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# Reynolds Consumer Products, Inc. (REYN)

Q3 2022 Earnings Call

### CORPORATE PARTICIPANTS

### Mark David Swartzberg

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#### V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

### Michael Graham

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Mark S. Astrachan

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**Robert Ottenstein** 

Analyst, Evercore ISI

Andrea Teixeira

Analyst, JPMorgan Securities LLC

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

**Jason English** 

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### MANAGEMENT DISCUSSION SECTION

**Operator**: Ladies and gentlemen, thank you for standing by, and welcome to the Reynolds Consumer Products Third Quarter 2022 Earnings Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's call is being recorded.

I would now like to hand the conference over to your speaker today, Mark Swartzberg. Thank you. Please go ahead.

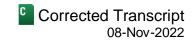
### Mark David Swartzberg

Vice President-Investor Relations, Reynolds Consumer Products, Inc.

Good morning and thank you for joining us for Reynolds Consumer Products Third Quarter 2022 Earnings Conference Call. On the call today are Lance Mitchell, President and Chief Executive Officer; and Michael Graham, Chief Financial Officer. For our agenda today, Lance will focus on market conditions and our fundamentals, and Michael will review our quarter and outlook. Then we will open it up for your questions.

During the course of this call, management may make forward-looking statements within the meaning of the Federal Securities laws. These statements are based on management's current expectations and involve risks and uncertainties that could cause actual results and outcomes to differ materially from those described in these forward-looking statements. Please refer to our Annual Report on Form 10-K and other reports filed from time to time with the Securities and Exchange Commission and our press release issued this morning for a detailed discussion of the risk that could cause actual results to differ materially from those expressed or implied in any forward-looking statements made today.

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Please note management's remarks today will focus on non-GAAP or adjusted financial measures. A reconciliation of GAAP measures to non-GAAP financial measures is available in the earnings release posted under the Investor Relations heading on our website at reynoldsconsumerproducts.com.

We have also prepared a few presentation slides and additional supplemental financial information, which are posted on our website under the Investor Relations heading. This call is being webcast and an archive of it will also be available on the website.

While we would like to answer all of your questions during the question-and-answer session, in the interest of time, we ask that you ask one question and a follow-up and rejoin the queue if you have additional questions.

Now I'd like to turn the call over to Lance Mitchell.

### V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Thank you, Mark. We delivered another quarter in line with our earnings expectations and what continues to be a very dynamic environment. Third quarter highlights include the following. Household foil and waste bag volume responded favorably to increased advertising, promotions and in-store features and displays. Reynolds and Hefty gained share in waste bags, household foil and disposable plates.

Private label gained share in press-to-close food bags and disposable party cups where we have a significant private label presence. We implemented previously announced pricing to offset additional cost increases. We accelerated Reyvolution cost savings, while also implementing new programs for savings. And as a result, we closed the gap between pricing and cost increases.

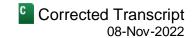
Our category leadership and agility drove these achievements, while setting the stage for substantial margin expansion and profit growth in the fourth quarter and 2023. Before talking about performance drivers, I'd like to share a few thoughts about the economic environment and our market position. We assume increased elasticity going forward, which contributes to our fourth quarter revenue expectations now being at the low end of our previous range.

That's obviously a headwind, but one of our strengths is our ability to adapt. And as I said, we're pleased with how consumption is responding to our pick up and promotions, advertising and in-store features and displays. I think it's also worth remembering that our integrated brand and store brand model is a competitive advantage. Reynolds and Hefty represent a large share of our categories and our private label portfolio complements our brands in multiple categories.

Finally, as we enter the holiday season and develop our plans for next year, it's important to note that increased cooking and working at home have driven many of our categories to levels that are beyond those implied by the last three years of household formation. That's clear from our proprietary research, and it is validated by the scanner data. According to IRI, equivalent volumes of waste bags, disposable party cups, parchment paper, bake ware and slow cooker liners have all grown in excess of 5% since 2019. And some of these categories are now more than 10% larger than they were prior to the pandemic.

Now let's turn to the main drivers of our performance: pricing, consumer demand, innovation, and manufacturing and supply chain capabilities. In the area of pricing, recently announced increases in disposable tableware and waste bags have been implemented as planned in September and October, bringing annualized pricing to nearly

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\$1 billion since mid-2020. We're reinvesting a portion of these increases in additional advertising and promotion and consumer demand for our categories and product portfolio is responding to our increases.

In household foil, in June, we began increasing promotions, features and displays and are directing more advertising dollars to younger consumers. These measures have contributed to improving household foil trend, along with increases in Reynolds Wrap share of the foil category. We and our retail partners also increased promotions further in October and planned to continue similar promotions this holiday season.

In waste and food bags, Hefty share trends improved and our share of private label remained strong. In disposable tableware, we gained share and maintained a substantial discount to paper plates, while also implementing the additional pricing on disposable plates.

Third major contributor to our performance is innovation, in waste and storage, Hefty Fabuloso continued to grow strongly nearing \$110 million in annual retail sales for the quarter. We launched Hefty 4 and 8 gallon trash bags with drawstring and the new Ocean Water scent in the quarter. We introduced Hefty Slide Calendar Bags which allow for better recording of refrigerator or freezer storage times and Hefty Made-to-Fit trash bags in the e-com channel. And we saw further consumer and retail adoption of stand and fill private-label food bags.

In cooking and baking, the Reynolds brand continued to benefit from innovation as Reynolds Wrap Non-Stick Foil remained strong, Reynolds Kitchen Air Fryer Liners and Reynolds Kitchen's Butcher Paper helped to build Reynolds presence in certain adjacencies to household foil and other more established categories. And we achieve growth within our portfolio of sustainable products, including Hefty ECOSAVE, which grew strong double digits in the quarter and Hefty Compostable Printed Paper Plates. And additionally, we launched a new food bag made from 20% renewable plant and ocean materials.

The fourth driver is the performance of our manufacturing and supply chain. The recent manufacturing and operational performance in the Reynolds Cooking & Baking segment has fallen short of our standard and historical result. Unplanned downtime in two of our plant has resulted in incremental manufacturing cost and impacted our ability to adequately supply non-retail customers. In response, we are implementing operational changes to improve reliability and efficiency. In addition, we have made changes to the cooking and baking organization with new members of management who possess extensive experience in operation and demonstrated business leadership. In terms of service, we have produced substantial improvements across Reynolds Consumer Products, reflecting attainment of target staffing levels and increased stability across our supply chain.

Now, before I pass the call to Michael, I'd like to leave you with the following. The economic environment remains dynamic, inflationary pressures continue, and price elasticity continues to be uncertain. However, we are giving shoppers the trusted performance and additional value they seek in these uncertain times. And in terms of business performance, the gap between our pricing and cost increases is closed and we're positioned for margin expansion and earnings growth in the fourth quarter and 2023. That implies not only a return to earnings growth, but also increased flexibility to invest in our categories and drive future innovation and consumption. I'm extremely proud of the RCP team and believe that we are well-positioned to benefit from the actions we have taken over the last two years.

With that, over to you, Michael.

### Michael Graham

Chief Financial Officer, Reynolds Consumer Products, Inc.



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Thanks, Lance, and good morning, everyone. I'll start with a review of our third quarter results, then turn to our outlook and why we are well-positioned for margin expansion and earnings growth in the fourth quarter and in 2023. Net revenues in the third quarter were \$967 million, an increase of 7% over third quarter net revenues of \$905 million in 2021, driven by price increases, partially offset by a decline in volume. Adjusted EBITDA for the quarter was \$116 million, down 12% versus last year's third quarter of \$132 million, driven by lower volume and higher SG&A as price increases fully offset increases in material, manufacturing and logistics costs. Adjusted earnings per share for the quarter was \$0.24.

Turning to our segment performance, details are in our press release and in our 10-Q. However, I do want to cover a few key highlights. Pricing was up 14%, driven by increases across our entire portfolio, offsetting all material manufacturing and logistic cost increases. This increase was partially offset by a 7% decline in volume, reflecting a 7% increase in Hefty Tableware volume, more than offset by a 14% volume decline in Reynolds Cooking & Baking and high-single digit decline for each of Hefty Waste & Storage and Presto.

When we reported our second quarter results, we shared our expectation of low to mid-single digit volume decline in the third quarter. This largely played out as anticipated, with the exception being non-retail sales that were impacted by unplanned downtime in the Reynolds Cooking & Baking segment and to a lesser extent, increases in waste bag elasticity.

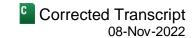
So let's unpack the volume performance for the third quarter compared to the prior year period. Reynolds Cooking & Baking volume decline of 14% was primarily driven by lower non-retail sales, which included reroll, related party sales and last year's one-time sale excess raw material. In addition, lower household foil shipments represented 3 points of this decline. Volume declined 9% in Hefty Waste & Storage driven by elasticity and increased consumer activity outside of the home.

Innovation was a key driver of Hefty's outperformance of the waste bag category. Presto volume declined 8%, also driven by a lower waste and food bag usage, partially offset by increased private label share of press-to-close food bags, Hefty tableware performance was strong with volume up 7% in the quarter, driven by continued growth within the club channel and share gains were Hefty disposable plates in private label plastic party cups across channels. Now, before I go into our outlook, I would like to talk a little more about the performance we are seeing in cooking and baking. There are three key factors impacting the near-term profitability in this business, unplanned equipment downtime, driving higher manufacturing costs and lower production volume. This lower production volume is impacting our ability to fulfill non-retail demand.

In addition, as a result, we are experiencing a negative impact in terms of when lower cost metal flows through to our P&L, as Lance discussed, we're implementing operational changes to improve reliability and efficiency in our cooking and baking operations. Now turning to our outlook, we now expect revenue growth of approximately 8% for the year, along with gross profit in the low \$800 million range. Adjusted EBITDA in the range of \$560 million to \$575 million and adjusted EPS of \$1.30 to \$1.36 per share. Our updated guidance reflects reduced expectations for the comparatively low margin reroll and related party sales as well as a pickup in elasticities in portions of our business.

We also assume rates for key commodities are stable by comparison to the end of October levels. Other key assumptions for the year include depreciation and amortization of approximately \$120 million. Interest expense of approximately \$75 million versus an estimated \$70 million previously, driven by increasing market rates and an effective tax rate of 25% and capital spending of approximately \$135 million to \$140 million.

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In terms of the fourth quarter, additional elasticities in portions of our business, changes our volume expectations to decline in the low to mid-single digits. We're on track for margin expansion and earnings growth in the fourth quarter, driven by further recovery of cost increases as new pricing in flows through and cost increases moderate. We also expect SG&A to increase driven by advertising investment in our operational improvements and compensation related comparisons.

Now, before I turn the call back over to Mark and your questions, I want to leave you with a few thoughts on cash flow. Just as we are committed to returning to pre-pandemic profitability, we're equally focused on improving balance sheet efficiency and maintaining capital spending discipline to drive additional cash flow. We expect this to commence in the fourth quarter as we unwind from our normal seasonal peak and working capital, earnings grow and commodity cost pressures ease. In terms of capital allocation, our priorities are unchanged and we intend to return to debt pay down in 2023.

In closing, while we continue to manage through a very challenging environment, I'm encouraged by the actions we've taken as well as the implications for our future results. With that, I'll turn the call back over to you, Mark. Thank you.

### Mark David Swartzberg

Vice President-Investor Relations, Reynolds Consumer Products, Inc.

Thanks, Michael. As I turn it over to the operator for your question, I'd like to remind you that you ask one question and a follow-up and then rejoin the queue if you've got additional questions. Operator?

### QUESTION AND ANSWER SECTION

**Operator**: At this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question comes from Bill Chappell with Truist Securities. Please proceed with your question.

### William B. Chappell

Analyst, Truist Securities, Inc.

Thanks. Good morning.

#### V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Good morning, Bill.

### William B. Chappell

Analyst, Truist Securities, Inc.

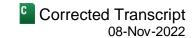
Hey, just wanted to follow-up on the cooking and baking profitability issue. I appreciate the comments, but I guess with a leadership change, maybe implies there's a little bit bigger or longer lasting issues. So, maybe any color around that when you think things can get back to where you want them to be and how long it would take?

### Michael Graham

Chief Financial Officer, Reynolds Consumer Products, Inc.

Yeah. So as Lance stated in his remarks, the recent manufacturing operational performance of Reynolds in Cooking & Baking is falling short of our standard and our historical results. So, we've had demonstrated

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capabilities, as proven in the past. In terms of what's driving that, as I said in my remarks, it's unplanned equipment downtime. And this is driving higher manufacturing cost and lower production volumes, that's impacting our ability to fulfill our non-retail demand, it's also slowing down our flow through of lower cost metal, which has a significant impact to our Q4. While most of these issues are temporary in nature, we are implementing operational changes to address them all and Lance kind of spoke to that. So, we do see this as being a temporary challenge that we're working through. We – as it relates to the change with leadership, obviously we brought in a person with significantly greater operational experience to help us manage through this.

William B. Chappell  Analyst, Truist Securities, Inc.	Q
Got it. And then, just as a follow up, and you might have touched on this before, but when you comment about returning to kind of pre-pandemic profitability levels in 2023, is that, I know you're not giving guidance, but is that for 2023 or within or during 2023 you'll reach that on kind of a run rate? Thanks.	
Michael Graham Chief Financial Officer, Reynolds Consumer Products, Inc.	A
So, it is within 2023 is where we're talking about returning back to pre-pandemic profits	ability.
William B. Chappell  Analyst, Truist Securities, Inc.	Q
Got you. So it'd be a run rate as we move through the year?	
Michael Graham Chief Financial Officer, Reynolds Consumer Products, Inc.	A
Yes.	
William B. Chappell  Analyst, Truist Securities, Inc.	Q
Thank you. Thanks so much.	
Operator: The next question comes from Mark Astrachan with Stifel. Please proceed	with your question.
Mark S. Astrachan Analyst, Stifel, Nicolaus & Co., Inc.	Q
Yeah. Thanks and good morning, everyone. I guess two questions for me. One, if you	

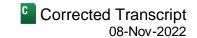
Yeah. Thanks and good morning, everyone. I guess two questions for me. One, if you could just give me a bit of background on what happened from a sales perspective relative to early September and your updated thoughts at that point relative to where results came in, kind of what progressed through September and is that sort of directionally what we're hearing from an elasticity standpoint implied in the fourth quarter commentary? And then the main question is, what drove the increase in promotion price gaps in waste bags and are you happy with where you are as volume declines worsened in the quarter, maybe give some expectations on where we go from here? Thank you.

#### V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Thank you, Mark. September volume across our products and segments came in line with our forecasts and our expectations. So there was really no difference from what we talked about at the Barclays conference relative to

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the September results. We have from a category standpoint in waste bags, we implemented a Hefty waste bag price increase in September. And the promotions we have added are off of a small base and they're focused on quality, features and displays like [ph] end caps (00:20:35) not just price points. The category itself is 7% larger than it was in 2019 year-to-date, but elasticity in reopening are driving some category declines versus year-ago levels.

So, our strategy remains as to what it's been for many years, support the category and our retail partners with a strong portfolio of branded and private label products and drive Hefty as a brand offering with the best combination of value, that's benefited the category and our portfolio is – and it requires continued adjustments to be successful. Hefty is outperforming the category. The last four weeks ending October 30 with a stand EQ, the category is down 8.5%, while Hefty is down 3.8% and for the last 12, it's similar, the categories down 7.5% and Hefty is down 3% and we're looking at EQ performance because looking at dollars in the category is really blurred by the price increases.

Mark S. Astrachan

Analyst, Stifel, Nicolaus & Co., Inc.

Yeah, thank you.

Operator: Our next question is from Rob Ottenstein with Evercore ISI. Please proceed with your question.

**Robert Ottenstein** 

Analyst, Evercore ISI

Great. Two questions, please. One, in the shorter-term on results, just maybe a little bit more detailed thoughts on the trend in improvement on the foils. And then a little bit kind of forward-looking, can you give us just some way to think about the potential benefit to your business of a more constrained consumer who may be thinking about trying to save money by eating more at home and less at restaurants and how that's likely to play into your business? Thanks.

V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Yeah, I think both those questions can really be answered in terms of what's happening with the foil category and what we're seeing from the promotional activity that we've taken. The pandemic has benefited cooking and baking behavior and consumers. People are in the kitchen more. And we did a proprietary survey that they're cooking more often. The younger consumers have come into the category and stayed in the category. And recently, because of the higher costs of eating out, they're coming back and eating in the home more frequently than they were earlier in the year.

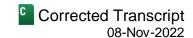
Our category and our brands are responding to advertising promotion as we talked about in the prepared remarks. Now, on the challenge side, we do see that the consumers are not leaving the category, but versus during the pandemic, the daily usage has dropped moderately and there are some other options in the kitchen which is an opportunity as well as a challenge. They've got other options for creating a meal appliances other than a stove or grill, which include air fryers and instant pots and slow cookers, for example. So overall, we're very pleased with how the promotions have responded and as we head into the holiday season, we've really got a lot of promotions in place and got the price points in place for the category.

Robert Ottenstein

Analyst, Evercore ISI



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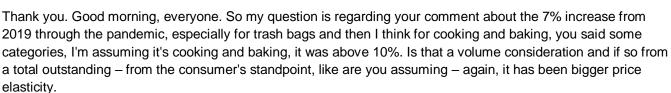


Thank you.

**Operator**: Our next question is from Andrea Teixeira JPMorgan. Please proceed with your question.

### Andrea Teixeira

Analyst, JPMorgan Securities LLC



And on top of that, you had this service issues. Is that any indication that this is going to be abating into the first quarter of next year? And if not, what is the scenario that would lead you [ph] to form (00:25:11) that margin inflection, you're assuming some volume recovery into 2023, in other words what we need to see in order for you to get the margin accretion, is that the pricing continuous ticking or the \$525 million in inflation abating, what needs to happen in order to get there? Thank you.

### V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Well, let's talk about what's happening in each of the categories versus 2019 and as we've gone through the pandemic and as we're now in 2022. First of all, I'll just add some of the comments I made about the foil category in answering Bill's question. The – there are several things that are driving the growth in the foil category. People are cooking more now than they were in 2019. Foil and parchment usage continues to be higher than prepandemic levels and 7% to 8% of consumers are eating at home more in response to inflation as I mentioned a moment ago.

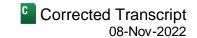
Importantly, we've achieved key price points for Reynolds Wrap. We've stepped up promotions, have gotten below the \$5 price point and have gotten that across the other product lines as well. And private label gaps in the category are returning to historical levels when Reynolds Wrap is on promotions. So, we've achieved those price points. We've introduced additional promotions in grocery club and dollar channels in October and our retail partners plan additional promotions leading into Thanksgiving and Christmas. So, Reynolds Wrap is responding better than the category as a result in EQ. As I mentioned across all of our categories, we're evaluating EQ performance versus dollar performance and Reynolds Wrap EQ is up 4.5% versus the same period of 2019. So, that's the last 12 weeks on October 30.

Turning to waste bags, the stay at home more frequently trend and working more frequently from home has left waste bags healthier than it was primary – prior to the pandemic. The category is strong versus 2019. It's up 7% year-to-date, as I mentioned, reflecting consumer spending more time at home. Food bag consumption on the other hand is moderately down versus 2019 and that's primarily driven by elasticity. So as the playbook that we've been using for foil and waste bags, we're going to be doing the same with food bags to get the price points correct. In disposable tableware, plastic party cups are up 9% versus 2019 levels, driven by increased everyday use at home. Now, disposable foam dishes are down versus 2019, but that's completely driven by supply constraints.

We are selling as much foam dishes as we have supply. And our brand year-to-date is actually up 5%. We see the use of disposable tableware has been steady this year across the category and heading into the holiday



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season. This may continue to be a key theme of driving consumer behavior, desire for convenience as well as keeping chores to a minimum as well as holiday gatherings is factored into our forecast for the quarter. But we are seeing elasticity pick up as we took a significant price increase in October in the tableware business, we'll be watching that closely.

### Andrea Teixeira

Analyst, JPMorgan Securities LLC

That's helpful. And on the margin front, what needs to happen in terms of like price elasticity and inflation, cost inflation into 2023, going back to Bill's question.

### V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Yeah, as we said in our prepared remarks, we've closed the gap and we've closed the gap primarily through our pricing actions and the tableware was the significant one as well as waste bags that we took that led into Q4. So with that, with the easing of commodities, we will have a margin that as we go into 2023 and Q4 as well, will be improved and back to more normalized levels.

#### Andrea Teixeira

Analyst, JPMorgan Securities LLC

Okay. That's super helpful. Thank you, Lance and Michael. I'll pass it on.

**Operator**: [Operator Instructions] Our next question comes from Lauren Lieberman with Barclays. Please proceed with your question.

### Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Great. Thanks. Good morning, everyone. Lance your prepared remarks and the comments you've just gone through on category demand and the competitive dynamics all very, very constructive. And so I wanted to just sort of boil it down and see that, to ask if the operational challenges you've got in the cooking and baking segment, if that's really what you would attribute fourth quarter looking a little bit softer than prior expectations. What that's really attributable to and I know you said in short-term, you're making changes, but how should we think about that, does that bleed into 2023 at all or is it kind of a second half of 2022 and then you think things should be back to normal from that non-retail and manufacturing side of things?

### V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

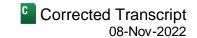
Lauren, I'll answer that one and you can add to it Michael if you'd like. The driver of our Q4 EBITDA guide being lower is volume its \$7 million to \$8 million at the midpoint, the lower volume is primarily non-retail and as we mentioned the specific products in our prepared remarks what non-retail is and some increase elasticities versus what we saw in Q3. So it's driven primarily by an elasticity look at our volume in Q4 versus where we were at Q3 when we guided. The increased manufacturing costs are short-term and offset by Reyvolution and SG&A reductions.

#### Lauren R. Lieberman

Analyst, Barclays Capital, Inc.



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Okay. All right. That's great. So as I look into 2023, you guys had previously spoken to mid-\$900 million for gross profit dollars and that really being kind of the math on pre-pandemic profitability with an assumption on volume. I'm guessing now with elasticity being a bit more significant than what you'd previously expected, we should anchor to something a bit lower, when we think about that gross profit level for 2023.

### Michael Graham

Chief Financial Officer, Reynolds Consumer Products, Inc.

Yeah, I think that's correct. But mid-\$900 million are still in the ballpark. And clearly, elasticities are greater than we anticipated and reported in Q2. We did kind of give an indication that that was a watch out. So that is overall concern. So, I think the – while in the ballpark, I would say that it is a bit lower than we were originally thinking.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay, all right. That's great. Yeah, go ahead sorry...

V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

... we're working to identify additional Reyvolution savings to mitigate. And we'll obviously be more specific when we report in February.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay. That's great. Thank you so much. The – on elasticity, I guess what is historically and I know for a lot of categories, the historic models don't – aren't even relevant because pricing has gone so far beyond what's been the case historically. So would you characterize that it's kind of what's been the case for your elasticity models, is it something about the kind of cross-elasticity of overall inflation that's making it a bit worse and we're kind of on like a one-for-one type dynamic now, is what you're forecasting or something still a bit less than that?

V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Our categories have been moderately elastic historically with a defined range of 1 to 1.5 negative, parchment maybe the exception, when price thresholds are crossed, that's more significant in our categories than the actual price gaps. And so that's why we're watching those price thresholds and adjusting accordingly and having success in doing so across most of our categories today. Our categories are defined as staples, need given categories and react to price change accordingly within this moderately elastic range.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay. That's great. Thanks so much. I'll pass it on.

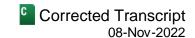
**Operator**: Our next question comes from Jason English with Goldman Sachs. Please proceed with your question.

Jason English

Analyst, Goldman Sachs & Co. LLC



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Hey. Good morning, folks. Thanks for slotting me in, so, lots of comments today about how volume in your categories is still elevated. I think you mentioned that daily use for certain categories is drifting off the highs, but still well above where we were pre-COVID. Lance, Michael, as you guys think forward, how much – what's the cadence, the pace and magnitude that you expect that to unwind as we go through next year?

V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

We have not completed our plan for 2023. We're going through that process now, it would be premature for us to be able to comment on what our outlook is for 2023 from a volume and elasticity standpoint. We certainly want to see how things develop in Q4, as we've gotten some price points in place and we're entering our holiday season which is significant for several of our categories. Once we get through that, we'll have a much better read on 2023 and the outlook for volumes that year.

**Jason English** 

Analyst, Goldman Sachs & Co. LLC

Is it fair to say that that mid-\$900 million guidance out there for gross profit assumes that not all this volume sticks?

V. Lance Mitchell



President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

As Michael said, I think it's still on that neighborhood, but elasticity is greater than when we reported in Q2. And so, we've got to work through that before we're able to update the mid-\$900 million.

Jason English

Analyst, Goldman Sachs & Co. LLC



Okay. All right. I'll stay tuned. Thank you. I'll pass it on.

**Operator**: We have reached the end of our question-and-answer session. I would now like to turn the floor back over to Lance Mitchell for concluding comments.

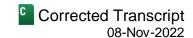
V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Thank you for your questions and we appreciate your time this morning. I think our business is well-positioned for any economic environment and we anticipate earnings growth in the fourth quarter and in 2023. I also want to thank all of our employees and our retail partners. They've been dedicated and contributing during these really challenging and dynamic times. Thank you, everyone.

**Operator**: The conference has now ended and you – this concludes today's conference. Thank you for your participation. You may disconnect your lines at this time.

Q3 2022 Earnings Call



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