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Nomad Foods

Third Quarter 2025 Earnings Q&A Session

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Andrew Lazar, *Barclays*

Scott Marks, *Jefferies*

John Baumgartner, *Mizuho Securities USA*

Jonathan Tanwangteng, *CJS Securities*

Steve Powers, *Deutsche Bank*

PRESENTATION

Operator

Greetings, and welcome to the Nomad Foods Third Quarter of 2025 Conference Call.

At this time, all participants will be in a listen-only mode, and should you need any assistance on today's call, please signal a conference specialist by pressing the star key, followed by zero.

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your telephone keypad. To withdraw a question, please press star, then two.

Also, please be aware that today's call is being recorded.

I would now like to turn the call over to your host, Jason English

Jason English

Hello, and welcome to Nomad Foods Third Quarter 2025 Earnings Question-and-Answer Session. We've posted the associated press release, prepared remarks, and investor presentation at the Nomad Foods website at nomadfoods.com. I hope you've all had a chance to review them.

I'm Jason English, Head of Investor Relations, and I'm joined by Stefan Descheemaeker, our CEO, Ruben Baldew, our CFO, and Sir Martin E. Franklin, our Co-Founder and Co-Chairman.

During this call, we'll make forward-looking statements about performance that are based on our review of the Company's prospects, expectations and intentions at this time. Actual results may differ due to risk and uncertainty, discussed in our press release, our filings with the SEC, and in our Investor Presentation which includes cautionary language.

We'll also discuss non-IFRS financial measures during the call today. These non-IFRS financial measures should not be considered a replacement for, and should not 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 the 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, foreign currency translation charges or gains. Unless otherwise noted, today's comments from here will refer to those adjusted numbers.

With that, Operator, let's open the line to questions.

Operator

We will now begin the question-and-answer session. To ask a question, you may press star, then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, you may press star, then two. On today's call, we ask that you please limit yourself to one question and one follow-up during Q&A. At this time, we will pause just momentarily to assemble our roster.

Our first question here will come from Andrew Lazar with Barclays. Please go ahead.

Andrew Lazar

Great, thanks so much, and welcome to Dominic. Maybe to start, one for you, Martin. Nomad discussed quite a bit at our September conference about medium-term goals, productivity, and even said the Company expected to deliver positive EBITDA growth in ’26. Obviously, since then, Nomad has changed CEOs, and investors I think are rightfully asking whether those commitments are still relevant, as oftentimes a new CEO appointment can signal the need for some form of a profit reset. My question is whether Nomad still stands by those recent comments at this stage?

Sir Martin E. Franklin

Thank you for your question. I would say a few things. First of all, these commitments and, I feel like, internal commitments and goals are ones that are approved and studied by our entire Board, not just our CEO. We made a few commitments that I think are important, that are consistent, and what we’ve talked about already in our prepared remarks. Our €200 million multiyear efficiency target obviously still stands and is still actively being worked on, I think quite successfully. The second, our medium-term goals to compound EBITDA in low single-digits, those goals continue to be in place. You have to excuse me, I have a cold. Third, accelerated free cash flow growth by delivering EBITDA, and importantly, while reducing exceptional items.

I think all of these goals are in place. Obviously, when we being in a new CEO, it’s our CEO’s prerogative to evaluate everything. In fairness to Dominic, he’s in the Company for three days; he doesn’t take over as CEO until the year-end. But we brought in Dominic because of his growth orientation in the business, so I’m excited to have him and only see this as being a positive in terms of our metrics of performance.

Andrew Lazar

All right, thank you for that. Then, maybe as a follow-up, I think private label trends tend to lag branded price increases, when Nomad’s led with them. Sometimes, that’s led to some temporary market share weakness in the past. How’s Nomad balancing the pricing that you’re going to be taking next year with keeping share momentum? Maybe, can your higher level of productivity help offset some of the inflation, such that maybe more modest pricing can be enacted than otherwise might have had to have been the case? Thank you.

Ruben Baldew

Yes, thank you, Andrew. Let me take that question. First, the kind of price lag dynamics. If we look at the last three months, the last six months, the last nine months, we’ve seen our price index versus competition, and our competition is mainly private label, slightly go down, 2%, 3%, which is helpful in the context that we have to take pricing. I do have to say that’s the average of an average, of course you always have to go a bit more into detail per country and a specific product, but there has been a bit of catching up of private label. That’s one thing.

I think more importantly, and you were already given half of the answer, is what are we seeing for next year; and we’ve been clear that the inflation we’re seeing, most of the pricing we’re going to take in quarter one, ’26. Now, a couple things there. The inflation in total is not the same level of inflation. We said it before, two years ago, we’re looking at cost-price inflation of around single-digits, and that’s probably at this moment what we’re looking at.

The second point, also, when you compare—and that’s also probably the question behind your question on competitiveness, and not going too aggressive in terms of pricing and losing share. Our RGM capabilities versus two, three years are in a better place. We said it before, we will do this very seriously.

Third point is what you alluded to. We’ve launched this cost competitiveness program, and Martin also mentioned the €200 million, and we still passionately stand behind it. By the way, this is not only a forward-looking program, you also heard in our remarks that, in quarter three, but also in quarter two, we are delivering lower overheads, compensating for inflation, even when you correct for the bonds release. That cost competitiveness program, we will drive forward, and that will help for us to make the right trade-offs in how much should you price versus where, actually, do we have some offset in savings.

We'll also look at pricing, how that links with the renovation. If we're looking at some renovation with different superiority, different product quality, we try to link that to pricing so there's also new news, both for retailers as well as consumers.

The last remark, just to be clear, I think it's just too early days to really see what the effects are. We are sending out the price list as we speak; we have already sent to certain customers, to certain countries, as a bit of difference overall. We can come back more on that when we release our quarter four results in the new year.

Andrew Lazar

Thanks so much.

Operator

Our next question will come from Scott Marks with Jefferies. Please go ahead.

Scott Marks

Hey, good morning. Thanks so much for taking our questions. Just wanted to follow-up on a question that Andrew asked about, reiterating some of the medium-term targets. I think as we think about '26, with pricing coming in, Dominic taking over, and some of the other dynamics that you've laid out, just wondering how we should be thinking about '26 preliminarily, in terms of maybe cadence of the year, or for when we should be thinking about some of these newer initiatives that are kicking in? Thanks.

Sir Martin E. Franklin

Ruben, do you want me to take that, or?

Ruben Baldew

Well, I can do it. Let me just build on what Martin already said. I think what Martin just said, and it's also your question, Scott. We launched a program strategy in September which is not only the program of Stefan, or of the CEO, it's something endorsed by the entire Board and our whole internal program. What Martin just said, look, we will passionately drive a €200 million competitiveness program. We will see the benefits of cash flow.

But it would also be unfair to make a lot of additional comments completely on '26 with Dominic just coming into the role; but there is a clear focus on the top line recovery, and some of the effects we're seeing this year will help also for next year. Overall, we expect results to be better next year than this year. How much that will be, concretely, is more for when we announce our full-year results early next year.

Scott Marks

Okay, appreciate the answer. Then, second question from me would be, you called out, obviously, some challenging dynamics in the U.K., with the expectation for some of those to stabilize. As we think towards the Q4 and lower into (phon) the guide, if results were to come in, let's say, below what you're anticipating, or above what you're anticipating, maybe, what would be the reasons for that? How should we be thinking about the risks and the potential upside risks as well?

Ruben Baldew

Yes. We've said today, we're confirming, reiterating the guidance, albeit at the low end of the guidance. The low end of the guidance on the top line implies a quarter four between minus 1.5 and minus 2. Let's just take a step back.

If we look at our sellout year to-date, it's plus 0.2%. By the way, that's plus 0.2% in a year where we're not happy. It's a year where we've seen the impact of the weather, both as well in our Savory business, Savory Frozen Foods in Northwestern Europe. As well, we're not so happy with the ice cream performance, more in quarter three.

Despite that, our sellout is plus 0.2%. We also said—part of that is transitory, and we see the market recovering, and also our own sellout numbers, if you look at the last few months, value is plus 0.5%. Our last three months' volume growth is plus 0.7%. Our sellout is not where we want to be, but it is positive, and actually it's slightly improving. That you have to see then to imply guidance of minus 1.5%, minus 2%.

Now, what gives us confidence that we're able to hit that, if you look at our activity plan, and you've also seen that in some of the prepared remarks, we improved the product quality of our Pizza business in the U.K., that's one. We've started, around September, with our new campaign in the U.K. It's a bit early to tell, but the first signals are positive. We see distribution increases in Italy, but also in France.

We're now—one-third of the quarter is now behind us, and to your question, what needs to go well, along with what could change it? There's a bit where you could look at pricing; we've increased the prices of our Chicken range in the U.K., because we said a lot of the pricing we'll be taking next year. It's a bit depending on what competition will do, so that could go up or down a bit. But I think those are probably the big ones.

Scott Marks

Appreciate it. We'll pass it on. Thank you.

Operator

Our next question will come from John Baumgartner with Mizuho. Please go ahead.

John Baumgartner

Good morning. Thanks for the question. I'd like to stick with the private label, but I'm curious more about the competitive aspects, because market share has always been high, but it hadn't really increased in your categories for the better part of the decade prior to the cost of living crisis. Even now, it seems to have sustained momentum, even as price inflation has moderated. I'm curious, what are you seeing from retailers? Is private label competing differently, aside from price? Is the innovation more refined, is the quality improving? Are there differences in non-price factors that you're seeing over the past 24 months, 36 months? Because it does seem that maybe there's an evolution here from store brands.

Stefan Descheemaeker

Thanks for the question, John. When you think about this category, Frozen Food, it's a very good category. The category is growing nicely year after year. Definitely, private label is a big thing. I think the learning, from my 10 years, is basically, you have to be—every day, you have to be non-complacent. You have to make sure that you have the right value equation, which is partly price, and partly, obviously, renovation, A&P and all the rest of it.

When you think about, let's say, this year in the U.K. for example, we lost it a bit. I think exactly what Ruben mentioned, in terms of renovation of fish fingers, in terms of renovation of pizza, in terms of some renovations of packaging in piece, for example, that's exactly what we're doing right now, which is to come back with the right value equation. That, together, obviously, to Ruben's point, which is pricing-wise, we are slightly better compared to where we were a few months ago, a few quarters ago. I think that's where we think we can do a better job.

But definitely, to your point, it's not only pricing. It's a non-pricing piece. That piece is, when I compare '26 with '25, starting now actually, our program is much better. Let's face it, I think we can be hard with ourselves. I think '25, I don't think we've been good enough in terms of value equation, and that's why we're doing all these renovation, in Pizza, for example. What we can see is, in the U.K., well, even when you compare ourselves with premium, we are superior with takeaways. We intend to do the same with the second part, which is (inaudible).

We intend to come with the renovation, a superior fish finger, which is a big thing for us. Fish finger is around 40% of our Fish business, which is really big, and it's going to hit the market together with the sizing in Q1. That's the kind of things we're doing. We're renovating the packaging in Fish. Fish, we have, definitely we have a superior product. But definitely, I don't think it can be better in terms of packaging.

Philosophically, it's very simple. I think our job as branded people, we need to bring additional value compared to private label. If we don't do that, then obviously, we lost all relevance. That's, I think, the program for '25, '26, second half of '25 and definitely '26 is going to be much, much better than what we have.

John Baumgartner

Okay. Thank you.

Operator

Again, if you have a question, you may press star, then one to join the queue. Our next question will come from Jon Tanwangteng with CJS Securities. Please go ahead.

Jonathan Tanwangteng

Good morning. Thank you for taking my questions. I was wondering if you could talk about the decision to keep the majority of your re-pricing to next year. You've previously demonstrated an ability to go to your retailers and make adjustments ahead of that annual negotiation. Maybe first, what drove that decision this year not to do so? Second, does that give you any incremental leverage, or ability to make up a portion of that inflation that you ate in '25, as you talk to your retail next year, and within, obviously, the context of end demand elasticity?

Stefan Descheemaeker

Well, let me contextualize a bit this decision. Put yourself back in 2022, where, between March and June, every month we had another 15 million additional COGS. Whilst all the negotiations—the pre-negotiations with all the retailers in Europe were behind us, well, it was simple. It was force majeure. We decided to reopen everything, and by the way, we not only reopened it once, but sometimes twice, even three times. We did it, and it worked. Overall, even in countries that are probably a bit more difficult, like France and Germany.

This time, it's very different. It's not force majeure, just an additional COGS that came in the middle of the year, and the negotiations were behind us. Quite frankly, we took the commercial decision not to take it this year. I think it would have been a mistake to reopen the negotiation for something which was not considered as hyperinflation. That's why we did it.

Definitely, now, obviously we need to take a more holistic approach for next year, how much we need to price. Also, combined also with the renovation program and the whole 360 approach. That's obviously for next year.

Jonathan Tanwangteng

Okay, great. Thank you, Stefan. Then, second, could you talk a little bit more about some of the cost saving items over the next quarter and year, and how they phase in and possibly net out, between your cost to restructure, the resumption of bonus accruals, and then how that nets out with also the savings realizations as well?

Ruben Baldew

Yes, it links a bit to our overall €200 million program. The €200 million program, the vast majority of that sits in supply chain, around €170 million invested in overheads. Overheads, you already see some savings coming through this year, which is really about making the organization simpler. We've done restructuring in some of our functional support areas. We're also looking at non-people costs, where we also now started with the indirect Procurement team, and getting savings out of that one. That's the first part.

Then, if you look at supply chain, we actually have already been delivering quite a bit. It's a step up in supply chain from 145 to kind of 180, 175. The big step-up there is procurement, and it's not that in procurement we're all tomorrow going to have huge consolidation in a Fish supply base; but if we look at elements like ingredients, like packaging, some other ingredient base, we think we can further consolidate our supplier base. That's the big part of the savings there.

This other part is in our factory footprint. We've lost volume, so there we're going to do three things. Twenty-two percent of our volume still sits at copack, and we think we can in-source that, so we'll do that. Secondly, we see some of our bigger factories where we have an opportunity to right-size both cost and asset base. Thirdly—and again, it's not only promising. You've seen in our year-to-date results that we announced a closure in one of our smaller factories, which not only helps from a profit perspective, but also from a cash perspective. We're doing that, and we'll continue to do that.

How we allocate that to the P&Ls exactly, it links to the question of Andrew. We're going to be surgical where we think that saving needs to be used, not to price for the last piece of inflation, and dampen some of the supply chain impact. Or we say, look, in areas like, for example, Pizza, where know we have good quality, we're going to invest more in communication. Or, like what Stefan mentioned, we see in fish fingers that we have an opportunity to improve quality, and we're going to use those savings to improve product quality.

Jonathan Tanwangteng

Okay, great. Thank you very much.

Operator

Our next question will come from Steve Powers with Deutsche Bank. Please go ahead.

Steve Powers

Hey guys, good morning. Thank you. Good afternoon. You've spoken a little bit about this indirectly, but the implied fourth quarter guidance does contemplate an acceleration on a two-year basis. You spoke a little bit about where your confidence comes from in that, but I guess, just a little bit more clarity, or a little bit more color as to how you think you're protected against downside, just because the comparison is a bit more difficult?

Ruben Baldew

(Audio interference) understand the question. Maybe it's also good to understand '24 comparator and how far back do you want to go versus '23 comparator, because we had the same discussion, I think, last year, when we delivered the 3% growth in quarter four, where it's the background of your question.

If you look the year before, actually H1 the year before, was minus 2, and then H2 we had minus 8. You also have to look at the comparator of the comparator, which sounds a bit—as we're going back many years, but in the end it's looking at run rates. We knew that the comparative run rate wasn't the strongest.

The second point which for me is a crucial point, we're not happy with this year; we know we had the de-stocking, we had not the greatest ice cream season. But our sellout is plus 0.2%. If you look at the last three months, it's a plus 0.5% of growth in volume, plus 0.7%. That is vis-à-vis, a guidance implied of minus 1.5%, minus 2%. There is some, I'll call it buffer, but some difference there.

Secondly, if you then look at our activity program for the fourth quarter, there is a lot with additional distribution. There is a lot where we're stepping up quality, in Pizza. There is the mass brand in the U.K. In the U.K., specifically, because we're not happy with the U.K. performance, and it's not something which will be solved in four weeks to 12 weeks, but we see stabilization of shares, which also gives confidence. I think, yes, that's probably…

Steve Powers

Yes.

Ruben Baldew

All the context and color I can give at this moment.

Steve Powers

Perfect. Okay, that makes a ton of sense, and it's confirming. The other question I wanted to ask about was just around capital allocation priorities. I think your comments over the course of time, especially recently, have been pretty consistent about how you plan to deploy capital, obviously supporting the dividend and prioritizing share repurchases. It seemed like, in the prepared remarks, that there was even more emphasis on that capital allocation prioritization, and I do note that in the recent refinancing that you executed, I think there was an extra €150 million or so raised with that. Should we infer that that will be deployed towards buybacks, or are there other uses of that extra capital? Thank you.

Sir Martin E. Franklin

I'll take this one. It's Martin. I don't know how many companies you're able to buy at 6.5 TE (phon), but I think while we're in that zip code, we're going to be buying back our own stock. We see, obviously, a far higher intrinsic value in the Company than the equity markets give us credit for. I think we said that in our prepared remarks. Obviously, the credit markets really do recognize the strength of the Company and its cash flow.

We will be continuing to—we bought back stock in the past, we're going to continue to buy back stock until we feel that the markets are fairly valuing the Company. Obviously, the extra €150 million of cash that we have gives us more liquidity to do so.

Steve Powers

Okay, perfect. Thank you.

Operator

Thank you. With no remaining questions, I'd like to turn the call back over to Stefan Descheemaeker for (audio interference).

Stefan Descheemaeker

Well, thank you all for joining us today. This has been my fourth earnings call with the Company, and it will be my last. The past 10 years have been dynamic with the good, but also challenging times. The Company has persevered through it all, emerging from each challenge stronger than before. It held through during Brexit, Russia's invasion of Ukraine, the more recent period of hyperinflation, and it will be true again this year.

This year was more challenging than we initially expected, but I'm already seeing the Company's beginning to bounce back. The foundation for improvement has been laid, and I'm excited to see Dominic build upon it as the next CEO. The best is still ahead for Nomad Foods.

With that, thank you, and goodbye.