



## Second-quarter 2025 Earnings Prepared Remarks July 29, 2025

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### Slide 4: Q2 Highlights

In Q2, we delivered **strong top-line growth of +5.6%**, driven by sound pricing execution across our chocolate portfolio in light of unprecedented cocoa input cost inflation. Our **broad geographic footprint remains a key competitive advantage, with strong growth across most geographies**; developed markets grew low single digits, and emerging markets grew double digits. Despite consumers' sentiment being impacted by inflation and uncertainty, mostly in the U.S., our categories are holding up well, and volume/mix was only modestly down in the quarter.

We remain focused on driving **strong free cash flow – generating \$800 million during the first half of the year with a strong cash conversion cycle** – while deploying capital strategically to build long-term value. **Year to date, we have returned \$2.9 billion in capital to shareholders** through buybacks, at an average price per share of \$58.33, and dividends. We also announced an **increase of +6% in our quarterly cash dividend** – extending our strong track record of attractive dividend growth.

These results, along with continued execution of our chocolate strategy playbook and enduring consumer loyalty to our iconic brands, provide confidence that we will deliver a strong second half to the year. Accordingly, we are **maintaining our full-year outlook**. Our teams remain focused on delivering our strategic agenda, controlling the controllables, and staying agile in this challenging macro environment.

### **Slide 5: Growth & Profitability**

For the quarter, organic net revenue grew +5.6% driven by strategic pricing to navigate continued inflation in cocoa input costs. **Volume/mix declined slightly, down 1.5%, due to elasticity from chocolate pricing, some pack down-weight accounting for approximately 1pp of decline, and continued U.S. softness** – due to a combination of consumer concerns about inflation and retailer inventory destocking.

**Adjusted gross profit declined 11.3%, mostly resulting from unprecedented levels of cocoa inflation in the chocolate business.** As expected, adjusted EPS declined 14.5%.

### **Slide 6: Consumer & Category Trends**

Consumers' enduring preference for snacking remains solid, despite continuing economic and political concerns in many markets.

**In North America, value-seeking consumers are shifting to lower price points, bulk buying and multipacks** amid lingering concerns about a broader economic slowdown. As a result, growth in the biscuits category remains soft – particularly in crackers – but penetration and basket size are showing signs of recovery. Continued investments in price-pack architecture – such as smaller “hold fresh” packs at an attractive everyday price and disproportionate growth in alternate channels – are helping us maintain share. At the same time, higher-income consumers, especially those in Generations Y and Z, are shifting to digital channels. We're continuing to adapt to address these changing needs.

Meanwhile, in **Europe, consumers are spending more overall as they adapt to recent inflation, although snacking purchase frequency is down modestly.** While chocolate performance softened recently in a few countries that were particularly challenged by summer heat waves, we remain confident in our overall chocolate playbook and consumer loyalty to the category. Despite a modest uptick in chocolate elasticity, we continue winning share across both chocolate and biscuits in most key markets.

**In emerging markets, consumers are spending more on snacks overall, but managing inflation by shifting channels to bulk and discount outlets.** We continue to experience sustained category value and volume growth, with year-

to-date share gains in Brazil in both chocolate and biscuits, while holding share in India chocolate and Mexico biscuits.

### **Slide 7: Snacking Growth Opportunity**

Year after year, our consumer survey data shows that consumers cannot imagine a world without chocolate, and that they count on their favorite cookies, crackers, cakes and pastries to help celebrate life's moments. As a result, **snacking remains highly attractive, growing both buyers and occasions, in developed and, especially, in emerging markets.** While global economic volatility continues driving short-term consumption pressures, particularly in the U.S., consumers' rapidly changing functional and emotional needs continue to drive interest in new snacking formats and flavors. Momentum from Generations Y and Z is spurring consumers' appetite for a broad range of snacks, with recruitable consumers from other food categories, and price elasticities generally lower than other food and consumer products.

With enduring loyalty to our iconic brands and a proven execution playbook, we remain **well positioned to capitalize on significant long-term opportunities – including expanding distribution, optimizing channels, and growing household penetration** into adjacent categories, price tiers and pack formats. Additionally, the continued evolution of the cakes and pastries segment, along with emerging consumer-centric snacking occasions, offer exciting opportunities to deliver attractive growth.

### **Slide 8: Agenda**

### **Slide 9: Top-Line by Market**

In Q2 our organic revenue growth of +5.6% was strong. This growth was led by sound pricing execution associated with cocoa inflation across our chocolate portfolio. Volume/mix was down 1.5% due to:

- Elasticity from chocolate pricing
- Soft U.S. consumption
- Revenue growth management including package downsizing – accounting for approximately 1pp impact
- Retailer inventory destocking in the U.S. – accounting for approximately 0.2pp of impact

**Developed Markets grew +2.7%** due primarily to strong pricing execution in Western Europe, Canada and Australia/New Zealand with a **volume/mix decline of 1.8%**.

**Emerging Markets grew +10.2% with a slight volume/mix decline of 0.8%.** Emerging market strength was driven by Brazil, India, Middle East Africa and Central and Eastern Europe.

#### **Slide 10: Growth by Category**

**Biscuits and baked snacks grew +1.6% during Q2. Brands including Oreo, LU, 7 Days and TUC all delivered growth.** The U.S. biscuit business declined primarily due to lower consumption as consumer sentiment remains soft amid economic and inflation concerns, resulting in an overall category volume decline, while our share held flat. The US biscuits business was also negatively impacted by continued retailer destocking.

**Chocolate increased +16.9% with broad-based growth in both developed and emerging markets. Volume/mix was down 3.8%, driven by elasticities along with revenue growth management and product downsizing.** Brand growth was widespread across global and local brands, as Cadbury Dairy Milk, Milka, Lacta, Cote d'Or, Freia/Marabou and Hu all posted double-digit increases.

**Gum and Candy grew +2.3%** driven by strength in Brazil, India, Middle East and Africa.

#### **Slide 11: Share Performance**

Share performance remains **solid on a year-to-date basis with 70% of our revenue base either gaining or holding share.** Our snacking categories value growth remains vibrant globally. Biscuit and baked snacks category growth is mid-single digits, when excluding the U.S. market, which is heavily impacted by overall consumer sentiment.

#### **Slide 12: Regional Growth & Profitability**

On a regional basis, we posted strong growth in three of four regions. **Europe revenue grew +12.5% in Q2 behind strong execution of our chocolate strategy, which included robust pricing, comprehensive revenue growth management and lower customer disruption than in the prior year.** These results also include

a strong Easter performance with share gains. The UK, France and Germany all delivered strong growth. Volume declines in Europe were driven by elasticity in conjunction with pricing and revenue growth management activities, consistent with our chocolate strategy and cocoa inflation.

Europe profitability was significantly impacted by cocoa inflation, as operating income dollars were down 15.1% in the quarter.

**North America revenue declined 3.4% due primarily to U.S. retailer destocking and soft consumption, particularly in the food and mass channels.** Lower frequency in low-income households that are prioritizing the essentials and seeking specific basket sizes remains a headwind. We are focused on growing the size of our lower-priced portfolio, expanding in multipacks, and growing our share in under-represented channels such as convenience, club and value.

North America operating income declined 23.5% in Q2 related to lower volumes and some cocoa cost inflation in our Oreo and Chips Ahoy! brands.

**AMEA revenue grew +8.6% in the second quarter.** Strong results from India, Australia/New Zealand, Middle East and Africa drove top-line growth. India grew double-digit with a rebound in the chocolate business, while China grew low-single digits in the face of an ongoing slowdown in consumer confidence. Australia, New Zealand and Japan delivered another strong quarter with mid-single digit top-line growth from strong pricing execution.

AMEA operating income dollars declined 3.4%, due primarily to cocoa input cost inflation.

**Latin America revenue grew +5.4% with solid price execution and a volume/mix decline of 2.2%.** Brazil posted high-single digit growth with strong chocolate and gum results. Mexico declined low-single digits due to weakness in candy and powdered beverages, which offset biscuit and chocolate growth. The Mexican economy remains challenged as consumers prioritize the basics and engage in value-seeking behavior.

Latin America operating income dollars declined 2.4%, mainly due to cocoa inflation.

**Slide 13: Profitability Drivers**

**Q2 adjusted gross profit dollars declined 11.3% and adjusted operating income dollars declined 16.0% in constant currency.** Strong top-line growth and cost discipline partially offset lower volumes and significant double-digit cocoa inflation. Our full-year 2025 outlook for cocoa cost inflation remains unchanged.

#### **Slide 14: Earnings Per Share**

**Q2 EPS declined 14.5% in constant currency. Most of the decline resulted from unprecedented levels of cocoa inflation in the chocolate business.**

#### **Slide 15: Cash Flow & Capital Deployment**

We remain focused on driving strong free cash flow and value-creating capital deployment. We generated **\$800 million in free cash flow through the first half, with strong growth and cash conversion cycle performance. Share repurchases now total \$1.7 billion year-to-date at an average cost of \$58.33.** We continue to maintain an opportunistic approach with respect to share buybacks.

We also announced an increase in our quarterly cash dividend of +6% to 50c per share. This continues a strong and sustained track record of attractive dividend growth.

#### **Slide 16: Agenda**

#### **Slide 17: Cocoa Trends**

Although cocoa prices remain elevated relative to historical averages, **both spot rates and future curves have declined over the past quarter in anticipation of a supply-demand surplus for the new crop.** Industry volume declines due to elasticities and adjacent categories switching from chocolate to alternatives drove, together with expectations of a good crop, a meaningful decline.

The next few months will provide additional clarity with respect to the “main crop,” which is expected to be a key driver of future prices.

We have made good progress with respect to cocoa coverage in 2026 between options and futures contracts. We continue to monitor the market closely to manage volatility, enhance flexibility and minimize risk.

### **Slide 18: Outlook**

We are **maintaining our 2025 outlook for organic revenue, earnings per share and free cash flow**. U.S. retailer destocking and the impact of hotter weather on European chocolate have resulted in additional headwinds that reduce flexibility for our full-year outlook. Most of our key assumptions remain consistent with our most recent earnings call. Key elements of those assumptions include:

- **No incremental tariff costs since our last earnings call.**
- **EPS flat related to FX. This dynamic could rapidly change.**

### **Slide 19: 2026 Considerations**

We remain confident in our ability to execute against our strategy and deliver on our 2025 commitments. Our objectives remain the same in terms of running a balanced P&L for 2025 while continuing to maintain a sound chocolate business and category for the long term. We continue to invest behind our business, stay agile and remain on target with our cost savings initiatives. **While it remains too early to provide a detailed outlook, we continue to expect EPS growth in 2026**, underpinned by both our chocolate business and biscuits and baked snacks business. This growth includes an expectation of additional reinvestment, primarily in working media, as we focus on delivering attractive and sustained multi-year growth.