

# Lancaster Colony Corporation



March 2023

This presentation was prepared by Lancaster Colony Corporation for information purposes only and is not an offer or solicitation with respect to the purchase or sale of Company securities. We desire to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 (the “PSLRA”). Any statements concerning the Company’s future performance included in this presentation or made orally to the recipients of this presentation are “forward-looking statements” within the meaning of the PSLRA and other applicable securities laws. Such statements can be identified by the use of the forward-looking words “anticipate,” “estimate,” “project,” “believe,” “intend,” “plan,” “expect,” “hope” or similar words. These statements discuss future expectations; contain projections regarding future developments, operations or financial conditions; or state other forward-looking information. Such statements are based upon assumptions and assessments made by us in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. These forward-looking statements involve various important risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed in the forward-looking statements. Actual results may differ as a result of factors over which we have no, or limited, control. Management believes these forward-looking statements to be reasonable; however, you should not place undue reliance on such statements that are based on current expectations. For example, fluctuations in the market price of material or freight costs or general economic conditions for domestic consumers, over which we have no control, may significantly influence our financial results. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update such forward-looking statements. More detailed statements regarding significant events that could affect our financial results are included in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission and available at [www.lancastercolony.com](http://www.lancastercolony.com).

# Evolution of Lancaster Colony ...

P3

## 1961 – 2013



- Established 1961 and grew through numerous acquisitions
- In 2007, commenced strategic plan to divest of all non-food businesses

## 2014 – 2022



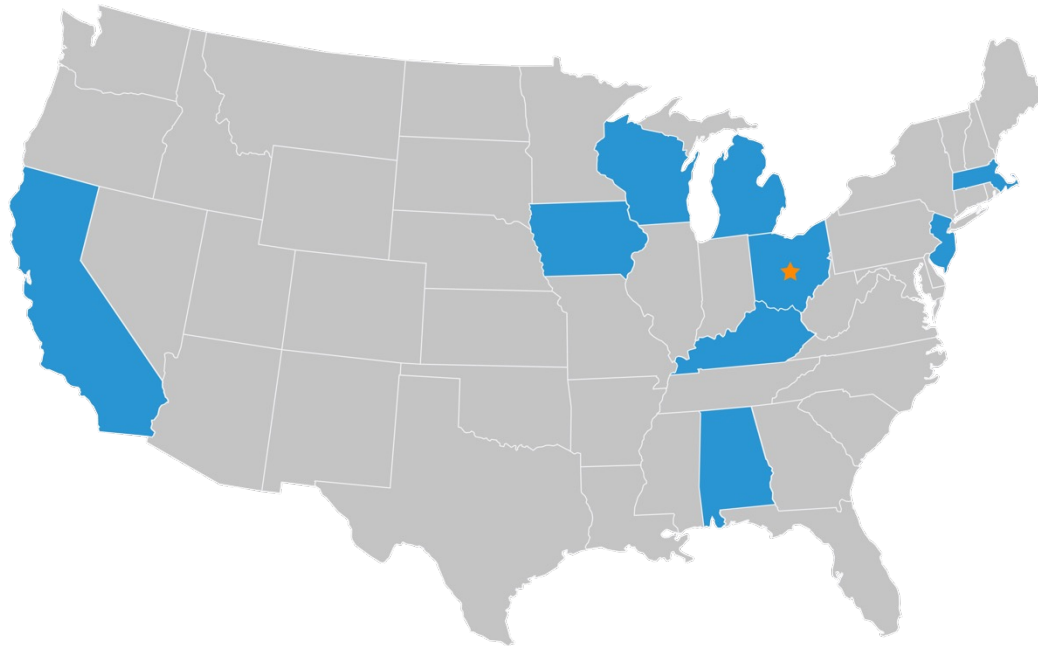
**SAP S/4 HANA**

- Portfolio streamlined to exclusively food with sale of Candle business in 2014
- Beginning in 2019, a period of investment in assets and capabilities to grow and support the next phase of our business. Key investments:
  - ✓ New Innovation Center
  - ✓ Increased production capacity for dressings and sauces
  - ✓ New, scalable ERP platform

## 2023 and Beyond



- Period of increased investments concludes
- Leverage new, scalable infrastructure to pursue existing and new pathways to both organic and inorganic growth



- Manufacturer and Marketer of Specialty Food Products
- Established in 1961
- Headquartered in Westerville, Ohio
- FY22 Net Sales of \$1.7 Billion (primarily U.S.)
- 15 Production Facilities in Nine States
- Approximately 3,200 Employees





- Leading Market Share Positions in Retail Food Categories
- Supplier to 17 of the Top 30 National Restaurant Chains
- Growing and Consumer-Relevant Retail Licensing Program
- Long History of Sustained Organic Sales Growth
- Strong Cash Flows
- One of 13 U.S. Companies to have Increased Regular Cash Dividend for 60 Consecutive Years

## 1. Defined Winning - Pursue Top Quartile Financial Performance

- Grow Organic Sales Volumes Low- to Mid-Single Digit (pounds shipped basis)
- Grow Operating Margins

## 2. Developed Strategy

- Strategic Growth Initiatives
  - Accelerate Base Business Growth
  - Simplify Supply Chain
  - Expand Core with Retail Licensing Program and Focused M&A

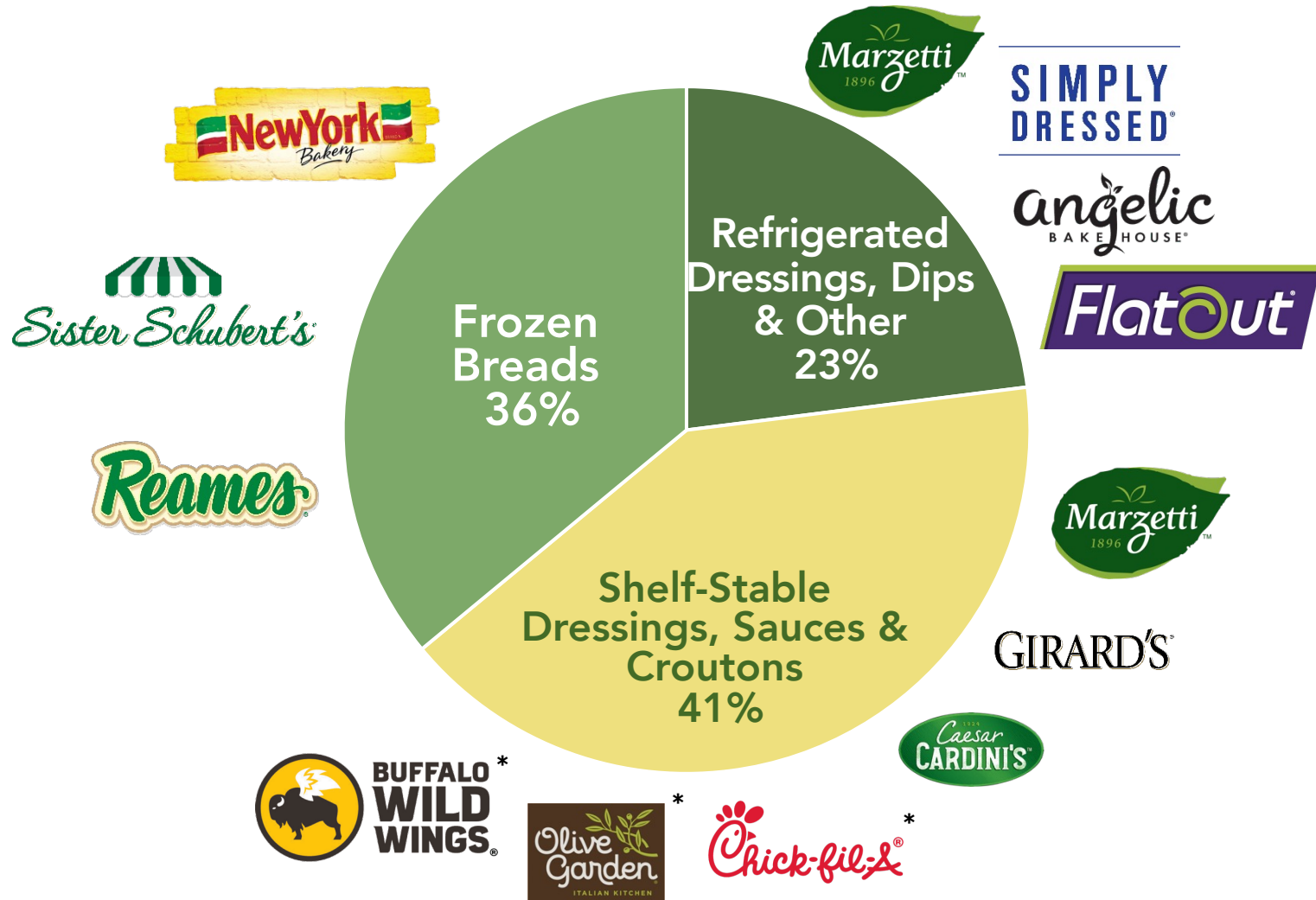


## 3. Strengthened Organization

- Top-Graded Talent
- Investing in Plants to Drive Efficiency and Support Growth
- Investing in IT Infrastructure to Improve Efficiency and Effectiveness
- All Supported by a Transcendent Vision to be a Purpose-Driven Organization

## Retail Sales Mix (55% of Total Net Sales)

P7



Based on approximated net sales for the 12 months ending June 30, 2022.

\* Products for these brands are produced and sold under exclusive licensing agreements.

## Foodservice Sales Mix (45% of Total Net Sales)

P8



Based on approximated net sales for the 12 months ending June 30, 2022.



# Retail Segment Growth Initiatives

P9

Initiative	Brand	Products	Initial Ship Date
Licensing		 	<p>Added Larger 24 oz. Chick-fil-A Sauce <b>Fall 2022</b></p> <p>BBQ &amp; Sriracha Flavors National Launch <b>March 2023</b></p>
			<p>Arby's Sauce and Horsey Sauce Launch <b>Fall 2022</b></p>
			<p>Added BWW Hot and Nashville Hot Flavors to BWW Lineup <b>March 2022</b></p>

\* Products for these brands are produced and sold under exclusive licensing agreements.

# Retail Segment Growth Initiatives

P10

Initiative	Brand	Products	Initial Ship Date
Licensing			Adding new Caesar flavor to Olive Garden Product Line March 2023
Innovation & Renovation			Filled Bites Fall 2022
			Restage Lineup of Marzetti Simply Refrigerated Dressings March 2023

\* Products for these brands are produced and sold under exclusive licensing agreements.

### Consumer-Relevant Retail Licensing Program



- Successfully developed exclusive licensing agreements through our proven culinary expertise, strong reputation and longstanding relationships in the foodservice channel combined with our demonstrated sales execution in the retail channel
- Per IRI scanner data\*, retail channel sales of our licensed Chick-fil-A sauces, Buffalo Wild Wings sauces, Olive Garden dressings, and Arby's sauces, combined, totaled \$355 Million for the 52-week period ended January 1, 2023, an increase of 17% over the prior-year period
- Opportunities for continued growth through established and potential future agreements supported by our capacity expansion investments

*Dressings and Sauces for the brands noted above are produced and sold to the retail channel under exclusive licensing agreements with Lancaster Colony.*

*\* IRI Total U.S. Multi-Outlet data for the 52 weeks ended 1/1/2023.*

## Simplify Supply Chain and Reduce Costs

### Lean Six Sigma Program

Since introduction in FY18, program has focused on personnel development and cost savings ...

- Volunteers across the company representing all areas of the business
- Significant cost savings

As the program grows, we will focus upon the assignment and completion of projects that align with our key business goals and priorities ...



- Participants nominated by leaders in conjunction with personal development plans
- Certified belts continue in their mission to eliminate waste and system losses focusing on projects aligned with organizational goals and business priorities
- Pursuit of projects to support continuous improvement
- Added focus on Root Cause Analysis or “white belts level” training for employees at all manufacturing facilities
- Further cost savings



## Simplify Supply Chain and Reduce Costs

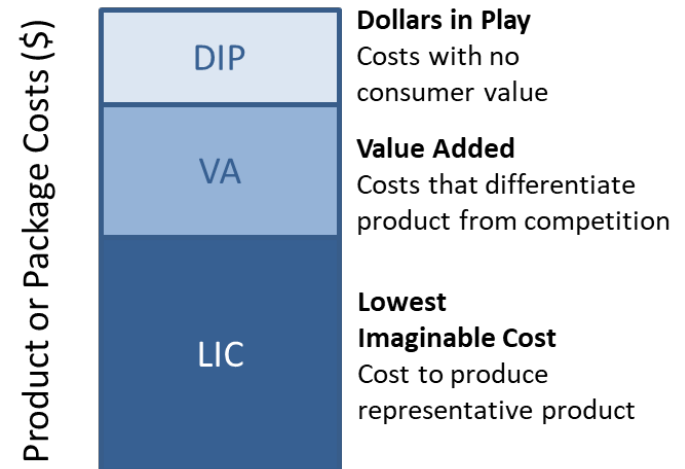
### Value Engineering (VE) to Help Offset Cost Inflation and Improve Profitability

*Identify opportunities to reduce product and packaging costs that consumer doesn't value*

- Lower-cost packaging materials
- Alternative/substitute ingredients
- Coordinated/cross-functional initiative among R&D, Marketing, Procurement, Manufacturing/Engineering and Finance



### VE Approach



## Simplify Supply Chain and Reduce Costs

### Strategic Procurement

- Should-Cost Modeling
- More Extensive Competitive Bidding
- Strategic Supplier Selection
- Extending Payment Terms



## Simplify Supply Chain and Reduce Costs

### Transportation and Warehousing Initiatives

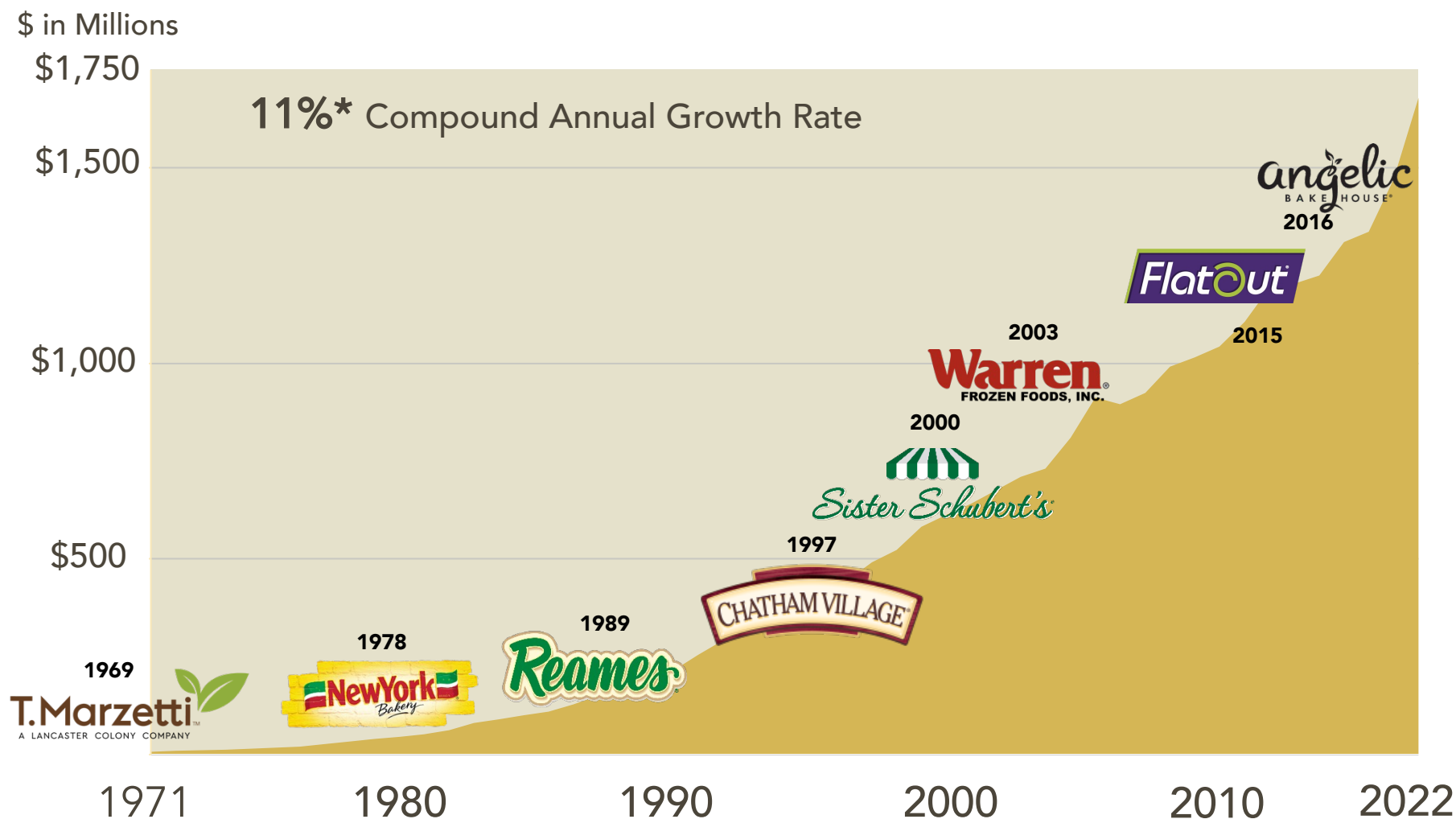


- Transportation Management System
- Expanded Base of Dedicated Carriers
- Lane and Truckload Optimization
- Mixing Centers
- Added New Columbus-Based Warehouse Location and Pursuing Other Initiatives to Reduce Material Handling Costs, Decrease Third-Party Warehouse Needs and Improve Inventory Management



# Successful Track Record of Growth through Acquisitions

P16



Net sales information is presented as originally reported in Lancaster Colony's Annual Report for the fiscal years ending June 30. Therefore, certain years may not reflect adjustments for subsequent accounting changes.

\*Compound Annual Growth Rate calculated from fiscal year 1972 through fiscal year 2022.



- Supply Chain
- R&D and Quality
- Retail
- Foodservice
- Information Technology
- Finance



- ERP Initiative



Lancaster Colony

## Investing to Drive Efficiency and Support Growth

### Significant Capacity Expansion Project for Dressings and Sauces



- Added 192,000 square feet to existing facility in Horse Cave, KY
- Provides increased processing, warehousing and utilities to expand production capacity and support continued growth of our dressing and sauce products in both the Retail and Foodservice segments
- Total capital expenditure estimated at ~\$130 Million, with approximately ~\$50 Million being be spent in Fiscal 2023 to complete project
- Commercial production commenced December 2022

## Building a Solid Foundation for ESG Disclosure and Performance

Materiality assessment, disclosure frameworks, ESG ratings & disclosure best practices



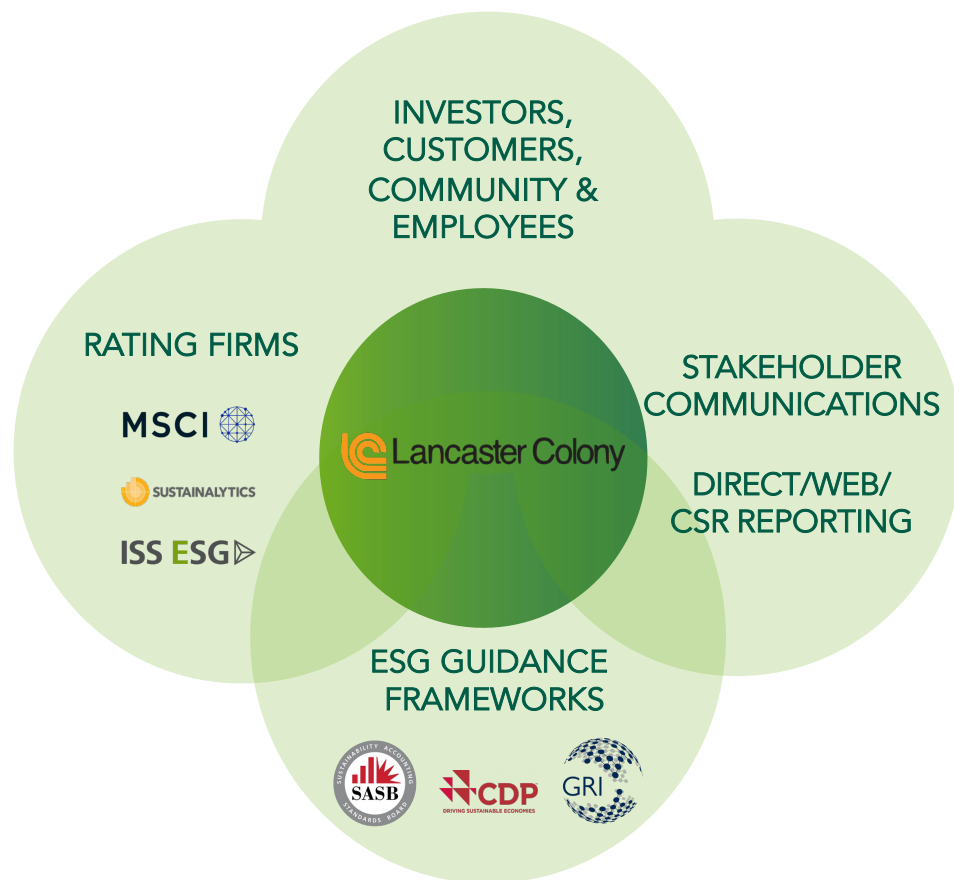
Executing repeatable disclosure strategy



Working to align Corporate efforts to the ESG Ecosystem



Benchmark peer performance, ratings, and survey feedback to prioritize future efforts



The logo features the letters 'ESG' in a large, bold, sans-serif font. The 'E' is green, while the 'S' and 'G' are a darker teal color.

LANCASTER COLONY  
CORPORATION

**2022**

**ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE REPORT**

This Corporate Sustainability Report (CSR) covers the activities of Lancaster Colony for the fiscal year ending June 30, (FY21).

## Developing Enterprise Sustainability & ESG Program

- ▶ Evaluating conformance with established reporting and disclosure frameworks
- ▶ Performing gap assessments of our sustainability program elements to identify areas for improvement
- ▶ Benchmarking selected industry peers'/leaders' sustainability program attributes
- ▶ Developing sustainability policy, strategy, programs, and implementation plans
- ▶ Establishing key performance indicators, targets & goals



# Fiscal 2023 – First Half Financial Performance

P21

## \$ in Millions

(Except Per Share Values)

### FY23 First Half Results vs. Prior Year

(Six Months Ended December 31, 2022)

	Value	\$ Change	% Change
<b>Consolidated Net Sales</b>	\$902.9	\$82.4	10.0%
<b>Gross Profit</b>	\$201.2	\$12.2	6.4%
<b>SG&amp;A</b>	\$100.5	(\$2.9)	(2.8%)
<b>Operating Income</b>	\$100.6	\$14.8	17.3%
<b>Earnings Per Share (Diluted)</b>	\$2.81	\$0.45	19.1%

## Strong Balance Sheet

P22

**\$ in Millions**

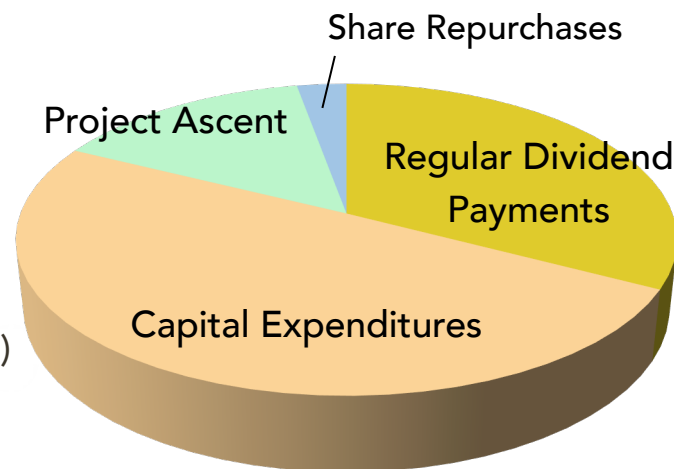
	June 30			Dec 31
	2020	2021	2022	2022
<b>Cash and Equivalents</b>	\$198	\$188	\$60	<b>\$95</b>
<b>Total Debt</b>	\$0	\$0	\$0	<b>\$0</b>

- Debt Free
- Credit Revolver of \$150 Million, Expandable up to \$225 Million
- Investments in Capacity Expansion Projects and ERP System (Project Ascent) to Support Continued Growth ... FY 2022 Capital Expenditures totaled \$132 Million, with an additional \$39 Million Invested in Project Ascent

## Cash Priorities

- Invest in Existing Business
  - FY23 capital expenditures estimated at \$90 to \$110 Million (including ~\$50 Million to complete significant capacity expansion project)
- Good-Fitting Acquisitions
- Regular Dividends
  - Quarterly cash dividend paid on December 30, 2022, was increased 6% to \$0.85 per common share, marking 60 consecutive years of regular cash dividend increases
- Opportunistic Share Repurchases

## FY22 – Major Cash Uses



## **Appendix A**

# Supplemental Financial Information

# Results of Consolidated Operations – Current Fiscal Year Periods A1

## RESULTS OF CONSOLIDATED OPERATIONS

(Dollars in thousands, except per share data)	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2022	2021			2022	2021		
Net Sales	\$477,394	\$ 428,427	\$ 48,967	11 %	\$ 902,931	\$ 820,483	\$ 82,448	10 %
Cost of Sales	375,292	331,825	43,467	13 %	701,774	631,514	70,260	11 %
Gross Profit	102,102	96,602	5,500	6 %	201,157	188,969	12,188	6 %
Gross Margin	21.4 %	22.5 %			22.3 %	23.0 %		
Selling, General and Administrative Expenses	50,775	51,538	(763)	(1)%	100,532	103,394	(2,862)	(3)%
Change in Contingent Consideration	—	(2,170)	2,170	(100)%	—	(2,170)	2,170	(100)%
Restructuring and Impairment Charges	—	1,928	(1,928)	(100)%	—	1,928	(1,928)	(100)%
Operating Income	51,327	45,306	6,021	13 %	100,625	85,817	14,808	17 %
Operating Margin	10.8 %	10.6 %			11.1 %	10.5 %		
Other, Net	478	111	367	331 %	208	131	77	59 %
Income Before Income Taxes	51,805	45,417	6,388	14 %	100,833	85,948	14,885	17 %
Taxes Based on Income	11,832	11,047	785	7 %	23,268	20,923	2,345	11 %
Effective Tax Rate	22.8 %	24.3 %			23.1 %	24.3 %		
Net Income	\$ 39,973	\$ 34,370	\$ 5,603	16 %	\$ 77,565	\$ 65,025	\$ 12,540	19 %
Diluted Net Income Per Common Share	\$ 1.45	\$ 1.25	\$ 0.20	16 %	\$ 2.81	\$ 2.36	\$ 0.45	19 %

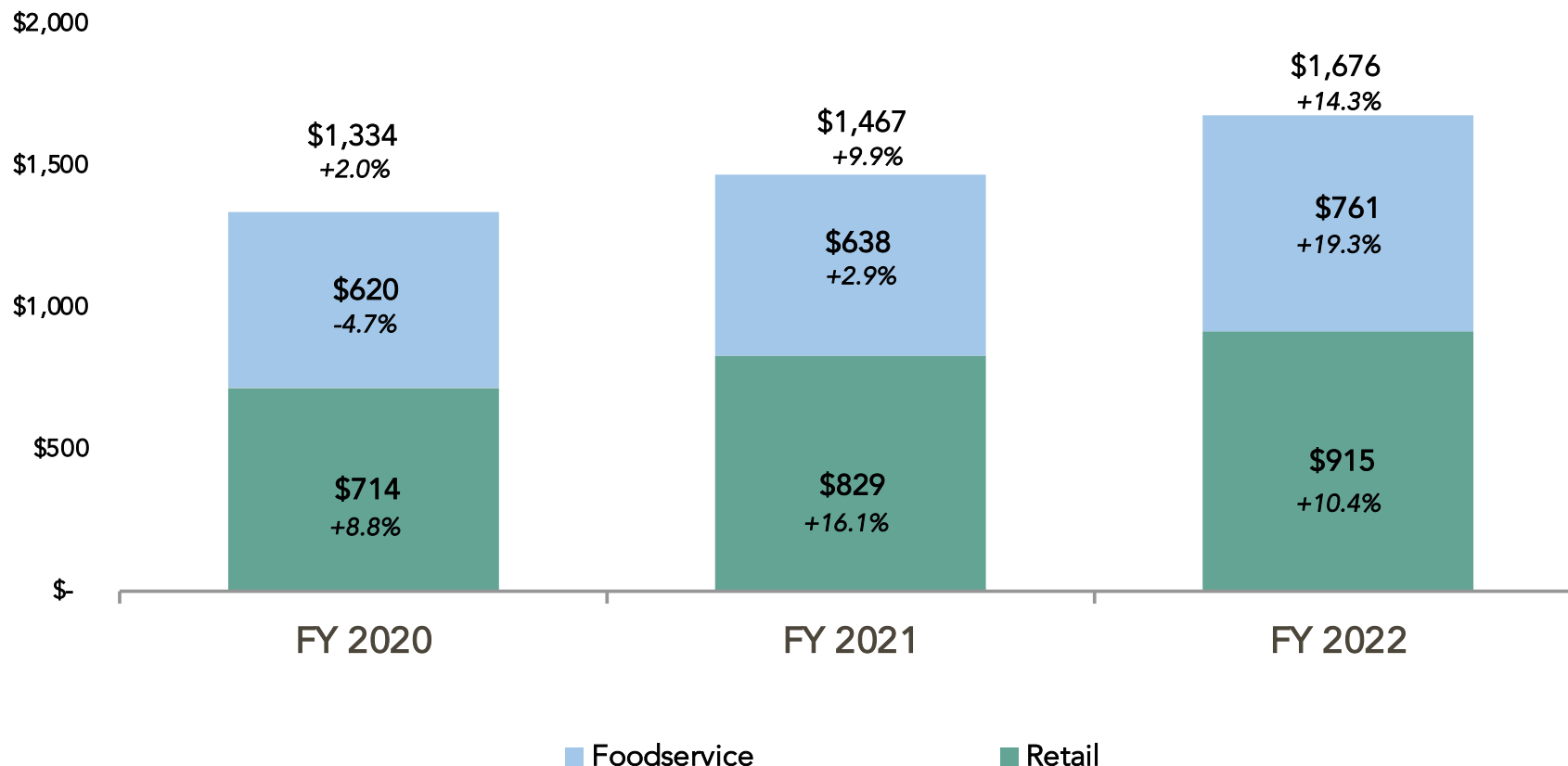
# Strong Growth in Retail; Foodservice Demand Impacted by COVID-19 FY22 Sales Gains Driven by Pricing Actions Taken to Offset Inflation

A2

## Fiscal Year Net Sales Results

Fiscal Years Ended June 30

\$ in Millions



Note: Totals and year-over-year percentage changes presented above are based on unrounded dollar values. Totals may not foot and percentage values may not recalculate based on the rounded dollar values shown above.



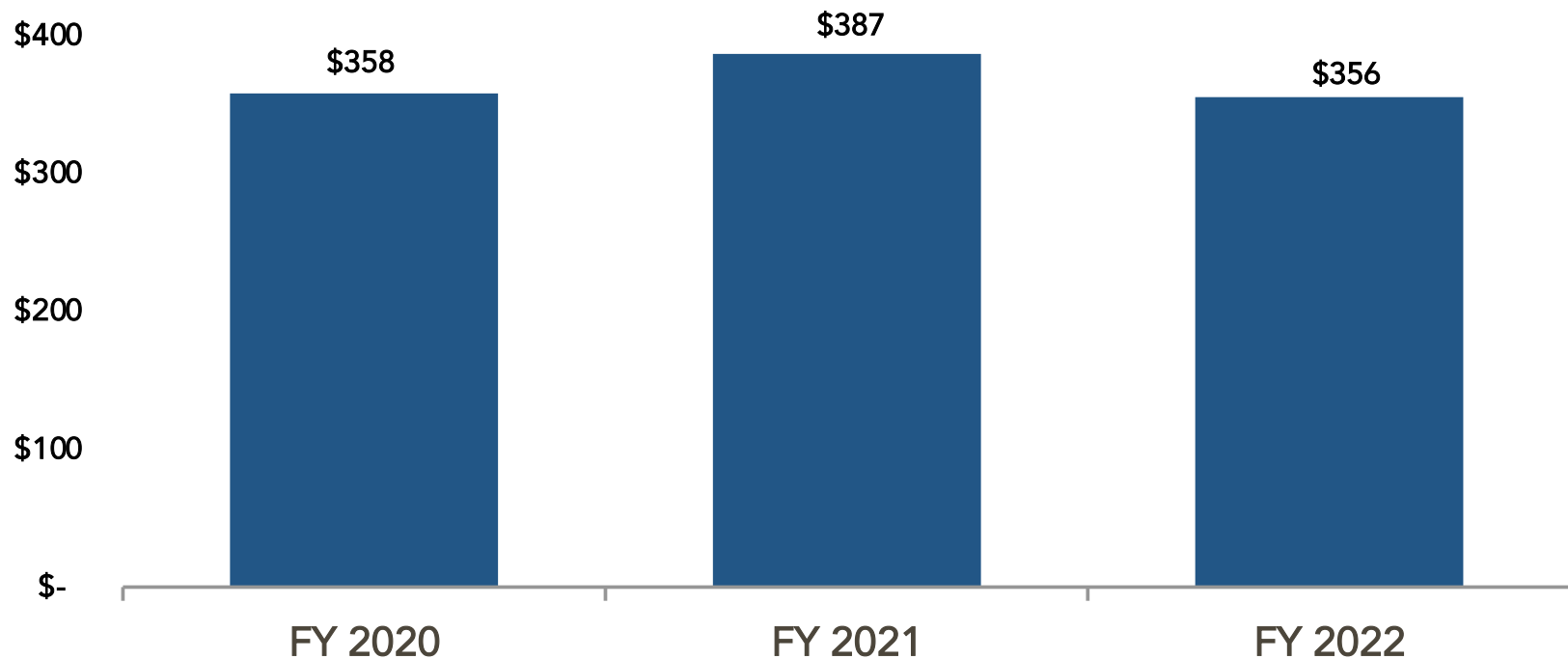
# Gross Profit Impacted by Inflationary Costs, Supply Chain Disruptions and Other COVID-19 Factors

A3

## Fiscal Year Gross Profit Results

Fiscal Years Ended June 30

\$ in Millions



## EBITDA Impacted by Inflationary Costs, Supply Chain Disruptions and Other COVID-19 Factors

A4

### Fiscal Year Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)\*

Fiscal Years Ended June 30

\$ in Millions



\*\* Expenditures for  
Project Ascent

\$18.0 MM

\$37.9 MM

\$39.3 MM

• Calculation of EBITDA values excludes non-cash change in contingent consideration and also excludes restructuring and impairment charges. Please refer to Appendix A for detailed calculation.

\*\* EBITDA totals include the impact of expenditures for Project Ascent, our ERP initiative, as noted.

## Fiscal Year EBITDA Calculation Details

A5

### Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) \* (\$ in Millions)

	Fiscal Years Ending June 30,		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
Income Before Income Taxes **	\$177	\$186	\$112
Depreciation and Amortization	\$38	\$45	\$46
Change in Contingent Consideration	\$0	(\$6)	(\$3)
Restructuring and Impairment Charges	<u>\$1</u>	<u>\$1</u>	<u>\$35</u>
<b>EBITDA *</b>	\$216	\$226	\$190

\* As presented above, the EBITDA value calculation reflects adjustments to exclude Change in Contingent Consideration (a non-cash item) and Restructuring and Impairment Charges.

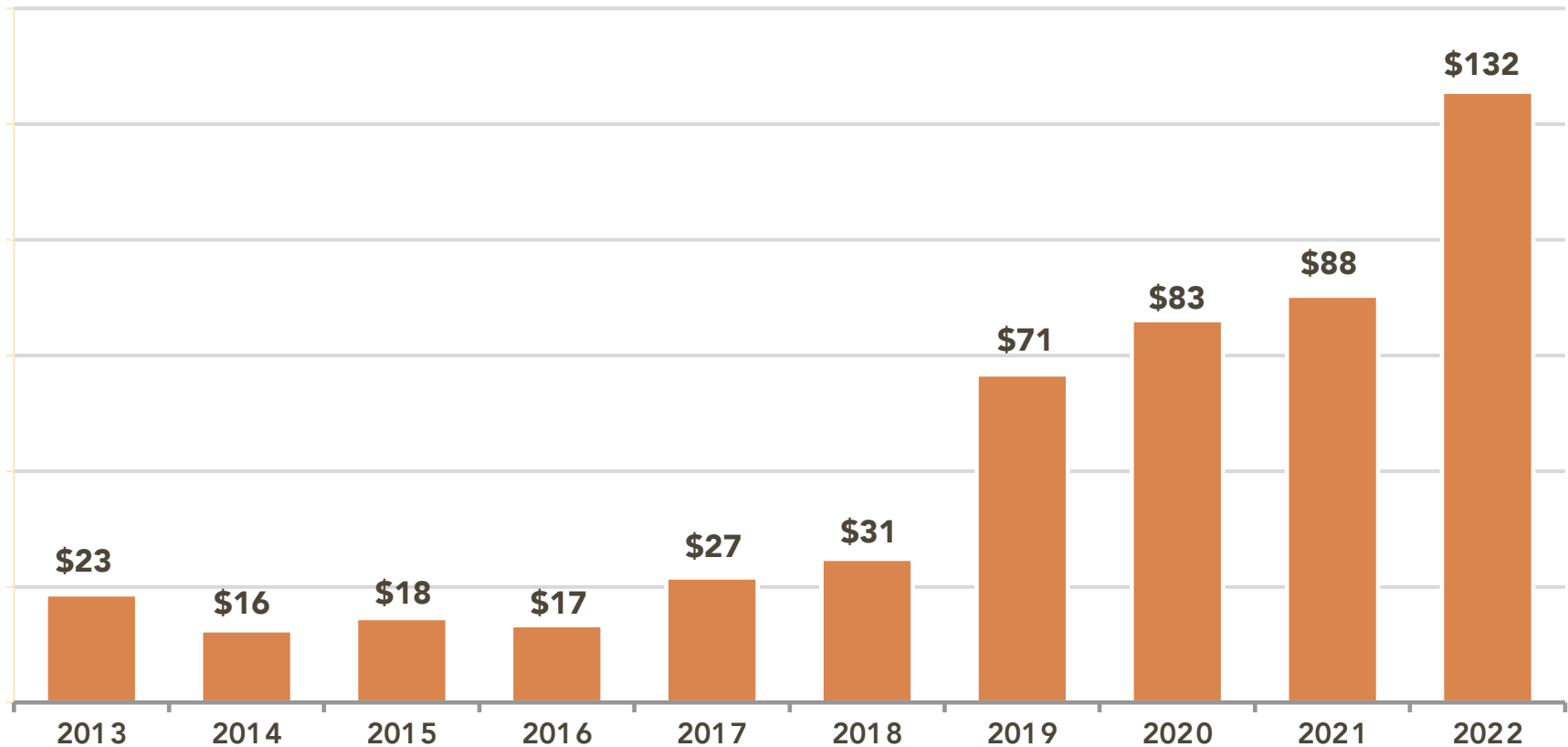
\*\* Excludes interest income

Note: EBITDA value may not foot to sum of line items listed due to rounding.

# Capital Expenditure History

A6

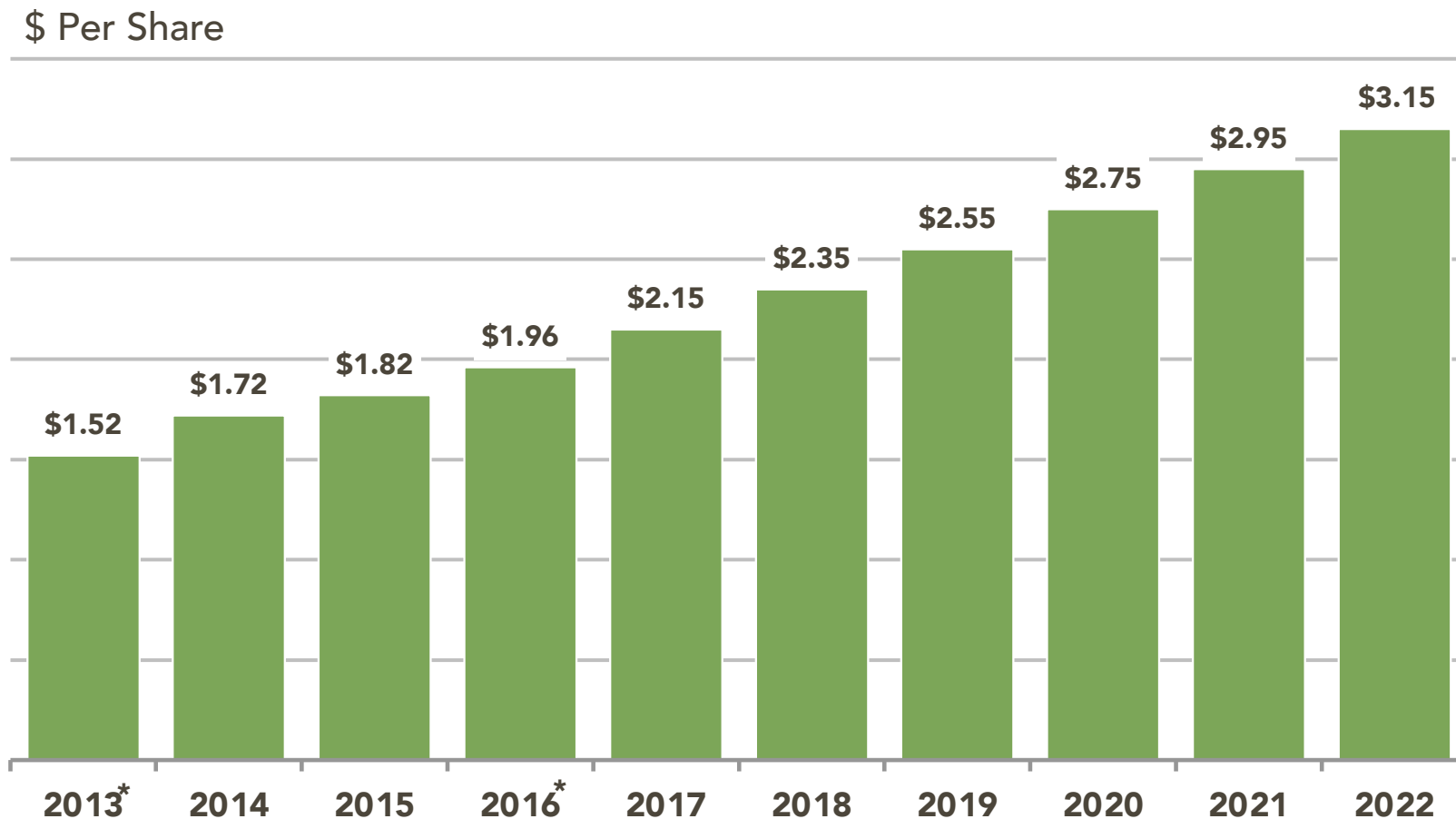
\$ in Millions



Fiscal years ended June 30.

# Regular Cash Dividends Per Share

A7



Regular cash dividends for the fiscal years ended June 30.

\* Excludes special cash dividends of \$5.00 per share paid in FY13 and \$5.00 per share paid in FY16.

## **Appendix B**

# Retail Brand Market Share and Related Information



# Portfolio of Strong Brands and Licensing Relationships

(Retailer Sales and Market Share Data per IRI\*)

B1

## Marzetti®

### Ref. Dressing

\$ Sales: 113.1MM

\$ Share: 23.2%

### Dips

\$ Sales: 135.3MM

\$ Share: 80.1%



## Sister Schubert's®

\$ Sales: 147.4MM

\$ Share: 53.0%



## New York Brand® Bakery

\$ Sales: 283.9MM

\$ Share: 41.5%



## Croutons (all brands)

\$ Sales: 91.1MM

\$ Share: 34.2%



## Olive Garden SM ^

\$ Sales: 134.7MM

\$ Share: 6.3%



## Chick-fil-A® ^

\$ Sales: 137.7MM

\$ Share: 14.1% (Prep/Finishing Sauce Subcategory)



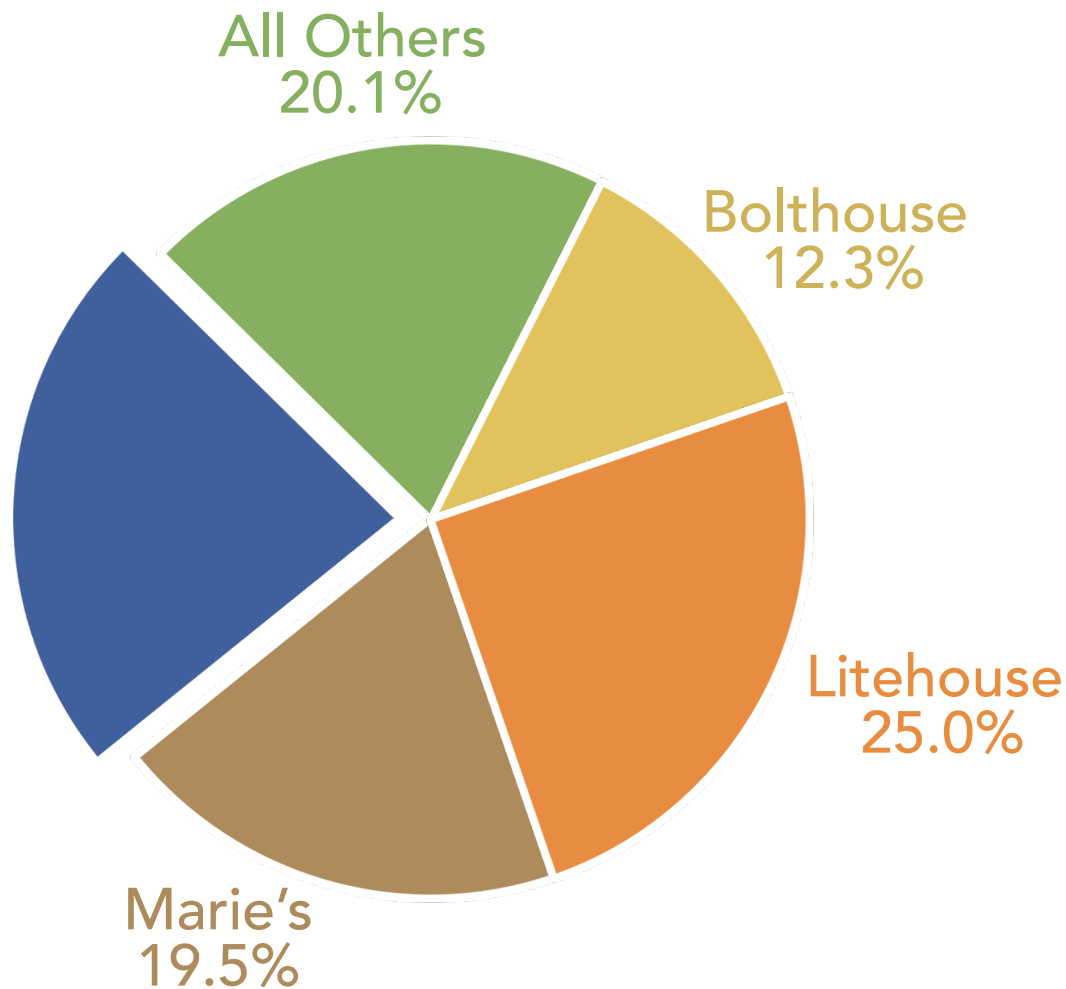
\*Retailer sales and market share data for the 52 weeks ended 6/26/22. Source: IRI, Total U.S. Multi-Outlet

^ Products for these brands are produced and sold under exclusive licensing agreements.

# Refrigerated Dressing Market Share

B2

**Marzetti**  
**23.2%**



Total Category Sales: \$487.8 MM

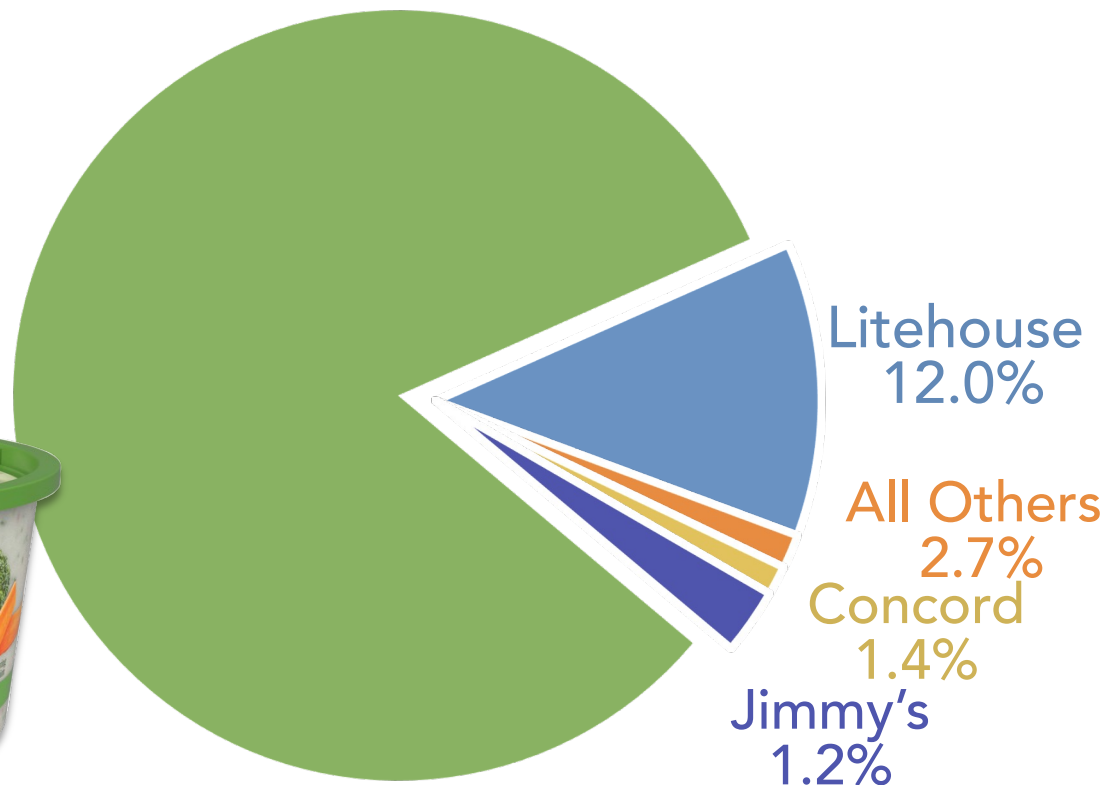
## B3



# Produce Dip Market Share

B4

**Marzetti**  
**80.1%**



Total Category Sales: \$169.0 MM

**B5**

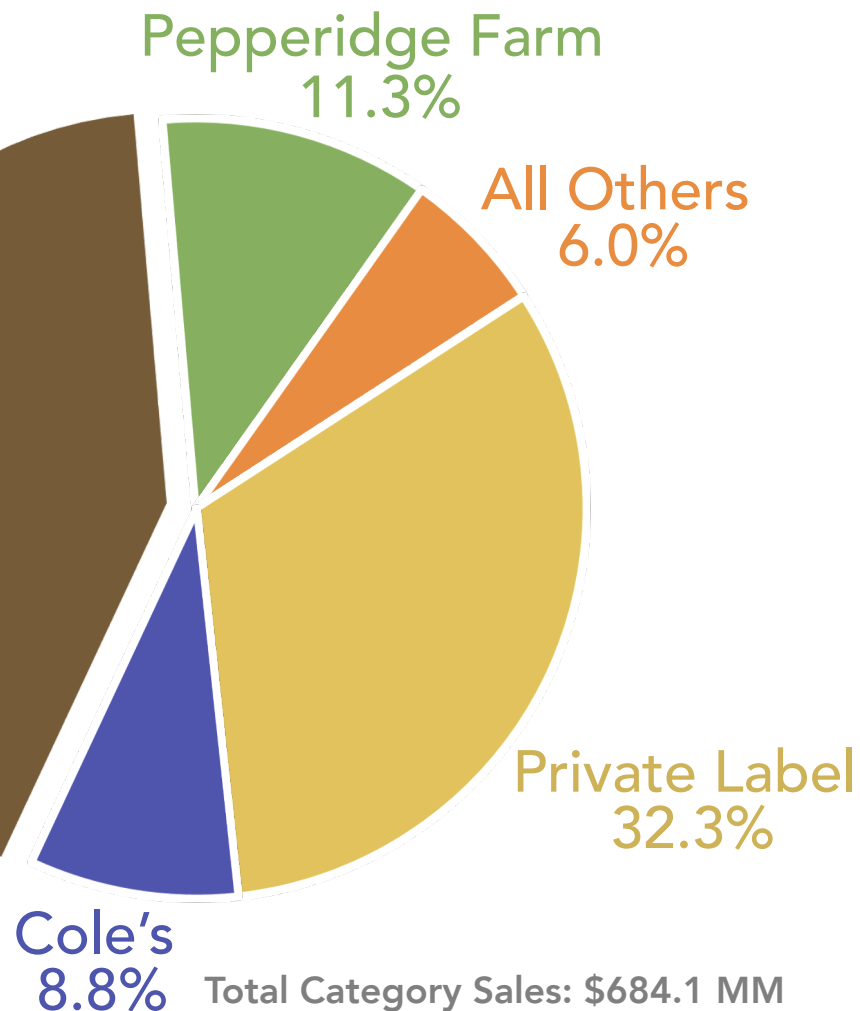




# Frozen Garlic Bread Market Share

B6

**New York Bakery  
41.5%**

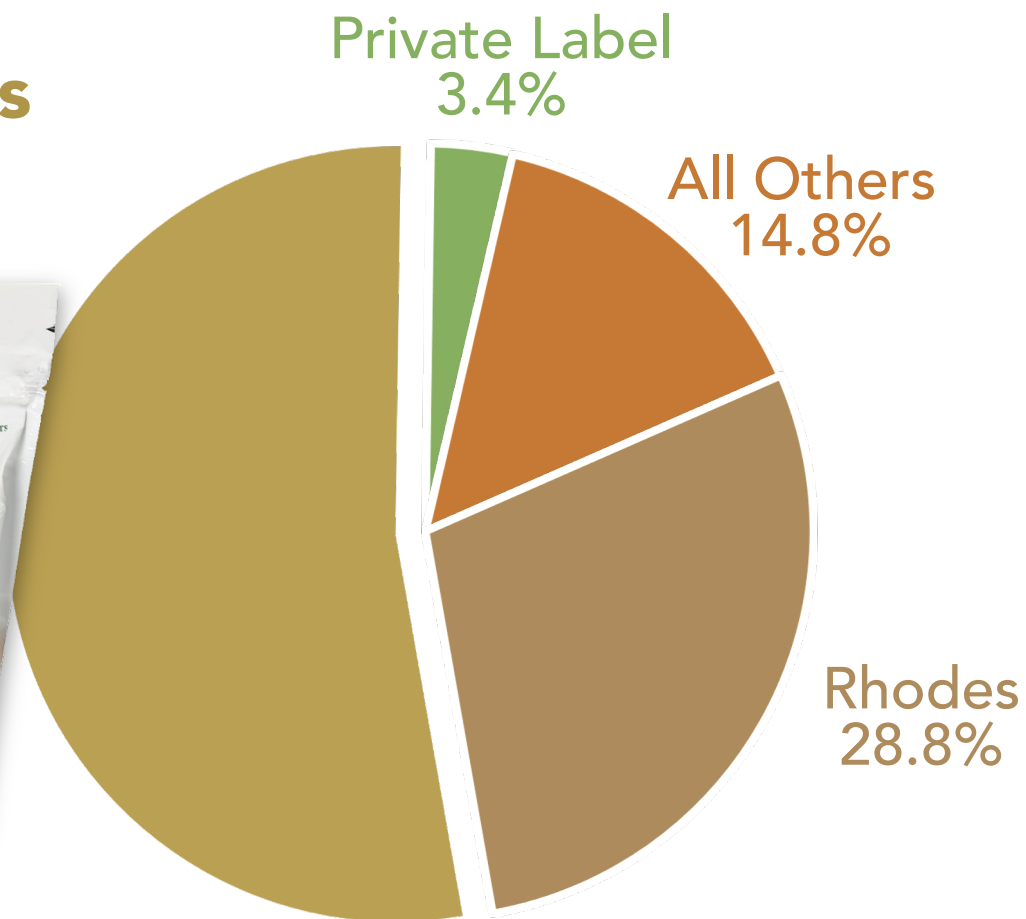




**B7**



**Sister Schubert's**  
**53.0%**

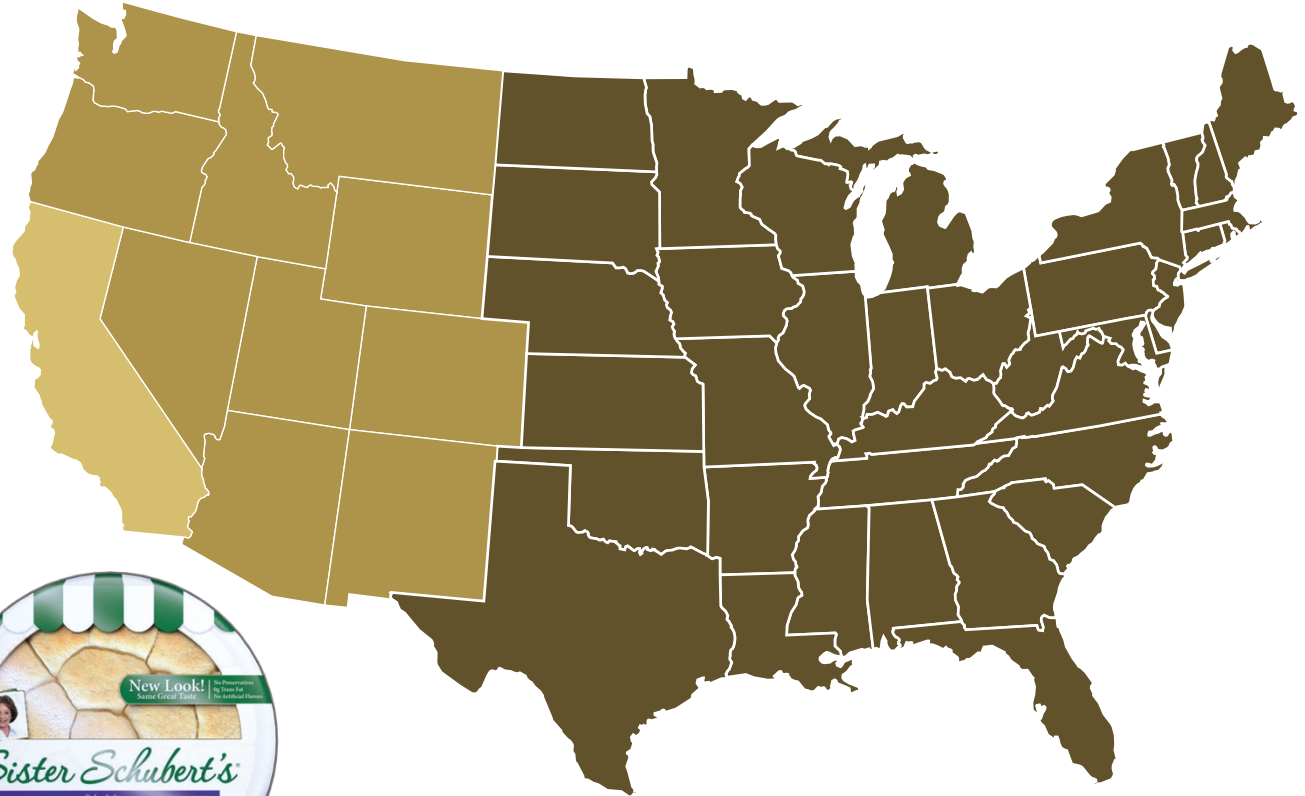
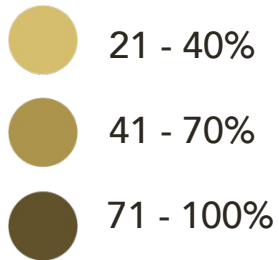


Total Category Sales: \$278.4 MM

# Sister Schubert's Distribution

B9

## ACV Distribution

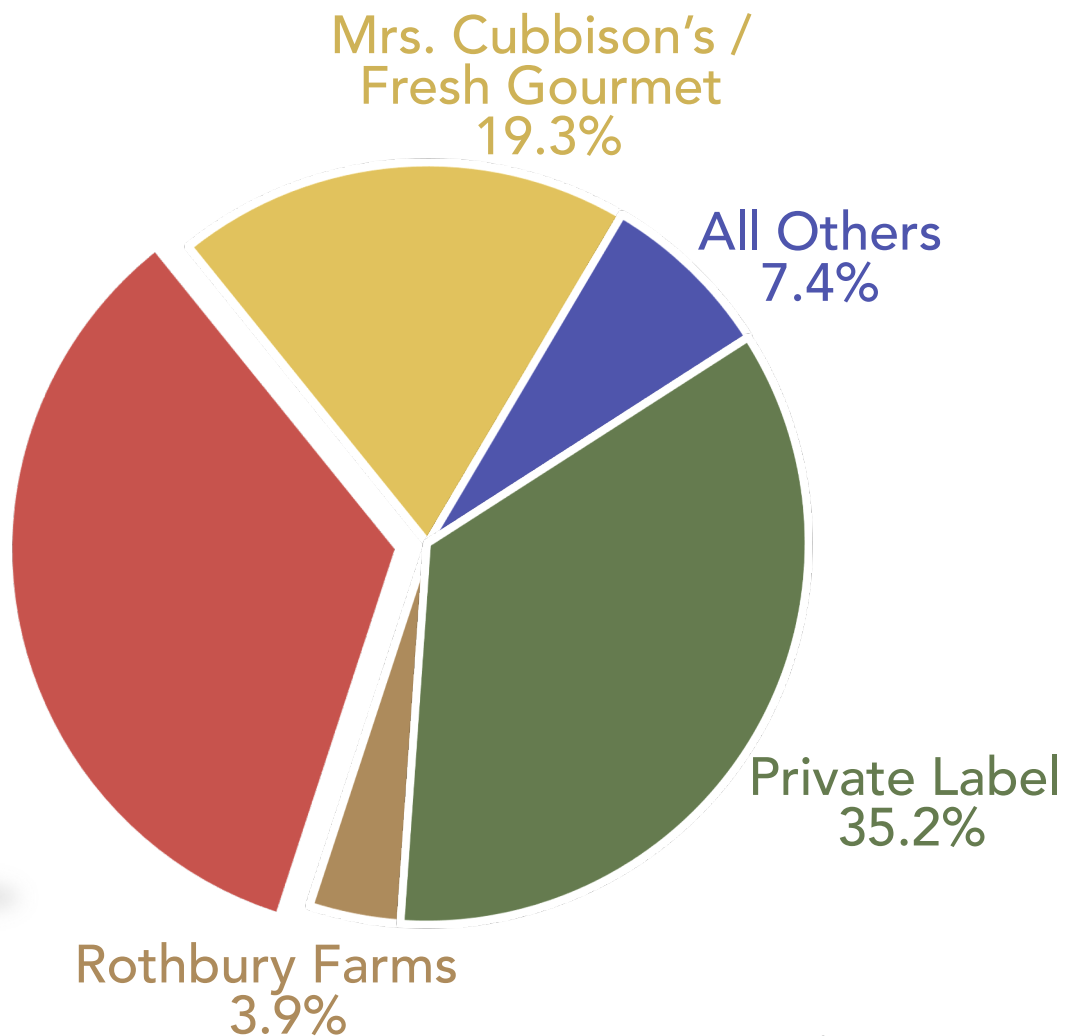


**Total U.S. Multi-Outlet  
81.1% ACV Weighted Distribution**

# Crouton Market Share

B10

**Marzetti, Cardini's,  
New York Bakery,  
Chatham Village  
34.2%**

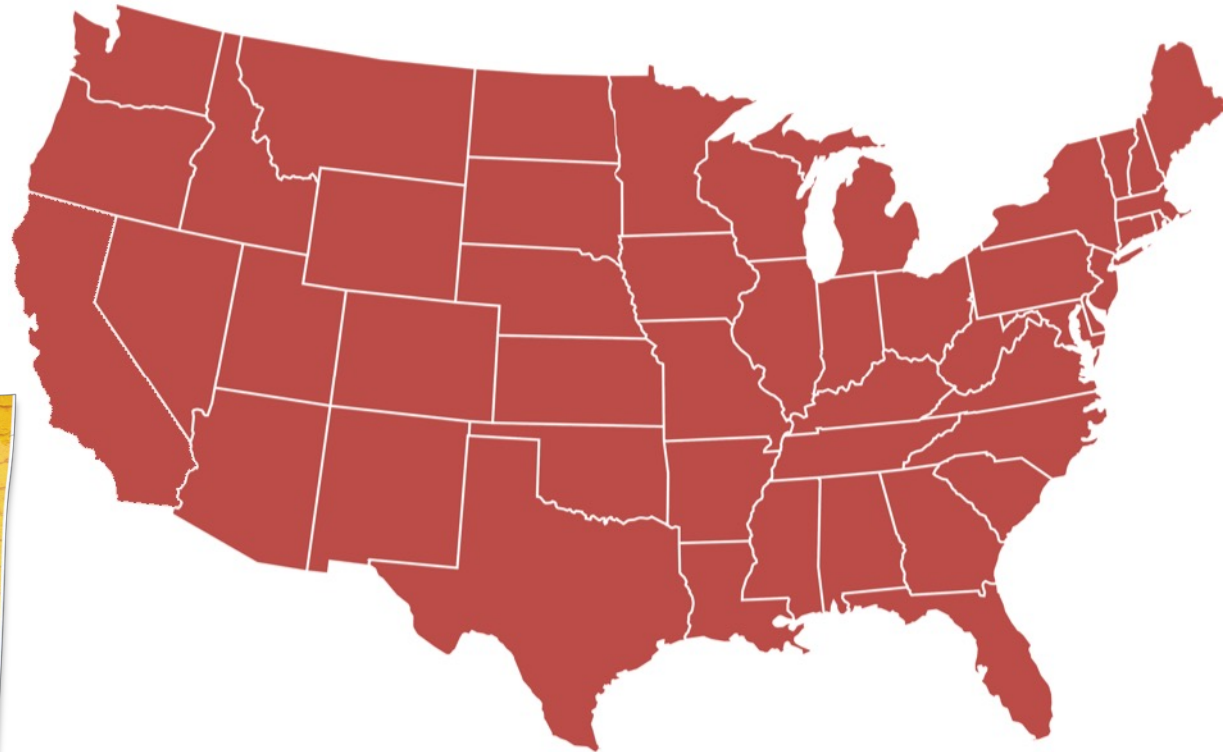


Total Category Sales: \$266.6 MM

# New York Bakery Crouton Distribution

B11

## ACV Distribution



Total U.S. Multi-Outlet  
83.6% ACV Weighted Distribution

# Lancaster Colony Is The Leader Amongst Our Peers In The Retail Channel For Both Dollar Sales Growth and Unit Sales Growth Per IRI \*

B12

Compound Annual Growth Rates - Calendar Year 2019 to 2022		
	Dollar Sales CAGR	Unit Sales CAGR
<b>LANCASTER COLONY</b>	<b>14.5%</b>	<b>8.8%</b>
Peer A	9.7%	2.2%
Peer B	9.5%	2.0%
Peer C	7.9%	-1.8%
Peer D	7.3%	0.2%
Peer E	6.6%	-0.1%
Peer F	4.1%	-1.1%
Peer G	2.7%	-3.4%

Compound Annual Growth Rates - Calendar Year 2020 to 2022		
	Dollar Sales CAGR	Unit Sales CAGR
<b>LANCASTER COLONY</b>	<b>12.2%</b>	<b>5.4%</b>
Peer B	8.5%	-1.2%
Peer C	5.1%	-6.0%
Peer A	4.4%	-3.2%
Peer E	2.7%	-5.9%
Peer F	1.1%	-4.5%
Peer D	-1.1%	-6.5%
Peer G	-5.5%	-12.1%

\*Source: IRI, Total U.S. – All Outlets for the calendar year periods noted. Dollar sales and unit sales used for this analysis are as provided by IRI for the companies noted with no adjustments for the impact of acquisitions or divestitures.

Note - Peer companies used for this evaluation, with an enterprise value ranging from about \$2.5 MM to \$25.0 MM as of February 2023, were (in alphabetical order of company name): B&G Foods, Inc.; Campbell Soup Company; J&J Snack Foods Corp.; McCormick & Company, Inc.; Post Holdings, Inc.; The Hain Celestial Group, Inc.; and The JM Smucker Company.