

CREATING FINANCIAL FLEXIBILITY FOR REINVESTMENT AND GROWTH

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Vice Chair and Chief Financial Officer

As a leadership team, we believe a key attribute of our overall financial strength as a Company is flexibility. This attribute enables both the short and long-term execution of our strategic initiatives and priorities. Flexibility is established by margin or profit improvement, capital and asset efficiency, and free cash flow generation. A linkage occurs between the management of these things: profits, capital, and cash flow, which leads to achieving our top and bottom-line growth objectives.

The notion of margin or profit enhancement is driven by several factors, one being our cost management initiatives. The focus on cost savings and our *Right Spend* program has allowed for a balance between funding investments in our brands and Company, while at the same time supporting earnings growth. Our cost management focus is not a cost cutting exercise; rather, it is us being good stewards of our budgets while supporting reinvestments in our key brands and internal capabilities.

We have fully embraced the continuous improvement mindset needed to take out unnecessary costs, while cultivating programs to better manage spend and activity. This mindset gives our teams the opportunity to prioritize their respective initiatives to deliver on our growth objectives most effectively and efficiently.

At the heart of our approach to reinvestment is the simple concept of making sure every single dollar we invest as a Company delivers more than a single dollar in return both in the near and long-term. To enhance the return on our strategic decisions, we will be implementing a new performance metric in fiscal year 2020 – Return on Invested Capital (ROIC). This metric ensures we improve margins or profits, while managing capital or asset efficiency, and focuses on both short and long-term decisions.

When we dedicate resources to innovating new brands and products, we support the Company's continued growth and help maintain the relevance of our brands as consumer tastes and preferences evolve. An important element of this investment is our commitment to enhanced insights to drive purposeful innovation. We are dedicated to understanding consumers and their needs to accurately determine where to invest in products and services as a Company.

We are also reinvesting in technology and analytics as part of our commitment to data-driven decision-making. For example, we have introduced new predictive analytics capabilities to supplement our traditional reporting processes. This allows us to assess sales performance and make decisions before a given month or quarter is over – so we have time to recognize and act on opportunities we previously might not have seen in advance. We're also investing in self-service business intelligence across the Company to ensure our teams have the capabilities they need to win.

Along with our enhanced capabilities, we have also embedded data scientists within our business teams to further support front-line decision-making. Having this expertise has extended our use of analytical tools and has fostered a spirit of data-driven decision making.

Freeing resources through smart cost control gives us the flexibility to reinvest savings in ways that have a direct impact on how we serve consumers. I'm excited about the opportunities for our Company in fiscal 2020 and strongly believe financial flexibility will be a key component of our ongoing success.



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