



Nomad Foods

First Quarter 2023 Earnings Call

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C O R P O R A T E P A R T I C I P A N T S

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C O N F E R E N C E C A L L P A R T I C I P A N T S

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John Baumgartner, *Mizuho Securities*

Peter Saleh, *BTIG*

Simon Negin, *UBS*

Steve Powers, *Deutsche Bank*

Rob Dickerson, *Jefferies*

Jon Tanwanteng, *CJS Securities*

P R E S E N T A T I O N

Operator

Good morning and welcome to the Nomad Foods First Quarter 2023 Earnings Call.

(Operator Instructions) Please note this event is being recorded.

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 2023 Earnings Call. I am 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 represents adjusted figures for 2021 and 2022. All adjusted figures have been adjusted for exceptional items, acquisition-related costs, share-based payments 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.

Nomad had a solid start to the year as our sales momentum from the second half of last year continued in the first quarter. Additionally, our teams did an excellent job executing the strategies we announced at CAGNY in February. I am pleased with the performance of the great people across Nomad who delivered excellent results to start the year off right.

Last year, we faced a difficult environment brought on by post-COVID inflation and the outbreak of the Ukraine war. We adapted to confront these challenges last year and put new plans in place this year to make Nomad even more resilient and positioned for growth. Overall, we believe our Q1 results demonstrate that we are on the right path to accomplish our goals.

In Q1 our revenues grew organically 8%, another sequential quarter of improving sales trends. The benefits of our pricing strategy and disciplined supply chain management were visible in improving adjusted gross margin and EBITDA margin, both of which grew 100 basis points year-on-year. We also delivered adjusted EPS of €0.46, which grew 7% in the quarter.

As we shared at CAGNY in February, we have three central priorities for this year. Our first priority is to strengthen our commercial approach with additional A&P investments for our brands while adding affordability options for stressed consumers. This includes not just innovation, but renovation for many of our best-selling products. Our second priority is to leverage the efficiency savings from our world-class supply chain to help fund growth. Our final priority is the execution of our revenue growth management strategy designed to recoup costs through pricing and maximize the value of our portfolio.

I am happy to say we are on course for all three. Our new A&P investment is reaching the market now in Q2 and will be fully deployed in the third and fourth quarters. Our supply chain is performing well, delivering excellent service and efficiently managing our procurement process. Finally, our revenue growth management execution is helping drive price and mix, further narrowing our cost gaps.

Overall, Nomad is in a much better position today than at this time last year. We are highly encouraged by the resilience of our top line and the improvement in our margins. Twenty-three will have its challenges, but with our improving fundamentals and expected step-up in cash flow and strengthening balance sheet, we are highly optimistic about this year and beyond. We are on track to meet our guidance expectations.

With that, I'd like to recap our first quarter key financial metrics, beginning with revenues. Q1 revenues grew 5.8% with strong pricing more than offsetting volume declines. Organic sales grew 8%; however, we experienced 2.2 percentage points of negative forex impact. Adjusted gross margin grew 100 basis points to 28.9%, driven by our pricing initiatives and supply chain execution. Adjusted EBITDA grew 11% to €146 million with margin improving 100 basis points, and finally adjusted EPS was €0.46 per share, up 7% versus last year. At current U.S. dollar spot rates, our Q1 adjusted EPS was \$0.51.

Our revenue performance was strong in the first quarter as our pricing from the second half of 2022 rolled over into the start of the year. This was the fourth sequential quarter of improving organic sales trends against a challenging consumer environment. Our mid-teens pricing more than offset a mid-single digit volume decline as our volumes were impacted by elasticity and price gaps with competition. We have further narrowed the gap between our price and input costs this quarter with a positive margin expansion.

Raw material prices are moderating, however we are not seeing meaningful deflation. It is our plan to recoup our input cost inflation from 2022 and 2023 by year end. This will help fund our plans for stepped up investment in A&P and innovation. This is crucial for the health of our business.

Our world class supply chain continues to show positive results. We delivered service to our customers at a multi-year high with levels above 97%, up 100 basis points from last year. Additionally, we remain disciplined on procurement and we are covered for nearly 80% of materials for the year. We are giving ourselves more flexibility on coverage than in previous years, becoming more analytical and strategic on how we acquire raw materials.

We lost about 1% value share this quarter. This loss was a direct impact of both elasticity and the price gaps which have not yet narrowed versus our private label competition; however, our new A&P investment hits the market starting late in Q2 and will be rolling out across the balance of the year. With greater brand support and innovation, we expect to reverse these losses as the year progresses.

Finally, with our strong EPS delivery this quarter, we are raising the lower end of our 2023 adjusted EPS guidance to €1.52 from €1.50. Our original range of €1.50 to €1.55 now stands at €1.52 to €1.55. This represents an adjusted EPS range of \$1.67 to \$1.71 at current U.S. dollar spot rates and excludes any impact of capital allocation.

This quarter we benefitted from the adjustments we made to our business model last year combined with the new plans we have rolled out this year. We plan to return to our historic margins over time, and we made progress during the quarter. In Q1, margins benefitted from our pricing from the second half of 2022. Additionally, we showed the benefits of supply chain discipline and cost savings programs. As a result, our gross margin expanded organically for the first time since the end of 2020. With our continued focus on price realization and supply chain discipline, this good early start puts us on target to meet our goal of flat adjusted gross margins for 2023.

The consumer is at the center of everything we do, and we kicked off our affordability strategy designed to attract and retain consumers during this period of high inflation across Europe. We have adjusted many of our promotions on key items in selected markets to keep consumers in our portfolio. Additionally, our expanded above and below-the-line communication strategies are carrying the message of frozen food's intrinsic values, including lower waste, high nutrition, product versatility and good value. We are seeing strong initial evidence that our message is taking root. Long term, we think this strategy gives us the opportunity to reconnect with consumers and strengthen loyalty to our brands.

Finally, we are seeing the full benefits of the farmed fish supply strategy we accelerated after the outbreak of the Ukraine war last year. With our new source of fish, we launched new and innovative products across four of our markets, including the U.K., Germany, the Netherlands and France. We have a scheduled

expansion into at least another three new markets this year. Initial results have been very encouraging and we are excited by the innovation opportunities the new supply of high quality fish provides us.

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 6, I will provide more detail on our key first quarter operating metrics, beginning with reported revenues which increased 5.8% to €775 million, up 8% organically.

First quarter revenues were negatively impacted by 2.2% of unfavorable FX. We saw elasticity in our top line performance as volumes came under pressure due to price increases and the persistent price gaps with private label. These volume declines were expected and are in line with expectations as we aim to recover cumulative cost increases from last year and this year. These volume declines impacted our market share, which was off about one point for the quarter. As we communicated at CAGNY, we expect market share trends to improve sequentially this year, driven by our innovation efforts on affordability as well as stepped up A&P investments.

We delivered a strong margin performance this quarter. Adjusted gross margin was 28.9%, a 100 basis point increase versus the prior year, reflecting the successful recovery of higher input costs through pricing.

We continue to navigate an inflationary environment. In Q1, we saw a benefit in the cost of goods sold from the tail end of cover positions from 2022. Looking ahead, while we have strong cover now in place for the rest of 2023, the full effect of inflationary impacts on COGS will be realized as the year progresses. As we look out to the rest of the year, we expect to deliver flat gross margins supported by price increases and cost discipline.

Moving down to the rest of the P&L, our adjusted gross profit grew 10% to €224 million for the first quarter. Adjusted COGS increased to €551 million, an increase of 4.3%, up €23 million versus last year. Adjusted operating expense of €100 million was up 6% year-over-year. Adjusted EBITDA of €146 million was up 11% versus last year. Adjusted EBITDA margin landed at 18.9%, an increase of 100 basis points. Finally, our adjusted EPS of €0.46 was up 7% in Q1. This translates to \$0.51 in U.S. dollar terms at spot rates.

Turning to cash flow on Slide 7, cash generation is crucial to the health of our business and remains a top priority as we consider our capital allocation for this year and beyond. In Q1, we generated €25 million of adjusted free cash flow for a conversion ratio of 32%, versus 62% in Q1 2022. Q1 was adversely impacted by the phasing of inventory, receivables and payables in certain markets during the quarter. The adverse phasing of receivables and payables is temporary and should reverse in Q2. We remain on target for our 2023 cash flow guidance and our options for accretive capital allocation remain wide open.

CapEx of €21 million was flat versus last year. We continue to support strategic investments in the business. Changes in cash tax increased €1 million to €10 million, while cash interest was down €2 million to €25 million.

As part of our refinancing in November 2022, we will be facing higher cash interest payments on a portion of our debt; as a result, we saw a cash benefit in Q1 before realizing the full impact of higher interest charges in Q2.

Last year, our cash generation was negatively impacted by a working capital build to mitigate the possibility of supply shortages in the middle of the year. We were also impacted by the implementation of Unfair Trade

Practices Directive - UTPD in the EU. This year with more normalized inventory levels and UTPD in the base, we expect cash flow conversion in line with our historical average.

With that, let's turn to Slide 8 to review our 2023 guidance, which we initiated in our 2022 earnings report in February and are updating today. This guidance is based on foreign exchange rates as of May 3, 2023.

We are updating the original guidance we delivered in our 2022 year end earnings report. First, we expect organic revenue growth to be in the mid single digit range for 2023. We expect our pricing initiatives to more than offset volume declines. We expect cash flow to be in line with our historical performance. With working capital and UTPD in the base, we expect our cash conversion ratio in the range of 90% to 95%, in line with historical averages. We are raising the bottom end of our original 2023 guidance. We now expect adjusted EPS in a range of €1.52 to €1.55 per share, or \$1.67 to \$1.71 at current USD spot rates. This replaces our original guidance of €1.50 to €1.55 and excludes any impact of capital allocation.

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

Operator

We will now begin the question-and-answer session. (Operator instructions)

Our first question will come from Jason English with Goldman Sachs. You may now go ahead.

Jason English

Hey, good morning folks, or perhaps it's good afternoon where you're at. A couple of quick questions.

You mentioned, I think Stéfan in your comments, you plan to recoup the inflation incurred in 2022 and 2023 collectively by year end. My question is how? Are you expecting to have more list price increases, or I believe you've tapered some trade on top of list price increases. Is the anticipation that you'll be able to pull back on some of that trade to get more effectively net price realization by year end?

Stéfan Descheemaeker

Well, it's a bit of a combination of everything, to your point. The first piece, Jason, we are well embarked in terms of recovering the price increase. Don't forget that it's something which obviously started last year, so we have obviously the positive impact of 2022. We already had some negotiations, positive negotiations early this year, so what's left is much lower, and don't forget at the same time, the inflation—input cost inflation has somewhat decelerated in the meantime, which is probably—you know, deceleration is probably higher or better than anticipated, which helps us as well, so that's the piece—that's the macro piece where we stand. Yes, we're still left with some here and there, some negotiation, but it's nothing comparable to what we had last year.

Then with that, obviously you're going to the consumers. Consumers is about, obviously, promo and all these things, and so it's much more about revenue growth management than it's really—it has really become in a way a big—it's becoming more and more a big muscle for us right now, and also for the coming months and years. That's where we stand.

Maybe you can complement, Samy?

Samy Zekhout

Yes, but I think you said it mostly. The one thing, Jason, I would insist on is actually the pressure for the coming quarters is actually much lower than what we have planned even what has been executed so far and what we are seeing from an inflation trend. Stéfán was alluding to the point, I would say, our revenue growth management strategy, which we are really now leveraging full speed across the market to really make sure that we execute some of these inventions in the right market and in the right category to remain competitive versus the rest of the market as well. Clearly we are on trend, if not a bit better on that.

Jason English

Okay. You also commented in your prepared remarks that private label gaps have not yet narrowed. Is that they haven't yet narrowed all the way back, are they narrowing but just—are you seeing progress on that front, I guess is the core of my question, and with the cost pressure perhaps moderating a bit, does that influence your expectations of how far you expect private label to go in closing those gaps?

Stéfán Descheemaeker

Well, it's a complicated question, Jason, because obviously it's other people, so we can't second guess what they're going to do. The only thing we can say is we're all subject to the same, let's say constraints. The market is the market, the fish is the fish, the vegetables are the vegetables, so our decision was and it still is, by the way, to make sure as brand players, as brand leaders, we want to obviously maintain our gross margin so as to be able to reinvest. That's very essential for a brand leader, and that's what we're going to do.

What other people might decide to do with their margin is something else. We haven't seen overall yet a very significant narrowing down of the difference. It may come, may not come, but probably you should ask them at some stage.

Jason English

Indeed. If I get a hold of them, I will. Thank you very much. I'll pass it on.

Stéfán Descheemaeker

Thank you, Jason.

Operator

Our next question will come from John Baumgartner with Mizuho Securities. You may now go ahead.

John Baumgartner

Good morning. Thanks for the question.

Stéfán Descheemaeker

Hey John.

Samy Zekhout

Hi John.

John Baumgartner

Maybe first off, wanted to walk through the Fortenova assets as we're heading into the peak season there, and especially as you're lapping a tough comp on the revenue side. Are there any fundamental or structural improvements or enhancements you can highlight that you've implemented that are poised to benefit operations this year on the revenue side?

Stéfan Descheemaeker

To your point, the last year was a really great year, and believe me, we have all the intent to have another great year this year, with or without the weather.

There are things that we have very much line with the business model, by the way, we've improved, so first you have a huge, let's say number of freezers and some were outdated, and as expected we're improving all these freezers. I think it's memory is right, you have around 120,000 freezers across all the regions, which is a great route to market as you can imagine, and some had to be—some were outdated and as expected, we're changing them, which is great and it's going to help us, and with the retailers and with the consumers. That's the first piece.

The second piece is we're also improving, let's say, the quality of the factories - that's also part of the plan, and the third piece, which is something we have learned since last year, is you probably need to be already on time, more already on time in terms of inventory of finished goods, because it's another game vis-à-vis frozen food, so you have to make sure that you're going to be ready, let's say Q1 or even Q4-Q1-Q2 to deliver. It's quite different from frozen food. You're just going to rely on Q2 and Q3 to deliver your ice cream. Last year, we had some out-of-stocks because we hadn't fully grasped that piece, and obviously we're learning, so that's the third piece of improvement that we are—we're coming up with.

On top of that, the team is—well, the team is great with the Adriatics. They are doing a fantastic job. They've come up with a new taste, considered among the best ice cream in the world, and it's going to come. By the way, we also have opened a new avenue in terms of exports, let's say to Austria where you have a very sizeable community of Croats there, especially in Vienna, and as you know, we have a very strong distribution in this country. If you go to Vienna, I would invite you to go to some of the stores there, for example Spa - it's not advertising here, then you will see some of the label products, and we're very confident it's going to do well, so yes, very pleased with what we have qualitatively and quantitatively.

John Baumgartner

Okay, thanks for that, Stéfan.

Then just a follow-up, I wanted to ask about the A&P spending. Your categories, I wouldn't say are impulse oriented, and I'm curious how long you think it might take to convert your investments into increased takeaway. Are there specific programs you're targeting that you're more optimistic can deliver a reasonably fast payback, whether it's trade or messaging? Just any perspectives on programming would be helpful, thank you.

Samy Zekhout

Yes, I think we have communicated, John, on our clear intent to step up our investments in A&P. As you have seen over the past years, we have specifically had to take a knee down really by trying to optimize the whole portfolio, but it's about time that we reinvest behind the assets that we have. I think there are a number of things that we are really doing now which is refueling effectively the level of spending behind our must-win battles. We do know that when we invest there, the payback is quite fast and it's strong, because the brands are quite strong, but nevertheless given the fact that the trend has been a bit down over the past

years, it's just going to take a bit more time than usual, but clearly, that builds up our sustainable growth as we move forward.

Investing effectively around equity is very important - the Captain is a perfect example of that. We are clearly refueling effectively our investment in there, and what pays back a bit faster sometimes is frankly more innovation driven, more effective targeted to, let's say, coordination between in-store and equity investments when we try to have a bit of a holistic A&P intervention there, where we see faster returns usually within the 9 to 12 months-ish, whereas if you've classic advertising that's specific on the longer payout there. But, we are clearly trying to balance the need for reinvesting behind must-win battles that are absolutely critical to bring them back on par with what is making growth strong and profitable, and on top trying to leverage any commercial option related to market dynamics, for instance let's say clearly cost of living intervention or innovation intervention or (inaudible) as an example coming up, of course we'll advertise that, and that has a clear return much faster than others.

Stéfan Descheemaeker

And then we'll see stepped up investments...

Samy Zekhout

Exactly, yes.

Stéfan Descheemaeker

...starting really end of Q2 and then really Q3 and Q4.

John Baumgartner

Thank you very much.

Stéfan Descheemaeker

Thanks John.

Operator

Our next question will come from Peter Saleh with BTIG. You may now go ahead.

Peter Saleh

Great, thanks for taking the question.

I just wanted to ask on the pricing plans. I know you had a mid teens pricing in the first quarter here. How should we think about your pricing for the balance of the year? Do you anticipate at this point in time taking any additional price, given you haven't really seen any deflation, maybe some just moderation in commodities? Just trying to understand how you're thinking about the pricing lever for the balance of this year.

Stéfan Descheemaeker

Yes, as we said earlier, the pricing, if you want, that is going to come is actually much less than what we had originally planned for, for the reason that effectively our first tranche that has happened in GSM has

gone really well and has passed through, and on top of that if we see, let's say, lower pressure on inflation that is putting, if you want, the coming burden on the need to recover inflation through pricing lower than planned, so clearly at this very stage, it's definitely within a range of pricing intervention that will be much more moderate over the quarters to come as we see forward. And will be very specific because this inflation hits in different categories and different markets at different levels, and we tried to make sure that actually will go where it makes sense, with the intent as well of taking advantage from an inflation standpoint of the fact that we are hedged at about 80%, as we indicated, and we have 20% unhedged, and on this unhedged part, we intend to clearly leverage any positive opportunity in the market in case we have access to input costs at a lower price, which would reduce the pressure for pricing in the next quarters. So clearly ahead and at this stage much more manageable as we move forward.

Peter Saleh

Great, thank you very much.

Operator

Our next question will come from Cody Ross with UBS. You may now go ahead.

Simon Negin

Good morning, this is Simon Negin filling in for Cody Ross.

Stéfan Descheemaeker

Okay, hi Simon.

Simon Negin

Hey there. You haven't repurchased shares since first quarter of last year, as you focused on securing inventory. When do you anticipate share repurchases being a bigger part of the capital allocation process again?

Stéfan Descheemaeker

Well, we definitely consider share repurchases as part of our capital allocation strategy, as we have mentioned many times. The focus over the first quarter was clearly to stabilize the business as we are clearly getting into, let's say inventory and receivable and payables at the time. Management at the time were executing pricing and securing the supply, and now we're getting out of this, let's say clear transition quarter now, we clearly have the next quarter to look at different options appealing to us, whether this is effecting share repurchase or other capital allocation strategies. But share repurchase remains very high on our agenda, and we've been opportunistic on that, and as market goes, we will effectively update our strategy as we move forward on that.

Simon Negin

Great, thanks so much.

Operator

Our next question will come from Steve Powers with Deutsche Bank. You may now go ahead.

Steve Powers

Hey, good afternoon. I wanted to ask about your manufacturing savings that you had—you targeted a step-up in manufacturing savings entering '23, and I just wanted to get a status check on progress there, how much you've already started to receive and that we've seen in the first quarter results versus how much is yet to build over the balance of the year.

Samy Zekhout

Yes, definitely the program is in place. We have different access, if you want, of development there. One was the pure manufacturing efficiency in the different sites that we had, clearly leveraging all of the opportunities to implement our lean program activities in order to clearly reduce the production costs overall, taking into account the volume dynamic as much as effectively the utility and the efficiency dynamic, the productivity dynamic that we have. The program is well in place and delivering good savings in line with the plan, and it is a well spread plan over the quarters, so what you see in quarter one is going to spread over the coming quarters.

There was another range of intervention that we had made which was more geared on product formulation and your ability to meet the market needs in a very effective way. Within that plan, we have made some interventions that are gradually being implemented, and you can understand that whenever we touch product, we touch at different parameters such as packaging or go-to-market, end pricing and others, and those are being deployed as we go, but very clearly the investment and the focus is in there. We have a great team there that is implementing that.

The inflation, as we've said, it's clearly going on the right trend at this stage, and we have taken the opportunity of the market opening to get—to allow access to input costs at a lower price, and so the saving through is coming as planned and is reflected effectively in our overall performance as we move forward in line with our expectations.

Stéfan Descheemaeker

On top of that, I would also add logistics...

Samy Zekhout

Yes, absolutely.

Stéfan Descheemaeker

...where we're making a lot of progress savings, and still lots of opportunities ahead of us.

Simon Negin

Okay, that's helpful. Maybe if I could, the other—you'd also communicated at CAGNY a relatively sizeable step-up in innovation spending, and I guess a similar question, how much of that have we already seen, how much of that is yet to come, and just any early feedback on the return expectations on that investment?

Stéfan Descheemaeker

Well, the first one, as you know, Simon, is about Baza or Catfish in continental Europe. It came out of necessity last year with obviously the outbreak of the Ukraine War, but we've really moved from necessity to an opportunity for us, and so since something like end of Q3 last year, we really started to develop that

part of the new business, which is farmed fish, which is great by the way. Product is great, and now we have developed and launched Basa in four countries - Netherlands, U.K., Germany and France, and it's doing well. We're making a lot of progress, we're planning to have another three countries by the end of the year, and that's innovation because it doesn't replace new products, it doesn't replace cod or pollock. It's really something new, and that's a big innovation.

The second piece is more about affordability, and we also have some very interesting, let's say new innovations especially in fish, so these are the first two pieces where we have invested. More to come, but let's say—and one thing in stressing as well, we say it's innovation or not innovation, but the pizza in France, we were not present in France. We think we have the right reason to be present with pizza in France. We have the right distribution with good sell-out, it's a great product. Let's face it, you know, for reasons that are, let's say linked to competition, there was a big white space—there is a big white space available there, and we've seen—you know, we had the conversation with the retailers and they're very open, and then we have no, you can see Goodfellas pizza with (inaudible), for example, in France, and in other—with other retailers. That is also innovation.

I love these innovations because they don't cost anything, by the way, because it's available, it's there, just not present in that specific country, which is great.

The other piece is especially doing this cost of inflation, cost of living crisis is renovation. I think the big piece for us is to make sure our products, our brand products are going to come up with superiority in terms of packaging, in terms of taste and all these things, and that—you know, short term and mid term, that's absolutely critical for us, so these are the big pieces of where we have invested. More to come, obviously, let's say in the coming months for 2024 and onwards, but these are the big themes we think are very much adapted to the current situation.

Simon Negin

Very helpful. Thank you very much.

Operator

Our next question will come from Rob Dickerson with Jefferies. You may now go ahead.

Rob Dickerson

Great, thanks so much. Apologies if you already went through all of this - I hopped on late.

Just a question around trade spending promo, kind of vis-à-vis the gross margin. Clearly in first quarter, gross margin was great. I think you'd originally come out at Q4 and you had said there would be a sequential progression in gross margin, but now gross margin is still flat, so it doesn't seem like there's probably sequential progression really still occurring because a lot of it was front-end loaded. Do you feel like where you see the marketplace today, what you had budgeted, I guess in trade and promo, kind of is steady, or do you think you might need a little extra room as you get through the year to maybe lean in to make sure you're getting the velocities? Again, just asking as it pertains to the delta in the gross margin flow.

That's it, thanks so much.

Samy Zekhout

Yes, hi Rob. It's very much in line, frankly, with what we were expecting. The one thing, though, that we have looked at more thoroughly in the context that we've been taking with a good quarter behind us is

affecting whether looking at our revenue growth management strategy, whether there could be some surgical interventions to be made on some key country-category combinations, where we are clearly running behind from a share momentum standpoint, and looking at opportunities to do so. Don't expect, if you want, moving forward a massive change there, but much more targeted interventions to really, let's say, maintain a price gap that is conducive of growth overall, or potentially opportunity to reignite growth in some of the categories where clearly we've taken pricing and where clearly we may have to be more competitive promo wise.

This continues to remain the category that is heavily promotion driven. We clearly have a very strong promotional plan across the rest of the—the vast majority of the market, but wherever we have opportunity to be more surgical to ignite stronger growth and regain share momentum, definitely we'll look at that, but as I said, it's going to be more on a country by country, category by category basis.

Rob Dickerson

Okay, great, and maybe just a quick clarification follow-up, when you talk about the strategic pricing kind of dependent on end market positioning, is that kind of away from Fortenova? I just think of handheld ice cream in Eastern Europe at the beach, like people don't really buy it on promo, so it's really you're kind of talking more about those core categories, really more frozen fish, frozen veg maybe? Is that right?

Samy Zekhout

Yes, absolutely we are looking at that. On Fortenova, we have as we started the work as well to see if there were opportunities there to be more on the growth side, profitable growth side than anything, but I would say the majority of the emphasis on the more core categories than on the ice cream category.

Rob Dickerson

All right, great. Thanks Samy.

Operator

(Operator Instructions)

Our next question will come from Jon Tanwanteng with CJS Securities. You may now go ahead.

Jon Tanwanteng

Hi, good morning. Thank you for taking my questions, and congrats on the strong results.

Samy, I didn't know if you addressed this previously, but did you mention how you're expecting gross margins to trend through the quarters? Just on the cadence perspective, is there anything different from your normal seasonality, or are there some puts and takes we should be thinking about?

Samy Zekhout

No, we maintained the guidance, which is effectively about flat margin for the year. The bump we had in Q1 was expected and is going to then effectively—I mean, it's going to lead us to deliver in line with expectations on that.

Jon Tanwanteng

Okay, great, and can you give us an update by region what you're seeing, if there's been any surprise in any of your end markets? I know there's been protests in France that have been fairly disruptive to other industries. Just tell me if there's anything that's surprising, either good or bad, in the countries that you're in.

Stéfan Descheemaeker

No, I would say nothing short of a surprise, pretty much in line with the expectation, if you want, on that. We had actually great customer service and performance overall, and the spread of the performance over the quarter has been consistent with our expectation as it shows, if you want, on the gradual share development you see but nothing of significance.

Samy Zekhout

No, the difference, let's say region by region by definition, was they haven't come up with any surprise region by region.

Jon Tanwanteng

Okay, great. Then last one for me, can you give us an update on green cuisine, number one, how that's doing, and number two, just how your sustainability initiatives, which you've had a lot of and you talk about a lot of them, how has that been received by your retail partner and your consumers, your end consumers? Is that something that even comes up on the radar in times of stressed budgets and is that something you're pushing? Just help us understand where you're positioning is on that front.

Stéfan Descheemaeker

Let me start with two questions, actually, Jon, if I understand you well. The first one is about green cuisine. Actually in terms of green cuisine last year, to your point, we had flat sales in a category declining by 9%, so to your point, I mean we had a share gain of 2%, which we are the number two player in frozen food plant protein. This year—so we're growing faster than the others. This year, we're up slightly in terms of market share with countries like Germany, for example, performing extremely well, growing at 10%, and share up 10%. Italy is up as well, so overall we're very pleased.

This being said, I think when you take the category, it's a very interesting category and we really believe that the category has a long-term role to play. But, I think what we also have seen is after a lot of excitement, people started to reconsider, their habits need to change, which is not unusual by the way. I think a lot of categories have been through that kind of trend, and I think it's up to us, the leaders to raise the game and to come up with the right products and the right combinations, the right price. And so, do I believe there is a long-term future? As I said, yes, but definitely I think the consumers remind us, all of us by the way, much more than others, all for others by the way, that you never take people for granted, which is great. That's exactly what we need to do.

In terms of sustainability, well you know, we've just published our sustainability report, I think it is today, and I would really invite you, Jon, to go through, at the very least the headlines. It is really strong. When you see the numbers, we have in terms of, let's say for example, sustainable fish, in terms of sustainable aquaculture, in terms of healthy foods, in terms of SBTI, quite frankly it's something we can—well, I'm not saying that lightly, by the way, because I'm more of the easily dissatisfied, but it's really impressive.

So back to your point about how does it sell, then? Well, I can tell you the retailers, starting with the retailers, they also have their programs, and they need people like us to come with programs that are very much in line, because they have also their carbon footprint programs and all the rest of it, and they need obviously

to have a consolidated view. So with people like us, I will not mention any names, but I can tell you we have a very, very solid conversation, very fruitful, let's say, conversation with some of these retailers, and I think it's only starting.

As far as the consumer is, that's what we're talking about, the consumers, I think we can do more, we can do better. I think again, when I see the numbers, the numbers we have, I think that we need to do ourselves a better job. That's my non-satisfactory qualms that is coming back, where we can do a better job at coming with these numbers, because these are facts. You know that we perform extremely well with, for example, Wall Street in terms of where we stand in terms of sustainability, but more to come. Quite frankly, I think we are too modest, too modest from that standpoint given the facts we are coming up with, but it will change, I can tell you, and through the satisfaction of the retailers, the consumers and ultimately to our satisfaction.

Jon Tanwanteng

Got it, thank you. Thank you very much, Stéfan. That's very helpful.

Stéfan Descheemaeker

But please read the report. It's really interesting.

Operator

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

Stéfan Descheemaeker

Thank you, Operator, and thank you for your participation on today's call. We got off to a solid start for the year and we remain on track to deliver our promises. We believe frozen food remains the best value for consumers across food, and we remain proud category leaders. We are focused and committed to delivering on our ambitious financial objectives for 2023 and beyond.

Thank you all. Operator, back to you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.