

The Kraft Heinz Company

Q1 2026 Earnings Call | May 6, 2026

COMPANY PARTICIPANTS

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Analyst, Deutsche Bank Securities, Inc.

Michael S. Lavery

Analyst, Piper Sandler & Co.

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Thomas Palmer

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Analyst, Morgan Stanley & Co. LLC

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QUESTION AND ANSWER SESSION

Operator: Greetings, and welcome to The Kraft Heinz Company First Quarter 2026 Earnings Conference Call. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Anne-Marie Megela. Thank you. You may begin.

Anne-Marie Megela

Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Thank you, and thank you all for joining us today. Welcome to the Q&A session for our first quarter 2026 business update.

During today's call, we may make forward-looking statements regarding our expectations for the future. These statements are based on how we see things today, and actual results may differ materially due to risks and uncertainties.

Please see the cautionary statements and risk factors contained in today's earnings release and our most recent SEC filings for more information regarding these risks and uncertainties.

Additionally, we may refer to non-GAAP financial measures. Please refer to today's earnings release and the non-GAAP information available on our website for a discussion of our non-GAAP financial measures and reconciliations to the comparable GAAP financial measures.

Joining me today to answer your questions is our Chief Executive Officer, Steve Cahillane, and our Chief Financial Officer, Andre Maciel.

Operator, please open the call for the first question.

Operator: Thank you. At this time, we'll be conducting a question-and-answer session. Our first question comes from Peter Galbo with Bank of America. Your line is now live.

Peter Galbo

Analyst, BofA Securities, Inc.

Hey, good morning, everybody. Thanks for the question. Steve, I was actually hoping to start with HOLD, WIN and WIN BIG. Just comparing what you said at CAGNY a few months ago to what you're presenting today, at least in the slides, I think there's been a few shifts of some of the platforms or sub-platforms between kind of the different categories. So, I was hoping you could kind of touch on the decision to

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make some of those changes. And then kind of as a part B to that question, just whether that signals anything in terms of how you're viewing potential asset sales of different platforms.

Steve A. Cahillane

Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah. Thanks for the question, Peter. As I said at the outset, we reserve the right to continue to get smarter. That's what we've done as we've made some of these changes. And a couple of examples, we did downgrade our Frozen from WIN BIG to HOLD. We think that's based on what the category is showing us, what our real opportunities are and really confronting the facts as they stand and being realistic about them.

Equally, we look at Hydration. We moved that from WIN to WIN BIG. We see strong category growth. We really like our brands in this space. We really like Capri Sun, its ability to go from following the cohort that's young and aging with them, with our new Hydration platform that's coming out now. So, we see a real opportunity to WIN BIG there based on our brands and our place in the category.

Equally, we've moved Cheese from HOLD to WIN. We like the margins there. We like our brands. We like our opportunities. So those are some of the changes that we've made. I think they're all positive. And they point to the fact that we're continuing to look at our portfolio, challenge our portfolio, invest in our portfolio, and look for those areas where we can grow.

Peter Galbo

Analyst, BofA Securities, Inc.

Great. Thank you for that. And, Andre, maybe just as a follow-up, I know the guidance is largely unchanged after what was probably a better-than-expected Q1. You called out some timing factors, but maybe just you can expand a little bit on your prepared remarks from the commentary around Q2, and how you kind of view the evolving inflation outlook, I know you bumped that up a little bit today. Thanks very much, guys.

Andre Maciel

Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

All right. Good morning, Peter. Thanks for the question. Look, we expect second quarter to have top line between minus 3% and minus 5%. This is a consequence of the Easter shift that we have explained a few times. Combined with that we still anticipate and expect SNAP to be 100 bps headwind in the year starting in the second quarter, as nothing that we have seen so far that indicates otherwise. We do expect to continue to see the market share improving like we observed in Q1, but given softness in the category, we still expect this to be a headwind in the second quarter. This will be all partially offset by continuous improvement in Away From Home business worldwide and in emerging markets.

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When it comes to inflation, we initially guided the year to be approximately 4%. In fact, our number implied in the outlook was a little lower than that. We are now seeing, mainly because of the conflict, inflation around energy and resins spiking up. We are well hedged in energy for the year. Resins, we are hedged through mid-Q3. So we do expect, if the situation remains the same, there is still a lot of volatility out there, which can get better or even worse. But we do anticipate in the third quarter to start to suffer the impact from that inflation.

Peter Galbo

Analyst, BofA Securities, Inc.

Great. Thanks very much. I'll pass it on.

Operator: Our next question comes from Steve Powers with Deutsche Bank.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Great. Thanks and good morning, everybody. Steve, if we just look at the improvement you've started to show through and exiting the first quarter, I guess as you dig into it, are you able to parse out where there is more meaningful, true underlying progress that is momentum that you can build on versus maybe some transitory impacts, just areas where Easter timing or weather flatter the quarter. Just is there a way to parse out what's most promising versus maybe where we should just kind of temper our thinking a bit?

Steve A. Cahillane

Chief Executive Officer & Director, The Kraft Heinz Co.

Yes, Steve, definitely we benefited from Easter shift. There's no question about that. And the winter storms caused some pantry loading, no doubt about that. But underlying that, we've seen real improvement in our share trajectory and performance. As we said in the prepared remarks, the total business last year held or gained share in only 21%. In the first quarter that moved to 35%. And in March, that moved all the way up to 58%.

And then, if you look at our Taste Elevation, where we were investing earlier last year, that moved from 24% holding or gaining share last year, all the way to 81% in the first quarter of 2026 and exited March at 87%. That's really a function of the investments that we've made, the product improvements that we've made, the distribution that we've been able to hold, or gain based on the activities that were put in place.

And the totality of the business and the good start to the quarter, I think, can also be attributed to the fact that for the last at least 60 days, this organization has been maniacally focused on growth and

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execution. Pausing the split freed up lots of resources, as we said it would. And we turned our attention and the attention of this entire organization to get off to a strong start, and that's exactly what we did. We're being very realistic about what flattered the quarter, as you said. But we also see the underlying strength that's building. And that's important because that's where we're going to continue to invest.

The vast majority of our \$600 million is still dry powder that is being deployed, as we speak, from now through the rest of the year. So we're holding guidance, but we're very encouraged by the start to the year. We plan on continuing our maniacal focus against our consumer and our customer and execution.

Andre Maciel

Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

So, to complement with some numbers, last year, we started the year losing 90 bps of market share mix adjusted, which was really the bottom of the last 10 years. As we started to step up the investment in the second half, we were able to exit last year losing 50 to 60 bps of market share. And now, year-to-date, we are at 30 bps. There is definitely a good improvement happening right now, led by Taste Elevation, but also by Hydration, as Steve mentioned, and desserts. These are places where we have stepped up investments in marketing and in renovating the product, which are starting to show some signs of paying off.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Great. Thank you. And, Andre, while I have you, just on free cash flow, obviously a strong quarter, but some working capital in marketing accrual timing benefits, just obviously you've maintained the free cash flow outlook for the year. But as you think about the balance of the year, 2Q through 4Q, anything to call out in terms of timing of year-to-go free cash flow?

Andre Maciel

Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Look, our cash flow remains very strong. I think all the changes that we have done to incentives a couple of years ago, we now have the organization focused on really being disciplined in deploying CapEx and managing working capital better. So, we have seen that translate again in the first quarter. Because of the step up in investments happening in the second half, we should expect cash flow potentially to go down in the second half of the year. But I mean, that's anticipated.

Now, we exited the year and quarter with very strong cash on hand. So you will see us now in the second quarter paying down debt. The debt is maturing now in Q2. And we are strongly considering paying back part of the debt that is maturing next year. We have \$1.9 billion next year again, so we are considering a portion of that as well. And there are a couple other things we are doing in terms of managing our debt tower better, which will allow us to reduce interest expense. But I think it is a good

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position that we put ourselves in and allows us even to invest \$600 million in our business and still generate strong cash flow.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Thank you so much.

Operator: Our next question comes from Michael Lavery with Piper Sandler.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Thank you. Good morning. Just curious how to think about the pricing environment. You've obviously started the year with plans that include price adjustments. And it looks like there's early signs in this quarter that where they look like they're in place already and that's working. But then, there's, of course, shifts in the input cost environment. Does that do anything to change how you think about your plans or how kind of fluid and dynamic would your pricing expectations be?

Steve A. Cahillane

Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah. Thanks, Michael. I'd say the pricing environment can be best characterized as very rational. We've come through this inflationary cycle, which was obviously unprecedented. The consumer is under a lot of pressure. So our focus is very much on value, creating value and affordability. We have looked at opportunities to adjust pricing where we think it's gone a little too far, and you're seeing some results in that. But we'll always look at the input cost environment and say our first line of defense is productivity.

We're really looking to ramp up our productivity and have a top-notch productivity year this year because it's really needed, because the consumer can only absorb so much price, so we'll be looking at productivity. Ideally, a business like ours would take about half of input cost inflation in price and then the rest in productivity. And if we can do better than that, this is the year to do it because the consumer is under a tremendous amount of pressure. We look at it as very much our goal to be affordable and be there for our consumers in an environment like this.

Andre Maciel

Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

And I think, as Steve said, in the guidance for the year, we initially contemplated that we would price only 20% of the inflation. So this was already anticipated. To Steve's point, we are relying on another

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strong year of productivity. We started Q1 strong again, above 4% of COGS, and we do expect to be able to maintain that pace.

Michael S. Lavery

Analyst, Piper Sandler & Co.

That's really helpful. And related to that, I just wanted to follow up on – I think it's slide 8. You flag a simplified operating model as part of the turnaround for the US. And I guess want to make sure we understand kind of some of what that means. It has the Ore-Ida logo there. It could be referring to the Simplot. But how much opportunity is there to simplify the operating model? And I guess part of the question is through the lens of history, knowing that cost cutting can obviously go too far. How should we just think about what opportunities there are and maybe the risks and how you think about that approach?

Steve A. Cahillane

Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah. We made a terrific hire in bringing Nicolas Amaya to run our North American business, and he has been hard at work looking at the operating model, as have we all. We see real opportunities to have stronger accountabilities, stronger empowerment at the people who are running the business. We also see big opportunities to supplement our commercial activities, our commercial people. And we've been doing a lot of that, hiring people in sales and marketing, but really with a focus on the consumer and the customer, and very strong objectives that are aligned around our business objectives.

The chief one is growing organic sales and improving market share performance. And so simplifying everything that we do in service of the consumer and the customer and our goal to drive profitable, volume led value market share.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Very helpful. Thank you.

Operator: Our next question comes from Chris Carey with Wells Fargo.

Chris Carey

Analyst, Wells Fargo Securities LLC

Hi. Thank you, everybody, for the question. If you just think about the back half acceleration in top line that you're embedding for the year, can you just unpack that a little bit across the most meaningful

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drivers, as it pertains to the lapping of Indonesia, the step up that you're expecting from investments, the improvement – and the subsequent improvement in market share that you're expecting, perhaps some of this acceleration in Western Europe post-pricing? Can you just give us a sense of how to think about the complexion of the major contributors to the back half improvement that you would expect in the top line? Thanks.

Steve A. Cahillane

Chief Executive Officer & Director, The Kraft Heinz Co.

Okay, Chris, I'll start and Andre can help with more details in the numbers. We're not really calling for an acceleration. You know we got off to a very good start, and we're being prudent about the way we think about the rest of the year. Of course, we'd always like to over-deliver on our top line goals, would definitely like to over-deliver on our market share objectives, but we're being prudent in the way we think about the rest of the year and not embedding the first quarter over-delivery into our guidance for the top line.

Andre Maciel

Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

And in terms of the building blocks, you mentioned Indonesia, that's certainly a contributor. Like in the first quarter, for example, Indonesia alone was a 70 bps headwind to top line growth. And we do expect that all to go away in the second half as we lap all the adjustments we have made in the business. Market share in the US as we step up the investments should see an improvement versus where we are today.

Similarly, we feel good about our European plans. Everything that we're doing behind Heinz, there is a lot of stepped up investment as well as part of the \$600 million that is going against Heinz in Europe. We're going to see that also helping improve the performance over there. And Away From Home, even though there is still overall softness in the category, we are now seeing signs of market share improvement in the US, which is quite encouraging, especially in the sauces portfolio.

So I think all of those factors should allow us to see the step up. There will be a balanced contribution across those levers.

Chris Carey

Analyst, Wells Fargo Securities LLC

Okay. Thank you. And it's been touched on a bit. But just as you think about the inflation exposure in Q4, obviously this is going to imply a bigger exit rate going into 2027. Michael Lavery touched on this a bit, but what does the tool kit look like for you to work through a sustained higher inflation environment? Obviously, there's a pricing discussion. Productivity sustaining relatively high levels.

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Would you look at maybe harvesting some of the investments that you've made in SG&A to protect the bottom line going into 2027?

Obviously, this is a fluid environment and inflation can certainly change. But can you just give us a bit more insight on how you view the planning from a cost offset perspective if we kind of look out 18 months? Thanks so much.

Steve A. Cahillane

Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah, Chris, so we wouldn't look at our investments, the \$600 million and otherwise as a way to protect profit. In fact, we're looking at opportunities to even invest more as we see good returns against those investments and good outcomes in terms of the top line. So we'll protect that and, in fact, even lean into it. As we said earlier, the first line of defense is always going to be productivity. But you know it's unknown what the fourth quarter and 2027 will bring. It could be that the whole environment moves towards needing to take more price. I mean, we can't predict what the outcome will be in the Middle East and how that will affect it. But it's going to be something that affects the entire environment.

And we would be looking to go with that. But again, first line of defense is productivity. Investing in our brands and driving a good top line outcome is what we'd be looking at.

Chris Carey

Analyst, Wells Fargo Securities LLC

Okay. Thank you.

Operator: Our next question comes from Thomas Palmer with JPMorgan.

Thomas Palmer

Analyst, JPMorgan Securities LLC

Good morning. Thanks for the question. Maybe could just start on the marketing side. You noted the 37% increase in the first quarter on a year-over-year basis. Also, the plans for 5.5% spend. But maybe any framing on where that level of increase in the first quarter kind of takes you relative to that, that annualized percent of sales. And then when we think about the magnitude of the increase, are there any timing considerations, such as kind of having that earlier Easter impacting how that marketing spend flowed through?

And last, any detail on kind of where that spend has really been focused. And if you're seeing when we look at the share improvements, disproportionate spend in the areas that have inflicted the most. Thanks.

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Andre Maciel

Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Yeah, so as we said in our prepared remarks, we do expect marketing for the year to be at least 5.5% of revenue, and Steve mentioned we have been looking very close on how our performance is shaping up. If things end up better than we anticipated, we will be willing to lean in more on the investments, marketing being one of the key drivers. The reason why we see 37% in the first quarter, you might remember last year we stepped up marketing investment in the second half of last year. So then you have this effect of now we have, in a certain way, an easy comp on the marketing front. Year-over-year, we're going to see that gradually reducing that impact because of the step up in the second half. But overall in the year, we do expect at least a 20% increase.

In terms of where this money is going, we have been prioritizing our WIN BIG categories. So there is a disproportionate amount that started last year that went against sauces, cream cheese, mac and cheese, hydration. But the reality is we do have the opportunity to step up marketing across the whole portfolio. So we have been gradually stepping up the investments across different parts of the business, to different extents. But we do believe that to be healthy to the whole portfolio.

Thomas Palmer

Analyst, JPMorgan Securities LLC

Okay. Thank you for that. On the SNAP side, you've noticed expected headwinds, especially ramping this quarter. I know it's still early in the quarter. Are you already seeing signs of this incremental impact as we think about the second quarter? And just to confirm, there was not really impact in the first quarter. I know it wasn't a call out. Thanks.

Andre Maciel

Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Yeah. So we definitely see an impact from SNAP already happening in February and March. If you look at SNAP transactions, they are already down in line, if not even a little more than expected. On the other hand, we saw strength in the non-SNAP households, which helped to offset that in the first quarter. But it's hard to predict at this point if that strength that we saw in the non-SNAP households will hold into remainder of the year.

What we are anticipating is that we're going to start to see SNAP household impacts be more pronounced into our sell-out year-to-go. That's why we have been calling for 100 bps headwind. Obviously, we are not sitting on the problem, right? So we do expect that and have been expecting that for a while, so that is why part of the price investments that we have deployed in the \$600 million were put against opening price points, because this part of the consumer base is definitely under a lot of pressure.

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Thomas Palmer

Analyst, JPMorgan Securities LLC

Understood. Thank you.

Operator: Our next question comes from Megan Clapp with Morgan Stanley.

Megan Alexander Clapp

Analyst, Morgan Stanley & Co. LLC

Hi. Good morning. Thanks so much. Maybe to pick up on Tom's first question on the marketing investments and, Steve, some of the comments you've made. Clearly, you're seeing some benefits from things that were done kind of prior to you making this new plan. And, Steve, I think you mentioned \$600 million is still dry powder. As you see the improvements you've made in the first quarter and then some of the areas you highlighted, Meats, in particular, where there's still opportunity, can you just talk about whether anything you've seen so far has changed how you're thinking about concentrating some of those investments, particularly, as you know we've talked about a lot, the macro continues to shift and perhaps the cost inflation outlook gets more challenging as we go into the back half? Thanks.

Steve A. Cahillane

Chief Executive Officer & Director, The Kraft Heinz Co.

Yeah, Megan, what we've seen is good returns on the investments that we've made. And that's where we're leaning in. If you look at some of the exciting things that we have going on right now, you can follow our investment against those. So for example, PowerMac & Cheese, which just came out in April, too early to see any sell-out data. But the sell-in was outstanding, 35,000 accounts right now as we speak. And I think that's a function of the commitment that we made to increase our investment substantially, led to better distribution. We're going to be investing against it, so we anticipate a good launch there.

We've got in our Ore-Ida business, a nice shapes innovation that we're investing in. The Capri Sun Hydrate that we mentioned earlier, I think a big opportunity to continue the momentum that was built last year on Capri Sun in new distribution and new doors there, so investing against that. We've got a Lunchables renovation which is coming next month. We'll be investing against that. We've seen a good turnaround in Lunchables, which started at the end of last year.

And we've got things in the back half of the year, like Philadelphia lactose-free, which is, as we mentioned in the prepared remarks, we think a big opportunity, given the number of people who suffer from lactose intolerance in the US and a great innovation there that we'll be investing against. The brands where we think we have a real right to win we'll be investing in. And you mentioned Meats, where we have things that we need to turn around. Clearly, we need to make some investments there.

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You know we don't like leaky buckets. And we're going to look to plug those at the same time as we lean against our biggest and best opportunities.

Megan Alexander Clapp

Analyst, Morgan Stanley & Co. LLC

Great. Thank you. And, Andre, maybe just a quick follow-up on the gross margin performance. Still down in the quarter, but significantly better than I think what you were expecting, certainly what the Street was modeling. Understand there was probably some fixed cost leverage benefits there just on the top line. But anything else in the quarter, just in terms of the upside maybe versus your expectations to call out. Thanks.

Andre Maciel

Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Sure. There is about 40 to 50 bps of gains in the quarter that are non-recurring. A portion of that is selling excess byproducts. We don't expect that to be repeated year-to-go. There is some small contribution from maintenance in a certain factory and then we have to move production to a co-packer temporarily. We decided to move that to later in the summer. So that's like a phasing thing.

Cheese commodity came a little better than what we anticipated. So we did see the peak in inflation that we expected across most of the commodities, including coffee and meats. But we had those other upsides that helped in the quarter. But that's why we are maintaining also our expectation for the year of a headwind of 25 to 75 bps.

Megan Alexander Clapp

Analyst, Morgan Stanley & Co. LLC

Perfect. Thank you.

Anne-Marie Megela

Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Operator, we have time for one more question.

Operator: Our last question comes from Scott Marks with Jefferies.

Scott Marks

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Analyst, Jefferies LLC

Hey. Good morning. Thanks so much for squeezing me in here. In the interest of time, I'll just ask one. Wondering if you can give us a lay of the land in terms of the Away From Home environment. I know you called out some pressures in the US business. Have certainly some clear paths to growth there. Just wondering if you can kind of help us understand what's happening both in the US and abroad, and how you think about the improvements within that part of the business. Thanks.

Steve A. Cahillane

Chief Executive Officer & Director, The Kraft Heinz Co.

Yes, Scott. So I'd say from a macro perspective, Away From Home is under a fair amount of pressure based on the macroeconomic environment, both in this country and around the world. Having said that, we see tremendous opportunities for us in Away From Home, based on the strength of our brands and the opportunities in front of us. And this is one of the areas we're investing in. We see Away From Home as a strategic outlet. We see it as a strategic opportunity for us. We like the momentum that we're building early this year. And we see a lot of opportunities, both in this country and especially around the world, to continue to gain share in Away From Home.

And, you know we've got one of the greatest Away From Home brands in Heinz, and we can do a lot more in leaning into Heinz and not just in ketchup. You know Heinz has been successful in mayonnaise and other spreads as well. So big opportunities for us to continue to leverage our brands, especially Heinz, as we think about the Away From Home opportunity.

Scott Marks

Analyst, Jefferies LLC

Appreciate it. We'll leave it there. Thanks very much.

Operator: We have reached the end of the question-and-answer session, and this concludes today's conference. You may disconnect your lines at this time. And we thank you for your participation.