GENERAL MILLS FISCAL 2027 Q1 EARNINGS CALL

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CORPORATE PARTICIPANTS

Jeff Siemon, Vice President, Investor Relations and Corporate Finance
Jeff Harmening, Chairman and Chief Executive Officer
Dana McNabb, Chief Operating Officer
Kofi Bruce, Chief Financial Officer

PRESENTATION

Jeff Siemon

Hello! This is Jeff Siemon, Vice President of Investor Relations and Corporate Finance. Thank you for listening to General Mills' prepared remarks for our fiscal 2027 first-quarter earnings. Later today, we will hold a live question-and-answer session on our first-quarter results, which you can hear via webcast on our investor relations website. Joining me for today's presentation are Jeff Harmening, our Chairman and CEO, Dana McNabb, our Chief Operating Officer, 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 today's earnings press release, 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 the 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 hello to everyone.

Let me start with the three messages I want you to take away today.

First, we're off to an encouraging start in fiscal '27. Our Remarkability playbook is working – driving improved topline performance by delivering stronger product innovation and renovation focused on the benefits consumers are looking for today. And we have more work to do.

Second, we're continuing to deliver industry-leading cost savings in a volatile environment. We are on track to deliver $750 million in savings this year between our Holistic Margin Management program, our Transformation initiative, and other efficiency efforts. This work is about more than cost mitigation and reduction…it's about making General Mills future-fit: modernizing how we operate, reimagining our supply chain, and building the flexibility to innovate faster.

And third, with solid first-quarter results, improving in-market momentum, and our transformation and cost savings work on track, we are reaffirming our full-year fiscal ’27 guidance.

In terms of first-quarter performance, organic net sales were flat to last year, adjusted operating profit was down 11%, and adjusted diluted EPS was down 13%. These results finished ahead of our expectations, driven largely by improved retail sales trends in North America Retail, North America Foodservice, and International, as well as a good start on our cost savings programs.

We remain focused on delivering against the three key priorities we laid out on our Q4 earnings call:

First, we are strengthening our organic sales growth by driving a step change in Remarkability. That means delivering benefit-focused innovation and renovation across our portfolio and improving the total consumer experience across product, packaging, brand communication, omnichannel execution, and value.

Second, we are accelerating enterprise transformation. We’re simplifying our processes, reimagining our supply chain, and redesigning how work gets done so we can increase speed, efficiency, and flexibility across the business.

And third, we are driving disciplined capital allocation and returns. We remain sharply focused on generating cash, paying our dividend, and reducing leverage…all while continuing to invest behind the opportunities that will create the most value for our shareholders.

We remain confident in our plans to drive further improvement in the rest of the year, and we are on track to deliver our full-year guidance, which is summarized on slide 7. And with that, I will turn it over to Dana.

Dana McNabb

Thank you, Jeff, and hello everyone. Let me tell you how executing our Remarkability playbook is leading to stronger growth, and how we’re driving efficiency to combat inflation and enable investment in our brands.

We entered fiscal ’27 with a stronger foundation due to the decisive action we took last year to bring more value to consumers by adjusting base prices to address key price cliffs and gaps. With that investment behind us, our full focus this year is on accelerating our pace of product innovation and renovation to deliver more of the lasting benefits that consumers are looking for today. This includes more protein and fiber, clean labels, bold flavors, fun and indulgence, and pet humanization. And we’ll leverage our Strategic Revenue Management toolkit to strengthen price/mix, with a particular focus on mix.

I’m encouraged by the early signs of progress we’re seeing in Q1, driven by our focus on Remarkability, and it is evident in the results we delivered this quarter in North America Retail. NAR retail sales improved by roughly 2 points versus fiscal '26 as we made our products and brand communications stand out more for consumers.

We've increased the contributions from innovation and renovation in NAR this year, with core brands like *Cheerios*, *Annie's*, and *Pillsbury*, and new brands like *La Tiara* and *Wanchai Ferry*. We've also stepped up our marketing game, bringing in new agency partners, building a next-generation content studio, and doubling our use of influencers to maximize our reach and engagement.

And we have further to go. While most of NAR's priority businesses delivered improved market share trends in Q1, some are not yet back to absolute share growth, and we're focused on improving this trajectory. With continued improvement in base volume, increasing benefits from favorable mix, and growth in household penetration and distribution, we're building momentum, with an expectation for stronger results ahead.

Cereal is a good example of how we put the Remarkable Experience Framework into action. We continue to bring superior products to consumers, including the successful launch of *Honey Nut Cheerios Protein*. We now have a portfolio of tasty, affordable protein cereals that generates roughly $200 million in retail sales and has been growing at a strong double-digit rate across the *Cheerios*, *Nature Valley*, and *Ghost* brands.

We've elevated the effectiveness of our brand communications, including creating viral moments with *Lucky Charms* on college campuses, modernizing the *Reese's Puffs* rap with GloRilla, and collaborating with KPop Demon Hunters on *Cinnamon Toast Crunch* and *Lucky Charms*. We drove household penetration growth and low-single digit retail sales growth for these three core "taste" brands in Q1, which was up from a mid-single digit retail sales decline in fiscal '26.

And we're bringing cereal consumers more value by offering cups and smaller boxes to deliver lower entry price points, and innovating with tubs and other large formats to offer an attractive price per ounce for larger households.

Thanks to these initiatives, retail sales growth for our total U.S. cereal portfolio improved by 2 points versus the prior quarter. And we're excited for more cereal innovation and marketing to come later this year.

Pillsbury refrigerated dough is another great example of how we have improved brand remarkability. Our investments in value stabilized our base volume last year, and we're building on that with compelling innovation, renovation, brand communication, and omnichannel execution this year to accelerate our dollar sales trend.

We renovated 70% of our canned dough line in Q1 with more cinnamon, more icing, and more flakiness, and we paired that news with a compelling new brand campaign. We also launched innovations with bolder flavors, including Hot Honey and Maple varieties of *Grands! Biscuits* as well as new *Grands! Fruit Rolls*. And we continued bringing a steady flow of news on our *Pillsbury* cookie dough line, including fun shapes, seasonal offerings, and a Harry Potter brand partnership.

These initiatives delivered results, with *Pillsbury's* household penetration growing and retail sales stabilizing in Q1 after 8 consecutive quarters of declines. And we plan to continue this momentum on *Pillsbury* into key baking season this fall and winter.

Our Remarkability focus is also gaining traction in our North America Pet business.

Q1 marked the 8th consecutive quarter where we delivered at least mid-single-digit retail sales growth in cat feeding, where our premium and differentiated product strategy is winning with cat parents. *Tiki Cat* continues to be a growth engine, delivering double-digit retail sales growth in Q1 and gaining share. *Tiki's* positioning around minimally processed whole food and visible real ingredients gives us a differentiated platform to recruit new pet parents, and we're increasing consumer support and expanding distribution selectively in fiscal '27 while preserving the brand's strong premium position.

Retail sales for *Blue Tastefuls* were up mid-single digits in Q1, driven by household acquisition in both wet and dry cat food, expanded distribution, and strong innovation. We have more exciting innovation and a product renovation planned for *Tastefuls* in the second half, supported by increased investment in a national media campaign to broaden awareness and reinforce the brand's taste credentials.

We also continued to accelerate our performance on *Love Made Fresh*, with Q1 retail sales growing roughly 30% over Q4, driven by strong results for our stand-up resealable pouch and improved on-shelf availability. Our focus this year remains on driving awareness and trial and further accelerating turns for *Love Made Fresh*, supported by sharper communications highlighting our natural and superior nutrition positioning.

Next, let me give you an update on our efforts to improve performance on *Totino's* and *Wilderness*, which are key focus areas in fiscal '27.

On *Totino's*, we made good progress in Q1, reducing last year's pound decline by more than half thanks to sharper merchandising execution, brand support, and innovation. Our new *"Blasted"* rolls and *Ultimate* Pizza performed well in Q1, and we have product renovation news coming later in fiscal '27 that we expect to accelerate our path back to growth.

On *Wilderness*, our retail sales decline in Q1 was similar to fiscal '26, and this business remains the most challenged part of our dry dog feeding portfolio. We're assessing all aspects of our offering, including the product, packaging, positioning, and value. With a more comprehensive set of changes required, we expect our efforts to stabilize *Wilderness* will take time. In the meantime, we will continue to lean into the attractive growth opportunities in our Pet portfolio across cat feeding, treating, *Life Protection Formula*, and *Love Made Fresh*.

Our North America Foodservice and International segments delivered great results in Q1, with both segments posting mid-single-digit organic net sales growth.

Our NAF team's strategic focus on leading in breakfast and expanding our frozen baked goods portfolio continues to work. Our removal of certified colors from our cereal portfolio and operator-first innovation like our new sheeted desserts helped NAF grow or hold share in 100% of its priority businesses in the quarter.

In International, we're building off positive momentum from fiscal '26, and in Q1 we continued our work to strengthen our global brands, including *Häagen-Dazs*, *Old El Paso*, and *Nature Valley*. For example, product renovation news on *Häagen-Dazs* Cookies & Cream and Belgian Chocolate drove double-digit retail sales growth for both varieties in Q1.

I'm encouraged by the momentum we've built in North America Foodservice and International, and with strong plans in place for the remainder of the year, both segments are poised to deliver solid top line growth and margin expansion in fiscal '27.

As we announced last quarter, we expect to generate at least $3 billion in cumulative cost savings by fiscal '30, with $750 million coming this fiscal year. These savings will help us fund investments in our brands, offset inflation, and accelerate our earnings and cash flow growth in fiscal '28 and beyond.

Roughly $2 billion of the $3 billion target is expected to come from our longstanding Holistic Margin Management program. The other $1 billion will come primarily from our global Transformation initiative, with the majority expected to be realized as we reimagine our supply chain to make it fit for future growth. While most of our supply chain transformation project is still under development, we took a first step recently by reaching an agreement with a strategic partner to stand up a new "pack center", which will provide more packaging flexibility to accelerate innovation and meet the evolving needs of E-commerce.

Stepping back, we're pleased with the broad-based momentum we built in Q1. We have more work ahead of us, and I'm excited for what we have planned to drive more Remarkability and efficiency in the remainder of the year. Now let me turn it over to Kofi to go into more detail on our first-quarter financial results.

Kofi Bruce

Thanks, Dana. And hello everyone.

Our first-quarter financial results are summarized on slide 17, with top- and bottom-line results coming in ahead of our expectations. Reported net sales totaled $4.4 billion and were down 3%, driven by the impact of last year's U.S. yogurt divestiture. Organic net sales were flat to last year, which represented a 2-point improvement over our full-year fiscal '26 performance.

Adjusted operating profit of $634 million was down 11% in constant currency, including the impact of last year's U.S. yogurt divestiture, driven primarily by higher input costs and lower volume, partially offset by favorable price/mix. Adjusted diluted earnings per share totaled $0.75 in the quarter and were down 13% in constant currency, driven primarily by lower adjusted operating profit and higher net interest expense.

Moving to the components of total company net sales growth, organic net sales were in line with last year, foreign exchange was immaterial, and the U.S. yogurt divestiture was a 3-point headwind to net sales in Q1.

Shifting to segment results, first-quarter reported net sales for North America Retail were down 7%, including a 4-point headwind from the yogurt divestiture. Organic net sales were down 3% and lagged Nielsen-measured U.S. retail sales by roughly 1 point, as expected, driven primarily by changes in retailer inventory.

At the operating unit level, net sales for Big G Cereal & Canada declined double digits, due primarily to the impact of the yogurt divestiture. Net sales were down mid-single digits for U.S. Snacks and were flat for U.S. Meals & Baking Solutions.

As Dana noted, we improved our retail sales trend in NAR by roughly 2 points versus the prior quarter, and we drove improved market share trends in the majority of our priority categories.

On the bottom line, constant-currency segment operating profit was down 15% in the quarter, including the impact of the yogurt divestiture, driven by lower volume and higher input costs, partially offset by favorable price/mix and lower SG&A expenses.

Organic net sales for our North America Pet segment were flat to last year, with double-digit growth in cat feeding and low-single digit growth in pet treating offset by a high-single-digit decline in dog feeding. This included an extra month of results for Whitebridge Pet Brands, as we aligned the business to the company's fiscal calendar.

Changes in retailer inventory were a modest headwind to the Pet segment's first-quarter results. We still expect a low-single-digit headwind to full-year Pet organic net sales growth from retailer inventory, including the impact of changes in customer mix.

On the bottom line, first-quarter North America Pet segment operating profit was down 12% in constant currency, driven by higher input costs, lower volume, and higher SG&A expenses, partially offset by favorable price/mix.

North America Foodservice reported net sales were up 1% in Q1, including a 2-point headwind from the yogurt divestiture. Organic net sales were up 4%, led by growth in cereal and frozen meals.

North America Foodservice delivered another quarter of strong competitive performance, holding or growing market share across 100% of its priority businesses, including positive results in K-12 schools, lodging, and recreation.

On the bottom line, constant-currency segment operating profit was up 12% in Q1, driven by favorable price/mix, partially offset by higher input costs.

Shifting to our International segment, first-quarter organic net sales were up 4%, driven by growth in our distributor markets, India, and China. The segment grew or held share in 46% of its priority businesses in the quarter. And Q1 segment operating profit was up 15% in constant currency, driven by higher volume and lower input costs, partially offset by unfavorable price/mix and a double-digit increase in media investment.

Slide 23 summarizes our joint ventures results. Cereal Partners Worldwide net sales were down 4% in constant currency in Q1, driven by a 6-point divestiture headwind, partially offset by growth in Australia and Türkiye. Häagen-Dazs Japan net sales were down 3% in constant currency against a tough comparison to high-single digit growth in last year's first quarter.

First-quarter combined after-tax earnings from joint ventures increased to $19 million compared to $7 million a year ago, driven primarily by lapping our share of asset impairment charges and transaction costs related to certain assets held for sale at Cereal Partners Worldwide last year.

Turning to margin performance, adjusted gross margin of 33.3% of net sales was down 90 basis points versus last year, driven primarily by higher input costs, partially offset by favorable price/mix.
Our first-quarter adjusted operating profit margin was down 130 basis points to 14.4%, driven primarily by lower adjusted gross margin and higher media investment as a percent of net sales.

Moving to other noteworthy Q1 income statement items:

- Adjusted unallocated corporate expenses decreased $3 million in the quarter.
- Net interest expense was up $9 million, driven by higher interest rates.
- The adjusted effective tax rate was 23.4% compared to 24.1% a year ago, driven primarily by favorable earnings mix in fiscal '27, partially offset by certain nonrecurring discrete tax costs in fiscal '27.
- Finally, average diluted shares outstanding in the quarter were down 1% to 538 million, reflecting the carryover impact of net share repurchases last year.

Turning to the balance sheet and cash flow on slide 26, first-quarter operating cash flow decreased year over year to $298 million, driven primarily by a change in taxes payable, including tax expense associated with last year's U.S. yogurt divestiture. This was partially offset by an increase in net earnings, excluding the pretax gain on the divestiture a year ago. Capital investments in the quarter totaled $90 million. We paid $330 million to shareholders in dividends, and we did not repurchase shares in Q1.

Turning to slide 27, I want to take a moment to reiterate our capital allocation priorities and the ways we're working to strengthen our balance sheet, consistent with what we outlined on our Q4 earnings call. While our long-term capital priorities remain unchanged, our near-term focus is on reducing leverage toward our long-term goal of 3 times net debt-to-adjusted EBITDA.

First, we will continue investing in the business, with capital investment expected to be roughly 3 to 4% of net sales. Second, we remain fully committed to our dividend, and in the near term, we expect to maintain the current rate per share while we prioritize deleverage. Third, after investing in the business and paying the dividend, we are directing excess cash to debt reduction. We've deprioritized strategic acquisitions, and we do not expect to repurchase shares in the near term.

We've used proceeds from recent divestitures to pay down debt. And we issued junior debt earlier this year that received favorable leverage treatment from the rating agencies, further supporting our strong investment-grade credit rating.

Finally, as Dana noted, our $3 billion cost-savings program, and specifically the $1 billion of Transformation savings by fiscal '30, is intended to help accelerate our earnings and cash flow growth in fiscal '28 and beyond, which should help speed our progress in reducing our leverage.

Slide 28 summarizes a few notable fiscal '27 financial assumptions. The Thanksgiving week is typically a slow week for our deliveries in the U.S., since customers are working down holiday inventory. With Thanksgiving in our Q2 this year versus Q3 last year, NAR is expected to see a 1-point headwind to organic sales growth in Q2, offset by a 1-point tailwind in Q3.

We continue to expect changes in retailer inventory to be a low-single-digit headwind to North America Pet organic sales growth this year, including changes in customer mix.

We continue to expect annual input cost inflation to be at the higher end of our 4 to 5% range in fiscal '27, due to increases in spot prices for freight, grains, and packaging during Q1, as well as recent new Canadian tariffs.

We remain on track to deliver $750 million in total cost savings.

And we continued to make progress on our portfolio reshaping activity. The divestiture of our Brazil business closed earlier this month, and we remain on track to close the divestiture of our Mainland China Häagen-Dazs shops later this calendar year.

I'll close by summarizing our reaffirmed Fiscal 2027 outlook.

We still expect organic net sales to be in the range of down 1.5% to up 0.5%.

Adjusted operating profit is still expected to range between down 13% and down 8% in constant currency, driven largely by a 9-point headwind from "mechanical" items including lapping the 53rd week in fiscal '26, normalizing corporate incentive expense, and the impact of fiscal '26 divestitures.

Adjusted diluted earnings per share are still expected to range between $3.00 and $3.20 per share. Finally, we continue to expect free cash flow conversion of at least 95% of adjusted after-tax earnings.

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.

Our Remarkability playbook is working, our investments to accelerate innovation and renovation are delivering as expected, and we're adapting our cost structure to navigate volatility. We're confident we can deliver our financial commitments and capital allocation priorities this year. And we remain focused on restoring profitable sales growth and delivering superior returns for General Mills shareholders over the long term.