



# GENERAL MILLS

Fiscal 2018  
First Quarter Results  
September 20, 2017

# Don Mulligan

EVP, Chief Financial Officer





# A Reminder on Forward-looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on management's current expectations and assumptions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in the forward-looking statements. In particular, our predictions about future net sales and earnings could be affected by a variety of factors, including: competitive dynamics in the consumer foods industry and the markets for our products, including new product introductions, advertising activities, pricing actions and promotional activities of our competitors; economic conditions, including changes in inflation rates, interest rates, tax rates, or the availability of capital; product development and innovation; consumer acceptance of new products and product improvements; consumer reaction to pricing actions and changes in promotion levels; acquisitions or dispositions of businesses or assets; changes in capital structure; changes in the legal and regulatory environment, including labeling and advertising regulations and litigation; impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets, or changes in the useful lives of other intangible assets; changes in accounting standards and the impact of significant accounting estimates; product quality and safety issues, including recalls and product liability; changes in consumer demand for our products; effectiveness of advertising, marketing and promotional programs; changes in consumer behavior, trends and preferences, including weight loss trends; consumer perception of health-related issues, including obesity; consolidation in the retail environment; changes in purchasing and inventory levels of significant customers; fluctuations in the cost and availability of supply chain resources, including raw materials, packaging and energy; disruptions or inefficiencies in the supply chain; effectiveness of restructuring and cost savings initiatives; volatility in the market value of derivatives used to manage price risk for certain commodities; benefit plan expenses due to changes in plan asset values and discount rates used to determine plan liabilities; failure or breach of our information technology systems; foreign economic conditions, including currency rate fluctuations; and political unrest in foreign markets and economic uncertainty due to terrorism or war. The company undertakes no obligation to publicly revise any forward-looking statements to reflect any future events or circumstances.



# First Quarter Fiscal 2018 Summary

- **Executing Against Global Growth Priorities**
- **Broad-based Retail Sales Improvement in the U.S.**
- **Slow Start on Profit and EPS; Expect Growth in Second Half**
- **Strong Increase in Q1 Free Cash Flow\***
- **Remain On Track to Deliver F18 Targets**



# First Quarter Fiscal 2018 Financial Summary

(\$ in Millions, except per share)

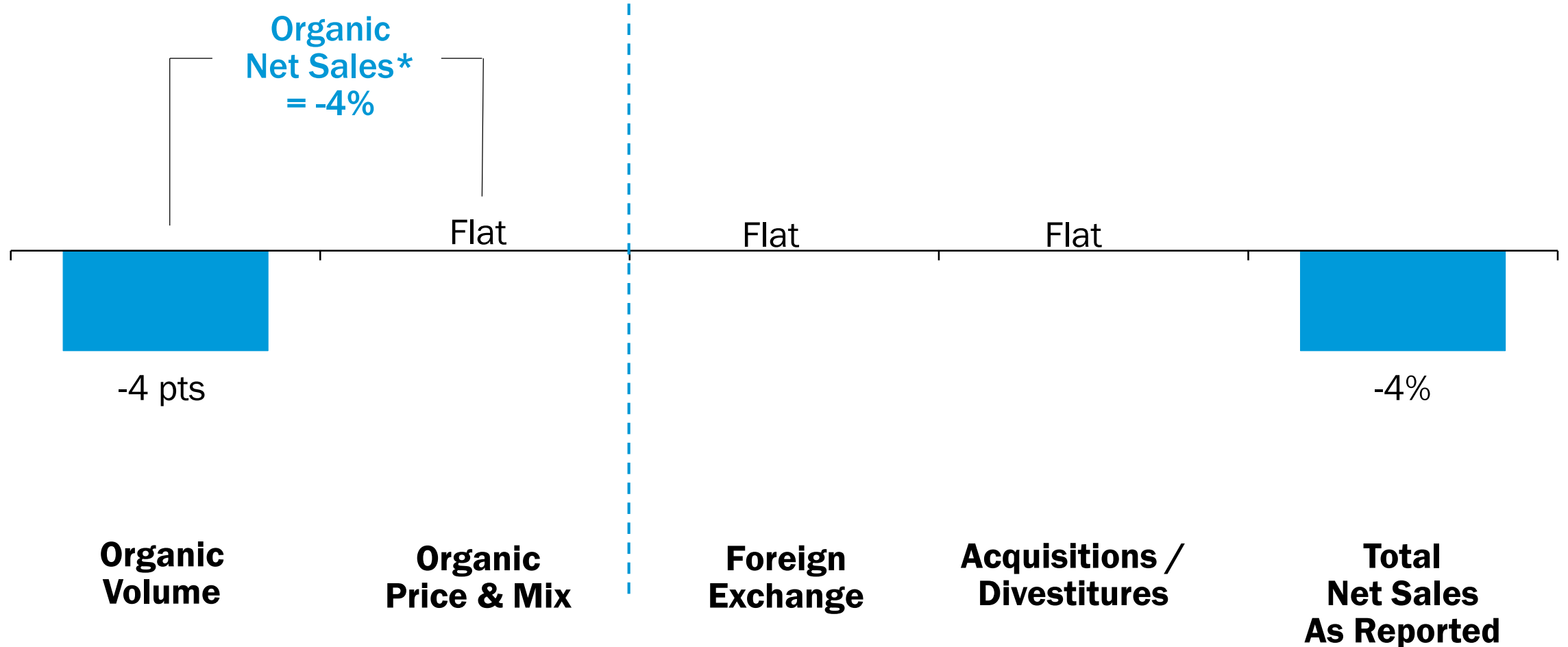
|                                               | \$      | % CHANGE | ORGANIC<br>% CHANGE* | CONSTANT-<br>CURRENCY<br>% CHANGE* |
|-----------------------------------------------|---------|----------|----------------------|------------------------------------|
| Net Sales                                     | \$3,769 | -4%      | -4%                  |                                    |
| Segment Operating Profit*                     | 664     | -16      |                      | -16%                               |
| Net Earnings Attributable to<br>General Mills | 405     | -1       |                      |                                    |
| <hr/>                                         |         |          |                      |                                    |
| Diluted EPS                                   | \$0.69  | +3       |                      |                                    |
| Certain Items Affecting<br>Comparability      | 0.02    |          |                      |                                    |
| Adjusted Diluted EPS*                         | \$0.71  | -9%      |                      | -9%                                |

\*Non-GAAP measures. See appendix for reconciliation.



# First Quarter Fiscal 2018

## Components of Net Sales Growth



\*Non-GAAP measure.



# First Quarter Fiscal 2018 North America Retail

## SEGMENT GROWTH

Q1

Organic Net Sales\*

-5%

Constant-currency  
Segment Operating Profit\*

-15%

## Q1 NET SALES GROWTH BY OPERATING UNIT

|                            |                            |
|----------------------------|----------------------------|
| U.S. Meals & Baking        | Flat                       |
| U.S. Snacks                | -2%                        |
| Canada                     | -2 (-2% CC <sup>1*</sup> ) |
| U.S. Cereal                | -7                         |
| U.S. Yogurt                | -22                        |
| <hr/>                      |                            |
| Total North America Retail | -5%                        |



(1) Constant-currency growth

\*Non-GAAP measure. See appendix for reconciliation



# First Quarter Fiscal 2018 Convenience Stores & Foodservice

## SEGMENT GROWTH

Q1

Organic Net Sales\*

Flat

Segment Operating Profit\*

-8%

## Q1 NET SALES GROWTH BY PLATFORM

Focus 6 Platforms -1%

Other +1

Total CS&F Flat



\*Non-GAAP measure. See appendix for reconciliation



# First Quarter Fiscal 2018 Europe & Australia

## SEGMENT GROWTH

Q1

Organic Net Sales\*

+2%

Constant-currency  
Segment Operating Profit\*

-31%



\*Non-GAAP measure. See appendix for reconciliation



# First Quarter Fiscal 2018 Asia & Latin America

## SEGMENT GROWTH

Q1

Organic Net Sales\*

-8%

Constant-currency  
Segment Operating Profit\*

-33%



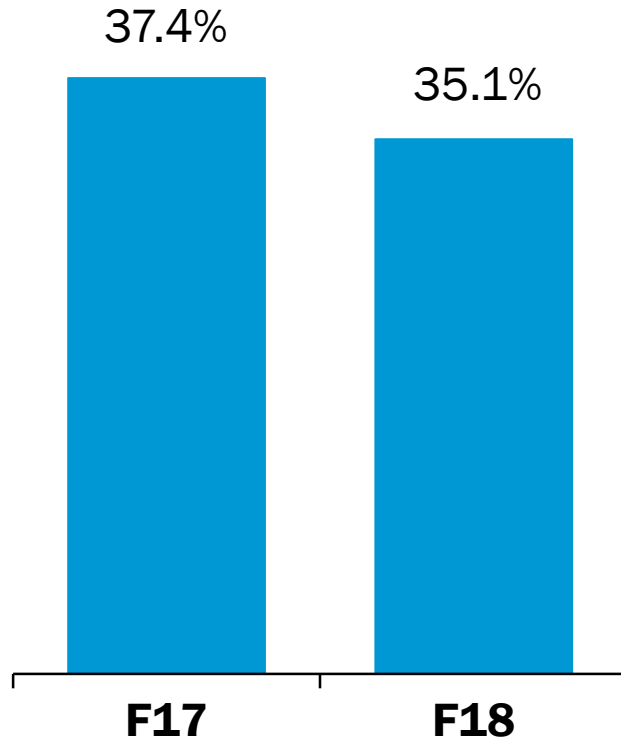
\*Non-GAAP measure. See appendix for reconciliation



# First Quarter Fiscal 2018 Margin Results

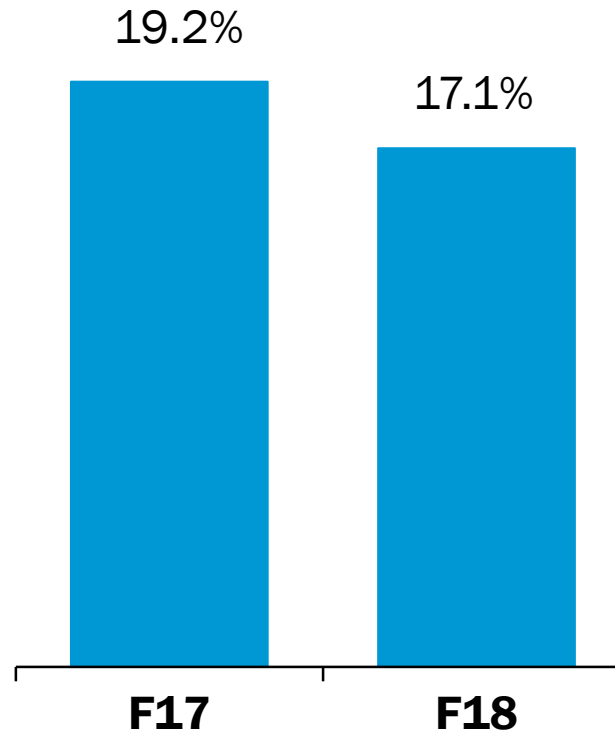
## ADJUSTED GROSS MARGIN\*

(% of Net Sales)



## ADJUSTED OPERATING PROFIT MARGIN\*

(% of Net Sales)



- **Q1 Margin Drivers:**
  - Deleverage
  - Higher Input Costs, Including Currency-driven Inflation
  - Trade Expense Phasing
- **Expect Improvement in Q2 and 2H**
- **Remain On Track for Full-year Adjusted Operating Margin Improvement**

\*Non-GAAP measures. See appendix for reconciliation.



# First Quarter Fiscal 2018 Joint Venture Results

After-tax Earnings: \$24MM; -1% Vs. LY In Constant Currency\*



Cereal Partners Worldwide  
Net Sales +2%\*\*



Häagen-Dazs Japan  
Net Sales +14%\*\*

\*Non-GAAP measure. See appendix for reconciliation.

\*\*Growth rates in constant currency.



# **First Quarter Fiscal 2018**

## **Other Income Statement Items**

- **Restructuring & Project-related Charges of \$19MM Pretax (Includes \$14MM in Cost of Sales)**
- **Unallocated Corporate Expense Decreased Excluding Certain Items**
- **Net Interest Expense Down 2% vs. LY**
- **Adjusted Effective Tax Rate 30.5% vs. 31.4% LY\***
- **Average Diluted Shares Outstanding Down 4%**



# Core Working Capital

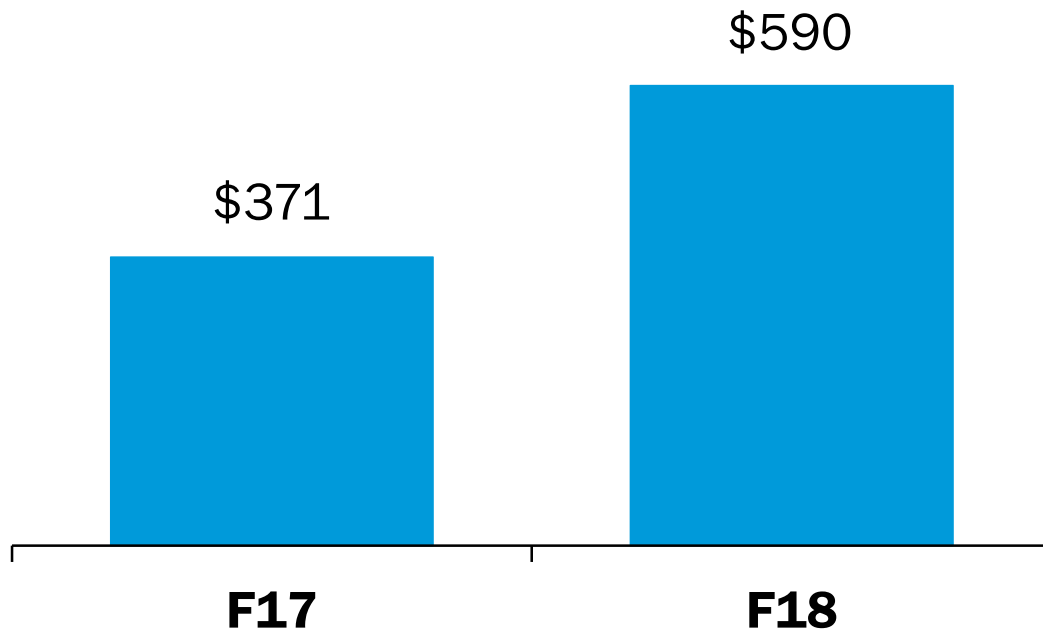
(\$ in Millions)

|                            | Q1           |                |            |
|----------------------------|--------------|----------------|------------|
|                            | F18          | F17            | % Change   |
| Accounts Receivable        | \$1,546      | \$1,446        |            |
| Inventories                | 1,595        | 1,548          |            |
| Accounts Payable           | 2,173        | 1,945          |            |
| Total Core Working Capital | <b>\$968</b> | <b>\$1,049</b> | <b>-8%</b> |



# First Quarter Fiscal 2018 Cash Flow Highlights

## OPERATING CASH FLOW (\$ in Millions)



- Fixed Asset Investment = \$116MM
- Dividends Paid = \$284MM
- Net Share Repurchases = \$559MM



# Q2 and 2H Fiscal 2018 Expectations

- **Organic Net Sales\* Trends: Q2 Better than Q1; 2H Better than 1H**
- **“In the Zone” on Key Seasonal Businesses in Q2 and Q3**
- **Increased Media Spending on Differential Growth Platforms**
- **Adjusted Operating Profit Margin\* and Adjusted Diluted EPS\*: Q2 Above Q1; F18 2H Above F17 2H**



# Reaffirming Fiscal 2018 Guidance

## **FISCAL 2018 GROWTH**

|                                          |                                |
|------------------------------------------|--------------------------------|
| <b>Organic Net Sales*</b>                | <b>-1 to -2%</b>               |
| <b>Total Segment Operating Profit*</b>   | <b>Flat to +1%<sup>1</sup></b> |
| <b>Adjusted Operating Profit Margin*</b> | <b>Higher</b>                  |
| <b>Adjusted Diluted EPS*</b>             | <b>+1 to 2%<sup>1</sup></b>    |

\*Non-GAAP measure.

(1) Constant-currency growth rate.

# Jeff Harmening

Chief Executive Officer





# Today's Three Key Takeaways

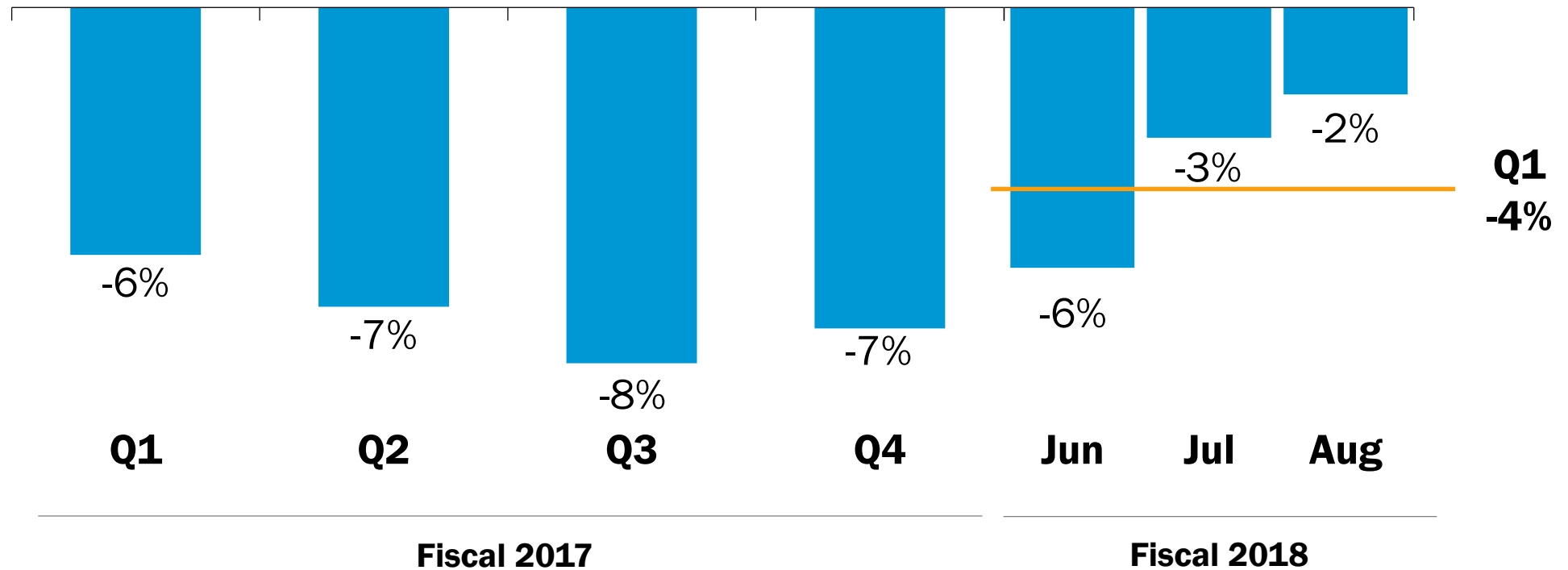
- **Focus and Good Execution on Global Growth Priorities Drove a Change in Retail Sales Momentum in Q1**
- **We'll Build on that Improvement in Q2 with Innovation, Brand-building, and Strong Seasonal Performance**
- **Good Line of Sight to Delivering Our Full-year Commitments**



# U.S. Retail Sales Trends Improving

## GENERAL MILLS U.S. RETAIL SALES

(% vs. LY)

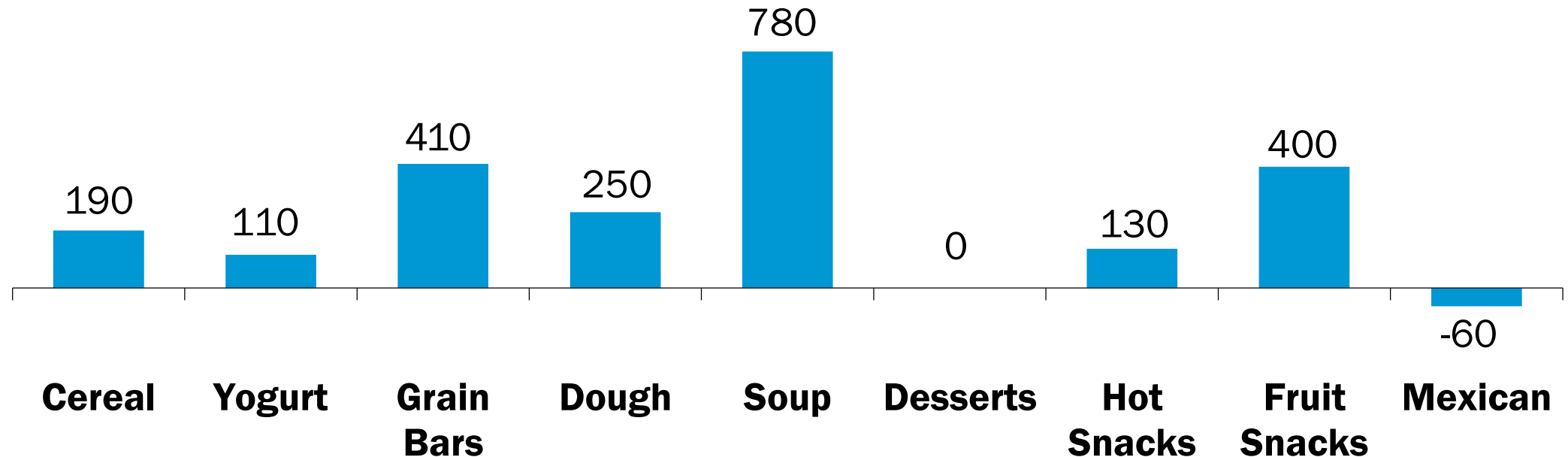




# U.S. Retail Improvement is Broad Based

## GENERAL MILLS TOP CATEGORIES U.S. RETAIL SALES GROWTH CHANGE

(Q1 Fiscal 2018 vs. Latest 52 Weeks, basis points)



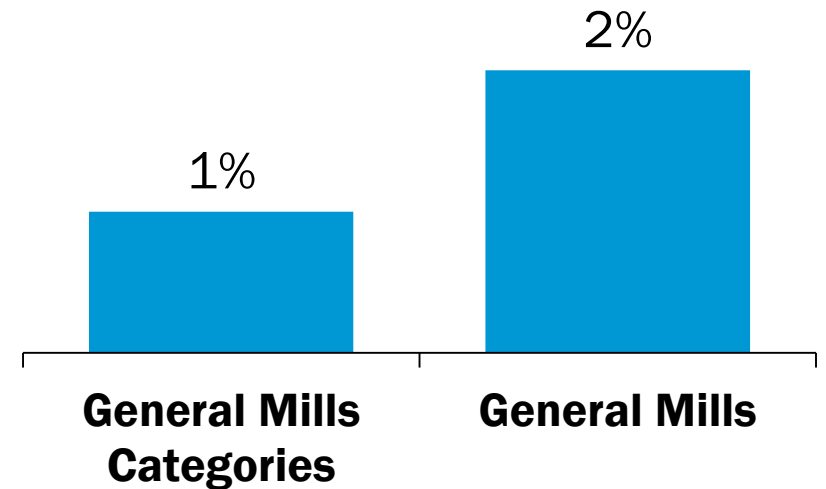


# Improving U.S. Retail Trends Driven by Good Fundamentals

- Higher Average Unit Prices
- Significant Improvement in Baseline Volume Trends
- Better Execution and More Productive Merchandising

## U.S. RETAIL Q1 F18 AVERAGE UNIT PRICES

(% vs. LY, excluding yogurt)





# Fiscal 2018 Growth Priorities

## GROW CEREAL GLOBALLY (Including CPW)



## IMPROVE U.S. YOGURT THROUGH INNOVATION



## INVEST IN DIFFERENTIAL GROWTH OPPORTUNITIES



## MANAGE FOUNDATION BRANDS WITH APPROPRIATE INVESTMENT



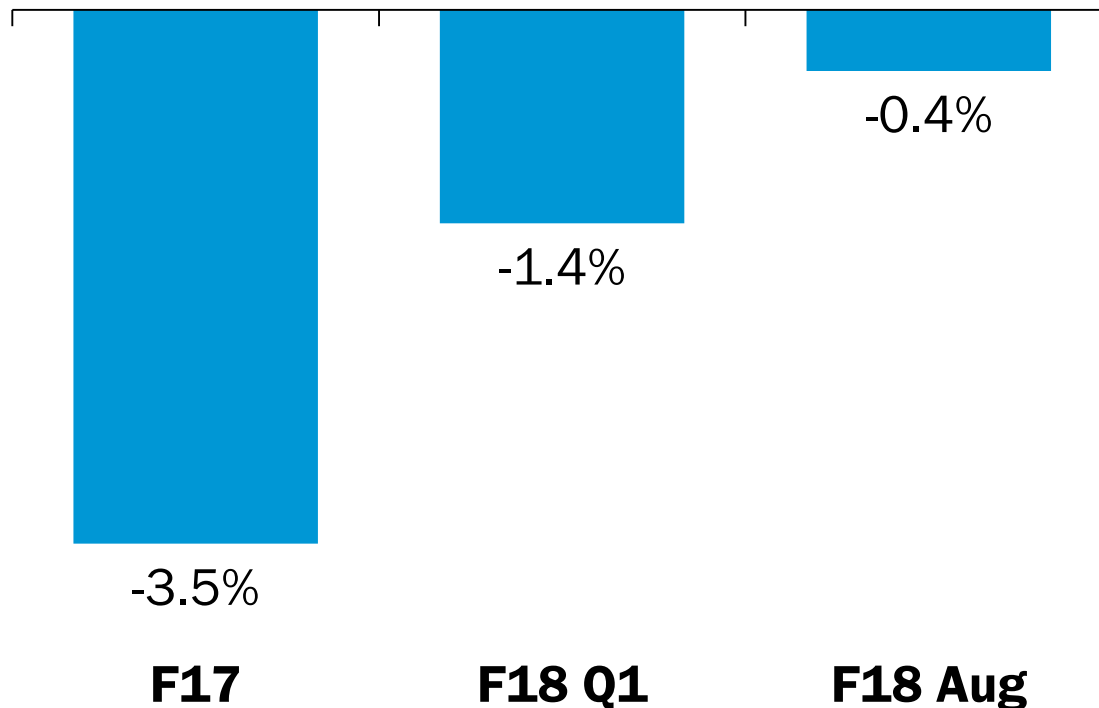


# Grow Cereal Globally

## U.S. RETAIL

### GENERAL MILLS U.S. CEREAL RETAIL SALES

(% vs. LY)



- Strong Retail Sales Improvement in Q1
- Taste Brands Growing
- Retail Sales and Net Sales Growth More Aligned in Year-to-go



# Grow Cereal Globally

## CONVENIENCE STORES & FOODSERVICE



Fiscal 2018 Q1 Net Sales: +LSD

## CEREAL PARTNERS WORLDWIDE



Fiscal 2018 Q1 Net Sales: +2%\*



# Q2 Cereal News

## INTRODUCING CHOCOLATE PEANUT BUTTER CHEERIOS IN U.S.



- Chocolate and Peanut Butter Cereal Segments Large and Growing
- No Artificial Flavors or Colors
- Hitting U.S. Shelves in October

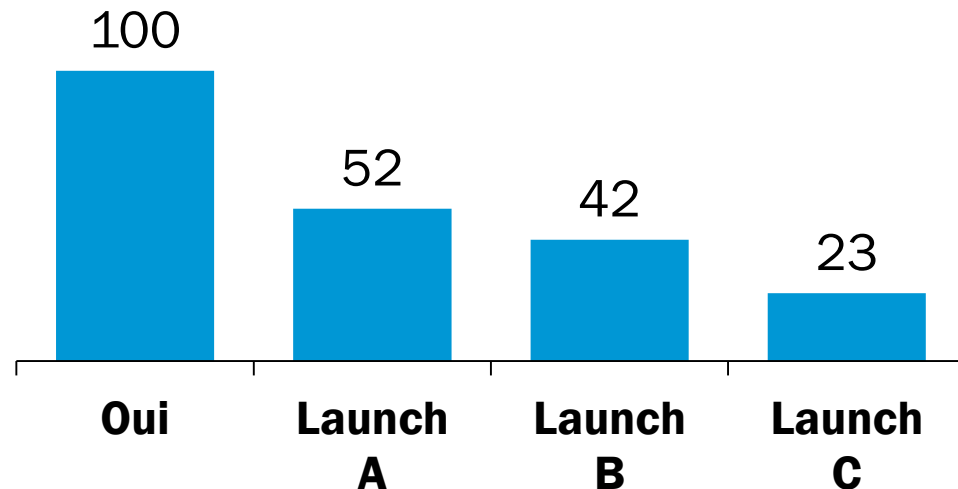


# Improve U.S. Yogurt Through Innovation

## STRONG START TO OUI BY YOPLAIT

### LARGEST COMPETITIVE U.S. YOGURT LAUNCHES F13-F18

(First eight weeks retail sales index, new product vs. Oui)





# Q2 U.S. Yogurt Plans

## INNOVATION



## EFFECTIVE MARKETING



## DISTRIBUTION EXPANSION





# Invest in Differential Growth Opportunities

## HÄAGEN-DAZS



Häagen-Dazs Retail  
Latest 12 Weeks Retail Sales: +20%

- China: Mooncake Innovation Launching in Q2
- Rolling Out Brand Redesign in Asia
- More Innovation News Coming in Second Half



# Invest in Differential Growth Opportunities

## SNACK BARS

(Fiscal 2018 Q1 Retail Sales Growth)



Nature Valley in the U.S.: +8%

Lärabar in the U.S.: +33%

Snack Bars in Europe: +38%<sup>1</sup>



# Invest in Differential Growth Opportunities

## OLD EL PASO

- Mexican On Trend Throughout the World
- Old El Paso Q1 F18 Retail Sales:
  - U.S.: +4%<sup>1</sup>
  - Europe & Australia: Flat<sup>2</sup>
- Investing in Media Support and Innovation to Drive Growth





# Invest in Differential Growth Opportunities

## NATURAL & ORGANIC



Annie's in the U.S.  
Fiscal 2018 Q1 Retail Sales: +12%

- Continued Strong Growth on Natural & Organic
- Annie's on TV for the First Time
- More N&O News Coming in Second Half



# Targeted Taste News and Innovation for Foundation Brands

## REFRIGERATED DOUGH



New Campaign for Key Season



More Icing

## SOUP



Progresso Organic

## BAKING MIXES



Premium Cake and Cookie Mixes



# Rapid Growth for U.S. E-Commerce

amazon

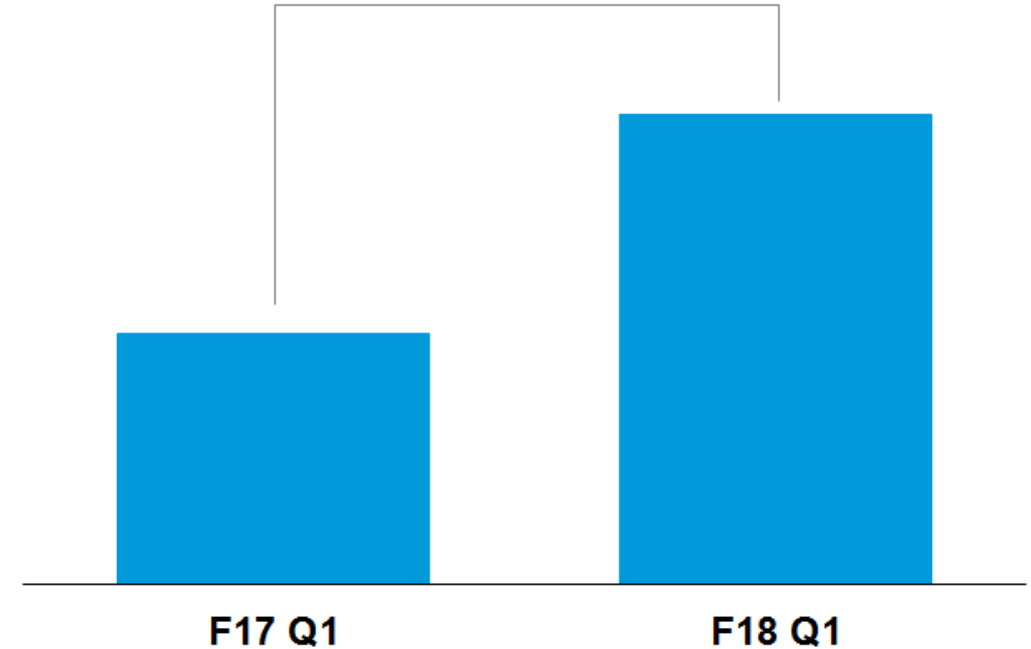


instacart

Walmart  
Pickup • Grocery

GENERAL MILLS  
U.S. E-COMMERCE SALES  
(EQ CASES)

+87%





# Today's General Mills Summary

- **Encouraged by F18 Q1 Retail Sales Momentum**
- **Confident in Organic Net Sales\* Improvement, Starting in Q2**
- **Profit and EPS Will Improve in Year-to-go Period**
- **Remain On Track to Deliver F18 Targets**



# A Reminder on Non-GAAP Guidance

Our fiscal 2018 outlook for organic net sales growth, constant-currency total segment operating profit and adjusted diluted EPS, and adjusted operating profit margin are non-GAAP financial measures that exclude, or have otherwise been adjusted for, items impacting comparability, including the effect of foreign currency exchange rate fluctuations, restructuring charges and project-related costs, and commodity mark-to-market effects. Our fiscal 2018 outlook for organic net sales growth also excludes the effect of acquisitions and divestitures. We are not able to reconcile these forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures without unreasonable efforts because we are unable to predict with a reasonable degree of certainty the actual impact of changes in foreign currency exchange rates and commodity prices or the timing of acquisitions, divestitures and restructuring actions throughout fiscal 2018. The unavailable information could have a significant impact on our fiscal 2018 GAAP financial results.

For fiscal 2018, we currently expect: foreign currency exchange rates (based on blend of forward and forecasted rates and hedge positions), acquisitions, and divestitures to have an immaterial impact on net sales growth; foreign currency exchange rates to have an immaterial impact on total segment operating profit and adjusted diluted EPS growth; and total restructuring charges and project-related costs related to actions previously announced to total approximately \$42 million.



# Reconciliation of First Quarter Fiscal 2018 Organic Net Sales Growth

(Fiscal Year)

|                                  | Q1 2018        |                   |                   |                  |                           |
|----------------------------------|----------------|-------------------|-------------------|------------------|---------------------------|
|                                  | Organic Volume | Organic Price/Mix | Organic Net Sales | Foreign Exchange | Reported Net Sales Growth |
| North America Retail             | (3) pts        | (2) Pts           | (5) %             | -                | (5) %                     |
| Convenience Stores & Foodservice | -              | -                 | Flat              | -                | Flat                      |
| Europe & Australia               | (1) pt         | 3 pts             | 2 %               | 1 pt             | 3 %                       |
| Asia & Latin America             | (17) pts       | 9 pts             | (8) %             | -                | (8) %                     |
| Total                            | (4) pts        | -                 | (4) %             | -                | (4) %                     |



# Reconciliation of First Quarter Fiscal 2018 Total Segment Operating Profit

(Fiscal Years, \$ in Millions)

|                                                    | Q1             |         |          |
|----------------------------------------------------|----------------|---------|----------|
|                                                    | 2018           | 2017    | % Change |
| North America Retail                               | <b>\$533.2</b> | \$628.2 | (15)%    |
| Convenience Stores & Foodservice                   | <b>84.8</b>    | 92.7    | (8)      |
| Europe & Australia                                 | <b>30.6</b>    | 43.9    | (30)     |
| Asia & Latin America                               | <b>15.5</b>    | 22.3    | (31)     |
| Total Segment Operating Profit                     | <b>\$664.1</b> | \$787.1 | (16)%    |
| Unallocated Corporate Items                        | <b>33.1</b>    | 84.2    | (60)     |
| Restructuring, impairment, and<br>other exit costs | <b>5.2</b>     | 58.9    | (91)     |
| Operating Profit                                   | <b>\$625.8</b> | \$645.8 | (3)%     |



# Reconciliation of First Quarter Fiscal 2018 Total Segment Operating Profit Growth

(Fiscal Year)

Q1

|      | <b>Percentage Change in<br/>Total Segment<br/>Operating Profit as<br/>Reported</b> | <b>Impact of<br/>Foreign Currency<br/>Exchange</b> | <b>Percentage Change in<br/>Total Segment<br/>Operating Profit on a<br/>Constant-currency Basis</b> |
|------|------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 2018 | (16) %                                                                             | Flat                                               | (16) %                                                                                              |

Certain measures in this release are presented excluding the impact of foreign currency exchange (constant-currency). To present this information, current period results for entities reporting in currencies other than United States dollars are translated into United States dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than the actual average exchange rates in effect during the current fiscal year. Therefore, the foreign currency impact is equal to current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year.



# Reconciliation of First Quarter Fiscal 2018 Adjusted Diluted EPS and Related Constant-currency Growth Rate

(Fiscal Years)

|                                                                                                                           | Q1      |         |        |
|---------------------------------------------------------------------------------------------------------------------------|---------|---------|--------|
| Per Share Data                                                                                                            | 2018    | 2017    | Change |
| Diluted earnings per share, as reported                                                                                   | \$ 0.69 | \$ 0.67 | 3 %    |
| Mark-to-market effects*                                                                                                   | -       | 0.02    |        |
| Restructuring costs*                                                                                                      | 0.02    | 0.08    |        |
| Project-related costs *                                                                                                   | -       | 0.01    |        |
| Diluted earnings per share, excluding<br>certain items affecting<br>comparability                                         | \$ 0.71 | \$ 0.78 | (9) %  |
| Foreign currency exchange impact                                                                                          |         |         | Flat   |
| Diluted earnings per share growth,<br>excluding certain items affecting<br>comparability, on a constant-currency<br>basis |         |         | (9) %  |

\*See reconciliation of Tax Rate excluding items for tax impact of individual items.



# Reconciliation of First Quarter Fiscal 2018 Constant-currency Operating Profit Growth by Segment

(Fiscal Year)

|                      | Q1 2018                                                         |                                           |                                                                                  |
|----------------------|-----------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------|
|                      | Percentage Change in<br>Segment Operating<br>Profit as Reported | Impact of<br>Foreign Currency<br>Exchange | Percentage Change in<br>Segment Operating Profit on<br>a Constant-currency Basis |
| North America Retail | (15) %                                                          | Flat                                      | (15) %                                                                           |
| Europe & Australia   | (30) %                                                          | 1 pt                                      | (31) %                                                                           |
| Asia & Latin America | (31) %                                                          | 2 pts                                     | (33) %                                                                           |



# Reconciliation of First Quarter Fiscal 2018 Canada Operating Unit Constant-currency Net Sales Growth

(Fiscal Year)

2018

|    | <b>Percentage Change in<br/>Canada Net Sales<br/>as Reported</b> | <b>Impact of Foreign<br/>Currency<br/>Exchange</b> | <b>Percentage Change in<br/>Canada Net Sales<br/>on a Constant-currency Basis</b> |
|----|------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------|
| Q1 | (2) %                                                            | Flat                                               | (2) %                                                                             |



# Reconciliation of First Quarter Fiscal 2018 Adjusted Gross Margin

(Fiscal Years)

|                          | Q1                |                   |
|--------------------------|-------------------|-------------------|
|                          | 2018              | 2017              |
|                          | % of<br>Net Sales | % of<br>Net Sales |
| Gross margin as reported | <b>34.8 %</b>     | 36.3 %            |
| Mark-to-market effects   | -                 | 0.4               |
| Restructuring charges    | <b>0.3</b>        | 0.3               |
| Project-related costs    | -                 | 0.4               |
| Adjusted gross margin    | <b>35.1 %</b>     | 37.4 %            |



# Reconciliation of First Quarter Fiscal 2018 Adjusted Operating Profit Margin

(Fiscal Years)

|                                     | Q1                |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | 2018              | 2017              |
|                                     | % of<br>Net Sales | % of<br>Net Sales |
| Operating profit margin as reported | <b>16.6 %</b>     | 16.5 %            |
| Mark-to-market effects              | -                 | 0.4               |
| Restructuring charges               | <b>0.5</b>        | 1.9               |
| Project-related costs               | -                 | 0.4               |
| Adjusted operating profit margin    | <b>17.1 %</b>     | 19.2 %            |



# Reconciliation of First Quarter Fiscal 2018 Constant-currency After-tax JV Earnings

(Fiscal Year)

Q1

|      | <b>Percentage Change in<br/>After-tax Earnings from<br/>Joint Ventures<br/>as Reported</b> | <b>Impact of Foreign<br/>Currency<br/>Exchange</b> | <b>Percentage Change in After-<br/>tax Earnings from Joint<br/>Ventures on a Constant-<br/>currency Basis</b> |
|------|--------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| 2018 | (2) %                                                                                      | (1) pts                                            | (1) %                                                                                                         |



# Reconciliation of First Quarter Fiscal 2018 Tax Rate Excluding Items

(Fiscal Years, \$ in Millions)

|                                                                                                    | Q1               |              |                  |              |
|----------------------------------------------------------------------------------------------------|------------------|--------------|------------------|--------------|
|                                                                                                    | 2018             |              | 2017             |              |
|                                                                                                    | Pretax Earnings* | Income Taxes | Pretax Earnings* | Income Taxes |
| As reported                                                                                        | \$533.4          | \$168.5      | \$571.9          | \$176.6      |
| Mark-to-market effects                                                                             | (1.8)            | (0.7)        | 16.6             | 6.1          |
| Restructuring charges                                                                              | 17.5             | 5.9          | 72.5             | 24.2         |
| Project-related costs                                                                              | 1.2              | 0.3          | 13.8             | 5.0          |
| As adjusted                                                                                        | \$570.3          | \$174.0      | \$674.8          | \$211.9      |
| Effective tax rate:                                                                                |                  |              |                  |              |
| As reported                                                                                        |                  | 30.4 %       |                  | 30.9 %       |
| As adjusted                                                                                        |                  | 30.5 %       |                  | 31.4 %       |
| Sum of adjustments to income taxes                                                                 |                  | \$5.5        |                  | \$35.3       |
| Average number of common shares - diluted EPS                                                      |                  | 586.9        |                  | 612.4        |
| Impact of income tax adjustments on diluted EPS<br>excluding certain items affecting comparability |                  | \$0.01       |                  | \$0.06       |

\*Earnings before income taxes and after-tax earnings from joint ventures.