, we feel that staying at that level makes sense, given the trend that we see in the market, I mean, at this stage. But of course, if there are opportunity to lock good prices in relation to the type of inflation we're expecting, effectively, we'll do so for sure.

John Baumgartner

Okay, thanks for that, Samy. Then, just quickly on Fortenova. I'm curious the expectations for 2020. I know you've been sort of ahead of pace with integration, rolling out additional coolers. Operationally, is there anything different we should be looking for in 2023 in terms of innovation, distribution, anything in the marketplace there; and is it fair to think that in 2023, Fortenova, the revenue growth should be accretive to the guidance you've given for the overall Company? Thank you.

Stéfan Descheemaeker

Well, the answer to your second question is, yes, absolutely, and what we're also going to see in 2023 is—as you know, integration takes time. So, the first year was—I mean, we did very well, but the integration is a multiyear process, and '23, obviously, is going to accelerate this process. We're very pleased with what we see with Fortenova. We also see that, for example, we have top line synergies by combining with our products, as well. We also see some opportunities that will be—I will not mention too much at this stage. Time will come, where we can see some reverse top line synergies, more specifically in ice cream, where it makes sense. We're never going to change our point about must-win battles, where we need to be strong, where it matters, but we see some interesting options in very carefully chosen places, where ice cream may make sense. So, very pleased. And, quite frankly, as always, in the can situation, you see also things that you not necessarily have seen when you started. But, overall, what I can see is more—definitely more good news than bad news.

John Baumgartner

Thanks, Stéfan.

Stéfan Descheemaeker

You're welcome.

Operator

Thank you. Our next question comes from the line of Rob Dickerson from Jefferies. Please go ahead.

Rob Dickerson

Great, thanks so much. I guess just a question around the brand investment. I think, Samy, I believe last quarter you had said you would like the gross margin to kind of approach back into at least the high 20% level, you know, until you were able to lean into the business a little bit more aggressively. Now, clearly, you are leaning in. It sounds like that's out of kind of near-term need. So, I'm just curious, as you speak to kind of offering maybe more value-based products, it doesn't sound like there's this intention to really materially increase promotional spend, but maybe rather kind of be shifting the mix to some extent to recapture some of that volume share as we get through the year. So, maybe if you could just provide a little bit more color as to kind of where the brand investment is going and if there is some gradual kind of product offering shift to now more effectively compete against the lower price private label? Thanks.

Samy Zekhout

Yes, thanks, Rob. Actually, we will be effectively considering both, and I think your question is probably about the balance. The reality, if you want, is that over the past two years we have, for the right reason, take down our investment in the A part of the A&P in advertising, and with the strength of our brand, in particular on awareness and equity strength overall, we feel effectively this is the moment to recapture some of this and really emphasize the communication on our brands, on what they are, what they stand for vis-a-vis the consumer, and as well to regain momentum with the retailers, because they really view us as the category captain there. So, we will be reinvesting back on the core of the brands on the innovation, as well as effectively on some of the cost of living innovation that we are driving in the market. So, that's part of the A.

On the P side, effectively, there will be an element that's going to be important. We are not going to tolerate volume share loss, and overall share loss, if you want, so we will be effectively taking action when it comes to, let's say, staying competitive versus our competitors, particularly private label and discounters, in order for us to maintain the price levels that are needed. We'd expect them to overall effectively get to the same reality as we are facing from an inflation standpoint and have to price for that, but at the same time we will need as well to be promo competitive in order for us to maintain our competitiveness in store on that one. so, it's going to be really a balance, I think, Rob, on that one, which is really needed above the line and below the line.

Rob Dickerson

Okay, got it, and then just quickly, for the guide, pricing more than offsetting volume declines, but then also hoping that there's a recapture of volume share. Does that imply, let's say, at least if we're sitting here in maybe Q4 of next year, that hopefully here the expectation is that volumes could actually turn positive? That's all I have. Thanks.

Stéfan Descheemaeker

Well, that's definitely—the concept for us is simple. At this stage, with the price gap we have, we're losing volume, which was expected. To Samys' point, in the meantime, we're also starting to invest big time in A and in P. I think just want to emphasize the RGM program that we're putting in place, which is quite frankly, very strong. At the same time, while we see also some signals from some top competition that they're starting to increase price, and also we also see, to match to Samys' point, inflation is starting to soften. All these elements taken together, things we can control and things we control less obviously, makes us much more confident from that standpoint for the second part of the year.

Samy Zekhout

And if I may, Rob, just to complement Stéfan's point, I think, to your point, I think it's going to be something around between the quarter four and Q1 of the following year, but the intended effect is to see a smoothening down of the volume decline as the year end and then gradually get back to normalization in 2024, and regaining momentum on the volume side at that time.

Stéfan Descheemaeker

Well, you know, traditionally, when you see any economic downturn, what we see in our category is two things for the time being. One is frozen is doing very well for obvious reasons. It's affordable. It's convenient. It's good value for money. So, that's obviously very good for all the players and starting with us. And also, temporarily private labels are doing well for the reasons we mentioned. That's why I think Samy is absolutely right to mention that it's going to be gradual, also helped by our investment program.

Rob Dickerson

Great. I'll see you later today. Thank you.

Stéfan Descheemaeker

Yes.

Samy Zekhout

Great, thanks.

Operator

Thank you. Our next question comes from the line of Cody Ross from UBS. Please go ahead.

Cody Ross

Good morning, and thank you for taking our questions. My first question, I just want to compare—or if you can compare and contrast your volume today versus your volume pre-COVID. Are you seeing more volume come through the system, or is volume down given all the pricing that you've taken over the last few years? And then I have a follow-up.

Samy Zekhout

From a volume standpoint in aggregate, effectively, what we are seeing is about a slight decline versus the pre-COVID. Remember, in COVID times, we had a substantial increase in our volume in the range of about, I think, high-single-digit at that time, and then it started to erode effectively, and after the past year, we had about the same amount. So, I would say from a pure volume standpoint, we are clearly slightly down. However, I think what's really important to note there is that from a consumer reach standpoint, actually, we are now reaching more consumers versus where we were pre-COVID, about half a million more consumers, and that was really a very important point for us, given the strength and the momentum we have got doing COVID, is to maintain this consumer share, if you want, higher than what we had pre-COVID, but volumes-wise, you're right.

Cody Ross

Great, thank you. My follow-up is just around 2025. I didn't see anything in the press release or the slides today about your 2025 targets. I just wanted to go back to there. How comfortable are you with your 2025 targets, especially on EPS, given it would require over a 20% CAGR to hit that, and if you are comfortable, just what drives your confidence? Thank you.

Stéfan Descheemaeker

Yes, thanks for the question. To make it simple, we are still on track operationally for 2025. At the same time, the interest rate environment has changed since we established that guidance, as you may remember. So, looking ahead to 2025, we are strengthening our investment plans. You heard about it. It's going to be funded in '23 and beyond, funded by cost savings, to sustain our growth momentum in the years to come, and we're committed, as we always have been in the CEO record, to deliver superior shareholder returns, and we have many options available for us to achieve this. You can remember the kind of capital allocation program we've been through these years, it's quite significant.

Operator

Thank you. Our next question comes from the line of Jon Tanwanteng from CJS Securities. Please go ahead.

Stefanos Crist

Good morning. This is Stefanos Crist calling in for Jon. Thanks for taking my questions.

Stéfan Descheemaeker

Morning.

Samy Zekhout

Morning.

Stefanos Crist

Good morning. Can you just talk about your plans for the improved cash flow this year? Is debt paydown the most attractive, or are you seeing opportunities for repurchases or M&A?

Samy Zekhout

We're reviewing all options. I mean, as I said, we have a wide array of options, I mean ahead of us. I mean, effectively, ranging from share buyback to effective M&A and other elements relating to capital allocation. What's important to really highlight is the fact that we are returning to a strong cash flow performance in 2023, and we really now are going to consider all possibilities in order for us to maximize the return, let's say, to shareholders overall.

Stefanos Crist

Thank you, and just a little more detail on the price increases. Can you just talk about how receptive your customers have been compared to negotiations in the past few years?

Samy Zekhout

Yes. Overall, I think it has gone—remember a year ago, when we were, I think, let's say, at CAGNY and announcing effectively that we had to go through a second pricing, there was an element of question mark, and frankly, the three price increases over the year have gone through reasonably well and we haven't seen any dislocation whatsoever, given the dialogue that we have undertaken with the retailer and the way we've been executing the pricing overall by leveraging not only just lease price, but as Stéfan was alluding to, effectively, all of the possibilities of our renewed RGM, revenue growth management strategy, I would say, on that one. What has been going through in '22 has gone reasonably well, with two markets that are kind of spilling over into 2023, which are going to execute the pricing, but clearly a bit later. We will have to clearly continue on this pricing journey because of the fact that there is still inflation in 2023, albeit, if you want, smaller. But, as I said, it's a question, frankly, of laying down the issues well and finding the right balance between top and bottom line and our growth versus effectively the retail growth and while staying competitive with our customers—I mean, with our consumers, I would say, overall.

So far, as I said, it's been going quite well overall, and we are very happy. When you think about the context into which this has been realized, with an ongoing changing environment, I think the organization has done an absolutely brilliant job in order to execute, I mean, something that was deemed to be viewed impossible and which is now in market as we speak.

Stefanos Crist

That's great. Thank you.

Operator

Thank you. As there are no further questions, sir, I would now like to turn the conference over to Stéfan Descheemaeker, Chief Executive Officer, for any closing comments.

Stéfan Descheemaeker

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

2022 was another eventful year with many challenges to address. We adjusted to Brexit, we adjusted to Brexit, to COVID, and we have now adjusted to unprecedented inflationary pressures. Frozen food remains the best value for consumers across food, and we remain focused and committed to delivering our ambitious financial objectives, and I look forward to speaking with you at CAGNY to give you more details on our plans.

So, thank you all, and back to you, Operator.

Operator

Thank you. The conference of Nomad Foods has now concluded. Thank you for your participation. You may now disconnect your lines.