Fourth Quarter & Full Year 2020
Pre-Recorded Management Discussion

Company Participants:

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CARLOS ABRAMS-RIVERA, UNITED STATES ZONE PRESIDENT, THE KRAFT HEINZ COMPANY

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Hello. This is Chris Jakubik, Head of Global Investor Relations at The Kraft Heinz Company, and welcome to our fourth-quarter and full year 2020 business update.

During our review, we will make some forward-looking statements that are based on how we see things today.

Actual results may differ due to risks and uncertainties and these are disclosed in our earnings release and our filings with the SEC.

We will also discuss some non-GAAP financial measures during these remarks. These non-GAAP financial measures should not be considered a replacement for, and should be read together with, GAAP results. And you can find the GAAP to non-GAAP reconciliations within our earnings release.

Today, our Chief Executive Officer, Miguel Patricio, will provide a brief update of our overall business.

Carlos Abrams-Rivera, our United States Zone President, will then review the U.S. business.

And Paulo Basilio, our Chief Financial Officer, will discuss segment performance outside the U.S. and our near-term outlook.

We have scheduled a separate, live question-and-answer session with analysts.

And you can access today's earnings release, supplemental materials, and audio of our question-and-answer session at ir.kraftheinzcompany.com. A replay of the question-and-answer session will be available following the event through the same website.

With that, I will turn it over to Miguel.

MIGUEL PATRICIO, CHIEF EXECUTIVE OFFICER, THE KRAFT HEINZ COMPANY

Well, thank you, Chris.

I wanted to start by taking this opportunity to publicly share my gratitude to every single Kraft Heinz employee around the world.

2020 was an exceptional year for us. And it was only possible because of our people that stepped up to meet the moment.

I especially want to thank our employees on the front lines, in all our factories and on our sales teams who kept our products on consumer tables around the world. They are the true Kraft Heinz heroes of 2020.

Whether our people were on the front lines, or for months putting in long hours working from home because of the pandemic, I could not be more proud of how they responded to every challenge last year with creativity, with passion, with ownership, and with agility.

2020 was a challenging, but very inspirational year. I can confidently say that our strong performance demonstrates the power and the potential of Kraft Heinz when our industry-leading scale comes together with renewed agility.

We made rapid progress in our first year of transformation, culminating with stronger-than-anticipated results through our fourth quarter.

As a result, we begin 2021 with momentum across our brands and business.

The strong liquidity we built last year and the actions we are taking to improve our business through agile portfolio management should further fuel our growth going forward.

2020 was our first year in a multi-year transformation; a transformation driven by our new operating model.

Our model is simple, but powerful. It is already making us a very different and, we think, a very special company in our industry – one that can fuse industry-leading scale with unmatched agility.

As you can see on Slide 5, even before the pandemic began, we set specific goals for 2020 in each aspect of our operating model.

We made tremendous progress, rediscovering our agility, advancing every aspect of our Operating Model – even as we responded and adapted to the pandemic.

For instance, in People with Purpose, we saw a strong vote of confidence by being elevated to the top quartile of Forbes' World's Best Employers list, having not made the Top 750 employers in previous years. And we reduced waste, water, and energy use, on a per ton basis, by mid-single-digit percentages.

Within our consumer platforms, our top priority Grow portfolio was up 15% in retail channels and growth in our Emerging Markets business accelerated.

Our Ops Center delivered roughly $400 million of gross productivity efficiencies during the year – while improving what were already very strong safety and quality metrics.

Our e-commerce business more than doubled – and now represents more than 5% of our sales on a global basis.

Finally, we increased our marketing spend by $100 million and ended the year with greater financial flexibility, having reduced our net debt outstanding to 3.7x Adjusted EBITDA from 4.4x at the end of 2019.

In short, our new Operating Model is taking hold. We have made tremendous progress in a short period of time, and this has enabled us to successfully adapt to an unpredictable environment and meet rapidly changing consumer demand.

And this is showing up in our numbers.

From a strategic perspective, our growth, as on Slide 7, was strongest in our priority platforms and markets, making clear that our transition away from siloed categories towards simplified, consumer-led platforms is paying off.

We are also aggressively pursuing whitespace and Taste Elevation growth in our International segment and are seeing outsized Emerging Markets growth relative to strong Developed Markets growth because of it. In Taste Elevation, specifically, as the table shows, we grew strongly overall, even though this platform was most impacted by declines in Foodservice.

In short order, we have successfully re-oriented how we approach our portfolio, started reallocating investments behind high-growth opportunities, and are now seeing the fruits of these early efforts.

In terms of our financial results shown on Slide 8, we achieved 6% Organic Net Sales growth in Q4, at the high end of the mid-single-digit growth outlook we provided in October, driven by strong pricing and strong retail sales growth.

The 14% growth in Q4 Constant Currency Adjusted EBITDA was ahead of our October outlook, mainly driven by more favorable pricing and product mix.

Our Adjusted EPS growth accelerated in Q4 as the headwinds from the below Adjusted EBITDA items that we have discussed in prior quarters began to fade.

And our 2020 Free Cash Flow was up more than $1.5 billion versus ‘19, primarily due to our strong EBITDA growth, favorable changes in working capital, and lower capex versus the previous year.

Across the board, our results were strong and emblematic of the successful first year of our transformation. We entered 2020 with goals of stabilizing underlying profitability, maintaining industry-leading margins, and laying the foundation for future growth.

We exit 2020 having accomplished all those things, and more. And while there is much more to be proud of in 2020, there is much more to be excited about in the years ahead.

I will now pass to Carlos to discuss results in our biggest business, the United States.

CARLOS ABRAMS-RIVERA, UNITED STATES ZONE PRESIDENT, THE KRAFT HEINZ COMPANY

Thank you, Miguel.

On the surface, our fourth quarter results closely mirror our full-year performance, driven by robust consumption in tracked channels, e-commerce, and club stores.

Q4 organic growth reflected continuing improvement in market shares and we saw strong consumption gains across all six consumer platforms. And this more than offset foodservice declines, the *McCafé* exit, and an unfavorable change in retail inventory levels versus prior year.

Pricing also came in stronger than expected due to a combination of favorable trade expense timing, some restrained promotional activity to safeguard customer service, and cycling over strong prior-year Thanksgiving and Christmas holiday events.

This resulted in a favorable shift toward higher-priced base volumes and enhanced the pricing contribution year-over-year.

As a result, our profit momentum continued, reflecting a powerful combination of strong consumption growth, efficiency gains and improved product mix.

As we show on Slide 11, our retail market share has continuously improved over the course of the year. What is most encouraging is that these trends are broad-based, with more than 70% of our categories experiencing positive trend bends in Q4 led by *Heinz Ketchup* and *Lunchables*, each picking up more than 2 points of share in the quarter.

Additionally, we are excited to have introduced or re-introduced more consumers to our brands in 2020. We grew household penetration across all portfolio roles, with the stronger gains in our easy meal-oriented and dessert platforms.

New consumers are finding that *Kraft* Mac & Cheese, *Classico* pasta sauce, and *Ore-Ida* potatoes are enhancing their at-home eating experience. Overall, for the full year, we grew household penetration in roughly two-thirds of the categories in which we participate.

To build our base of loyal consumers and keep this momentum going, we stepped up our marketing investment by double digits in 2020. As you can see on Slide 12, we placed greater emphasis on those channels that can better retain new households by dialing up digital roughly 40%.

What is not shown on the slide is the pacing of the investment. In the first half of 2020, our media investment was virtually unchanged versus the first half of 2019. That means all our incremental spend in working media occurred in the second half of the year, which amounts to a 50% back-half increase year-on-year. Simply said, we have tremendous tailwinds heading in 2021.

We’re also starting to place more dollars behind our higher-growth platform roles within the portfolio, consistent with the strategy we laid out in September – and we have plans to accelerate these efforts in 2021.

Finally, on Slide 13, I wanted to highlight how our Ops Center drove efficiency gains through simplification and waste reduction.

Specifically, we benefited by simplifying our assortment and increasing our capacity through a 16% reduction in SKUs. And we’ve targeted further SKU reductions in 2021.

This, along with a 25% reduction in waste, helped reduce downtime, improve the overall efficiency of our manufacturing assets, and increased our overall production by mid-single-digit percentages for the year. In fact, we increased our production volumes in capacity-constrained products by more than 20% since August.

These steps, in combination with securing more external manufacturing and adjusting promotional activity to shape demand, were critical to shoring up customer service.

All that said, we still have further opportunity. Our top priority as we begin 2021 is to restore customer service to pre-pandemic target levels.

Our strong results in 2020 directly reflect the progress we have made as a team. Bringing agility to our scale has fast-tracked our transformation. And with our 2021 prioritization plans in place, we are well positioned to build on the momentum we gained in 2020.

Paulo will now walk through the business results for our Canada and International segments, as well as provide our near-term outlook.

PAULO BASILIO, CHIEF FINANCIAL OFFICER, THE KRAFT HEINZ COMPANY

Thank you, Carlos.

Beginning on Slide 14 with Canada.

Retail takeaway and share growth in our Easy Meals Made Better platform categories was offset by lower coffee shipments, including the impact from the *McCafé* exit and foodservice declines.

Constant Currency Adjusted EBITDA growth turned positive in Q4 with pricing growth that more than offset the impacts from higher supply chain costs and the *McCafé* exit.

2020 was the start of a turnaround in our Canada business. We renewed our focus on the consumer, identified areas where we have the right to win, and exited businesses and categories where we did not have a competitive advantage.

Our platform-based prioritization is paying off. In 2020, our priority platforms — Easy Meals Made Better and Taste Elevation — grew faster than top competitors – a strong indication of the portfolio's potential in Canada.

Growth was supported by higher investments in marketing and selling. And importantly, this is being driven by a few, select innovations that leveraged our strengths, unique consumer insights, and platform-based approach.

Perhaps the strongest example of this was the launch of our Hazelnut spread in our Taste Elevation platform. We captured 17% share of the category by the end of the year, having launched the product as recently as March.

Moving to the results of our International segment on Slide 16. As expected, top-line performance softened on a sequential basis in Q4, as Developed Markets decelerated, and unfavorable retail inventory changes negatively impacted organic growth.

That said, consistent with prior periods during the year, our strategic focus areas — Emerging Markets and our Taste Elevation platform — continued to drive growth.

Constant Currency Adjusted EBITDA momentum was sustained through Q4 from a combination of positive pricing, mix benefits, and favorable cost comparisons.

Overall, we took many significant steps of strategic importance in our International business last year. We set the direction of the business and tested our strategy.

We have focused on biggest growth opportunities –accelerating Emerging Markets growth and global leadership in Taste Elevation. In these areas, we are fueling growth by prioritizing high ROI investments in distribution, marketing, and capabilities.

Taste Elevation in Emerging Markets is growing three times faster than the rest of the portfolio, and we are winning share. We closed 2020 with record share positions in many of our priority markets – Brazil, Russia, and the Middle East – and several of our Taste Elevation categories.

For us, 2020 was just the beginning. There are still plenty of whitespace opportunities to go after, and we are confident that, with diligent execution, International growth will be a key driver for Kraft Heinz moving forward.

Now, let's turn to our financial outlook.

On Slide 19, we have highlighted where we are in our transformation. 2020 was all about resetting our foundation. In 2021 we are deploying our new operating model with new initiatives, and improved capabilities, focusing on key markets around the world.

We are excited to share our 2021 priorities next week during our presentation at the CAGNY conference.

In a nutshell, we expect a strong start to the year and are increasingly confident that our full year results will again exceed our strategic plan.

For the first quarter, we currently expect flat-to-positive Organic Net Sales growth and low-single-digit growth in Constant Currency Adjusted EBITDA.

This will be despite a first quarter in 2020 where pantry loading at the start of the COVID-19 pandemic contributed an approximate 6- to 7-point benefit to Organic Net Sales growth and a 9- to 10-point benefit to Adjusted EBITDA growth.

Our Q1 expectations also reflect a negative impact of approximately 1.5 percentage points to U.S. Organic Net Sales growth from the exit of the *McCafé* business.

We also expect our full year adjusted effective tax rate to be at the top end of our 20% to 22% long-term run rate.

Overall, however, we are expecting another year in which strong performance and at-home consumption should lead to financial results that are ahead of our original strategic plan.

We also remain ahead of plan on our balance sheet.

During 2020, we significantly improved our liquidity, our leverage, and our overall credit profile.

This is the result of our successful refinancing in May, as well as our very strong Free Cash Flow generation during the year.

And on an organic basis, before divestitures, we are on track with our goal to achieve and maintain net leverage below 4x Adjusted EBITDA on a consistent basis.

We also expect 2021 will see additional, and meaningful, benefits from actions we have taken – and that are under way – to accelerate our transformation and increase our flexibility to allocate capital to our highest return opportunities.

As you saw, we announced an agreement to sell our Nuts business to Hormel Foods – another strong example of agile portfolio management, and another major step in our transformation.

We expect the transaction to have minimal dilution, on an annualized basis.

Strategically, this will sharpen our focus and investment on parts of our portfolio with greater growth prospects and competitive advantage.

We will reduce our portfolio exposure to private label, as well as cost volatility related to key commodities.

And within our Real Food Snacking platform, it will enable us to more aggressively drive our opportunities in other consumer need states. Need states like “real fuel for kids” with *Lunchables* and “real meal alternatives” with brands like *P3*.

Also, recall that we announced the divestiture of our Natural Cheese business last September.

Taken together, these two divestitures improve our mix and growth trajectory.

Upon divestiture, we see a 40-basis point uplift to historical Organic Net Sales growth, as well as a stronger gross margin profile, and greater flexibility to invest for growth.

We will enhance our geographic profile, as 98% of the divested businesses are in Developed Markets.

And, most important, we will sharpen the focus of our portfolio to areas where we believe we have greater competitive advantage.

Specifically, private label penetration across our U.S. categories would fall from 17% to 12%. And that compares to an average of about 21% of total U.S. retail food industry sales.

And our Taste Elevation and Easy Meals platforms' sales increase to 50% from 45%, based on 2019 global figures.

In addition, and consistent with our agile portfolio management principles, these transactions reflect our patience and price discipline.

The final point I would make is that, while we are creating greater flexibility to accelerate our transformation, there is no change to our capital allocation priorities.

In order of priority, they are:

- invest for growth;
- maintain our ongoing commitment to our current dividend;
- keep net leverage consistently below 4x;
- and proactively accelerate our strategy through actions consistent with our agile portfolio management criteria.

We have consistently said that investment-grade credit status is strategically important to us, and that we are committed to reducing our leverage without sacrificing the speed of our transformation or potential long-term value creation.

As I mentioned, we are currently on track to achieve and maintain our net leverage below 4x on a consistent basis before the impact of any divestitures.

Including the two divestitures, we can reduce leverage by an additional 0.5x. And this gives us additional flexibility to accelerate our strategy through both organic and inorganic accretive actions.

I would like to finish by highlighting again our confidence in the foundation we have now built and why we are so excited about our path forward.

Our 2020 performance highlights the power and potential of our company when we bring our scale and agility together.

We are seeing broad-based momentum in our brands and business heading into 2021.

And the strong liquidity we built last year and the actions we are taking to improve our business through agile portfolio management should further fuel our growth going forward.

Thank you for your time and interest in Kraft Heinz.