



## **GENERAL MILLS FISCAL 2025 Q4 EARNINGS CALL**

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### **CORPORATE PARTICIPANTS**

Jeff Siemon, Vice President, Investor Relations and Corporate Finance

Jeff Harmening, Chairman and Chief Executive Officer

Kofi Bruce, Chief Financial Officer

### **PRESENTATION**

#### **Jeff Siemon**

Good morning! This is Jeff Siemon, Vice President of Investor Relations and Corporate Finance. Thank you for listening to General Mills' prepared remarks for our fiscal 2025 fourth-quarter and full year earnings. Later this morning we will hold a live question-and-answer session on today's results, which you can hear via webcast on our investor relations website. Joining me for this morning's presentation are Jeff Harmening, our Chairman and CEO, and Kofi Bruce, our CFO. Before I hand things over to them, let me first touch on a few housekeeping items.

First, on our website, you will find our press release that posted this morning, along with a copy of the presentation and a transcript of these remarks. Please note that today's remarks include forward-looking statements that are based on management's current views and assumptions. The second slide in today's presentation lists several factors that could cause our future results to be different than our current estimates. And with that, I will turn it over to Jeff.

#### **Jeff Harmening**

Thank you, Jeff, and good morning, everyone.

Let me start with today's key messages. First and most importantly, the investments we made in second half of fiscal 2025 in greater consumer value, product news, and innovation have worked as we expected, driving improved volume and pound share across our portfolio in the fourth quarter. Second, our fourth-quarter financial results finished in line with our expectations and our updated guidance. And third, we're clear on the job to do in fiscal '26, which is to restore volume-driven organic sales growth by investing to deliver greater remarkability in our products and packaging, our messaging, our omni-channel execution, and value for consumers.

Our full year results are summarized on slide 5. Organic net sales finished down 2 percent, and adjusted operating profit and adjusted diluted EPS were down 7 percent in constant currency. These results were consistent with our revised guidance, reflecting the decision we made during the year to step up investment in response to more prolonged value-seeking consumer behaviors and greater

volatility in the operating environment. That investment helped us deliver flat organic volume for the year, which was a 3-point improvement on our fiscal '24 result.

We entered fiscal 2025 with three priorities for the year:

- Accelerate organic sales growth
- Create fuel for investment
- And drive strong cash generation

Our results against these three priorities were mixed, with challenges on the topline yet strong performance on efficiency and cash. Let me share a few highlights.

On our first priority of accelerating organic growth, our full-year sales trends did not meet our expectations, driven in part by continued value-seeking orientation and weaker consumer sentiment. This was particularly true in our North America Retail segment.

As a result, we made important changes to adapt to the evolving consumer environment and put our business on a path back to growth. We reassessed our strategy at the midpoint of the year, pivoting our plans and making the decision to invest in greater value for consumers, narrowing price gaps and moving below price cliffs on several North America Retail businesses. We believed that getting our value into the right zone would allow for our product news, innovation, and marketing to resonate more clearly for consumers, leading to improved volume and household penetration. Importantly, we expected volume trends to improve first, with dollars lagging until we lap the investment in price.

And that's what we saw play out, with a significant improvement in North America Retail's competitiveness in the fourth quarter. We held or grew pound share across more than sixty percent of our top 10 U.S. priority businesses, including cereal, refrigerated dough, fruit snacks, hot snacks, and soup – five categories where we had made specific investments in a combination of value, product news, innovation, and advertising. And we stabilized household penetration across North America Retail for the first time in three years. We expect these investments to continue to pay off in stronger NAR competitiveness as we move into fiscal 2026.

We also drove improved competitiveness on our other three segments in fiscal '25, with North America Pet, North America Foodservice, and International each holding or growing dollar share in more than 50 percent of their priority businesses, and each representing an improvement on their fiscal '24 results.

On our second priority, we delivered another strong year of industry-leading productivity, with Holistic Margin Management cost savings of 5 percent of cost of goods sold. This strong performance helped us fund investments in remarkability, sustain our gross margin performance, and generate cash for our shareholders.

In fact, we exceeded our free cash flow conversion target in fiscal '25, achieving a 97 percent conversion rate. And we continued to deploy that cash in shareholder-friendly ways, including making further progress on reshaping our portfolio. With the Whitebridge acquisition and the U.S. and Canada Yogurt divestitures, we have now turned over roughly 30 percent of our net sales base since 2018. And we

continued to return meaningful cash to shareholders in fiscal '25, with two-and-a-half billion dollars returned through dividends and net share repurchases.

As we head into fiscal '26, we expect the operating environment will remain volatile, with consumers pressured by widespread uncertainty from tariffs, global conflicts, and changing regulations. Amid this uncertainty, we expect consumers to remain cautious and continue seeking value, prioritizing their spending on benefits that matter most to them, like protein, bold flavors, and the comfort of familiar and fun brands and experiences. And we expect consumers won't just focus on benefits for themselves – pet parents will continue to prioritize spending on their pets, driven by the broader macro-trend toward pet humanization.

With these consumer dynamics in mind, we've set three clear priorities for the year ahead, maintaining a thoughtful balance of re-investing for long-term growth and driving cost savings to support these investments.

- First, we plan to return North America Retail to volume growth by continuing to invest in remarkable experiences to strengthen pound share and household penetration for our brands.
- Second, we plan to accelerate our North America Pet growth with an expanded portfolio. This means growing our core Blue Buffalo business and launching several exciting category expansion plans.
- And third, to help fund these investments, we'll drive efficiencies to reinvest in growth. This means continuing to deliver best-in-class HMM productivity and transforming how we work to free up our teams to focus on growth.

Our Remarkable Experience Framework will be key to how we deliver on our priorities this year. This framework outlines how we assess our brands across five key areas – product, packaging, brand communication, omnichannel execution, and value – to identify where we are superior to competition and where we have gaps to close in our current product offerings. Applying this consistent, rigorous approach allows us to determine the type of investments required for each brand, ensuring we are tailoring the right solution for each brand's competitive context. Let me provide a few examples of how we're applying this framework in fiscal '26 across our four segments.

Our team is on a multi-year journey to improve our brand remarkability, and our plans for North America Retail in fiscal '26 include investment to strengthen all aspects of our remarkable experience framework:

- We have significant product news across each of our top 10 U.S. categories, compared to news on just 3 categories last year. And we expect to drive a twenty-five percent increase in sales from new products.
- Our plans include twice the amount of price-pack architecture as last year, leveraging our packaging capabilities to deliver new sizes and bring more value across growing sales channels.
- We will support this product news with increased media investment, leveraging stronger media ROIs enabled by our data-driven marketing capabilities.
- We'll leverage our portfolio scale to deliver more impactful in-store events, and we'll continue to invest in retail media to strengthen our leading share position online.

- And we'll invest in value this year across two-thirds of our NAR portfolio, addressing price gaps and cliffs on selected product lines within our top categories. This includes continuing the investments we made in fiscal '25 in many areas and extending to targeted additional product lines in fiscal '26, ensuring that we consistently deliver on the value consumers are seeking across our brands.

As I just mentioned, NAR has relevant product news across each of our top 10 categories in fiscal '26. This news is focused on the benefits most relevant for consumers today: protein, bold flavors, and familiar and fun favorites.

General Mills is uniquely suited to deliver great-tasting protein, at an affordable price, with iconic brands our consumers know and love. Our plans in fiscal '26 including expansion of Cheerios Protein, Annie's SuperMac, and Nature Valley Protein Granola, as well as a new line of Nature Valley Creamy Protein bars.

On bold flavors, we're delivering exciting, taste-first news in fiscal '26, including Progresso Pitmaster soups, Totino's Ultimate pizza and rolls, Old El Paso Birria tacos, and renovated bold Chex Mix flavors.

We'll also deliver on consumers' desire for familiar and fun moments meant to be enjoyed by the whole family – like Pillsbury "Big" cookies, new Mott's fruit-filled bars, and Betty Crocker soft baked cookies – all delivering great taste and great value.

Let me briefly share a few examples of how we're leveraging our remarkable experience framework to bring improved value, innovation, and core news to our biggest businesses in fiscal '26, starting with refrigerated dough.

We were encouraged by Pillsbury's strong improvement in volume in the second half of fiscal '25, driven by improved value, great product news, and increased media support featuring the Doughboy.

We're continuing that playbook in fiscal '26, bringing consumers more value by addressing key price gaps and by advertising behind our "Bakes up Bigger" news on cinnamon rolls, crescents, and biscuits. And we'll build on our cookie platform's double-digit retail sales growth in fiscal '25 with the launch of our new "Big" cookies – bringing even more indulgence to the refrigerated dough case.

On Totino's, we drove improved volume trends in Q4 by addressing value at the shelf and investing in value-oriented advertising, highlighted by our "10 pizza rolls for about a dollar" ad that was the most shared Super Bowl commercial this year.

As we look to fiscal '26, we will continue driving value for Totino's consumers by delivering the right price and formats at the shelf, investing in remarkable advertising, and building on our successful GameDay activation. And we have a remarkable innovation launching this year with Totino's Ultimate rolls and Ultimate pizza, redefining the experience consumers can expect from a value pizza.

Our plans on cereal in fiscal '26 strengthen our remarkability across the category's best-loved brands. We'll communicate value by highlighting for consumers that Nature Valley and Cheerios deliver great-tasting protein at an affordable price. In fact, with Nature Valley Protein, Cheerios Protein, and Ghost Protein, we now have a portfolio of protein cereals that generates more than \$100 million dollars in annual retail sales. We will ensure we have the right sizes and price points to deliver remarkable value for consumers. We have strong core news and new brand campaigns on Cheerios, Cinnamon Toast Crunch, and Lucky Charms. And we plan to lead category innovation again in fiscal '26 with compelling new products like a new Cookies and Cream variety of Cheerios Protein.

On soup, we closed fiscal '25 with Nielsen-measured pounds growing 4 percent in Q4 and household penetration up almost a full point versus the prior year, driven by value investments, product news, and innovation that delivers on what consumers want: bold flavors and protein.

In fiscal '26, we'll continue to focus on value for consumers, including launching new pack sizes and formats that allow us to meet consumers in the right channels with the right packages at the right price point. We have core news on our highly successful Old El Paso soup line, bringing consumers 30 percent more chicken on these great-tasting, bold-flavored, high-protein soups. And we're doubling down on bold flavors with the recent launch of a new line of Progresso Pitmaster soups. Inspired by grilling culture and delivering 20 grams of great-tasting protein, Pitmaster is already off to a great start in limited distribution and helping expand General Mills' share in the soup category.

On fruit snacks, our business was challenged in fiscal '25 by slower snacking category growth as well as increased competition from fruit-flavored candy. But we drove encouraging improvement in Q4, including pound share growth, by narrowing price gaps on key product lines while continuing to bring news to our differentiated portfolio.

As we look to fiscal '26, we'll maintain our focus on value by addressing value at the shelf and by expanding our sizes and formats leveraging our price-pack architecture toolkit. We'll invest in messaging, including a new campaign on our differentiated Gushers, Fruit by the Foot, and Rollups brands. And we'll launch exciting new items, including all-blue Gushers, Fruit by the Foot Splitz, and a new line of Harry Potter fruit snacks in partnership with Warner Brothers Discovery.

Overall, I'm encouraged by the strength of our plans in North America Retail, and I'm confident that our investment in more remarkable offerings will return this business to volume growth in fiscal '26.

Our second priority for fiscal '26 is to accelerate growth for our North America Pet business. We'll do that by continuing to build on our improving momentum on our core Blue Buffalo lines, and by investing to expand into new, fast-growing spaces.

Our plans in fiscal '26 start with strong news on our Life Protection Formula and Wilderness dog feeding lines, which are the heritage of the Blue Buffalo business. Having ensured our value is in the right zone, we're increasing investment behind ingredient superiority advertising on both LPF and Wilderness, building on the success those campaigns drove in fiscal '25. And we'll expand support behind our new salmon innovation, which brings a fast-growing protein option to the Life Protection Formula line.

And to accelerate our growth in dog feeding, we'll launch Edgard & Cooper in the U.S. this July through an exclusive, national retail partnership with PetSmart. This super-premium brand has driven outstanding growth across its European markets since we acquired it a year ago. Our U.S. launch will maintain Edgard & Cooper's fresh take on pet nutrition, with dry food, wet food, and treat recipes made with real, recognizable ingredients like fresh chicken, venison, and duck, combined with nutritious fruits and vegetables. The national PetSmart launch will leverage Edgard & Cooper's digital-first and social-led marketing approach — a proven driver of the brand's rapid growth in Europe.

Shifting to cat feeding, we plan to build on our strong momentum on our core Tastefuls line, which delivered mid-single digit retail sales growth in fiscal '25. Our plans in fiscal '26 include increased media investment highlighting Tastefuls' ingredient quality and taste preference versus the leading brand in the category.

And we'll accelerate our growth in cat feeding with our recently acquired Tiki Cat brand, which has enjoyed strong double-digit retail sales growth in pet specialty and E-commerce channels in recent years. In fiscal '26, we're focused on growing Tiki Cat through increased core news, including a new Tiki Solutions sub-line, as well as a double-digit increase in E-commerce investment.

To round out our pet acceleration plans, you heard from us earlier this week that we are expanding into the U.S. fresh pet food segment later this year with the national launch of Blue Buffalo's "Love Made Fresh". This new line of fresh dog food adheres to Blue Buffalo's trusted "True Blue" nutritional philosophy and superior ingredients, with fresh offerings across multiple product formats and a variety of flavorful recipes. The Love Made Fresh portfolio gives Blue Buffalo a remarkable, differentiated offering in U.S. fresh pet food — a \$3 billion sub-category today and one which we project will grow to \$10 billion in the next ten years.

Our Love Made Fresh refrigerated products are designed to be perfect companions to Blue Buffalo's portfolio of dry dog food or a standalone solution. In fact, with this launch, Blue Buffalo will be the largest U.S. pet brand to offer solutions across dry, wet, and fresh feeding. And with more than 80 percent of fresh food usage occasions involving a mix of fresh food and kibble, we think the combined Blue Buffalo portfolio will be well positioned to deliver remarkable feeding solutions that capture the whole bowl.

We're planning for significant investment in fiscal '26 behind this launch, including strong media support to drive trial and awareness, and we've already seen significant early retail customer acceptance. We'll plan to share more details on Love Made Fresh products, messaging, and distribution as we get closer to the launch this fall.

Moving now to our North America Foodservice business, we'll leverage our category leadership in fiscal '26 to continue driving breakfast growth in K-12 schools with our regulation-ready portfolio and commitment to nutrition. We'll lean in with remarkable innovation across the biggest categories in K-12, while continuing our share momentum on our important cereal business. We'll also expand our

frozen baked goods leadership across foodservice channels by accelerating bread growth and bringing new innovation like our new Pillsbury blondie bars.

And in International, our team is focused on delivering remarkable experiences and accelerating our growth in Fiscal '26 on our biggest global platforms.

We have significant acceleration plans this year on Häagen-Dazs behind core flavor news and expansion of our Häagen-Dazs stick bars. This includes a remarkable product renovation and relaunch of our European stick bar business, as well as increased investment behind our stick bar business in China that delivers a superior product at a remarkable value for the local market.

And on Old El Paso, we'll build on momentum from fiscal '25 with increased investment and product news across the portfolio. Our fiscal '26 plans include higher media support behind our "Make Some Noise" campaign and innovation that delivers solutions to win with smaller households. And we'll amplify this product news with double the amount of in-store partnership activations throughout the year.

To help fund these compelling growth plans, we are working aggressively to drive efficiency throughout our cost structure. As always, this starts with Holistic Margin Management, our industry-leading productivity program. We have good visibility to delivering another year of 5 percent HMM cost savings in fiscal '26, which is in line with our strong performance in fiscal '24 and '25 and higher than our 4 percent long-term trend.

And we recently launched a global transformation initiative, designed to further accelerate our growth. This initiative is focused on streamlining our end-to-end business processes and identifying new ways of working that match today's evolving business environment. We'll look to deploy new tools, technologies, and operating models to enable greater agility throughout the organization. By optimizing how work gets done, our teams will be able to spend more time focused on driving growth. In addition to streamlining how we work, we expect this initiative to generate \$100 million dollars in cost savings, which we plan to reinvest in growth.

Having outlined our priorities and plans for returning to growth in fiscal '26, let me turn it over to Kofi to go into more details on our fiscal '25 results and share our guidance for fiscal '26.

**Kofi Bruce**

Thanks, Jeff. And hello everyone.

Our fourth-quarter financial results are summarized on slide 27. The quarter finished in line with our expectations, with reported net sales of \$4.6 billion dollars down 3 percent, and organic net sales also down 3 percent from the prior year. As we previewed on last quarter's earnings call, our Q4 organic net sales and price/mix results included 2 points of headwind from trade expense timing related to additions to our trade plans made in previous quarters.



As Jeff mentioned, we delivered organic volume roughly in line with last year and we improved our pound competitiveness, with 63 percent of our priority businesses holding or growing pound share in the fourth quarter, representing an acceleration versus the first three quarters.

Adjusted operating profit of \$622 million dollars was down 22 percent in constant currency, in line with our forecast last quarter. This included a 13-point headwind from unfavorable trade expense timing as well as increased commercial investments. Adjusted diluted earnings per share totaled \$0.74 in the quarter and were down 27 percent in constant currency.

Turning to the components of total company net sales growth in the quarter, organic net sales decreased 3 percent in the quarter, driven by unfavorable price/mix, including the trade expense timing headwind I mentioned earlier. Organic pound volume was flat in the quarter. Both foreign exchange and the net impact of acquisitions and divestitures were not material to net sales in Q4.

Shifting to segment performance, our North America Retail results are summarized on slide 29. As a reminder, these results reflect the closure of our Canada Yogurt divestiture in late January, while the U.S. Yogurt divestiture is expected to close later this month.

Fourth-quarter organic net sales for North America Retail were down 7 percent. This lagged our Nielsen-measured U.S. retail sales by approximately 3 points, driven primarily by trade expense timing headwinds.

Our investments in value, product news, and brand support resulted in stronger competitiveness in Q4, as we expected, with pound share stable or growing on 64 percent of our top ten U.S. categories, including cereal, refrigerated dough, hot snacks, fruit snacks, and soup.

On the bottom line, fourth-quarter North America Retail segment operating profit was down 29 percent in constant currency, driven primarily by unfavorable price/mix – including a 17-point profit headwind from trade expense timing – as well as input cost inflation and lower volume, partially offset by HMM cost savings.

For the full year, organic net sales were 3 percent below year-ago results, driven by lower volume and unfavorable price/mix. These results lagged Nielsen-measured retail sales by roughly one point.

On the bottom line, constant-currency segment operating profit in NAR was down 11 percent, driven primarily by lower volume and higher input costs.

For our North America Pet segment, fourth-quarter organic net sales were up 3 percent, driven by higher volume. Our net sales outpaced all-channel retail sales by roughly 3 points in the quarter, driven primarily by an increase in retailer inventory ahead of first-quarter in-market activations. Including the Whitebridge acquisition, reported net sales in the quarter were up double digits for wet food and treats, and up mid-single digits for dry food.



On the bottom line, fourth-quarter North America Pet segment operating profit was down 3 percent in constant currency, driven by higher input costs and increased media investment, partially offset by favorable price/mix and higher volume.

For the full year, the Pet segment posted modest organic net sales growth, with results rounding to flat. Positive organic volume was partially offset by unfavorable price/mix. Our competitiveness in pet food improved in fiscal 2025, with dollar share growth on dog feeding, which represented 60 percent of our pet U.S. retail sales.

Full-year Pet segment operating profit was up 3 percent in constant currency, driven primarily by HMM cost savings, partially offset by a double-digit increase in media investment and unfavorable price/mix.

We expect to accelerate full-year organic net sales growth in North America Pet in fiscal '26. However, first-quarter growth is expected to be pressured by the unwind of the Q4 retailer inventory build.

North America Foodservice organic net sales were down 1 percent in the quarter, driven by declines on bakery flour and breads. On the bottom line, fourth-quarter North America Foodservice segment operating profit was up 5 percent in constant currency, driven by HMM cost savings, partially offset by input cost inflation.

For the full year, organic net sales grew 2 percent, driven by higher volume and positive price/mix, despite a 1-point headwind from index pricing on bakery flour. We continued to compete well within away-from-home channels, holding or growing market share in 71 percent of our measured business, led by strong performance in K-12 schools and healthcare.

Constant currency segment operating profit was up 13 percent for the full year, driven primarily by HMM cost savings and favorable price/mix, partially offset by input cost inflation and higher SG&A expenses.

Moving to slide 32, fourth-quarter organic net sales for our International segment were up 9 percent, driven by strong growth in Brazil and our distributor markets. Fourth-quarter segment operating profit totaled \$34 million dollars compared to \$22 million a year ago, driven by positive price/mix, partially offset by higher input costs and higher SG&A expenses.

For the full year, the International segment posted modest organic net sales growth, with results rounding to flat. Net sales growth in our distributor markets and Europe & Australia were partially offset by declines in China. We were pleased with our strong competitiveness, with 59 percent of our priority businesses growing or holding share for the full year.

Full-year segment operating profit totaled \$96 million dollars compared to \$125 million a year ago, driven primarily by input cost inflation, higher SG&A expenses, and unfavorable price/mix, partially offset by HMM cost savings and higher volume.

For our joint ventures, fourth-quarter Cereal Partners Worldwide net sales were down 6 percent in constant currency, driven primarily by declines in Latin America and Europe. Häagen-Dazs Japan net sales were up 1 percent in constant currency, reflecting strong core renovation.

Full-year combined after-tax earnings from joint ventures totaled \$58 million dollars compared to \$85 million dollars a year ago, driven by non-cash asset impairment charges related to supply chain simplification at CPW.

Moving on to other noteworthy Q4 income-statement items:

- Adjusted unallocated corporate expenses decreased \$7 million dollars in the quarter.
- Fourth-quarter net interest expense increased \$17 million dollars, driven by higher average long-term debt balances largely related to Whitebridge acquisition financing.
- The fourth quarter adjusted effective tax rate was 19.2 percent compared to 20 percent a year ago, driven primarily by certain non-recurring discrete benefits in fiscal 2025.
- And average diluted shares outstanding in the quarter were down 4 percent to 550 million, reflecting our continued net share repurchase activity.

Our fiscal 2025 results are summarized on slide 35. Net sales of \$19.5 billion dollars were down 2 percent as reported and on an organic basis, driven by unfavorable price/mix. Adjusted operating profit of \$3.4 billion dollars was down 7 percent in constant currency, driven by lower net price realization and unfavorable product mix. Adjusted diluted earnings per share totaled \$4.21 and were down 7 percent in constant currency, driven primarily by lower adjusted operating profit and higher net interest expense, partially offset by lower net shares outstanding.

Turning to margin results, our fiscal '25 adjusted gross margin decreased 30 basis points to 34.5 percent, driven by input cost inflation, unfavorable price/mix, and volume deleverage, partially offset by HMM cost savings. Our fiscal '25 adjusted operating profit margin decreased 90 basis points to 17.2 percent, driven by lower adjusted gross margin and higher SG&A expenses as a percent of net sales.

Moving to cash flow, fiscal '25 operating cash flow declined to \$2.9 billion dollars, driven primarily by lower net earnings excluding the impact of the divestiture gain in fiscal 2025 and changes in restructuring, transformation, impairment, and other exit costs. Capital investments totaled \$625 million dollars, or 3 percent of net sales for the year. And we returned \$2.5 billion dollars in cash to shareholders in fiscal '25 through dividends and net share repurchases.

As we turn to fiscal '26, this is admittedly a complicated year, with many moving pieces. We've outlined some of the most important financial assumptions on slide 38.

On the topline, we expect dollar growth in our categories to be below our long-term expectations and generally in line with fiscal 2025 trends, reflecting less benefit from price/mix amid a continued challenging consumer backdrop. We expect our organic sales growth to improve in fiscal 2026 behind stronger competitiveness in response to our investments in remarkability, with contributions from volume outpacing price/mix.

Moving down the P&L, we expect a number of headwinds and tailwinds to impact our operating profit growth in fiscal '26. In terms of headwinds, we expect input cost inflation of roughly 3 percent of cost of goods sold before the impact of tariffs. We expect the gross impact of newly enacted tariffs represents an additional risk of 1 to 2 percent of cost of goods sold, though we are working aggressively to mitigate the impact through product reformulation, ingredient substitution, and potential Strategic Revenue Management actions. Our full-year guidance includes our forecast for tariff impact net of our mitigation efforts.

As Jeff noted, we're planning for meaningful investments in value, news, and innovation in fiscal '26, including a significant investment in our national launch into Fresh pet food.

In terms of M&A, as we've previously communicated, we expect the net impact of the U.S. and Canada Yogurt divestitures and the North American Whitebridge Pet Brands acquisition will reduce fiscal '26 operating profit growth by approximately 5 points.

And we expect a reset of incentive compensation to be a 3-point headwind to operating profit.

In terms of profit tailwinds, we expect to deliver another year of strong HMM cost savings of 5 percent of cost of goods sold. We expect to generate \$100 million dollars in savings from our global transformation initiative and other related efficiency efforts. And we'll have the benefit of a 53<sup>rd</sup> week in fiscal '26.

Moving below operating profit, we expect net interest expense to increase to approximately \$575 million dollars. Our adjusted effective tax rate is expected to be roughly in line with fiscal '25 at approximately 21 percent. And we expect to reduce our net share count by roughly 3 percent for the full year, including the impact of using a portion of our divestiture proceeds for share buybacks.

With these assumptions in mind, slide 39 summarizes our outlook for fiscal 2026.

- Organic net sales are expected to range between down 1 percent and up 1 percent.
- Adjusted operating profit and adjusted diluted earnings per share are expected to be down 10 to 15 percent in constant currency.
- And we expect free cash flow conversion to be at least 95 percent of adjusted after-tax earnings.

Note that we expect significant variability in our quarterly results in fiscal '26, with organic net sales and adjusted operating profit declining more than our annual outlook in the first half of the year, driven by the phasing of our price investments and trade expense timing in fiscal '25. Our fourth quarter is expected to benefit as we lap more significant investment and unfavorable trade timing in Q4 of fiscal 2025, and it will have the added benefit of a 53<sup>rd</sup> week.

Looking specifically to the first quarter of fiscal '26, our organic net sales and adjusted operating profit growth rates are expected to be similar to the results we posted in the fourth quarter of fiscal '25.

As we shared earlier this month, the regulatory review for our U.S. yogurt divestiture is complete. This guidance assumes the transaction closes at the end of June, which is in line with our current expectations.

With that, let me turn it back to Jeff for some closing remarks.

**Jeff Harmening**

Thanks, Kofi. Let me wrap-up with a few closing thoughts.

As I said up front, we are clear on the job to do in fiscal '26, which is to restore volume-driven organic sales growth. We'll do that by investing in consumer value, product news, innovation, and brand building, guided by our remarkable experience framework. These investments are significant, and we're keeping a strong focus on ROI, building on the improved volume momentum we delivered in the second half of fiscal '25. We know that restoring sustainable, profitable organic sales growth is the key to long-term value creation, and we look forward to advancing our plans, delivering on our priorities, and driving strong shareholder returns in fiscal '26.