

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**  
**FORM 10-Q**

---

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 25, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-7275

**CONAGRA BRANDS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

47-0248710

(I.R.S. Employer  
Identification No.)

222 W. Merchandise Mart Plaza, Suite 1300  
Chicago, Illinois  
(Address of principal executive offices)

60654  
(Zip Code)

(312) 549-5000  
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$5.00 par value	CAG	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares outstanding of issuer's common stock as of February 25, 2024 was 478,062,749.

---

[Table of Contents](#)

**Table of Contents**

<b>PART I. FINANCIAL INFORMATION</b>		
Item 1	<a href="#"><u>Financial Statements</u></a>	<a href="#"><u>1</u></a>
	<a href="#"><u>Unaudited Condensed Consolidated Statements of Earnings for the Thirteen and Thirty-Nine Weeks Ended February 25, 2024 and February 26, 2023</u></a>	<a href="#"><u>1</u></a>
	<a href="#"><u>Unaudited Condensed Consolidated Statements of Comprehensive Income for the Thirteen and Thirty-Nine Weeks Ended February 25, 2024 and February 26, 2023</u></a>	<a href="#"><u>2</u></a>
	<a href="#"><u>Unaudited Condensed Consolidated Balance Sheets as of February 25, 2024 and May 28, 2023</u></a>	<a href="#"><u>3</u></a>
	<a href="#"><u>Unaudited Condensed Consolidated Statements of Cash Flows for the Thirty-Nine Weeks Ended February 25, 2024 and February 26, 2023</u></a>	<a href="#"><u>4</u></a>
	<a href="#"><u>Notes to Unaudited Condensed Consolidated Financial Statements</u></a>	<a href="#"><u>5</u></a>
Item 2	<a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>	<a href="#"><u>18</u></a>
Item 3	<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	<a href="#"><u>25</u></a>
Item 4	<a href="#"><u>Controls and Procedures</u></a>	<a href="#"><u>25</u></a>
<b>PART II. OTHER INFORMATION</b>		<a href="#"><u>26</u></a>
Item 1	<a href="#"><u>Legal Proceedings</u></a>	<a href="#"><u>26</u></a>
Item 1A	<a href="#"><u>Risk Factors</u></a>	<a href="#"><u>26</u></a>
Item 5	<a href="#"><u>Other Information</u></a>	<a href="#"><u>26</u></a>
Item 6	<a href="#"><u>Exhibits</u></a>	<a href="#"><u>27</u></a>
	<a href="#"><u>Signatures</u></a>	<a href="#"><u>28</u></a>

---

**PART I — FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**Conagra Brands, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Earnings**  
 (in millions except per share amounts)  
 (unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 25, 2024	February 26, 2023	February 25, 2024	February 26, 2023
Net sales	\$ 3,032.9	\$ 3,086.5	\$ 9,145.0	\$ 9,303.7
Costs and expenses:				
Cost of goods sold	2,174.1	2,247.7	6,616.5	6,822.3
Selling, general and administrative expenses	387.4	348.8	1,119.6	1,463.1
Pension and postretirement non-service expense (income)	1.4	(6.0)	2.1	(18.2)
Interest expense, net	106.5	104.2	325.8	301.6
Income before income taxes and equity method investment earnings	363.5	391.8	1,081.0	734.9
Income tax expense	95.9	100.1	297.1	237.0
Equity method investment earnings	41.2	50.5	131.0	149.0
Net income	<u>\$ 308.8</u>	<u>\$ 342.2</u>	<u>\$ 914.9</u>	<u>\$ 646.9</u>
Less: Net income attributable to noncontrolling interests	<u>0.2</u>	<u>0.5</u>	<u>0.4</u>	<u>0.8</u>
<b>Net income attributable to Conagra Brands, Inc.</b>	<b><u>\$ 308.6</u></b>	<b><u>\$ 341.7</u></b>	<b><u>\$ 914.5</u></b>	<b><u>\$ 646.1</u></b>
<b>Earnings per share — basic</b>				
Net income attributable to Conagra Brands, Inc. common stockholders	\$ 0.64	\$ 0.72	\$ 1.91	\$ 1.35
<b>Earnings per share — diluted</b>				
Net income attributable to Conagra Brands, Inc. common stockholders	<u>\$ 0.64</u>	<u>\$ 0.71</u>	<u>\$ 1.91</u>	<u>\$ 1.34</u>

See Notes to the Unaudited Condensed Consolidated Financial Statements.

**Conagra Brands, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Comprehensive Income**  
(in millions)  
(unaudited)

	Thirteen Weeks Ended					
	February 25, 2024			February 26, 2023		
	Pre-Tax Amount	Tax (Expense) Benefit	After- Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After- Tax Amount
Net income	\$ 404.7	\$ (95.9)	\$ 308.8	\$ 442.3	\$ (100.1)	\$ 342.2
Other comprehensive income:						
Derivative adjustments:						
Unrealized derivative adjustments	(3.3)	0.8	(2.5)	(3.5)	0.8	(2.7)
Reclassification for derivative adjustments included in net income	(2.1)	0.5	(1.6)	(1.6)	0.4	(1.2)
Unrealized currency translation gains	4.8	—	4.8	4.3	—	4.3
Pension and postretirement benefit obligations:						
Unrealized pension and postretirement benefit obligations	(7.3)	1.8	(5.5)	—	—	—
Reclassification for pension and postretirement benefit obligations included in net income	(0.1)	—	(0.1)	(1.1)	0.3	(0.8)
Comprehensive income	396.7	(92.8)	303.9	440.4	(98.6)	341.8
Comprehensive income (loss) attributable to noncontrolling interests	0.5	(0.1)	0.4	(0.8)	(0.2)	(1.0)
Comprehensive income attributable to Conagra Brands, Inc.	<u>\$ 396.2</u>	<u>\$ (92.7)</u>	<u>\$ 303.5</u>	<u>\$ 441.2</u>	<u>\$ (98.4)</u>	<u>\$ 342.8</u>

	Thirty-Nine Weeks Ended					
	February 25, 2024			February 26, 2023		
	Pre-Tax Amount	Tax (Expense) Benefit	After- Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After- Tax Amount
Net income	\$ 1,212.0	\$ (297.1)	\$ 914.9	\$ 883.9	\$ (237.0)	\$ 646.9
Other comprehensive income:						
Derivative adjustments:						
Unrealized derivative adjustments	4.0	(1.0)	3.0	3.9	(1.0)	2.9
Reclassification for derivative adjustments included in net income	(6.2)	1.5	(4.7)	(3.2)	0.9	(2.3)
Unrealized currency translation gains (losses)	9.1	—	9.1	(17.5)	—	(17.5)
Pension and postretirement benefit obligations:						
Unrealized pension and postretirement benefit obligations	(7.2)	1.7	(5.5)	1.6	—	1.6
Reclassification for pension and postretirement benefit obligations included in net income	(2.5)	0.6	(1.9)	(3.4)	1.0	(2.4)
Comprehensive income	1,209.2	(294.3)	914.9	865.3	(236.1)	629.2
Comprehensive loss attributable to noncontrolling interests	—	(0.2)	(0.2)	(4.3)	(0.3)	(4.6)
Comprehensive income attributable to Conagra Brands, Inc.	<u>\$ 1,209.2</u>	<u>\$ (294.1)</u>	<u>\$ 915.1</u>	<u>\$ 869.6</u>	<u>\$ (235.8)</u>	<u>\$ 633.8</u>

See Notes to the Unaudited Condensed Consolidated Financial Statements.

**Conagra Brands, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(in millions except share data)  
(unaudited)

	<u>February 25, 2024</u>	<u>May 28, 2023</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 78.5	\$ 93.3
Receivables, less allowance for doubtful accounts of \$ 2.8 and \$ 2.7	916.5	952.8
Inventories	2,143.4	2,212.2
Prepaid expenses and other current assets	117.2	92.4
Current assets held for sale	30.2	34.3
Total current assets	3,285.8	3,385.0
Property, plant and equipment	6,470.6	6,134.8
Less accumulated depreciation	(3,593.9)	(3,398.4)
Property, plant and equipment, net	2,876.7	2,736.4
Goodwill	11,109.9	11,109.4
Brands, trademarks and other intangibles, net	3,152.1	3,192.3
Other assets	1,404.8	1,506.2
Noncurrent assets held for sale	90.6	123.3
	<u>\$ 21,919.9</u>	<u>\$ 22,052.6</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Notes payable	\$ 166.3	\$ 636.3
Current installments of long-term debt	1,019.2	1,516.0
Accounts and other payables	1,418.0	1,525.5
Accrued payroll	168.3	163.5
Other accrued liabilities	686.2	583.3
Current liabilities held for sale	12.9	16.1
Total current liabilities	3,470.9	4,440.7
Senior long-term debt, excluding current installments	7,491.8	7,081.3
Other noncurrent liabilities	1,729.4	1,718.0
Noncurrent liabilities held for sale	2.3	5.3
Total liabilities	12,694.4	13,245.3
Common stockholders' equity		
Common stock of \$5 par value, authorized 1,200,000,000 shares; issued 584,219,229	2,921.2	2,921.2
Additional paid-in capital	2,353.7	2,376.9
Retained earnings	7,011.7	6,599.4
Accumulated other comprehensive loss	(43.8)	(44.4)
Less treasury stock, at cost, 106,156,480 and 107,196,446 common shares	(3,087.9)	(3,116.3)
Total Conagra Brands, Inc. common stockholders' equity	9,154.9	8,736.8
Noncontrolling interests	70.6	70.5
Total stockholders' equity	9,225.5	8,807.3
	<u>\$ 21,919.9</u>	<u>\$ 22,052.6</u>

See Notes to the Unaudited Condensed Consolidated Financial Statements.

**Conagra Brands, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(in millions)  
(unaudited)

	<b>Thirty-Nine Weeks Ended</b>	
	<b>February 25, 2024</b>	<b>February 26, 2023</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 914.9	\$ 646.9
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	291.7	277.0
Asset impairment charges	50.9	417.7
Equity method investment earnings less than (in excess of) distributions	69.5	(69.8)
Stock-settled share-based payments expense	18.7	68.8
Contributions to pension plans	(9.2)	(9.6)
Pension expense (benefit)	9.3	(10.4)
Other items	13.9	(0.9)
Change in operating assets and liabilities:		
Receivables	25.5	(96.7)
Inventories	73.3	(340.4)
Deferred income taxes and income taxes payable, net	43.1	(58.8)
Prepaid expenses and other current assets	(31.3)	2.4
Accounts and other payables	(36.5)	(157.9)
Accrued payroll	4.6	7.4
Other accrued liabilities	76.2	71.8
Litigation accruals	16.7	(18.6)
Deferred employer payroll taxes	—	(25.5)
<b>Net cash flows from operating activities</b>	<b>1,531.3</b>	<b>703.4</b>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(309.6)	(267.4)
Sale of property, plant and equipment	0.6	3.1
Purchase of marketable securities	(8.2)	(3.4)
Sale of marketable securities	8.2	3.4
Proceeds from insurance recoveries	11.9	—
Other items	1.5	4.1
<b>Net cash flows from investing activities</b>	<b>(295.6)</b>	<b>(260.2)</b>
<b>Cash flows from financing activities:</b>		
Issuance of short-term borrowings, maturities greater than 90 days	134.5	239.5
Repayment of short-term borrowings, maturities greater than 90 days	(146.6)	(259.8)
Net (repayment) issuance of other short-term borrowings, maturities less than or equal to 90 days	(461.7)	388.2
Issuance of long-term debt	500.0	500.0
Repayment of long-term debt	(766.8)	(708.0)
Debt issuance costs	(3.3)	(4.1)
Repurchase of Conagra Brands, Inc. common shares	—	(150.0)
Cash dividends paid	(492.0)	(466.4)
Exercise of stock options and issuance of other stock awards, including tax withholdings	(13.8)	0.9
Other items	(0.6)	5.2
<b>Net cash flows from financing activities</b>	<b>(1,250.3)</b>	<b>(454.5)</b>
Effect of exchange rate changes on cash and cash equivalents	—	(0.8)
Net change in cash and cash equivalents, including cash balances classified as assets held for sale	(14.6)	(12.1)
Less: Net change in cash balances classified as assets held for sale	0.2	—
Net change in cash and cash equivalents	(14.8)	(12.1)
Cash and cash equivalents at beginning of period	93.3	82.2
<b>Cash and cash equivalents at end of period</b>	<b>\$ 78.5</b>	<b>\$ 70.1</b>

See Notes to the Unaudited Condensed Consolidated Financial Statements.

**Conagra Brands, Inc. and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(columnar dollars in millions except per share amounts)

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Condensed Consolidated Financial Statements of Conagra Brands, Inc. (the "Company", "Conagra Brands", "we", "us", or "our") have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not include certain information and disclosures required for comprehensive financial statements. The unaudited financial information reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of the results of operations, financial position, and cash flows for the periods presented. During the second quarter of fiscal 2024, we determined that certain assets and liabilities were held for sale. We have reclassified these assets and liabilities within our Condensed Consolidated Balance Sheets for all periods presented (see Note 2). All other adjustments are of a normal recurring nature. The results of operations for any quarter or a partial fiscal year period are not necessarily indicative of the results to be expected for other periods or the full fiscal year. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended May 28, 2023. There were no significant changes to our accounting policies from those disclosed in Note 1, "Summary of Significant Accounting Policies", to the Consolidated Financial Statements in that Form 10-K.

### **Recently Adopted Accounting Pronouncements**

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04, *Supplier Finance Programs (Topic 405-50) - Disclosure of Supplier Finance Program Obligations*, to add disclosure requirements related to supplier financing programs under Accounting Standards Codification 405, Liabilities. The guidance requires entities that maintain supplier financing programs to provide information in their financial statements about their use of supplier finance programs and their effect on the entity's working capital, liquidity, and cash flows. Specifically, the amendment requires entities to disclose the key terms of their programs, amounts outstanding, balance sheet presentation, and a roll-forward of amounts outstanding during the annual period. Only the amount outstanding at the end of the period is required to be disclosed in interim periods. We adopted this ASU when it became effective in the first quarter of fiscal 2024, except for the roll-forward requirement, which will be effective in fiscal 2025. The adoption of this ASU did not have a significant impact on our financial statements and related disclosures.

### **Recently Issued Accounting Pronouncements and Disclosure Rules**

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The disclosure requirements must be applied retrospectively to all prior periods presented in the financial statements. The effective date for the standard is for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We are in the process of analyzing the impact of the ASU on our related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*, to provide more detailed income tax disclosure requirements. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as information on income taxes paid. The disclosure requirements will be applied on a prospective basis, with the option to apply it retrospectively. The effective date for the standard is for fiscal years beginning after December 15, 2024. Early adoption is permitted. We are in the process of analyzing the impact of the ASU on our related disclosures.

In March 2024, the Securities and Exchange Commission ("SEC") issued final climate-related disclosure rules that will require disclosure of material climate-related risks and material direct greenhouse gas emissions from operations owned or controlled (Scope 1) and/or material indirect greenhouse gas emissions from purchased energy consumed in owned or controlled operations (Scope 2). Additionally, the rules require disclosure in the notes to the financial statements of the effects of severe weather events and other natural conditions, subject to certain materiality thresholds. The disclosure requirements will begin phasing in for reports and registration statements including financial information with respect to annual periods beginning in calendar year 2025 (the Company's fiscal year 2026). We are in the process of analyzing the impact of the rules on our related disclosures.

## **2. ASSETS HELD FOR SALE**

During the second quarter of fiscal 2024, we initiated a plan to sell our ownership stake in Agro Tech Foods Limited, which is a majority-owned subsidiary that is consolidated within our International segment. On February 29, 2024, subsequent to the end of the third quarter of fiscal 2024, we entered into a definitive agreement to sell this business. The closing of the transaction is subject to certain closing conditions, including the receipt of any applicable regulatory approvals in addition to a mandatory tender offer to minority shareholders, and is expected to be completed by the end of calendar year 2024. We expect to realize proceeds of approximately \$ 78 million from the sale, which will be paid in the local currency (Indian Rupee). The assets and liabilities have been reclassified as assets and liabilities held for sale within our Condensed Consolidated Balance Sheets for all periods presented. In connection with this activity, we recognized an impairment charge of \$34.2 million within selling, general and administrative ("SG&A") expenses in the second quarter of fiscal 2024.

The assets and liabilities classified as held for sale reflected in our Condensed Consolidated Balance Sheets were as follows:

	<b>February 25, 2024</b>	<b>May 28, 2023</b>
Current assets	\$ 30.2	\$ 34.3
Noncurrent assets (including goodwill of \$ 47.6 million and \$ 68.8 million, respectively)	90.6	123.3
Current liabilities	12.9	16.1
Noncurrent liabilities	2.3	5.3

### 3. RESTRUCTURING ACTIVITIES

See our Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended May 28, 2023 for additional information on our restructuring activities.

#### Conagra Restructuring Plan

In fiscal 2019, senior management initiated a restructuring plan for costs incurred in connection with actions taken to improve SG&A expense effectiveness and efficiencies and to optimize our supply chain network (the "Conagra Restructuring Plan"). As of February 25, 2024, we had approved the incurrence of \$228.8 million (\$69.5 million of cash charges and \$159.3 million of non-cash charges) for several projects associated with the Conagra Restructuring Plan. In the third quarter and first three quarters of fiscal 2024, we recognized charges of \$1.5 million and \$28.9 million, respectively, in connection with the Conagra Restructuring Plan. In the third quarter and first three quarters of fiscal 2023, we recognized charges of \$1.6 million and \$7.5 million, respectively, in connection with the Conagra Restructuring Plan. We have recognized cumulative charges of \$181.8 million since the inception of this plan through February 25, 2024. We expect to incur costs related to the Conagra Restructuring Plan over a multi-year period.

During the first three quarters of fiscal 2024, we recognized the following pre-tax expenses for the Conagra Restructuring Plan:

	Grocery & Snacks	Refrigerated & Frozen	International	Corporate	Total
Accelerated depreciation	\$ 6.0	\$ 0.2	\$ —	\$ —	\$ 6.2
Other cost of goods sold	—	—	1.8	—	1.8
Total cost of goods sold	6.0	0.2	1.8	—	8.0
Severance and related costs	0.7	—	4.3	—	5.0
Asset impairment	0.6	—	14.1	—	14.7
Consulting/professional fees	0.2	0.1	—	—	0.3
Other SG&A	—	0.8	—	0.1	0.9
Total SG&A	1.5	0.9	18.4	0.1	20.9
<b>Total</b>	<b>\$ 7.5</b>	<b>\$ 1.1</b>	<b>\$ 20.2</b>	<b>\$ 0.1</b>	<b>\$ 28.9</b>

Included in the above results are \$6.2 million of charges that have resulted or will result in cash outflows and \$22.7 million in non-cash charges.

Liabilities recorded for the Conagra Restructuring Plan and changes therein for the first three quarters of fiscal 2024 were as follows:

	Balance at May 28, 2023	Costs Incurred and Charged to Expense	Costs Paid or Otherwise Settled	Changes in Estimates	Balance at February 25, 2024
Severance and related costs	\$ 1.7	\$ 4.9	\$ (1.8)	\$ 0.1	\$ 4.9
Consulting/professional fees	0.2	0.3	(0.5)	—	—
Other costs	—	0.9	(0.9)	—	—
<b>Total</b>	<b>\$ 1.9</b>	<b>\$ 6.1</b>	<b>\$ (3.2)</b>	<b>\$ 0.1</b>	<b>\$ 4.9</b>

### 4. DEBT AND REVOLVING CREDIT FACILITY

#### Senior Notes

During the first quarter of fiscal 2024, we repaid the entire outstanding \$500.0 million aggregate principal amount of our 0.50% senior notes on their maturity date of August 11, 2023. The repayment was primarily funded using the net proceeds from the issuance of \$500.0 million aggregate principal amount of 5.30% senior notes due October 1, 2026.

During the third quarter of fiscal 2023, we repaid the remaining outstanding \$437.0 million aggregate principal amount of our 3.20% senior notes on their maturity date of January 25, 2023.

During the second quarter of fiscal 2023, we repaid the entire outstanding \$250.0 million aggregate principal amount of our 3.25% senior notes on their maturity date of September 15, 2022.

#### Term Loan

During the second quarter of fiscal 2023, we borrowed the full \$500.0 million aggregate principal amount available under our unsecured term loan (the "Term Loan") from a syndicate of financial institutions. During the second quarter of fiscal 2024, we prepaid \$250.0 million of the aggregate principal amount outstanding under the Term Loan. The remaining balance matures on August 26, 2025.

#### Revolving Credit Facility

At February 25, 2024, we had a revolving credit facility (the "Revolving Credit Facility") with a syndicate of financial institutions providing for a maximum aggregate principal amount outstanding at any one time of \$2.0 billion (subject to increase to a maximum aggregate principal amount of \$2.5 billion with consent of the lenders). The Revolving Credit Facility matures on August 26, 2027 and is unsecured. The Company may request the term of the Revolving Credit Facility be extended for additional one-year or two-year periods from the then-applicable maturity date on an annual basis. As of February 25, 2024, there were no outstanding borrowings under the Revolving Credit Facility.

[Table of Contents](#)**Debt Covenants**

The Revolving Credit Facility generally requires our ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest expense to be not less than 3.0 to 1.0 and our ratio of funded net debt to EBITDA not to exceed 4.5 to 1.0, with each ratio to be calculated on a rolling four-quarter basis. As of February 25, 2024, we were in compliance with all financial covenants under the Revolving Credit Facility.

**Commercial Paper**

As of February 25, 2024 and May 28, 2023, we had \$116.0 million and \$576.0 million, respectively, outstanding under our commercial paper program.

**Interest Expense**

Net interest expense consisted of:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 25, 2024	February 26, 2023	February 25, 2024	February 26, 2023
Long-term debt	\$ 103.9	\$ 101.2	\$ 314.7	\$ 299.3
Short-term debt	6.1	6.0	21.6	10.0
Interest income	(1.4)	(1.1)	(3.3)	(2.6)
Interest capitalized	(2.1)	(1.9)	(7.2)	(5.1)
	<u>\$ 106.5</u>	<u>\$ 104.2</u>	<u>\$ 325.8</u>	<u>\$ 301.6</u>

**5. FINANCING ARRANGEMENTS****Supplier Financing Arrangements**

In order to manage our cash flow and related liquidity, we work with our suppliers to optimize our terms and conditions, which include the extension of payment terms. A number of factors may impact our future payment terms, including our relative creditworthiness, overall market liquidity, and changes in interest rates and other general economic conditions. Certain suppliers have access to third-party services that allow them to view our scheduled payments online and finance advances on our scheduled payments at the sole discretion of the supplier and the third-party. Our current payment terms with these suppliers, which we deem to be commercially reasonable, range up to 120 days. We have no direct financial relationship with the financial institutions, and we have pledged no assets in connection with our accounts payable programs. All amounts due to participating suppliers are paid to the third party on the original invoice due dates, regardless of whether a particular invoice was sold. Supplier participation in these agreements is voluntary. As of February 25, 2024 and May 28, 2023, \$321.3 million and \$355.1 million, respectively, of our total accounts and other payables were payable to suppliers who utilized these third-party services. The associated payments are included in net cash flows from operating activities within our Condensed Consolidated Statements of Cash Flows.

We have also concluded that certain obligations to our suppliers, including amounts due and scheduled payment terms, are impacted by these third-party service programs and these arrangements are classified as notes payable within our Condensed Consolidated Balance Sheets. The proceeds and payments associated with short-term borrowings are reflected as financing activities within our Condensed Consolidated Statements of Cash Flows. As of February 25, 2024 and May 28, 2023, we had approximately \$50.3 million and \$62.5 million, respectively, of short-term borrowings related to these arrangements.

**Non-cash Lease Arrangements**

In the first quarter of fiscal 2024, we took control of a third-party distribution facility that was assessed to be a finance lease. At lease commencement, the term of the lease was 20 years with a discount rate of 5.42%. As a result, we recorded a \$165.3 million finance lease right-of-use asset reflected in property, plant and equipment along with a corresponding finance lease obligation reflected in long-term debt (including current installments) within our Condensed Consolidated Balance Sheets.

**6. GOODWILL AND OTHER IDENTIFIABLE INTANGIBLE ASSETS**

The change in the carrying amount of goodwill for the first three quarters of fiscal 2024, excluding amounts classified as held for sale (see Note 2), was as follows:

	Grocery & Snacks	Refrigerated & Frozen	International	Foodservice	Total
Balance as of May 28, 2023	\$ 4,692.4	\$ 5,469.5	\$ 214.7	\$ 732.8	\$ 11,109.4
Currency translation	—	—	0.5	—	0.5
Balance as of February 25, 2024	<u>\$ 4,692.4</u>	<u>\$ 5,469.5</u>	<u>\$ 215.2</u>	<u>\$ 732.8</u>	<u>\$ 11,109.9</u>

Other identifiable intangible assets, excluding amounts classified as held for sale, were as follows:

	February 25, 2024		May 28, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Non-amortizing intangible assets				
Brands and trademarks	\$ 2,457.0	\$ —	\$ 2,457.0	\$ —
Amortizing intangible assets				
Customer relationships and intellectual property	1,232.2	537.1	1,232.0	496.7
	<u>\$ 3,689.2</u>	<u>\$ 537.1</u>	<u>\$ 3,689.0</u>	<u>\$ 496.7</u>

## Table of Contents

During the first quarter of fiscal 2023, management reorganized its reporting structure for certain brands within two reporting units in our Refrigerated & Frozen segment. The change in management reporting required us to reassign assets and liabilities, including goodwill, between the reporting units, complete a goodwill impairment test both prior to and subsequent to the change, and evaluate other assets in the reporting units for impairment, including indefinite-lived intangibles (brand names and trademarks). The fair value of our indefinite-lived intangibles was determined using the "relief from royalty" methodology. As a result of our impairment tests, we recognized goodwill impairment charges within SG&A expenses of \$141.7 million within our Sides, Components, Enhancers reporting unit in the first quarter of fiscal 2023. In addition, we recognized an impairment charge within SG&A expenses of \$244.0 million related to our *Birds Eye®* brand name in the first quarter of fiscal 2023.

Amortizing intangible assets carry a remaining weighted average life of approximately 18 years. Amortization expense was \$13.4 million and \$40.2 million for the third quarter and first three quarters of fiscal 2024, respectively, and \$13.8 million and \$43.3 million for the third quarter and first three quarters of fiscal 2023, respectively. Based on amortizing assets recognized in our Condensed Consolidated Balance Sheet as of February 25, 2024, amortization expense is estimated to average \$44.8 million for each of the next five years.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

See our Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended May 28, 2023, for additional information on our derivative activities.

### Derivatives Designated as Cash Flow Hedges

During the first quarter of fiscal 2019, we entered into deal-contingent forward starting interest rate swap contracts to hedge a portion of the interest rate risk related to our issuance of long-term debt to help finance the acquisition of Pinnacle Foods Inc. We settled these contracts during the second quarter of fiscal 2019 and deferred a \$47.5 million gain in accumulated other comprehensive income that is being amortized as a reduction of interest expense over the lives of the related debt instruments. The unamortized amount at February 25, 2024 was \$28.8 million.

### Economic Hedges of Forecasted Cash Flows

Many of our derivatives do not qualify for, and we do not currently designate certain commodity or foreign currency derivatives to achieve, hedge accounting treatment. We reflect realized and unrealized gains and losses from derivatives used to economically hedge anticipated commodity consumption and to mitigate foreign currency cash flow risk in earnings immediately within general corporate expense (within cost of goods sold). The gains and losses are reclassified to segment operating results in the period in which the underlying item being economically hedged is recognized in cost of goods sold. In the event that management determines a particular derivative entered into as an economic hedge of a forecasted commodity purchase has ceased to function as an economic hedge, we cease recognizing further gains and losses on such derivatives in corporate expense and begin recognizing such gains and losses within segment operating results immediately.

The following table presents the net derivative gains (losses) from economic hedges of forecasted commodity consumption and the foreign currency risk of certain forecasted transactions, under this methodology:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 25, 2024	February 26, 2023	February 25, 2024	February 26, 2023
Gross derivative gains (losses) incurred	\$ (8.3)	\$ (16.8)	\$ 1.2	\$ (2.1)
Less: Net derivative gains (losses) allocated to reporting segments	(1.5)	5.9	(8.4)	22.5
Net derivative gains (losses) recognized in general corporate expenses	\$ (6.8)	\$ (22.7)	\$ 9.6	\$ (24.6)
Net derivative gains (losses) allocated to Grocery & Snacks	\$ (0.6)	\$ 1.0	\$ (3.8)	\$ 8.5
Net derivative gains (losses) allocated to Refrigerated & Frozen	(0.2)	3.0	(0.4)	10.6
Net derivative gains (losses) allocated to International	(0.7)	1.5	(4.3)	2.2
Net derivative gains allocated to Foodservice	—	0.4	0.1	1.2
Net derivative gains (losses) included in segment operating profit	\$ (1.5)	\$ 5.9	\$ (8.4)	\$ 22.5

The fair values of our derivative positions were not material as of February 25, 2024 and were Level 1 or Level 2 assets or liabilities in the fair value hierarchy (see Note 15 for further information). We have not significantly changed our valuation techniques from prior periods.

The location and amount of gains (losses) from derivatives not designated as hedging instruments in our Condensed Consolidated Statements of Earnings were as follows:

Derivatives Not Designated as Hedging Instruments	Location in Condensed Consolidated Statements of Earnings of Gains (Losses) Recognized on Derivatives	Gains (Losses) Recognized on Derivatives in Condensed Consolidated Statements of Earnings for the Thirteen Weeks Ended	
		February 25, 2024	February 26, 2023
Commodity contracts	Cost of goods sold	\$ (6.6)	\$ (15.7)
Foreign exchange contracts	Cost of goods sold	(1.7)	(1.0)
Total gains (losses) from derivative instruments not designated as hedging instruments		\$ (8.3)	\$ (16.7)

Derivatives Not Designated as Hedging Instruments	Location in Condensed Consolidated Statements of Earnings of Gains (Losses) Recognized on Derivatives	Gains (Losses) Recognized on Derivatives in Condensed Consolidated Statements of Earnings for the Thirty-Nine Weeks Ended	
		February 25, 2024	February 26, 2023
Commodity contracts	Cost of goods sold	\$ 5.0	\$ (5.8)
Foreign exchange contracts	Cost of goods sold	(3.8)	3.7
Total gains (losses) from derivative instruments not designated as hedging instruments		\$ 1.2	\$ (2.1)

## [Table of Contents](#)

As of February 25, 2024, our open commodity contracts had a notional value (defined as notional quantity times market value per notional quantity unit) of \$85.5 million for purchase contracts and \$0.7 for sales contracts. As of May 28, 2023, our open commodity contracts had a notional value of \$134.6 million for purchase contracts. The notional amount of our foreign currency forward contracts as of February 25, 2024 and May 28, 2023 was \$92.2 million and \$87.3 million, respectively.

## **8. SHARE-BASED PAYMENTS**

For the third quarter and first three quarters of fiscal 2024, we recognized total stock-based compensation expense (including restricted stock units and performance shares) of \$15.2 million and \$18.7 million, respectively. For the third quarter and first three quarters of fiscal 2023, we recognized total stock-based compensation expense of \$9.8 million and \$68.8 million, respectively. In the first three quarters of fiscal 2024, we granted 1.9 million restricted stock units at a weighted average grant date price of \$32.53 per share unit and 0.9 million performance shares at a weighted average grant date price of \$32.57 per share.

Performance shares are granted to selected executives and other key employees with vesting contingent upon meeting various Company-wide performance goals. The performance goal for the three-year performance period ending in fiscal 2024 (the "2024 performance period") is based on our diluted earnings per share ("EPS") compound annual growth rate ("CAGR"), subject to certain adjustments, measured over the defined performance period. The performance goals for the three-year performance periods ending in fiscal 2025 (the "2025 performance period") and 2026 (the "2026 performance period") are based on our net sales and diluted EPS growth, subject to certain adjustments, measured over the defined performance period, with each year of the performance period weighted one-third. For each of the 2024 performance period, 2025 performance period, and 2026 performance period, the awards actually earned will range from zero to two hundred percent of the targeted number of performance shares for such performance period. Dividend equivalents are paid on the portion of performance shares actually earned at our regular dividend rate in additional shares of common stock.

Awards, if earned, will be paid in shares of our common stock. Subject to limited exceptions set forth in our performance share plan, any shares earned will be distributed after the end of the performance period, and generally only if the participant continues to be employed with the Company through the date of distribution. For awards where performance against the performance target has not been certified, the value of the performance shares is adjusted based upon the market price of our common stock and current forecasted performance against the performance targets at the end of each reporting period and amortized as compensation expense over the vesting period. Forfeitures are accounted for as they occur.

## **9. EARNINGS PER SHARE**

Basic earnings per share is calculated on the basis of weighted average outstanding shares of common stock. Diluted earnings per share is computed on the basis of basic weighted average outstanding shares of common stock adjusted for the dilutive effect of stock options, restricted stock unit awards, and other dilutive securities.

The following table reconciles the income and average share amounts used to compute both basic and diluted earnings per share:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 25, 2024	February 26, 2023	February 25, 2024	February 26, 2023
<b>Net income attributable to Conagra Brands, Inc. common stockholders:</b>	\$ 308.6	\$ 341.7	\$ 914.5	\$ 646.1
<b>Weighted average shares outstanding:</b>				
Basic weighted average shares outstanding	478.8	477.5	478.5	479.3
Add: Dilutive effect of stock options, restricted stock unit awards, and other dilutive securities	1.2	1.9	1.4	1.7
<b>Diluted weighted average shares outstanding</b>	<b>480.0</b>	<b>479.4</b>	<b>479.9</b>	<b>481.0</b>

For the third quarter and first three quarters of fiscal 2024, there were 1.3 million and 1.1 million stock options outstanding, respectively, that were excluded from the computation of diluted weighted average shares because the effect was antidilutive. For the third quarter and first three quarters of fiscal 2023, there were 0.2 million and 0.6 million stock options outstanding, respectively, that were excluded from the computation.

## **10. INVENTORIES**

The major classes of inventories were as follows:

	February 25, 2024	May 28, 2023
Raw materials and packaging	\$ 337.1	\$ 368.2
Work in process	311.0	224.5
Finished goods	1,387.2	1,517.7
Supplies and other	108.1	101.8
<b>Total</b>	<b>\$ 2,143.4</b>	<b>\$ 2,212.2</b>

## 11. INCOME TAXES

In the third quarter of fiscal 2024 and 2023, we recognized income tax expense of \$ 95.9 million and \$100.1 million, respectively. The effective tax rate (calculated as the ratio of income tax expense to pre-tax income, inclusive of equity method investment earnings) was 23.7% and 22.6% for the third quarter of fiscal 2024 and 2023, respectively. In the first three quarters of fiscal 2024 and 2023, we recognized income tax expense of \$ 297.1 million and \$237.0 million, respectively. The effective tax rate was 24.5% and 26.8% for the first three quarters of fiscal 2024 and 2023, respectively.

The effective tax rate in the third quarter of fiscal 2024 reflected a tax benefit related to certain changes in estimates upon completing our fiscal 2023 federal tax return.

The effective tax rate in the first three quarters of fiscal 2024 reflected the above cited item, as well as the impact of an impairment of goodwill that is non-deductible for tax purposes, and tax expense associated with no longer asserting permanent reinvestment of a foreign subsidiary when we reclassified certain assets and liabilities to held for sale. During the first three quarters of fiscal 2024, goodwill impairment charges totaling \$20.7 million were recognized with no associated tax benefit.

The effective tax rate in the third quarter of fiscal 2023 reflected a tax benefit from statute lapses on state tax issues that were previously reserved and a benefit related to certain changes in estimates.

The effective tax rate in the first three quarters of fiscal 2023 reflected the above-cited items, as well as additional tax expense from disallowed deductions related to incentive compensation plans resulting from an increased level of estimated achievement on performance targets and stock price, a benefit from the adjustment of certain foreign taxes that were previously accrued, and the impact of an impairment of goodwill that was largely non-deductible for tax purposes. During the first three quarters of fiscal 2023, goodwill impairment charges totaling \$141.7 million were recognized with an associated tax benefit of \$2.7 million.

The amount of gross unrecognized tax benefits for uncertain tax positions was \$25.4 million as of February 25, 2024 and \$23.7 million as of May 28, 2023. These amounts include the issue of certain elections made in connection with our fiscal 2021 federal tax return which remains under review with the U.S. Internal Revenue Service. The gross unrecognized tax benefits excluded related liabilities for gross interest and penalties of \$6.4 million and \$5.6 million as of February 25, 2024 and May 28, 2023, respectively.

The net amount of unrecognized tax benefits at February 25, 2024 and May 28, 2023 that, if recognized, would favorably impact the Company's effective tax rate was \$22.7 million and \$21.3 million, respectively.

We estimate that it is reasonably possible that the amount of gross unrecognized tax benefits will decrease by up to \$ 13.4 million over the next twelve months due to various audit settlements and the expiration of statutes of limitations.

We have previously made the assessment that the current earnings of certain foreign subsidiaries were not indefinitely reinvested or that we could not remit to the U.S. parent in a tax-neutral transaction. Accordingly, we had recorded a deferred tax liability of \$ 16.2 million on approximately \$324.6 million of cumulative earnings at February 25, 2024. The deferred tax liability relates to local withholding taxes that will be owed when this cash is distributed. The undistributed historic earnings in our foreign subsidiaries through May 30, 2021 are considered to be indefinitely reinvested or can be remitted in a tax-neutral transaction. Accordingly, we have not recorded a deferred tax liability related to these undistributed historic earnings.

On August 16, 2022, the Inflation Reduction Act of 2022 was signed into law. We have determined that we are not subject to the corporate alternative minimum tax at this time.

## 12. CONTINGENCIES

### **Litigation Matters**

We are a party to certain litigation matters as a result of our acquisition of Beatrice Company ("Beatrice") in fiscal 1991, including litigation proceedings related to lead-based paint and pigment businesses divested by Beatrice prior to our acquisition. These lawsuits have generally sought damages for personal injury, property damage, economic loss, and governmental expenditures allegedly caused by the use of lead-based paint. We have denied liability, both on the merits of the claims and on the basis that we do not believe we are the successor to any such liability. In one such action in California, we agreed to pay \$101.7 million, in seven annual installments from fiscal 2020 through fiscal 2026 (of which \$73.0 million had been paid as of February 25, 2024), pursuant to a 2019 settlement, which settlement also included a default guarantee for up to \$ 15.0 million in payments to be made by co-defendant, NL Industries, Inc. We had accrued \$28.8 million (\$11.7 million within other accrued liabilities and \$17.1 million within other noncurrent liabilities) as of February 25, 2024 and \$40.7 million (\$11.8 million within other accrued liabilities and \$ 28.9 million within other noncurrent liabilities) as of May 28, 2023 for this matter.

We are a party to a number of matters asserting product liability claims against the Company related to certain *Pam®* and other cooking spray products. These lawsuits generally seek damages for personal injuries allegedly caused by defects in the design, manufacture, or safety warnings of the cooking spray products. On October 31, 2023, a jury entered a verdict against the Company for \$ 3.1 million in compensatory damages and \$ 4.0 million in punitive damages in one of these lawsuits, captioned *Reese v. Conagra Brands, Inc., et al.* ("Reese") . We have appealed the judgment in the *Reese* lawsuit. We have put the Company's insurance carriers on notice of these matters regarding our cooking spray products. While we cannot predict with certainty the results of these or any other legal proceedings, the Company believes adequate provision has been made in its Condensed Consolidated Financial Statements for all probable and reasonably estimable losses for the litigation related to the cooking spray products based on information available to us at the time of our evaluation.

We are a party to various other lawsuits such as putative class action lawsuits challenging various product claims made in the Company's product labeling and matters challenging the Company's wage and hour practices. While we cannot predict with certainty the results of these or any other legal proceedings, we do not expect these matters to have a material adverse effect on our financial condition, results of operations, or business.

Our accrual for all litigation matters, including those matters described above that are probable and estimable, was \$68.0 million (\$25.0 million within other accrued liabilities and \$43.0 million within other noncurrent liabilities) as of February 25, 2024 and \$51.3 million (\$22.4 million within other accrued liabilities and \$28.9 million within other noncurrent liabilities) as of May 28, 2023.

### **Environmental Matters**

SEC regulations require us to disclose certain information about environmental proceedings if a governmental authority is a party to such proceedings and such proceedings involve potential monetary sanctions that we reasonably believe will exceed a stated threshold. Pursuant to the SEC regulations, the Company uses a threshold of \$1.0 million for purposes of determining whether disclosure of any such proceedings is required.

We are a party to certain environmental proceedings relating to businesses divested by Beatrice prior to our acquisition in fiscal 1991, including litigation and administrative proceedings involving Beatrice's possible status as a potentially responsible party at approximately 35 Superfund, proposed Superfund, or state-equivalent sites (the "Beatrice sites"). The Beatrice sites consist of locations previously owned or operated by predecessors of Beatrice that used or produced petroleum, pesticides, fertilizers, dyes, inks, solvents, polychlorinated biphenyls, acids, lead, sulfur, tannery wastes, and/or other contaminants. Reserves for these Beatrice environmental proceedings have been established based on our best estimate of the undiscounted remediation liabilities, which estimates include evaluation of investigatory studies, extent of required clean-up, the known volumetric contribution of Beatrice and other potentially responsible parties, and its experience in remediating sites. The accrual for Beatrice-related environmental matters totaled \$38.4 million (\$1.5 million within other accrued liabilities and \$36.9 million within other noncurrent liabilities) as of February 25, 2024 and \$40.1 million (\$1.5 million within other accrued liabilities and \$ 38.6 million within other noncurrent liabilities) as of May 28, 2023, a majority of which relates to the Superfund and state-equivalent sites referenced above.

### **Guarantees and Other Contingencies**

In certain limited situations, we will guarantee an obligation of an unconsolidated entity. As of February 25, 2024, we continued to guarantee an obligation of the Lamb Weston business pursuant to a guarantee arrangement that existed prior to the spinoff of the Lamb Weston business (the "Spinoff"), remained in place following completion of the Spinoff, and will remain in place until such guarantee obligation is substituted for guarantees issued by Lamb Weston. Pursuant to the separation and distribution agreement, dated as of November 8, 2016 (the "Separation Agreement"), between us and Lamb Weston, this guarantee arrangement is deemed a liability of Lamb Weston that was transferred to Lamb Weston as part of the Spinoff. Accordingly, under the Separation Agreement, in the event that we are required to make any payments as a result of this guarantee arrangement, Lamb Weston is obligated to indemnify us for any such liability, reduced by any insurance proceeds received by us. Lamb Weston is a party to an agricultural sublease agreement with a third party for certain farmland through 2025 (subject, at Lamb Weston's option, to extension for one additional five-year period). Under the terms of the sublease agreement, Lamb Weston is required to make certain rental payments to the sublessor. We have guaranteed to the sublessor Lamb Weston's performance and the payment of all amounts (including indemnification obligations) owed by Lamb Weston under the sublease agreement, up to a maximum of \$75.0 million. We believe the farmland associated with this sublease agreement is readily marketable for lease to other area farming operators. As such, we believe that any financial exposure to the Company, in the event that we were required to perform under the guarantee, would be largely mitigated.

We also guarantee a lease resulting from an exited facility. As of February 25, 2024, the remaining term of this arrangement did not exceed three years and the maximum amount of guaranteed future payments was \$ 6.7 million.

**General**

After taking into account liabilities recognized for all of the foregoing matters, management believes the ultimate resolution of such matters should not have a material adverse effect on our financial condition, results of operations, or liquidity; however, it is reasonably possible that a change of the estimates of any of the foregoing matters may occur in the future that could have a material adverse effect on our financial condition, results of operations, or liquidity.

Costs of legal services associated with the foregoing matters are recognized within SG&A expenses as services are provided.

**13. PENSION AND POSTRETIREE BENEFITS**

We have defined benefit retirement plans ("pension plans") for eligible salaried and hourly employees. Benefits are based on years of credited service and average compensation or stated amounts for each year of service. We also sponsor postretirement plans which provide certain medical and dental benefits to qualifying U.S. employees.

During the second quarter of fiscal 2024, the Company provided a voluntary lump-sum settlement offer to certain vested participants in the salaried and hourly pension plans in order to reduce a portion of the pension obligation. During the third quarter of fiscal 2024, approximately \$135 million was distributed from the pension plan assets in connection with this offer. The lump-sum settlement did exceed our service and interest cost for our hourly pension plans, which required a remeasurement in the third quarter of fiscal 2024. In connection with the remeasurement, we updated the effective discount rate assumption for the impacted pension plan obligations from 5.52% to 5.20%, as of December 31, 2023. The settlement and related remeasurement resulted in the recognition of an immaterial settlement loss, reflected in pension and postretirement non-service expense (income), as well as a loss in other comprehensive income (loss) totaling \$6.8 million in the third quarter of fiscal 2024.

Components of pension and postretirement plan costs (benefits) are:

	Pension Plans			
	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 25, 2024	February 26, 2023	February 25, 2024	February 26, 2023
Service cost	\$ 1.5	\$ 1.6	\$ 4.4	\$ 4.9
Interest cost	36.1	31.0	109.5	93.0
Expected return on plan assets	(35.3)	(36.5)	(106.9)	(109.4)
Amortization of prior service cost	0.4	0.4	1.2	1.1
Settlement loss	1.1	—	1.1	—
Pension cost (benefit) — Company plans	3.8	(3.5)	9.3	(10.4)
Pension cost (benefit) — multi-employer plans	2.1	2.0	6.9	7.0
<b>Total pension cost (benefit)</b>	<b>\$ 5.9</b>	<b>\$ (1.5)</b>	<b>\$ 16.2</b>	<b>\$ (3.4)</b>
Postretirement Plans				
	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 25, 2024	February 26, 2023	February 25, 2024	February 26, 2023
	\$ —	\$ —	\$ 0.1	\$ 0.1
Service cost	—	—	0.1	0.1
Interest cost	0.7	0.6	2.0	1.7
Amortization of prior service cost (benefit)	(0.4)	(0.4)	(1.2)	(1.3)
Recognized net actuarial gain	(1.2)	(1.1)	(3.6)	(3.3)
<b>Total postretirement cost (benefit)</b>	<b>\$ (0.9)</b>	<b>\$ (0.9)</b>	<b>\$ (2.7)</b>	<b>\$ (2.8)</b>

The Company uses a split discount rate (spot-rate approach) for the U.S. plans and certain foreign plans. The spot-rate approach applies separate discount rates for each projected benefit payment in the calculation of pension service and interest cost.

The weighted-average discount rates for service and interest costs under the spot-rate approach used for pension cost as of May 29, 2023 were 5.64% and 5.44%, respectively. The weighted-average discount rates for service and interest costs subsequent to December 31, 2023 were 5.60% and 5.41%, respectively.

During the third quarter and first three quarters of fiscal 2024, we contributed \$3.2 million and \$9.2 million, respectively, to our pension plans and contributed \$1.7 million and \$4.7 million, respectively, to our postretirement plans. Based upon the current funded status of the plans and the current interest rate environment, we anticipate making further contributions of approximately \$2.9 million to our pension plans during the remainder of fiscal 2024. We anticipate making further contributions of approximately \$ 2.5 million to our postretirement plans during the remainder of fiscal 2024. These estimates are based on ERISA guidelines, current tax laws, plan asset performance, and liability assumptions, which are subject to change.

#### 14. STOCKHOLDERS' EQUITY

The following table presents a reconciliation of our stockholders' equity accounts for the thirty-nine weeks ended February 25, 2024:

Conagra Brands, Inc. Stockholders' Equity								
	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity
<b>Balance at May 28, 2023</b>	584.2	\$ 2,921.2	\$ 2,376.9	\$ 6,599.4	\$ (44.4)	\$ (3,116.3)	\$ 70.5	\$ 8,807.3
Stock option and incentive plans			(42.9)	1.1		25.6		(16.2)
Currency translation					10.7		(0.1)	10.6
adjustments					1.6			1.6
Derivative adjustments								
Activities of noncontrolling							0.2	0.2
interests								
Pension and postretirement								
healthcare benefits					(0.8)			(0.8)
Dividends declared on common								
stock; \$0.35 per share					(167.3)			(167.3)
Net income attributable to								
Conagra Brands, Inc.					319.7			319.7
<b>Balance at August 27, 2023</b>	584.2	\$ 2,921.2	\$ 2,334.0	\$ 6,752.9	\$ (32.9)	\$ (3,090.7)	\$ 70.6	\$ 8,955.1
Stock option and incentive plans			5.6	(0.4)		1.1	0.3	6.6
Currency translation					(5.6)		(0.7)	(6.3)
adjustments					0.8			0.8
Derivative adjustments								
Pension and postretirement								
healthcare benefits					(1.0)			(1.0)
Dividends declared on common								
stock; \$0.35 per share					(167.2)			(167.2)
Net income attributable to								
Conagra Brands, Inc.					286.2			286.2
<b>Balance at November 26, 2023</b>	584.2	\$ 2,921.2	\$ 2,339.6	\$ 6,871.5	\$ (38.7)	\$ (3,089.6)	\$ 70.2	\$ 9,074.2
Stock option and incentive plans			14.1	(1.0)		1.7		14.8
Currency translation					4.6		0.2	4.8
adjustments					(4.1)			(4.1)
Derivative adjustments								
Activities of noncontrolling							0.2	0.2
interests								
Pension and postretirement								
healthcare benefits					(5.6)			(5.6)
Dividends declared on common								
stock; \$0.35 per share					(167.4)			(167.4)
Net income attributable to								
Conagra Brands, Inc.					308.6			308.6
<b>Balance at February 25, 2024</b>	584.2	\$ 2,921.2	\$ 2,353.7	\$ 7,011.7	\$ (43.8)	\$ (3,087.9)	\$ 70.6	\$ 9,225.5

[Table of Contents](#)

The following table presents a reconciliation of our stockholders' equity accounts for the thirty-nine weeks ended February 26, 2023:

Conagra Brands, Inc. Stockholders' Equity								
	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity
<b>Balance at May 29, 2022</b>	<b>584.2</b>	<b>\$ 2,921.2</b>	<b>\$ 2,324.6</b>	<b>\$ 6,550.7</b>	<b>\$ (11.2)</b>	<b>\$ (2,997.6)</b>	<b>\$ 74.5</b>	<b>\$ 8,862.2</b>
Stock option and incentive plans			(1.6)	0.2		16.3		14.9
Currency translation adjustments					(11.5)		(2.1)	(13.6)
Repurchase of common shares						(50.0)		(50.0)
Derivative adjustments					(2.1)			(2.1)
Pension and postretirement healthcare benefits						1.4		1.4
Dividends declared on common stock; \$0.33 per share				(158.6)				(158.6)
Net loss attributable to Conagra Brands, Inc.				(77.5)				(77.5)
<b>Balance at August 28, 2022</b>	<b>584.2</b>	<b>\$ 2,921.2</b>	<b>\$ 2,323.0</b>	<b>\$ 6,314.8</b>	<b>\$ (23.4)</b>	<b>\$ (3,031.3)</b>	<b>\$ 72.4</b>	<b>\$ 8,576.7</b>
Stock option and incentive plans			37.9	(2.4)		3.6	0.5	39.6
Currency translation adjustments					(6.5)		(1.7)	(8.2)
Repurchase of common shares						(100.0)		(100.0)
Derivative adjustments					6.6			6.6
Activities of noncontrolling interests							0.3	0.3
Pension and postretirement healthcare benefits				(1.3)			(0.1)	(1.4)
Dividends declared on common stock; \$0.33 per share				(157.8)				(157.8)
Net income attributable to Conagra Brands, Inc.				381.9				381.9
<b>Balance at November 27, 2022</b>	<b>584.2</b>	<b>\$ 2,921.2</b>	<b>\$ 2,360.9</b>	<b>\$ 6,536.5</b>	<b>\$ (24.6)</b>	<b>\$ (3,127.7)</b>	<b>\$ 71.4</b>	<b>\$ 8,737.7</b>
Stock option and incentive plans			7.3	(0.8)		8.2	1.5	16.2
Currency translation adjustments					5.8		(1.5)	4.3
Derivative adjustments					(3.9)			(3.9)
Activities of noncontrolling interests							0.5	0.5
Pension and postretirement healthcare benefits				(0.8)				(0.8)
Dividends declared on common stock; \$0.33 per share				(157.4)				(157.4)
Net income attributable to Conagra Brands, Inc.				341.7				341.7
<b>Balance at February 26, 2023</b>	<b>584.2</b>	<b>\$ 2,921.2</b>	<b>\$ 2,368.2</b>	<b>\$ 6,720.0</b>	<b>\$ (23.5)</b>	<b>\$ (3,119.5)</b>	<b>\$ 71.9</b>	<b>\$ 8,938.3</b>

The following table details the accumulated balances for each component of other comprehensive loss, net of tax:

	February 25, 2024	May 28, 2023
Currency translation losses, net of reclassification adjustments	\$ (90.0)	\$ (99.7)
Derivative adjustments, net of reclassification adjustments	27.5	29.2
Pension and postretirement benefit obligations, net of reclassification adjustments	18.7	26.1
Accumulated other comprehensive loss	\$ (43.8)	\$ (44.4)

[Table of Contents](#)

The following tables summarize the reclassifications from accumulated other comprehensive income (loss) into income:

	Thirteen Weeks Ended		Affected Line Item in the Condensed Consolidated Statement of Earnings <sup>1</sup>
	February 25, 2024	February 26, 2023	
Net derivative adjustments:			
Cash flow hedges	\$ (0.9)	\$ (0.9)	Interest expense, net
Cash flow hedges	(1.2)	(0.7)	Equity method investment earnings
	(2.1)	(1.6)	Total before tax
	0.5	0.4	Income tax expense
	<u><u>\$ (1.6)</u></u>	<u><u>\$ (1.2)</u></u>	Net of tax
Pension and postretirement liabilities:			
Pension settlement	\$ 1.1	\$ —	Pension and postretirement non-service income
Net actuarial gain	(1.2)	(1.1)	Pension and postretirement non-service income
	(0.1)	(1.1)	Total before tax
	—	0.3	Income tax expense
	<u><u>\$ (0.1)</u></u>	<u><u>\$ (0.8)</u></u>	Net of tax
Thirty-Nine Weeks Ended		Affected Line Item in the Condensed Consolidated Statement of Earnings <sup>1</sup>	
	February 25, 2024	February 26, 2023	
Net derivative adjustments:			
Cash flow hedges	\$ (2.7)	\$ (2.5)	Interest expense, net
Cash flow hedges	(3.5)	(0.7)	Equity method investment earnings
	(6.2)	(3.2)	Total before tax
	1.5	0.9	Income tax expense
	<u><u>\$ (4.7)</u></u>	<u><u>\$ (2.3)</u></u>	Net of tax
Pension and postretirement liabilities:			
Net prior service cost	\$ —	\$ (0.1)	Pension and postretirement non-service income
Pension settlement	1.1	—	Pension and postretirement non-service income
Net actuarial gain	(3.6)	(3.3)	Pension and postretirement non-service income
	(2.5)	(3.4)	Total before tax
	0.6	1.0	Income tax expense
	<u><u>\$ (1.9)</u></u>	<u><u>\$ (2.4)</u></u>	Net of tax

<sup>1</sup>Amounts in parentheses indicate income recognized in the Condensed Consolidated Statements of Earnings.

## 15. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board guidance establishes a three-level fair value hierarchy based upon the assumptions (inputs) used to price assets or liabilities. The three levels of inputs used to measure fair value are as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities,

Level 2 — Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets, and

Level 3 — Unobservable inputs reflecting our own assumptions and best estimate of what inputs market participants would use in pricing the asset or liability.

The fair values of our Level 2 derivative instruments were determined using valuation models that use market observable inputs including both forward and spot prices for currencies and commodities. Derivative assets and liabilities included in Level 2 primarily represent commodity and foreign currency option and forward contracts.

[Table of Contents](#)

The following table presents our financial assets and liabilities measured at fair value on a recurring basis, based upon the level within the fair value hierarchy in which the fair value measurements fall, as of February 25, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Value</u>
<b>Assets:</b>				
Derivative assets	\$ 4.1	\$ —	\$ —	\$ 4.1
Deferred compensation assets	6.1	—	—	6.1
Available-for-sale debt securities	—	—	3.5	3.5
Total assets	<u>\$ 10.2</u>	<u>\$ —</u>	<u>\$ 3.5</u>	<u>\$ 13.7</u>
<b>Liabilities:</b>				
Derivative liabilities	\$ —	\$ 1.1	\$ —	\$ 1.1
Deferred compensation liabilities	68.2	—	—	68.2
Total liabilities	<u>\$ 68.2</u>	<u>\$ 1.1</u>	<u>\$ —</u>	<u>\$ 69.3</u>

The following table presents our financial assets and liabilities measured at fair value on a recurring basis, based upon the level within the fair value hierarchy in which the fair value measurements fall, as of May 28, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Value</u>
<b>Assets:</b>				
Derivative assets	\$ 9.4	\$ 0.6	\$ —	\$ 10.0
Deferred compensation assets	7.1	—	—	7.1
Available-for-sale debt securities	—	—	4.0	4.0
Total assets	<u>\$ 16.5</u>	<u>\$ 0.6</u>	<u>\$ 4.0</u>	<u>\$ 21.1</u>
<b>Liabilities:</b>				
Derivative liabilities	\$ —	\$ 3.6	\$ —	\$ 3.6
Deferred compensation liabilities	67.0	—	—	67.0
Total liabilities	<u>\$ 67.0</u>	<u>\$ 3.6</u>	<u>\$ —</u>	<u>\$ 70.6</u>

Certain assets and liabilities, including long-lived assets, goodwill, asset retirement obligations, and equity investments are measured at fair value on a nonrecurring basis using Level 3 inputs.

In the second quarter of fiscal 2024, we recognized an impairment charge totaling \$ 34.2 million in our International segment. The impairment was measured based upon the estimated sales price of the disposal group (see Note 2).

In the first quarter of fiscal 2024, we recognized charges for the impairment of certain long-lived assets based upon a discounted cash flow valuation model and included in restructuring activities (see Note 3). Impairments totaled \$0.6 million in our Grocery & Snacks segment and \$ 14.1 million in our International segment.

In the third quarter of fiscal 2023, we recognized a charge of \$ 3.9 million within SG&A expenses related to the reduction in fair value of a convertible note receivable. The fair value was measured using the best estimate of the present value of cash flows expected to be collected.

In the first quarter of fiscal 2023, we recognized a charge for the impairment of an indefinite-lived brand of \$ 244.0 million in our Refrigerated & Frozen segment. The fair value of this brand was estimated using the "relief from royalty" method (see Note 6).

During the first quarter of fiscal 2023, goodwill impairment charges totaling \$141.7 million were recognized within our Refrigerated & Frozen segment. The fair value of the goodwill was measured using a discounted cash flow valuation model specific to the Sides, Components and Enhancers reporting unit (see Note 6).

In the first quarter of fiscal 2023, we recognized impairment charges totaling \$ 0.5 million in our Grocery & Snacks segment, \$ 5.7 million in our Refrigerated & Frozen segment, and \$20.5 million in our Foodservice segment. The fair value was measured based upon the estimated sales price of a disposal group that no longer met the held for sale criteria as of the second quarter of fiscal 2023.

The carrying amount of long-term debt (including current installments) was \$ 8.51 billion and \$8.60 billion as of February 25, 2024 and May 28, 2023, respectively. Based on current market rates, the fair value of this debt (level 2 liabilities) at February 25, 2024 and May 28, 2023 was estimated at \$8.29 billion and \$8.31 billion, respectively.

## 16. BUSINESS SEGMENTS AND RELATED INFORMATION

We reflect our results of operations in four reporting segments: Grocery & Snacks, Refrigerated & Frozen, International, and Foodservice.

The Grocery & Snacks reporting segment principally includes branded, shelf-stable food products sold in various retail channels in the United States.

The Refrigerated & Frozen reporting segment principally includes branded, temperature-controlled food products sold in various retail channels in the United States.

The International reporting segment principally includes branded food products, in various temperature states, sold in various retail and foodservice channels outside of the United States.

The Foodservice reporting segment includes branded and customized food products, including meals, entrees, sauces and a variety of custom-manufactured culinary products packaged for sale to restaurants and other foodservice establishments primarily in the United States.

We do not aggregate operating segments when determining our reporting segments.

Operating profit for each of the segments is based on net sales less all identifiable operating expenses. General corporate expense; pension and postretirement non-service expense (income); interest expense, net; income taxes; and equity method investment earnings have been excluded from segment operations.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 25, 2024	February 26, 2023	February 25, 2024	February 26, 2023
Net sales				
Grocery & Snacks	\$ 1,286.0	\$ 1,243.7	\$ 3,784.0	\$ 3,781.9
Refrigerated & Frozen	1,202.4	1,307.7	3,692.5	3,936.8
International	271.7	259.7	811.5	751.9
Foodservice	272.8	275.4	857.0	833.1
Total net sales	<u>\$ 3,032.9</u>	<u>\$ 3,086.5</u>	<u>\$ 9,145.0</u>	<u>\$ 9,303.7</u>
Operating profit				
Grocery & Snacks	\$ 299.3	\$ 256.4	\$ 837.2	\$ 847.2
Refrigerated & Frozen	201.5	263.6	620.9	297.6
International	42.2	37.1	71.8	100.9
Foodservice	35.4	23.8	117.5	53.5
Total operating profit	<u>\$ 578.4</u>	<u>\$ 580.9</u>	<u>\$ 1,647.4</u>	<u>\$ 1,299.2</u>
Equity method investment earnings	41.2	50.5	131.0	149.0
General corporate expense	107.0	90.9	238.5	280.9
Pension and postretirement non-service expense (income)	1.4	(6.0)	2.1	(18.2)
Interest expense, net	106.5	104.2	325.8	301.6
Income tax expense	95.9	100.1	297.1	237.0
Net income	<u>\$ 308.8</u>	<u>\$ 342.2</u>	<u>\$ 914.9</u>	<u>\$ 646.9</u>
Less: Net income attributable to noncontrolling interests	0.2	0.5	0.4	0.8
Net income attributable to Conagra Brands, Inc.	<u>\$ 308.6</u>	<u>\$ 341.7</u>	<u>\$ 914.5</u>	<u>\$ 646.1</u>

The following table presents further disaggregation of our net sales:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	February 25, 2024	February 26, 2023	February 25, 2024	February 26, 2023
Frozen				
Staples	\$ 1,021.8	\$ 1,101.2	\$ 3,076.3	\$ 3,267.1
Other shelf-stable	750.1	719.2	2,174.9	2,167.7
Refrigerated	180.6	206.5	616.2	669.7
Snacks	535.9	524.5	1,609.1	1,614.2
Foodservice	272.8	275.4	857.0	833.1
International	271.7	259.7	811.5	751.9
Total net sales	<u>\$ 3,032.9</u>	<u>\$ 3,086.5</u>	<u>\$ 9,145.0</u>	<u>\$ 9,303.7</u>

To be consistent with the manner in which we present certain disaggregated net sales information to investors, we have categorized certain net sales of our segments as "Staples", which includes all of our U.S. domestic retail refrigerated products and other shelf-stable grocery products. Management continues to regularly review financial results and make decisions about allocating resources based upon the four reporting segments outlined above.

### Assets by Segment

The majority of our manufacturing assets are shared across multiple reporting segments. Output from these facilities used by each reporting segment can change over time. Also, working capital balances are not tracked by reporting segment. Therefore, it is impracticable to allocate those assets to the reporting segments, as well as disclose total assets by segment. Total depreciation expense was \$82.4 million and \$251.5 million for the third quarter and first three quarters of fiscal 2024, respectively. Total depreciation expense was \$77.7 million and \$233.7 million for the third quarter and first three quarters of fiscal 2023, respectively.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FORWARD-LOOKING STATEMENTS

The information contained in this report includes forward-looking statements within the meaning of the federal securities laws. Examples of forward-looking statements include statements regarding our expected future financial performance or position, results of operations, business strategy, plans and objectives of management for future operations, and other statements that are not historical facts. You can identify forward-looking statements by their use of forward-looking words, such as "may", "will", "anticipate", "expect", "believe", "estimate", "intend", "plan", "should", "seek", or comparable terms.

Readers of this report should understand that these forward-looking statements are not guarantees of performance or results. Forward-looking statements provide our current expectations and beliefs concerning future events and are subject to risks, uncertainties, and factors relating to our business and operations, all of which are difficult to predict and could cause our actual results to differ materially from the expectations expressed in or implied by such forward-looking statements. These risks, uncertainties, and factors include, among other things: risks associated with general economic and industry conditions, including inflation, rising interest rates, decreased availability of capital, volatility in financial markets, declining consumer spending rates, recessions, decreased energy availability, increased energy costs (including fuel surcharges), supply chain challenges, labor shortages, and geopolitical conflicts (including the ongoing conflict between Russia and Ukraine); negative impacts caused by public health crises; risks related to our ability to deleverage on currently anticipated timelines, and to continue to access capital on acceptable terms or at all; risks related to the Company's competitive environment, cost structure, and related market conditions; risks related to our ability to execute operating and value creation plans and achieve returns on our investments and targeted operating efficiencies from cost-saving initiatives, and to benefit from trade optimization programs; risks related to the availability and prices of commodities and other supply chain resources, including raw materials, packaging, energy, and transportation, including any negative effects caused by changes in levels of inflation and interest rates, weather conditions, health pandemics or outbreaks of disease, actual or threatened hostilities or war, or other geopolitical uncertainty; risks related to the effectiveness of our hedging activities and ability to respond to volatility in commodities; disruptions or inefficiencies in our supply chain and/or operations; risks related to the ultimate impact of, including reputational harm caused by, any product recalls and product liability or labeling litigation, including litigation related to lead-based paint and pigment and cooking spray; risks related to our ability to respond to changing consumer preferences and the success of our innovation and marketing investments; risks associated with actions by our customers, including changes in distribution and purchasing terms; risks related to the seasonality of our business; risks associated with our co-manufacturing arrangements and other third-party service provider dependencies; risks associated with actions of governments and regulatory bodies that affect our businesses, including the ultimate impact of new or revised regulations or interpretations including to address climate change or implement changes to taxes and tariffs; risks related to the Company's ability to execute on its strategies or achieve expectations related to environmental, social, and governance matters, including as a result of evolving legal, regulatory, and other standards, processes, and assumptions, the pace of scientific and technological developments, increased costs, the availability of requisite financing, and changes in carbon pricing or carbon taxes; risks related to a material failure in or breach of our or our vendors' information technology systems and other cybersecurity incidents; risks related to our ability to identify, attract, hire, train, retain and develop qualified personnel; risk of increased pension, labor or people-related expenses; risks and uncertainties associated with intangible assets, including any future goodwill or intangible assets impairment charges; risk relating to our ability to protect our intellectual property rights; risks relating to acquisition, divestiture, joint venture or investment activities; the amount and timing of future dividends, which remain subject to Board approval and depend on market and other conditions; and other risks described in our reports filed from time to time with the Securities and Exchange Commission (the "SEC"). We caution readers not to place undue reliance on any forward-looking statements included in this report, which speak only as of the date of this report. We undertake no responsibility to update these statements, except as required by law.

The discussion that follows should be read together with the unaudited Condensed Consolidated Financial Statements and related notes contained in this report and with the financial statements, related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended May 28, 2023 and subsequent filings with the SEC. Results for the third quarter of fiscal 2024 are not necessarily indicative of results that may be attained in the future.

### EXECUTIVE OVERVIEW

Conagra Brands, Inc. (the "Company", "Conagra Brands", "we", "us", or "our"), headquartered in Chicago, is one of North America's leading branded food companies. Guided by an entrepreneurial spirit, the Company combines a rich heritage of making great food with a sharpened focus on innovation. The Company's portfolio is evolving to satisfy people's changing food preferences. Its iconic brands such as *Birds Eye*®, *Duncan Hines*®, *Healthy Choice*®, *Marie Callender's*®, *Reddi-wip*®, and *Slim Jim*®, as well as emerging brands, including *Angie's*® *BOOMCHICKAPOP*®, *Duke's*®, *Earth Balance*®, *Gardein*®, and *Frontera*®, offer choices for every occasion.

#### **Fiscal 2024 Third Quarter Results**

In the third quarter of fiscal 2024, results reflected a decrease in net sales, with organic (excludes the impact of foreign exchange) decreases in our Refrigerated & Frozen and Foodservice segments, offset by increases in our Grocery & Snacks and International segments, in each case compared to the third quarter of fiscal 2023. The overall decrease in net sales was primarily due to lower consumption trends and continued behavior shifts and an increase in strategic trade investments. Overall gross profit increased primarily as a result of higher productivity, lower transportation costs, and lower inventory write-offs, partially offset by the net sales declines discussed above, moderate input cost inflation, and unfavorable operating leverage. Overall segment operating profit decreased in our Refrigerated & Frozen segment, partially offset by increases in our Grocery & Snacks, International, and Foodservice segments. Corporate expenses were higher primarily due to higher incentive compensation expense compared to the third quarter of fiscal 2023. Selling, general and administrative ("SG&A") expenses were higher due primarily to higher incentive compensation expense and items impacting comparability, as discussed below. We recognized lower equity method investment earnings, higher interest expense, and lower income tax expense, in each case compared to the third quarter of fiscal 2023. Excluding items impacting comparability, our effective tax rate was slightly higher than the third quarter of fiscal 2023.

Diluted earnings per share in the third quarter of fiscal 2024 and 2023 was \$0.64 and \$0.71, respectively. Diluted earnings per share was affected by lower net income in the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023.

## [Table of Contents](#)

### **Trends Impacting Our Business**

Our industry continues to be impacted by commodity cost fluctuations, labor cost inflation, input cost inflation, and other global macroeconomic challenges. We experienced a moderate amount of input cost inflation during the first three quarters of fiscal 2024, which we expect to continue throughout the remainder of the fiscal year. However, we have experienced increased stability in our supply chain during the first three quarters of fiscal 2024 and we expect supply chain productivity to mitigate some of the inflationary pressures.

We also have experienced a reduction to our volumes due to lower consumption trends seen throughout the industry and continued consumer behavior shifts. We expect consumer trends to continue to evolve and our volumes to improve over time, however, economic pressures on consumers, including the challenges of high inflation, may continue to negatively impact our volumes throughout fiscal 2024. We will continue to evaluate the evolving macroeconomic environment to take action to mitigate the impact on our business, consolidated results of operations, and financial condition.

### **Items Impacting Comparability**

Segment presentation of gains and losses from derivatives used for economic hedging of anticipated commodity input costs and foreign currency exchange rate risks of anticipated transactions is discussed in further detail in Note 7, “Derivative Financial Instruments”, to the Condensed Consolidated Financial Statements contained in this report. We had \$6.8 million and \$22.7 million of derivative losses in the third quarter of fiscal 2024 and 2023, respectively, and \$9.6 million of derivative gains and \$24.6 million of derivative losses in the first three quarters of fiscal 2024 and 2023, respectively, which were included in general corporate expenses and reflected as items impacting comparability.

Other items of note impacting comparability for the third quarter of fiscal 2024 included the following:

- charges of \$17.9 million (\$13.6 million after-tax) related to legacy legal matters.

Items of note impacting comparability for the third quarter of fiscal 2023 included the following:

- charges totaling \$6.6 million (\$4.9 million after-tax) associated with fires occurring at one of our manufacturing facilities and
- net charges totaling \$2.5 million (\$1.9 million after-tax) in connection with our restructuring plans.

Items of note impacting comparability for the first three quarters of fiscal 2024 included the following:

- a charge of \$34.2 million (\$34.2 million after-tax) related to the impairment of a business held for sale,
- charges of \$31.9 million (\$24.0 million after-tax) related to legacy legal matters, and
- charges totaling \$29.6 million (\$22.0 million after-tax) in connection with our restructuring plans.

Items of note impacting comparability for the first three quarters of fiscal 2023 included the following:

- charges totaling \$385.7 million (\$326.8 million after-tax) related to the goodwill and *Birds Eye®* brand impairments in connection with certain reporting unit changes within our Refrigerated & Frozen segment,
- charges totaling \$26.7 million (\$20.1 million after-tax) related to the impairment of businesses previously held for sale,
- charges totaling \$14.5 million (\$10.9 million after-tax) associated with fires occurring at one of our manufacturing facilities, and
- net charges totaling \$9.2 million (\$6.9 million after-tax) in connection with our restructuring plans.

## **SEGMENT REVIEW**

We reflect our results of operations in four reporting segments: Grocery & Snacks, Refrigerated & Frozen, International, and Foodservice.

### **Grocery & Snacks**

The Grocery & Snacks reporting segment principally includes branded, shelf-stable food products sold in various retail channels in the United States.

### **Refrigerated & Frozen**

The Refrigerated & Frozen reporting segment principally includes branded, temperature-controlled food products sold in various retail channels in the United States.

[Table of Contents](#)

**International**

The International reporting segment principally includes branded food products, in various temperature states, sold in various retail and foodservice channels outside of the United States.

**Foodservice**

The Foodservice reporting segment includes branded and customized food products, including meals, entrees, sauces, and a variety of custom-manufactured culinary products that are packaged for sale to restaurants and other foodservice establishments primarily in the United States.

**Net Sales**

(\$ in millions)	Net Sales					
	Thirteen Weeks Ended			Thirty-Nine Weeks Ended		
	February 25, 2024	February 26, 2023	% Inc (Dec)	February 25, 2024	February 26, 2023	% Inc (Dec)
<b>Reporting Segment</b>						
Grocery & Snacks	\$ 1,286.0	\$ 1,243.7	3.4%	\$ 3,784.0	\$ 3,781.9	0.1%
Refrigerated & Frozen	1,202.4	1,307.7	(8.1)%	3,692.5	3,936.8	(6.2)%
International	271.7	259.7	4.6%	811.5	751.9	7.9%
Foodservice	272.8	275.4	(1.0)%	857.0	833.1	2.9%
<b>Total</b>	<b>\$ 3,032.9</b>	<b>\$ 3,086.5</b>	<b>(1.7)%</b>	<b>\$ 9,145.0</b>	<b>\$ 9,303.7</b>	<b>(1.7)%</b>

Net sales for the third quarter and first three quarters of fiscal 2024 in our Grocery & Snacks segment included a decrease in volumes of 0.8% and 3.0% when compared to the third quarter and first three quarters of fiscal 2023, respectively, primarily due to lower consumption trends seen throughout the industry. Price/mix increased by 4.2% and 3.1% for the third quarter and first three quarters of fiscal 2024, respectively, when compared to the third quarter and first three quarters of fiscal 2023, primarily due to favorable brand mix and favorability in inflation-driven pricing that was primarily implemented in the prior year, partially offset by an increase in strategic trade investments. In the third quarter of fiscal 2023, we had a product recall primarily related to our *Armour Star®* brand, which resulted in a \$7.8 million reduction to net sales for estimated customer returns and fees in addition to estimated lost sales of approximately \$16 million for the quarter.

Net sales for the third quarter and first three quarters of fiscal 2024 in our Refrigerated & Frozen segment reflected a decrease in volumes of 3.3% and 5.6%, respectively, when compared to the third quarter and first three quarters of fiscal 2023. The decrease was primarily due to lower consumption trends seen throughout the industry. Price/mix decreased by 4.8% and 0.6% for the third quarter and first three quarters of fiscal 2024, respectively, when compared to the third quarter and first three quarters of fiscal 2023, primarily attributable to an increase in strategic trade investments slightly offset by favorability in inflation-driven pricing that was implemented in the prior year.

Net sales for the third quarter of fiscal 2024 in our International segment reflected a 3.6% increase due to favorable foreign exchange rates, a 2.7% increase in volumes, and a 1.7% decrease in price/mix, in each case compared to the third quarter of fiscal 2023. The favorable foreign exchange rates were primarily due to appreciation in the Mexican Peso and volume increases were driven by growth in our Mexico business compared to the third quarter of fiscal 2023.

Net sales for the first three quarters of fiscal 2024 in our International segment reflected a 3.1% increase due to favorable foreign exchange rates, a 2.7% increase in price/mix, and a 2.1% increase in volumes, in each case compared to the first three quarters of fiscal 2023. The increase in volumes was driven by growth in our Mexico business compared to the first three quarters of fiscal 2023. The increase in price/mix was primarily due to favorability in inflation-driven pricing that was implemented in the prior year.

Net sales for the third quarter and first three quarters of fiscal 2024 in our Foodservice segment reflected a decrease in volumes of 4.8% and 4.1%, respectively, when compared to the third quarter and first three quarters of fiscal 2023. The decrease in volumes was driven by a decrease in customer demand and the elasticity impact from inflation-driven pricing actions. Price/mix increased by 3.8% and 7.0%, respectively, compared to the third quarter and first three quarters of fiscal 2023, reflecting inflation-driven pricing.

## **SG&A Expenses (includes general corporate expenses)**

SG&A expenses totaled \$387.4 million for the third quarter of fiscal 2024, an increase of \$38.6 million, as compared to the third quarter of fiscal 2023. SG&A expenses for the third quarter of fiscal 2024 reflected the following:

### Items impacting comparability of earnings

- charges of \$17.9 million related to legacy legal matters and
- a net gain of \$2.2 million primarily associated with insurance proceeds from the previous fire that occurred at one of our manufacturing facilities.

### Other changes in expenses compared to the third quarter of fiscal 2023

- an increase in salary, wage, and fringe benefit expense of \$7.2 million,
- an increase in short-term incentive expense and share-based payment expense of \$5.8 million and \$5.3 million, respectively, primarily due to an increase in the estimated level of achievement of certain performance targets, and
- an increase in advertising and promotion expense of \$5.2 million.

SG&A expenses for the third quarter of fiscal 2023 included the following items impacting comparability of earnings:

- net charges of \$2.0 million in connection with our restructuring plans.

SG&A expenses totaled \$1.12 billion for the first three quarters of fiscal 2024, a decrease of \$343.5 million, as compared to the first three quarters of fiscal 2023. SG&A expenses for the first three quarters of fiscal 2024 reflected the following:

- a charge of \$34.2 million related to the impairment of a business held for sale,
- charges of \$31.9 million related to legacy legal matters,
- net charges of \$21.4 million in connection with our restructuring plans, and
- a net gain of \$8.1 million primarily associated with insurance proceeds from the previous fire that occurred at one of our manufacturing facilities.

### Other changes in expenses compared to the first three quarters of fiscal 2023

- a decrease in share-based payment expense of \$50.1 million primarily due to volatility between periods in our share price and a decrease in the estimated level of achievement of certain performance targets,
- an increase in salary, wage, and fringe benefit expense of \$25.7 million primarily due to higher employee headcount and merit increases,
- an increase in consulting and professional fees of \$12.9 million, in part due to information technology implementation services,
- an increase in short-term incentive expense of \$8.7 million primarily due to an increase in the estimated level of achievement of certain performance targets,
- an increase in deferred compensation expense of \$7.9 million primarily due to market volatility between periods,
- an increase in information technology-related expenses of \$4.4 million,
- a decrease in advertising and promotion expense of \$4.4 million, and
- \$4.2 million in foreign currency transaction losses, primarily due to remeasuring certain intercompany notes payable.

SG&A expenses for the first three quarters of fiscal 2023 included the following items impacting the comparability of earnings:

- charges totaling \$385.7 million related to the goodwill and *Birds Eye®* brand impairments in connection with certain reporting unit changes within our Refrigerated & Frozen segment,
- charges totaling \$26.7 million related to the impairment of businesses previously held for sale, and
- net charges of \$8.4 million in connection with our restructuring plans.

## [Table of Contents](#)

### **Segment Operating Profit (Earnings before general corporate expenses, pension and postretirement non-service expense (income), interest expense, net, income taxes, and equity method investment earnings)**

(\$ in millions)	Operating Profit					
	Thirteen Weeks Ended			Thirty-Nine Weeks Ended		
	February 25, 2024	February 26, 2023	% Inc (Dec)	February 25, 2024	February 26, 2023	% Inc (Dec)
<b>Reporting Segment</b>						
Grocery & Snacks	\$ 299.3	\$ 256.4	16.7%	\$ 837.2	\$ 847.2	(1.2)%
Refrigerated & Frozen	201.5	263.6	(23.6)%	620.9	297.6	108.6%
International	42.2	37.1	13.9%	71.8	100.9	(28.8)%
Foodservice	35.4	23.8	48.7%	117.5	53.5	119.6%

Operating profit in our Grocery & Snacks segment for the third quarter of fiscal 2024 reflected an increase in gross profits of \$44.3 million compared to the third quarter of fiscal 2023. The higher gross profit was driven by the increase in net sales discussed above, productivity, lower transportation costs, and lower inventory write-offs. In addition, we received insurance proceeds related to lost sales from our *Armour Star®* brand recall that occurred in fiscal 2023 and recognized a net benefit of \$7.4 million within cost of goods sold in the third quarter of fiscal 2024. These increases were slightly offset by the impacts of input cost inflation and unfavorable fixed cost leverage.

Operating profit in our Grocery & Snacks segment for the first three quarters of fiscal 2024 reflected an increase in gross profits of \$12.8 million compared to the first three quarters of fiscal 2023. The higher gross profit was due to inflation driven pricing that was primarily implemented in the prior year, productivity, lower transportation costs, lower inventory write-offs, and a net benefit of \$7.4 million related to insurance proceeds received for lost sales from our *Armour Star®* brand recall. These increases were partially offset by the impacts of input cost inflation and unfavorable fixed cost leverage. Advertising and promotion expenses increased \$7.8 million compared to the first three quarters of fiscal 2023. Operating profit in the first three quarters of fiscal 2024 included \$7.7 million of net charges related to our restructuring plans. The first three quarters of fiscal 2023 also included expenses of \$3.5 million related to a municipal water line break.

Operating profit in our Refrigerated & Frozen segment for the third quarter of fiscal 2024 reflected a decrease in gross profits of \$59.5 million compared to the third quarter of fiscal 2023. The decrease was driven by the net sales decline discussed above, impacts of input cost inflation, and unfavorable fixed cost leverage, partially offset by productivity, lower transportation costs, and lower inventory write-offs. Operating profit in the third quarter of fiscal 2023 included charges of \$5.2 million associated with a previous fire that occurred at one of our manufacturing facilities.

Operating profit in our Refrigerated & Frozen segment for the first three quarters of fiscal 2024 reflected a decrease in gross profits of \$74.0 million compared to the first three quarters of fiscal 2023. The decrease was driven by the net sales decline discussed above, impacts of input cost inflation, and unfavorable fixed cost leverage, partially offset by inflation driven pricing that was implemented in the prior year, productivity, lower transportation costs, and lower inventory write-offs. Advertising and promotion expenses decreased \$19.1 million compared to the first three quarters of fiscal 2023. Operating profit in the first three quarters of fiscal 2024 and 2023 included charges of \$3.7 million and \$13.1 million, respectively, associated with a previous fire that occurred at one of our manufacturing facilities. Operating profit in the first three quarters of fiscal 2023 included charges of \$385.7 million related to the goodwill and *Birds Eye®* brand impairments in connection with certain reporting unit changes within our Refrigerated & Frozen segment and \$5.7 million related to the impairment of businesses previously held for sale.

Operating profit in our International segment for the third quarter of fiscal 2024 reflected an increase in gross profits of \$9.7 million when compared to the third quarter of fiscal 2023. The increase was driven by the net sales growth discussed above and productivity, partially offset by the impacts of input cost inflation and an increase in inventory write-offs. Advertising and promotion expenses increased \$3.7 million compared to the third quarter of fiscal 2023.

Operating profit in our International segment for the first three quarters of fiscal 2024 reflected an increase in gross profits of \$35.6 million when compared to the first three quarters of fiscal 2023. The increase was driven by the net sales growth discussed above and productivity, partially offset by the impacts of input cost inflation and an increase in inventory write-offs. Advertising and promotion expenses increased \$5.7 million compared to the first three quarters of fiscal 2023. Operating profit in the first three quarters of fiscal 2024 included a charge of \$34.2 million related to the impairment of a business held for sale and \$20.2 million of net charges related to our restructuring plans.

Operating profit in our Foodservice segment for the third quarter of fiscal 2024 reflected an increase in gross profits of \$9.6 million compared to the third quarter of fiscal 2023. The increase in gross profit was driven by productivity and lower transportation costs.

Operating profit in our Foodservice segment for the first three quarters of fiscal 2024 reflected an increase in gross profits of \$38.5 million compared to the first three quarters of fiscal 2023. The increase in gross profit was driven by the net sales growth discussed above, productivity, and lower transportation costs, partially offset by the impacts of input cost inflation and unfavorable fixed cost leverage. Operating profit in the first three quarters of fiscal 2024 included a benefit of \$5.9 million associated with insurance proceeds from the previous fire that occurred at one of our manufacturing facilities. Operating profit in the first three quarters of fiscal 2023 included expense of \$20.5 million related to the impairment of businesses previously held for sale.

### **Pension and Postretirement Non-service Expense (Income)**

In the third quarter of fiscal 2024, pension and postretirement non-service expense was \$1.4 million compared to income of \$6.0 million in the third quarter of fiscal 2023. In the first three quarters of fiscal 2024, pension and postretirement non-service expense was \$2.1 million compared to income of \$18.2 million in the first three quarters of fiscal 2023. The third quarter and first three quarters of fiscal 2024 reflected higher interest costs.

### **Interest Expense, Net**

Net interest expense was \$106.5 million and \$104.2 million for the third quarter of fiscal 2024 and 2023, respectively. Net interest expense was \$325.8 million and \$301.6 million for the first three quarters of fiscal 2024 and 2023, respectively. The increase was driven by a higher weighted average interest rate on outstanding debt. See Note 4, "Debt and Revolving Credit Facility", to the Condensed Consolidated Financial Statements contained in this report for further discussion.

## Income Taxes

In the third quarter of fiscal 2024 and 2023, we recognized income tax expense of \$95.9 million and \$100.1 million, respectively. In the first three quarters of fiscal 2024 and 2023, we recognized income tax expense of \$297.1 million and \$237.0 million, respectively. The effective tax rate (calculated as the ratio of income tax expense to pre-tax income, inclusive of equity method investment earnings) was approximately 23.7% and 22.6% for the third quarter of fiscal 2024 and 2023, respectively. The effective tax rate was approximately 24.5% and 26.8% for the first three quarters of fiscal 2024 and 2023, respectively. See Note 11, "Income Taxes", to the Condensed Consolidated Financial Statements contained in this report for a discussion on the change in effective tax rates.

## Equity Method Investment Earnings

Equity method investment earnings were \$41.2 million and \$50.5 million for the third quarter of fiscal 2024 and 2023, respectively. Equity method investment earnings were \$131.0 million and \$149.0 million for the first three quarters of fiscal 2024 and 2023, respectively. Ardent Mills earnings for the third quarter of fiscal 2024 continued to reflect slightly lower volume trends as seen throughout the industry, partially offset by improved product margins.

## Earnings Per Share

Diluted earnings per share in the third quarter of fiscal 2024 and 2023 was \$0.64 and \$0.71, respectively. The decrease reflected lower net income in the third quarter of fiscal 2024. Diluted earnings per share in the first three quarters of fiscal 2024 and 2023 was \$1.91 and \$1.34, respectively. The increase in diluted earnings per share for the first three quarters of fiscal 2024 reflected higher net income.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources of Liquidity and Capital

The primary objective of our financing strategy is to maintain a prudent capital structure that provides us flexibility to pursue our growth objectives. We use a combination of equity and short- and long-term debt. We use short-term debt principally to finance ongoing operations, including our seasonal requirements for working capital (accounts receivable, prepaid expenses and other current assets, and inventories, less accounts and other payables, accrued payroll, and other accrued liabilities). We are committed to maintaining solid investment grade credit ratings.

Management believes that existing cash balances, cash flows from operations, existing credit facilities, our commercial paper program, and access to capital markets will provide sufficient liquidity to meet our debt obligations, including any repayment of debt or refinancing of debt, working capital needs, planned capital expenditures, other contractual obligations, and payment of anticipated quarterly dividends for at least the next twelve months and the foreseeable future thereafter.

### Borrowing Facilities and Long-Term Debt

At February 25, 2024, we had a revolving credit facility (the "Revolving Credit Facility") with a syndicate of financial institutions providing for a maximum aggregate principal amount outstanding at any one time of \$2.0 billion (subject to increase to a maximum aggregate principal amount of \$2.5 billion with the consent of the lenders). The Revolving Credit Facility matures on August 26, 2027 and is unsecured. The Company may request the term of the Revolving Credit Facility be extended for additional one-year or two-year periods from the then-applicable maturity date on an annual basis. We have historically used a credit facility principally as a back-up for our commercial paper program. As of February 25, 2024, there were no outstanding borrowings under the Revolving Credit Facility.

As of February 25, 2024, we had \$116.0 million outstanding under our commercial paper program. The highest level of borrowings outstanding during the first three quarters of fiscal 2024 was \$697.0 million. We had \$576.0 million outstanding under our commercial paper program as of May 28, 2023.

During the second quarter of fiscal 2024, we prepaid \$250.0 million of the \$500.0 million aggregate principal amount outstanding under our unsecured Term Loan (the "Term Loan"). The repayment was funded by operating cash flows and the issuance of commercial paper. The remaining balance matures on August 26, 2025.

During the first quarter of fiscal 2024, we issued \$500.0 million aggregate principal amount of 5.30% senior notes due October 1, 2026. The net proceeds were used to repay the outstanding \$500.0 million aggregate principal amount of our 0.50% senior notes on their maturity date of August 11, 2023.

We have \$1.00 billion aggregate principal amount of 4.30% senior notes maturing on May 1, 2024 that we expect to pay and/or refinance using available sources which may include the investment grade note market, bank loans, commercial paper, and cash on hand.

For additional information about our long-term debt balances, refer to Note 4, "Debt and Revolving Credit Facility", to the Condensed Consolidated Financial Statements contained in this report and Note 3, "Long-Term Debt", to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended May 28, 2023. The weighted average coupon interest rate of long-term debt obligations outstanding as of February 25, 2024 was approximately 4.8%.

We expect to maintain or have access to sufficient liquidity to retire or refinance long-term debt at maturity or otherwise, from operating cash flows, our commercial paper program, access to the capital markets, and our Revolving Credit Facility. We continuously evaluate opportunities to refinance our debt; however, any refinancing is subject to market conditions and other factors, including financing options that may be available to us from time to time, and there can be no assurance that we will be able to successfully refinance any debt on commercially acceptable terms at all.

## [Table of Contents](#)

As of the end of the third quarter of fiscal 2024, our senior long-term debt ratings were all investment grade. A significant downgrade in our credit ratings would not affect our ability to borrow amounts under the Revolving Credit Facility, although borrowing costs would increase. A downgrade of our short-term credit ratings would impact our ability to borrow under our commercial paper program by negatively impacting borrowing costs and causing shorter durations, as well as making access to commercial paper more difficult, or impossible.

Our most restrictive debt agreement (the Revolving Credit Facility) generally requires our ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest expense not be less than 3.0 to 1.0 and our ratio of funded net debt to EBITDA not to exceed 4.5 to 1.0. Each ratio is to be calculated on a rolling four-quarter basis. As of February 25, 2024, we were in compliance with these financial covenants.

### **Equity and Dividends**

We repurchase shares of our common stock from time to time after considering market conditions and in accordance with repurchase limits authorized by our Board. Under our current share repurchase authorization, we may repurchase our shares periodically over several years, depending on market conditions and other factors, and may do so in open market purchases or privately negotiated transactions. The share repurchase authorization has no expiration date. We did not repurchase any shares of common stock during the first three quarters of fiscal 2024. The Company's total remaining share repurchase authorization as of February 25, 2024 was \$916.6 million.

On February 29, 2024, the Company paid a quarterly cash dividend on shares of its common stock of \$0.35 per share to stockholders of record as of close of business on January 30, 2024.

### **Contractual Obligations**

As part of our ongoing operations, we enter into contractual arrangements that obligate us to make future cash payments. These obligations impact our liquidity and capital resource needs. In addition to principal and interest payments on our outstanding long-term debt and notes payable balances, discussed above, our contractual obligations primarily consist of lease payments, income taxes, pension and postretirement benefits, and unconditional purchase obligations. In the second quarter of fiscal 2024, we entered into a contract that contains a lease that has not yet commenced with minimum aggregate payments totaling \$81.8 million over a term of 10 years. There were no other material changes to our contractual obligations from those disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended May 28, 2023.

### **Capital Expenditures**

We continue to make investments in our business and operating facilities. Our estimate of capital expenditures for fiscal 2024 is approximately \$425 million.

### **Cash Flows**

During the first three quarters of fiscal 2024, we used \$14.6 million of cash, which was the net result of \$1.53 billion generated from operating activities, \$295.6 million used in investing activities, and \$1.25 billion used in financing activities.

Cash generated from operating activities totaled \$1.53 billion and \$703.4 million in the first three quarters of fiscal 2024 and 2023, respectively. The increase in operating cash flows for the first three quarters of fiscal 2024 compared to the first three quarters of fiscal 2023 was primarily driven by our change in inventory balances, which were impacted by reduced inventory volumes due to recent consumption trends in addition to an inventory rebuild from previous supply chain constraints in fiscal 2023. Other changes in working capital were positively impacted by decreased accounts receivables and extended payment terms with certain vendors resulting in reduced cash outflows for accounts and other payables. Operating cash flows in the first three quarters of fiscal 2024 also benefited from higher dividend payments received from one of our equity method investments in the second quarter.

Cash used in investing activities totaled \$295.6 million and \$260.2 million in the first three quarters of fiscal 2024 and 2023, respectively. Net cash outflows from investing activities in the first three quarters of fiscal 2024 and 2023 consisted primarily of capital expenditures totaling \$309.6 million and \$267.4 million, respectively.

Cash used in financing activities totaled \$1.25 billion and \$454.5 million in the first three quarters of fiscal 2024 and 2023, respectively. Financing activities in the first three quarters of fiscal 2024 principally reflected repayments of long-term debt of \$766.8 million, the issuance of long-term debt totaling \$500.0 million, net short-term borrowing repayments of \$473.8 million, and cash dividends paid of \$492.0 million. Financing activities in the first three quarters of fiscal 2023 principally reflected repayments of long-term debt of \$708.0 million, the issuance of long-term debt totaling \$500.0 million, net short-term borrowing issuances of \$367.9 million, cash dividends paid of \$466.4 million, and common stock repurchases of \$150.0 million.

### **Cash Held by International Subsidiaries**

The Company had cash and cash equivalents of \$78.5 million at February 25, 2024 and \$93.3 million at May 28, 2023, of which \$67.4 million at February 25, 2024 and \$84.9 million at May 28, 2023 was held in foreign countries. A deferred tax liability is provided for certain undistributed foreign earnings that are not considered to be indefinitely reinvested or cannot be remitted in a tax-neutral transaction. Other undistributed foreign earnings are invested indefinitely and therefore we have not provided deferred taxes on those earnings.

### **CRITICAL ACCOUNTING ESTIMATES**

Consistent with previous years, we will perform our annual impairment test on our indefinite-lived intangible assets and goodwill in the fourth quarter of fiscal 2024. We recognized impairment charges on several brands, primarily from the Pinnacle acquisition, in the fourth quarter of both fiscal 2023 and 2022. As a result of the impairment charges, these assets were written down to their respective fair values resulting in zero excess fair value over carrying amount. If expectations of future long-term growth rates and margins are not met or if management's future strategy changes on certain brands, there is a heightened risk of future impairment.

## [Table of Contents](#)

For further discussion of our critical accounting estimates, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in Part II, Item 7, of our Annual Report on Form 10-K for the fiscal year ended May 28, 2023.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The principal market risks affecting us are exposures to price fluctuations of commodity and energy inputs, interest rates, and foreign currencies.

Other than the changes noted below, there have been no material changes in our market risk during the thirty-nine weeks ended February 25, 2024. For additional information, refer to the "Quantitative and Qualitative Disclosures About Market Risk" section in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended May 28, 2023.

#### **Commodity Market Risk**

We purchase commodity inputs such as wheat, corn, vegetable oils, pork, dairy products, and energy to be used in our operations. These commodities are subject to price fluctuations that may create price risk. We enter into commodity hedges to manage this price risk using physical forward contracts or derivative instruments. We have policies governing the hedging instruments our businesses may use. These policies include limiting the dollar risk exposure for each of our businesses. We also monitor the amount of associated counter-party credit risk for all non-exchange-traded transactions.

#### **Interest Rate Risk**

We may use interest rate swaps to manage the effect of interest rate changes on the fair value of our existing debt as well as the forecasted interest payments for the anticipated issuance of debt.

The carrying amount of long-term debt (including current installments) was \$8.51 billion as of February 25, 2024. Based on current market rates, the fair value of this debt at February 25, 2024 was estimated at \$8.29 billion. As of February 25, 2024, a 1% increase in the interest rates would decrease the fair value of our fixed rate debt by approximately \$372.1 million, while a 1% decrease in interest rates would increase the fair value of our fixed rate debt by approximately \$417.8 million.

#### **Foreign Currency Risk**

In order to reduce exposures for our processing activities related to changes in foreign currency exchange rates, we may enter into forward exchange or option contracts for transactions denominated in a currency other than the functional currency for certain of our operations. This activity primarily relates to economically hedging against foreign currency risk in purchasing inventory and capital equipment, sales of finished goods, and future settlement of foreign denominated assets and liabilities.

#### **Effect of Hypothetical 10% Fluctuation**

The potential gain or loss on the fair value of our outstanding commodity and foreign exchange contracts, assuming a hypothetical 10% fluctuation in commodity prices and foreign currency exchange rates, would have been (in millions):

In Millions	Fair Value Impact	
	February 25, 2024	February 26, 2023
Energy commodities	\$ 2.6	\$ 4.3
Agriculture commodities	6.0	6.4
Foreign exchange	9.2	9.1

It should be noted that any change in the fair value of our derivative contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged items. In relation to foreign currency contracts, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

The Company's management carried out an evaluation, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of February 25, 2024. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

#### **Internal Control Over Financial Reporting**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated any change in the Company's internal control over financial reporting that occurred during the quarter covered by this report and determined that there was no change in our internal control over financial reporting during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

For additional information on legal proceedings, please refer to Note 15, "Contingencies", to the financial statements contained in our Annual Report on Form 10-K for the fiscal year ended May 28, 2023 and Note 12, "Contingencies", to the Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

### **ITEM 1A. RISK FACTORS**

A discussion of our risk factors can be found in Item 1A, "Risk Factors", in our Annual Report on Form 10-K for the fiscal year ended May 28, 2023 and in our other filings with the SEC. During the third quarter of fiscal 2024, there were no material changes to our previously disclosed risk factors.

### **ITEM 5. OTHER INFORMATION**

#### **Trading Arrangements**

None of the Company's directors or "officers" (as defined in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934, as amended) adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K, during the Company's fiscal quarter ended February 25, 2024.

**ITEM 6. EXHIBITS**

All documents referenced below were filed pursuant to the Securities Exchange Act of 1934, as amended, by Conagra Brands, Inc. (file number 001-07275), unless otherwise noted.

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
3.1	<a href="#">Restated Certificate of Incorporation of Conagra Brands, Inc., incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2022</a>
3.2	<a href="#">Amended and Restated Bylaws of Conagra Brands, Inc., incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on September 19, 2023</a>
31.1	<a href="#">Section 302 Certificate of Chief Executive Officer</a>
31.2	<a href="#">Section 302 Certificate of Chief Financial Officer</a>
32	<a href="#">Section 906 Certificates</a>
101	The following materials from Conagra Brands' Quarterly Report on Form 10-Q for the quarter ended February 25, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) Notes to Unaudited Condensed Consolidated Financial Statements, and (vi) document and entity information.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONAGRA BRANDS, INC.

By: /s/ DAVID S. MARBERGER

David S. Marberger

*Executive Vice President and Chief Financial Officer*

By: /s/ WILLIAM E. JOHNSON

William E. Johnson

*Senior Vice President and Corporate Controller*

Dated this 4th day of April, 2024.

## CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Sean M. Connolly, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended February 25, 2024 of Conagra Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 4th, 2024

/s/ SEAN M. CONNOLLY

Sean M. Connolly  
Chief Executive Officer

## CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, David S. Marberger, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended February 25, 2024 of Conagra Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 4th, 2024

/s/ DAVID S. MARBERGER

\_\_\_\_\_  
 David S. Marberger  
 Executive Vice President and Chief Financial Officer

**CERTIFICATION**

**Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Sean M. Connolly, Chief Executive Officer of Conagra Brands, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge that Conagra Brands, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 25, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Conagra Brands, Inc. as of and for the periods presented.

April 4th, 2024

/s/ SEAN M. CONNOLLY

Sean M. Connolly  
Chief Executive Officer

I, David S. Marberger, Executive Vice President and Chief Financial Officer of Conagra Brands, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge that Conagra Brands, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 25, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Conagra Brands, Inc. as of and for the periods presented.

April 4th, 2024

/s/ DAVID S. MARBERGER

David S. Marberger  
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Conagra Brands, Inc. and will be retained by Conagra Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.