



Nomad Foods

Third Quarter 2025 Earnings Conference 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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P R E S E N T A T I O N

Jason English

Hello and welcome to the pre-recorded discussion of Nomad Foods' Third Quarter 2025 Earnings Results. We have posted the accompanying press release and investor presentation on Nomad Foods' website at nomadfoods.com. I am Jason English, Head of Investor Relations, and I am joined by Stéfan Descheemaeker, our CEO; Ruben Baldew, our CFO; Dominic Brisby, our Group Executive President and CEO-elect; and Sir Martin E. Franklin, our co-Founder and co-Chairman.

In addition to these remarks, we will host an analyst Q&A session today at 8:30 a.m. Eastern. Stéfan, Ruben and Martin will join this session. A replay of this webcast and our subsequent Q&A session will be available on the Investor Relations section of our website.

These prepared remarks will 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 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. All adjusted figures have been adjusted primarily for, when applicable, share-based payment expenses and related employer payroll taxes, exceptional items, and foreign currency valuation charges or gains. Unless otherwise noted, comments from here on will refer to those adjusted numbers.

With that, let me hand it over to Stéfan.

Stéfan Descheemaeker

Thank you, Jason.

Third quarter results were in line with our recent expectations, and even though we're not reaching our full potential right now, we did have numerous areas of strength in the quarter. We had a soft start to the quarter with unfavorable weather depressing category growth in western Europe in July, and we faced a few disruptions to our high margin immediate consumption ice cream business in southeastern Europe. On top of that, as we have previously discussed with you, our commercial plans in some of our must-win-Battles, especially in the U.K., have not been as robust as we would like. As a result, our organic sales declined 1.6% this quarter.

The organic sales decline was compounded by a lower gross margin, which contributed to lower Adjusted EBITDA. As a reminder, we have elevated input costs this year and have chosen to wait until fiscal 2026 to enact most of our price increases. This has created the temporary margin pressure that we experienced in the third quarter, and last year's high margin comparison did not help. We have and will continue to take several steps to build upon our strong foundation for improved results going forward.

In September, we announced increased efficiency goals to be realized from 2026 through 2028, and I am happy to report that this initiative remains on track. This will give the Company the fuel and flexibility it needs to invest in the business and drive steady and predictable bottom-line growth, and while medium term targets focus on delivering EBITDA and free cash flow growth, the team recognizes that they will need to deliver healthy and consistent organic sales growth to achieve those goals.

Organic sales growth has been challenged year-to-date, but there are many reasons to believe that the Company's performance will be better going forward.

First, Nomad continues to benefit from an advantaged category. Frozen food in Europe has consistently grown in low single-digit range and remains supported by the trends of taste, nutrition, convenience, value and sustainability. And while category growth slowed due to unfavorable weather earlier this year, as you can see on Slide 4, our category footprint has returned to 2% growth. It is much easier for the Company to achieve organic sales growth when it has category tailwinds at its back.

Of course, the team aims to grow in line or ahead of the category over time and there is more work to do, but progress is being made. As you can see from Slide 5, our market share has been rangebound over the past 12 months. We are pleased to have held volume share this past quarter, but we can do better from a value share perspective.

The softer value share performance has been driven by the softer results in our must-win battles. Much of this has been concentrated in the U.K. Our U.K. sales have declined by 6% year-to-date and declined 7% this quarter. The U.K. has accounted for roughly 80% of our net sales decline year-to-date and nearly 90% this quarter. This has been driven by several factors.

As you can see from Slide 6, we achieved very robust volume sell-through in measured retail channels in the U.K. throughout 2024. This was largely driven by promotional activity that we and many of our branded competitors participated in. The collective investment expanded the category. Late last year, we and our retail partners began to pull back on promotions, given rising costs. The reduction in promotional support pressured our volume growth as well as the growth of our category while fueling some recent trade down to private label in the market. That headwind was magnified this past summer by the unfavorable weather.

This has been a large headwind for us this year, but the good news is these are cyclical headwinds and not structural, and we are already seeing improvement as we cycle them. You can see from Slide 6, our U.K. retail volume and value sell-through has successfully stabilized in the most recent period. Easing comparisons are helping, but so too is our new Master Brand advertising campaign that was launched in August. Early performance indicators are encouraging, and this serves as a great example of how the Company can make our A&P investments work harder by supporting multiple product lines with an umbrella campaign.

Our new advertising is being accompanied by new product news. In fact, innovation and renovation remains on track to reach approximately 17% of sales this year, and the current plan is for this to go even higher next year. Much of these efforts will support our must-win battles, including new news behind our core fish finger portfolio starting in the first quarter of next year. We also continue to innovate behind our growth platforms.

Highlighted on Slide 7, you can see the great progress being made in diversifying Nomad's portfolio. Growth platforms achieved net sales growth of 34% this quarter and are up 39% year-to-date. The Company has built its chicken portfolio into a large and profitable must-win battle in the U.K. and last year began to leverage the learnings in that market to expand its chicken portfolio in Italy and Germany. I'm happy to say that it is working!

We continue to achieve fantastic growth with our chicken portfolio in both Germany and Italy. And we are having similar success in prepared meals, which is another important growth platform in many markets. For example, our retail sales of meals have doubled in Germany year-to-date, and our protein bowls recently began to hit shelves in the U.K. and will roll out more broadly next year.

Given these initiatives, recent category acceleration, and our stabilization of retail sales in the U.K., I'm confident the Company will demonstrate improved results in the fourth quarter.

With that, let me turn it over to Ruben to take you through our results and outlook in more detail. Ruben?

Ruben Baldew

Thank you, Stéfan, and good morning, everyone. Let me get right into the results.

As you can see on Slide 8 and 9 for the third quarter, reported net revenues decreased by 2.2% to 752 million euro. Organic sales declined 1.6% with volume declining 0.5%, while price mix was -1.1% driven by unfavorable mix. As Stéfan mentioned, we had a soft start to the quarter as the negative weather impact we saw last quarter carried over into July. Also, our ice cream business in southeastern Europe declined by 7.5% this quarter due primarily to less favorable weather than last year, and unrest in Serbia.

We were happy, though, to see our overall category growth improve as the quarter progressed and pleased that we returned to net sales growth in September, albeit aided by an easy comparison as our sales were depressed late in the quarter last year following our ERP transition.

Moving down the P&L, our adjusted gross margin was modestly higher than quarter two but compressed by 420 basis points year-on-year. The largest headwind to our gross margins has been inflation, which more than offset our productivity gains and RGM benefit. As a reminder, we have seen several input costs move higher year-to-date, with poultry prices among the most notable increases. Most of our price increases, however, have yet to take effect as we decided earlier in the year to wait for the annual negotiation cycle with retailers to address this. Last month, we began to announce our price increases to the trade. These will take effect in early '26 and, when combined with our productivity plans, will position us better to offset inflation next year.

Moving down the P&L, adjusted operating expenses declined by 12% year-on-year in the third quarter. A&P expenses were down double digits in the quarter, largely due to quarterly phasing. Recall that A&P was up double digits in the first quarter, and year-to-date our A&P is flat year-on-year as a percent of sales. Overhead expenses shrank by 9% year-on-year in the quarter as productivity offset underlying inflation, and we reduced our bonus accrual given year-to-date results.

Adjusted EBITDA decreased 14% year-on-year to 143 million euro, while adjusted EPS fell 11% to 0.49 euro cents. Our diluted shares outstanding were 8% lower year-on-year in the quarter, which when combined with lower year-on-year interest expense helped us minimize the EPS decline.

Turning to cash flow on Slide 10, our adjusted free cash flow conversion ratio was 35% through the first nine months of the year versus 47% in the same period as last year, due to lower Adjusted EBITDA and different phasing of cash taxes. As a reminder, it is common to see our cash delivery in this range at this time of the year due to seasonal factors.

Turning to use of cash, we continue to return cash to shareholders. Through the first nine months of this year, we had repurchased 151 million euros of shares and paid out 70 million euros of dividends. This collective return of cash to shareholders through the first nine months of this year is a 100% increase compared to the first nine months of last year. I would also note that I personally purchased roughly 1 million dollar of shares in September, which you will see when we file our annual 20-F early next year; and last week, we declared a quarterly dividend of \$0.17, which is 13% higher than the same dividend last year.

We also recently completed the refinancing of much of our debt. The offering was met with high demand by the credit markets, which we view as a testament to our healthy and consistent cash flow. We were able to lock in attractive rates while extending our maturity schedule and increase capital allocation flexibility. We also expect our earnings to benefit from lower financing costs each quarter going forward.

Turning to our guidance for '25 on Slide 11, we are tracking toward the low end of our existing organic sales growth, Adjusted EBITDA and adjusted EPS ranges, given year-to-date margin pressure and our

desire to establish a clean base for '26. We expect full year organic sales to be near the low end of our flat to -2 range, which implies modest improvement in fourth quarter relative to our year-to-date performance. We expect our Adjusted EBITDA to be near the low end of our existing -3 to -7 outlook, implying a low single-digit decline in the fourth quarter, and we expect adjusted EPS to be near the low end of our €1.64 to €1.76, implying comparable year-on-year EPS in the fourth quarter. At recent exchange rates, our revised adjusted EPS guidance range for the full year translates into approximately \$1.89 to \$2.02.

Turning to adjusted free cash flow, we continue to expect a conversion ratio of 90% or greater for the full year. This guidance excludes any impact of our refinancing, where at this moment we are finalizing the details of cash interest payments and the potential positive benefit on EPS and timing impact to cash flow, if any. We do not expect these effects to be material, though.

In conclusion, while this was a challenging quarter for certain areas of our business, we feel good about the underlying health of our overall business. Our category is healthy, our retail sales are stable, our pricing actions are in flight, and our productivity momentum is building. We remain focused on controlling what we can control to drive profitable sales growth and improve free cash flow conversion.

With that, let me turn the call back to Stéfán.

Stéfán Descheemaeker

Thank you, Ruben.

First, I want to say thank you to all our fantastic employees who have made Nomad a great place to work and helped build it to a leading company over the past 10 years.

As most of you know, this will be my last public conference call with the Company as I am transitioning from CEO to Board member, beginning in January.

I'm proud of what we built over the last decade. We have been strategic and deliberate in our portfolio choices and have built Nomad into the pure play scaled leader in the European savory food market. We have the best brands in one of the best food categories in the industry and have built a team of top tier talent and armed them with the resources to win.

We have accomplished a lot over the past decade. We achieved nine consecutive years of uninterrupted sales and Adjusted EBITDA growth through 2024 and are on track to have roughly doubled our EPS over the past decade. This is a track record that all of us at Nomad can be proud of.

Looking forward, I'm excited about the Company's growth potential over the next 10 years. We have built a very strong foundation by being a successful buyer and builder of businesses over the past decade. We now need to accelerate our organic growth as we move forward. With that in mind, I believe now is the right time to transition our leadership to someone whose skill set is ideally suited for our next chapter of growth. Because of this, I began to work with Martin and Noam to explore a CEO succession process earlier this year. After months of review, I am confident we found the right person.

I'm excited to introduce you to Nomad's next CEO, Dominic Brisby, who has joined us as our Group Executive President and will become our next CEO on January the 1st. He brings a growth-oriented mindset and track record of delivering results. I'm excited to watch him unlock new opportunities at Nomad.

Dominic, over to you.

Dominic Brisby

Thank you, Stéfán, and hello everyone.

I am now officially three days into the job and will not be taking questions just yet. My priority over the next few months is to meet my new colleagues throughout Europe and immerse myself in the business. There is a lot I must learn, but there is also a lot I know about the Company which attracted me to this opportunity.

First, I love these brands. Like all Europeans, I grew up with Nomad brands. They are iconic, with unparalleled equity in their categories. They are exceptionally valuable, with fantastic growth potential.

Second, I love the category. I have worked across several businesses in both Europe and North America and am excited to be stepping into a category with so many tailwinds at its back. Secular trends are reshaping the industry, and this Company sits at the intersection of several big themes. The wind is at our back with evolving nutrition, sustainability, and value trends and I'm excited to harness these tailwinds.

Third, I'm excited about the timing of this opportunity. I see the hard work that the organization has done to accelerate its innovation and renovation, strengthen its marketing muscle and build a robust efficiency pipeline.

A strong foundation to build upon has been laid, yet the opportunity for improvement is not being valued by the market. I see under-appreciated growth potential. I'm excited to unlock that potential and create tremendous value for our shareholders in the years to come.

I hope that many of you listening to the call today will join me on this journey. I'm confident that it is going to be a fun ride, and I want to personally thank Stéfán for agreeing to work with me as we transition over the next two months and then continuing as an engaged Board member beyond the transition. This Company achieved nearly a decade of uninterrupted growth under Stéfán's leadership, a truly exceptional accomplishment. I am fortunate that I will have his advice and counsel as we turn our attention to accelerating growth in the decade that lies ahead.

I look forward to sharing more with you in the new year and meeting many of you in person.

With that, let me pass it to our co-Founder and Co-Chairman, Martin, for closing remarks.

Sir Martin E. Franklin

Thank you, Dominic, and hello to all the investors and Nomad employees who have joined us on the call today. I am joining today to provide some perspective and expectations that I and my fellow Board members share.

First, I want to say thank you to Stéfán for all that he has accomplished since the founding of Nomad Foods. He has helped us build this Company into what it is today. It is time to change as we lean in to accelerate our organic growth, and I would like to welcome Dominic Brisby as our new CEO-elect.

As Stéfán noted, we have been working together to find his successor since this past summer. The search was extensive as we canvased both our internal and external options. We met Dominic early in the process, and while we continued our search out of due diligence, we kept being drawn back to him. We were attracted to his growth-oriented mindset and impressive track record of delivering results. And maybe even more importantly, we were impressed by how strong the external feedback loop was for him. People who worked either with him or for him in the past had great things to say, with many highlighting his ability to energize an organization and unlock new opportunities for growth. That's the type of energy we need today, because I am confident that Nomad has substantial untapped growth.

Clearly there is a disconnect that exists between what the equity markets believe Nomad is capable of and what we believe the Company can accomplish. There is even a disconnect between the equity and

credit markets, as reflected by the contrast in our successful refinancing compared to our depressed equity valuation.

The majority of our debt maturities are now extended out to 2032 at attractive rates. At recent foreign exchange rates, we expect the Company's cumulative free cash flow to exceed our current market cap before any of that new debt comes due. Credit markets see that, yet our equity value is dislocated from this.

Equity markets are valuing Nomad as if it is in secular decline, but let's step back and objectively look at a few facts. The reality is that Nomad has important tailwinds that give it an advantage relative to other food companies.

First and importantly, Nomad is in a growing category. You can see the data in our slides. The category has consistently grown low single digits, and it once again is growing low single digits. You heard Stéfán and Dominic talk about the secular tailwinds, and you see it translating into real growth.

Second, the Company has healthy brands. Our brands have the number one leading brand equity in our categories in 13 of our 15 markets, and we are the strong number two in the other two markets. They are strong and they have been nourished. Our A&P investment ratio as a percentage of sales is 4%, which places us in the top tier of food companies, and this is translating into market share.

As you see in the data, while there have been ups and downs, the Company has been able to stabilize its market share. The Company's volume share is roughly flat over the past 3-month and 12-month periods, and retail value sales are growing in both of those periods. It can be better, but this is not a bad starting point for Dominic.

Third, we have robust productivity plans and pricing power. The biggest issue this year has been our gross margin. The Company is absorbing 90 euros million of inflation pressure this year. That's a huge headwind to EBITDA growth. Productivity has offset some of that, but the lack of pricing has created a headwind. Our price index to private label is now at a three-year low, and our sales team is landing new price increases now. This will be a game changer for next year.

And as a reminder, the Company has established a €200 million efficiency goal over the next three years, and the Board stands by this commitment. This will give the Company a lot of flexibility to offset some of the inflation and reinvest where needed.

Given all of this, I can confidently say that I expect our financial results to be better next year. Dominic and his team have work to do but the foundation is there, and we believe accelerated growth will follow.

Our valuation, however, tells me that the equity markets do not believe this, so what do we do?

First, Noam and I, who collectively own almost 16% of the outstanding shares either directly or indirectly, remain steadfast owners. We hold the vast majority of our original shareholdings and have fully shared in the declining value of our equity. We have lived through ups and downs and have every intention of working to drive the Company to recapture the value from past highs and beyond. I personally have chaired a company through such a cycle, and today it is stronger than ever, trading at or around all-time highs.

Secondly, because of this dislocation, we have been prioritizing share repurchases as the primary use of Nomad's cash flow after dividends are paid. This will remain our priority for capital allocation as long as our stock remains so undervalued.

And lastly, it is our core mission to have the equity markets appreciate the strength of this Company as much as the credit markets do, and we expect to earn that appreciation by delivering better results, starting next quarter.

I will leave it there. In closing, we have built a tremendous foundation, and I truly believe now is a great time to be an investor in Nomad Foods. There is enormous upside from here, and Noam and I plan to work with Dominic to ensure that that opportunity is realized. Thank you, everybody.