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Company: Reynolds Consumer Products, Inc.

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✓ **Company Participants**

Jill Koval - Reynolds Consumer Products, Inc., Director-Investor Relations

Scott Edward Huckins - Reynolds Consumer Products, Inc., President, Chief Executive Officer & Director

Nathan D. Lowe - Reynolds Consumer Products, Inc., Chief Financial Officer

✓ **Other Participants**

Kaumil Gajrawala - Analyst

Peter Grom - Analyst

Andrea Teixeira - Analyst

Lauren R. Lieberman - Analyst

Robert Ottenstein - Analyst

Brian C. McNamara - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Greetings. Welcome to Reynolds Consumer Products Incorporated Fourth Quarter and Full Year 2025 Earnings Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Jill Koval, Director of Investor Relations. Thank you, Jill. You may begin.

Jill Koval

Thank you. Operator. And good morning, everyone. Thank you for joining us for Reynolds Consumer Products fourth quarter earnings conference call. Today's call is being webcast, and a replay will be available on the Investor Relations section of our corporate site at reynoldsconsumerproducts.com. Our earnings press release and investor presentation are also available.

Joining me on the call today are, Scott Huckins, our President and Chief Executive Officer; and Nathan Lowe, our Chief Financial Officer. Following our prepared remarks, we will open the call for a brief question-and-answer session.

Before we begin, I would like to remind you that this morning's discussion will include forward-looking statements which are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those described today. Please refer to the Risk Factors section of our SEC filings for more

information. The company does not intend to update or alter these forward-looking statements to reflect events or circumstances arising after the call.

In addition, we will reference certain non-GAAP or adjusted financial measures during today's call. Reconciliations of these GAAP to non-GAAP financial measures are available in our earnings press release, investor presentation deck and Form 10-K, which can be found on the Investor Relations section of our website.

With that, I'd like to turn the call over to Scott.

Scott Edward Huckins

Thank you, Jill, and thank you to everyone joining us this morning. We closed 2025 with solid fourth quarter execution in what remains a challenging operating environment. Our team stayed focused on the fundamentals, evolving our portfolio to meet consumer needs, serving our retail partners well with case fill rates in the high-90s, protecting profitability and advancing the strategic growth and profit generating priorities that underpin our long-term value creation.

We delivered sequential quarterly improvement throughout the year, mitigating escalating commodity, tariff, and consumer headwinds. Driven by our solid execution, along with successful innovation in our expanding revenue growth management capabilities. Our strong fourth quarter performance was underpinned by share gains across the overwhelming majority of our categories, including our six largest core categories. These share gains included Hefty waste bags, Hefty food bags, Reynolds Wrap, Reynolds Parchment, Reynolds bakeware, Hefty party cups, as well as the strong performance across our store brand offerings.

These gains reflect the consumer's affinity for innovative and differentiated solutions in waste bags and food bags, sustained preference for branded quality and foil, and growing interest in convenience across cooking and baking products. All of this reinforces that our innovation priorities are on target and helped shape our go-to-market execution.

As a point of reference, we outperformed our categories by over 1 point in 2025 and by 2 points in the fourth quarter. I'm also very pleased that we were able to deliver these share gains, while increasing profitability in the quarter versus a year ago.

On our fourth quarter call last year, we noted that 2025 would be a transition year as we aligned our team and began executing against and investing behind a number of strategic priorities. These priorities span growth and innovation, productivity initiatives across manufacturing and supply chain, and other cost savings programs. Let me walk through our progress during the first year of implementing our strategy.

Our innovation engine began to deliver in 2025, driven by a focused strategy on fewer ideas, bigger ambition, and better consumer outcomes. We expanded our Hefty waste bag lineup with new scents and colors, including our popular watermelon scent. We introduced Reynolds Kitchens parchment cooking bags and air fryer cups, ECOSAVE compostable cutlery, and additional seasonal offerings in Reynolds Wrap Holiday Fun Foil and festive printed Hefty party cups. The success of these launches highlights the demand for fun, convenience and value in highly functional, sustainable alternatives. Importantly, these new products meet real consumer needs and reinforce our leadership in everyday household essential categories. These new items are in part while we have performed our categories in 2025.

We advanced our revenue growth management capabilities, beginning to migrate trade dollars from lower return programs to higher return and mutually beneficial programs that deliver better outcomes for both our retail partners and Reynolds. We also delivered early wins through pricing and price pack architecture optimization, helping to offset inflation and minimize elasticity. This disciplined approach produced results as evidenced in the Foil category, where price gaps with store brands narrowed throughout the year, even as we successfully covered commodity pressure with substantial price increases. And we pursued targeted customer level opportunities, beginning to close share gaps through expanded distribution in categories where our brands have a right to win.

Our manufacturing and operating performance improved significantly in the second half of the year as we accelerated our implementation of productivity initiatives, investments against our automation pipeline and other complementary programs. All of these workstreams are aimed at positioning our plants for increased efficiency and throughput.

Our US-centric supply chain remains a competitive advantage, enabling our high service levels and supply chain agility in a volatile environment. Nathan will elaborate more on these initiatives in a few minutes.

Importantly, we added significant talent to our management team to support and execute our strategy. We added experienced leaders across all areas of our business, including new leaders in sales, operations, supply chain, and in our Hefty Tableware segment. I'm very pleased with how the leadership team has come together to drive the business forward and built momentum on each of our priorities as we exited 2025.

As we enter 2026, we will continue to drive each of our priorities forward, which remain consistent with what I outlined a year ago. At the same time, we anticipate another year of sustained headwinds in 2026, underscoring the need for continued nimbleness, adaptability and focus across the organization.

As we move forward, we remain mindful of the state of the consumer environment and the retailer's focus on inventory management and consumer value. Our insights teams are tracking consumer patterns closely, helping refine our promotional strategy, price pack architecture and innovation priorities to stay nimble as the year unfolds.

Regarding raw materials, while resin has been relatively stable, aluminum has continued to move significantly higher. We've made excellent progress in aligning pricing with increasing costs, demonstrated by roughly 11 points of pricing present in the fourth quarter, with only a 2-point decline in retail volumes, as seen in scanner data.

For 2026, we have already implemented a price increase in January and are anticipating further adjustments for the second quarter. We will continue to balance pricing potential elasticities in promotions during key holiday shopping periods carefully to support demand. In terms of the competitive landscape, the dynamics have intensified in the waste bag and food bag categories as we exited the fourth quarter. We are seeing increased promotional and pricing activity being offered by the other brands we compete against, seemingly taking dollars out of these categories and creating added pressure for our business.

Given our strong brand equity, we remain committed to our performance, brand positioning and plan to stay the course on our current price points and promotional strategy, noting that value is a function of the consumer's view of product attributes and function relative to price, and not purely a measure of pricing relative to competitors.

However, some near-term volume headwinds are possible, and we have embedded our estimate of this headwind into our outlook. Regarding our private label food and waste bag businesses, they remain resilient, delivering strong value for consumers as we continue to build a more robust branded presence.

As you may recall from our commentary last quarter, the current environment is driving more transactional dynamics with retailers, including a greater focus on dual sourcing for private label programs. As this trend continues into 2026, we are actively managing both the risks and the opportunities. While this will create near-term pressure in 2026, we believe this will be more than offset by incremental opportunities over time. We remain confident that our category leadership and insights, strong service levels, innovation, quality and increasing manufacturing efficiencies, position us to compete effectively, and remain an essential supplier.

Despite the headwinds, our 2025 progress and momentum position us to deliver stable results in 2026, with adjusted EBITDA roughly flat year-over-year. This outlook reflects the achievements made against the priorities we outlined a year ago and recapped earlier. Importantly, this progress is not a onetime benefit, but a foundation for sustained improvement going forward.

Turning now to our strategic priorities. On the top line, we continue to work across our three core pillars of revenue growth management, share gap selling, and innovation. We are committed to building on the strong foundation established last year in revenue growth management. Our 2026 focus remains on channeling trade investments into higher-return programs that drive improved results for both our retail partners and RCP. We have invested in people, tools and training in 2025 to bring this forward into 2026.

Emphasis will continue to be on closing share gaps between our category share and our retail partners' end market shares. These opportunities exist in both our branded and private label businesses, and we seek to expand distribution in our core categories where we have demonstrated success. Innovation and differentiation will remain central to our growth strategy in 2026, building on the momentum established in 2025.

By strengthening our enterprise-wide focus on consumer insights, we are increasing strategic precision, prioritizing innovation and our resources around the highest-impact opportunities, enhancing our total portfolio value proposition with customers and building scalable growth platforms to deliver sustained and profitable growth. Importantly, we are pleased with the strength of our current pipeline for 2026 and beyond.

On margin priorities, Nathan will cover how we are advancing our operations and supply chain priorities in a few minutes. We are also evolving how we look at our business. Beginning in Q1 2026, we will realign category organization across the Hefty Waste & Storage and Presto segments, consolidating waste bags in one business and food bags and storage in another to increase efficiencies, sharpen the focus on innovation, and establish a structure to better unlock growth opportunities.

Finally, on talent. Our success at RCP is built on the strength of our 6,000-employee team. In 2026, we expect to continue developing talent and redefining what success looks like across the organization. We believe a high-performing and engaged workforce drives sustainable growth. In summary, 2025 was a year of disciplined execution, operating with greater agility, outperforming our categories at retail, and delivering sequentially improved financial results, all while beginning to drive out manufacturing and supply chain costs.

The progress we achieved strengthens our confidence in both our strategy and our ability to execute in 2026 and beyond. While the near-term will continue to see some challenges, we remain focused on driving sustained progress.

With that, I will turn the call over to Nathan to review our financials and provide guidance for 2026.

Nathan D. Lowe

Thank you, Scott, and good morning, everyone. 2025 was a year of taking decisive action in response to macro headwinds and building both resilience and momentum as we position the company for future success.

Across the business, we delivered results that reflect meaningful advancement against our strategic objectives. We accelerated growth through expanded distribution and innovation. We delivered cost savings through productivity initiatives, strategic sourcing and disciplined cost management, and we invested in a number of high ROI initiatives across our business, including capital to support growth in our fastest growing segments, as well as making solid progress against our automation pipeline. We are encouraged by the progress we made against these initiatives through 2025, with early returns beginning to materialize in the fourth quarter.

For the quarter, we are very pleased with how we closed out 2025, outperforming all guided metrics and delivering a strong performance that underscores the effectiveness of our strategy and disciplined execution. Net revenues of \$1.03 billion represented 1% growth, compared to \$1.02 billion in the fourth quarter of 2024. Our retail volumes exceeded overall category trends, outperforming our categories by 2 points. While low margin non-retail net revenues increased \$24 million versus the prior year period.

In the Foil category, the underlying dynamics remained constructive despite multiple price increases in the last 12 months. Having executed multiple price increases in 2025, we are encouraged that fourth quarter volume takeaways were down only two points, demonstrating the pricing power of our brands. Our Hefty Waste & Storage and Presto segments each delivered strong volume growth and share gains in the quarter, and Hefty Tableware delivered a slight sequential volume improvement and improved profitability in the business to deliver a flat EBITDA result. However, declines in foam and the discretionary nature of the category continued to weigh heavily on the segment's top line results.

Stepping back up to the company results, we saw improved profitability in Q4, the impact of pricing to recover commodities and tariffs and growth in our low margin non-retail business had a dilutive impact on gross margin percentages to the tune of 190 basis points; masking the underlying improvement in profitability.

SG&A was down 19% versus the fourth quarter of 2024, driven by some de-layering in the organization, surgical focus on optimizing advertising ROIs, and tight management of controllable costs. Adjusted EBITDA of \$220 million represented a 3% increase on adjusted EBITDA in the year ago period and was the only quarter of EBITDA growth in 2025. Manufacturing efficiencies and other cost improvements more than offset retail sales volume declines in the quarter, and adjusted EPS was \$0.59, compared to \$0.58 in the fourth quarter of 2024. Overall, our fourth quarter results were strong and we are well positioned as we enter 2026 with the resources and continued willingness to invest in driving earnings growth.

Turning to the full year 2025. We saw net revenues of \$3.7 billion, representing year-over-year growth of 1%. The slight decline in retail revenues, which exceeded overall category performance, was more than offset by strong growth in non-retail revenues. SG&A was down 11% versus 2024 for the reasons I mentioned in the context of the fourth quarter. Adjusted EBITDA of \$667 million is compared to adjusted EBITDA of \$678 million in 2024. The change from prior year was driven by lower retail volume, due in part to Q1 retailer destocking and overall decline in our categories, partially offset by cost reductions.

It's important to underscore the pace and magnitude of the pricing and cost reduction actions taken to minimize the impact of approximately \$100 million in higher tariffs and commodity costs on our result. And adjusted earnings per share were \$1.64, compared to \$1.67 in 2024, remembering that we are lapping a onetime \$0.05 tax benefit in Q2 of 2024.

We finished 2025 with very strong cash flow performance, generating full year free cash flow of \$316 million. This result benefited from our ongoing commitment to tightly managing working capital and driving improvements that offset the impact of higher commodity costs on cash flows.

During the year, we successfully refinanced our term loan facility, extending the maturity of our debt, and made an additional \$100 million in voluntary principal payments. We've reduced our net debt leverage to 2.1 times at the low end of our stated target leverage range, providing significant financial flexibility to continue investing in the business. Taken together, these results reflect a business that is executing with greater agility and focus while building a stronger foundation for future growth.

Turning now to our priorities for 2026. We made meaningful progress executing our strategic agenda in 2025, but we are still early in the journey with significant work ahead. We see substantial opportunities to deepen our capabilities, scale our initiatives, and unlock the full value of our strategy.

Starting with margin expansion, we are committed to unlock additional efficiencies across manufacturing and supply chain. Our approach centers on three key levers. First, embedding lean principles across our operations to improve yields, reduce bottlenecks, and improve productivity through process redesign and cost discipline, none of which require capital investment.

Second, advanced technology deployment to provide real-time visibility into production metrics, uptime and scrap, and enable faster data driven decision making on the floor. And third, pulling through high ROI automation investments from our multiyear pipeline that enhance operational performance across costs, quality and safety. Outside of our operations, we will continue to invest in incremental innovation and distribution opportunities to accelerate earnings growth.

For the full year 2026, we expect net revenues to be minus 3% to plus 1%, compared to 2025 net revenues of \$3.7 billion. The key drivers of this outlook include retail branded sales expected at or above category performance of down 2%. The anticipated category headwinds is primarily attributed to declines in foam and foil. The latter, a function of elasticities on aluminum cost increases, while performance across our remaining categories is expected to remain relatively stable.

Consistent with Scott's comments on increasing store brand bid activity given the macro environment, we have contemplated pressure in 2026 as we navigate losses in a portion of our store brand business, with replacement business coming on as the year progresses. Non-retail revenue is expected to be flat for the year.

We expect net income and adjusted net income to be in the range of \$331 million to \$343 million, and full year EPS and adjusted EPS to be between \$1.57 to \$1.63. Our assumption is that interest expenses and D&A will be broadly in line with 2025, and our effective tax rate will be approximately 24.5%, consistent with historical rates. Our full year adjusted EBITDA is expected to be in the range of \$660 million and \$675 million.

Some other considerations to keep in mind. Our guide contemplates some level of pricing and as Scott mentioned, we will take additional pricing actions where appropriate to reduce the impact of higher input costs while closely managing our price pack architecture, leveraging the revenue growth management tools we implemented in 2025. You should expect continued discipline in all areas of controllable costs, but we do expect SG&A will be up compared to 2025 levels as we step up support for innovation and other strategic initiatives.

With Tableware trends likely to remain under pressure in 2026 due to foam and the discretionary nature of the category, our focus is to stabilize the core business away from foam with accelerated R&D efforts on innovation and the advancement of our sustainable solutions, and further extension of the entire Hefty Tableware portfolio into channels outside of mass and club.

Moving now to the first quarter, we expect net revenues to be down 3% to plus 1% compared to the first quarter 2025, net revenues of \$818 million. Net income and adjusted net income are expected to be between \$49 million and \$53 million in the first quarter. With EPS and adjusted EPS expected to be \$0.23 to \$0.25, compared to \$0.23 in the first quarter of 2025. The company expects first quarter adjusted EBITDA to be \$120 million to \$125 million, compared to the first quarter 2025 adjusted EBITDA of \$117 million.

Now, turning to cash flow and capital allocation. We continue to advance our capital pipeline for organic investment opportunities. And as we begin executing 2026 projects, we are simultaneously replenishing the back end of our automation pipeline. I'm encouraged by the number of additional opportunities that we've identified and their attractive return profile. As a result, capital expenditures are expected to remain elevated as these capital projects extend beyond 2026 and into 2027, with 2026 CapEx expected to be in the low-200s.

Our approach to capital allocation considers both organic and inorganic opportunities and continues to be centered around allocating capital to its highest-value users. We maintain a bias for investments that drive growth with the proven ROIs in our automation CapEx pipeline essentially establishing a hurdle rate for other potential uses of capital. While we are pleased with our robust pipeline of opportunities to invest in the business and drive organic growth, we continue to explore M&A opportunities with more rigor to identify additional growth platforms for RCP.

In closing, we are proud of the strong foundation we have built in 2025. The strength of our balance sheet, strong cash flows, and capital allocation discipline position us well for value-creating reinvestment in growth and profitability, and we look forward to unlocking even more of our potential in 2026 and the years that follow.

With that, let's turn to your questions. Operator?

QUESTION AND ANSWER SECTION

Operator

Thank you. We will now be conducting a question-and-answer session. Our first question is from Kaumil Gajrawala with Jefferies. Please proceed.

Analyst:Kaumil Gajrawala

Question – Kaumil Gajrawala: Hey, everybody. Good morning. I guess a couple of questions. I maybe want to understand more around the restructuring with Presto and Hefty. And so, I see at a very high level some of your comments on what you're hoping to do, but if you could provide some more details or are people moving around, what would be – what does success look like in terms of what you'll be able to accomplish that you can't do already? And then maybe some of the logic path on making this decision. And that is there something that you see in the market from a demand perspective? Is there something that you see in the market from a competitive dynamic that you think is likely to be ongoing? Because making a change like this usually means there's a bit of a different view on either the top line or the profitability of the categories in general.

Answer – Scott Edward Huckins: First of all, good morning, Kaumil. Thanks for the question. I think there's a couple of factors at work. If I walk through them, I think the first is clarity and focus. So, rather than having two different business units have participation in shared categories, what we're after is having clarity of focus, where each of those business units has a core focus on a category. Just to keep it simple. There's a couple of benefits we see with that. The first is, end-to-end management, all the way from consumer insights to innovation, to operations, to supply chain, end-to-end across each of those businesses. So, we think there's an efficiency gain to be had.

The second is we think it adds clarity for growth. And that clarity for growth comes in two dimensions. One, we've got one dedicated team focused on category innovation in one business, another dedicated team focused on innovations in another business. And then finally, the opportunities to assess and execute against potential growth outside of those categories is even sharper. So, that's the substance. I think you also asked, is there a bunch of people movement? The answer is really no, no real change in org design of any substance, again, more reorganizing so that these teams are dedicated to their categories.

Question – Kaumil Gajrawala: Okay. Got it. And then if I can ask about foam, I believe we're lapping sort of the beginning of when foam really started to turn. And at least at that time, it felt like it's not a one and done, but that there were some – maybe some states or some markets that were going to be particularly impacted, others that is a lot less so. It sounds like the situation continues to be challenging. So, I'm just curious, are we anywhere near sort of a stabilization point? I know you're offsetting factors with sustainable goods and such, but are we hitting a stabilization point or is this a sort of thing where the pressure just continues to build?

Answer – Scott Edward Huckins: Thanks for that one. So, maybe a little dimension. So, if you look at the performance of that category in 2025, volumes were down about 14% plus or minus for the category. So, to your point, we expect to see about half of that for memorability being half that rate of decline in 2026. So, certainly, the bigger shock to the system would have been 2025 versus 2026. I think what's happening is more consumer driven, including things like the considerations of the cost of alternatives. So, you will see if you study pulp and paper, those costs have generally come down over the most recent years. So, I think that's more what we're seeing in 2026 compared with a real structural change in the regulatory landscape in 2025.

Question – Kaumil Gajrawala: Okay. Got it. Thank you.

Operator

Our next question is from Peter Grom with UBS. Please proceed.

Analyst:Peter Grom

Question – Peter Grom: Great. Thank you. Good morning, everybody. So, I was hoping to get some more color on the competitive dynamics that you alluded to around the Hefty business. Maybe just more color in terms of what you're seeing and ultimately the decision around maintaining price points in the current promotion strategy. You mentioned that volumes will potentially be impacted. So, curious what's embedded in the guidance. And I guess whether you'd be willing to shift your strategy should the volume declines be worse than expected?

Answer – Scott Edward Huckins: Good morning, Peter, I'll start. Nathan may add in terms of a guide effect. So, I think what we're seeing is two different dynamics. As we exited 2025, at least in the waste category, we saw a pronounced increase in the promotion and pricing activities from another competitor in that space. And for context, we actually would have seen our Hefty branded promotion actually look a lot like our total company. And importantly, even down in the fourth quarter versus last year, just to sort of set the stage on what are we seeing.

The comments about staying in the course are really a fundamental and long-term view of maintaining the brand equity in the Hefty brand. And the business has been built around that very principle in offering consumer value. So, our view is the right long-term strategy for the business is to stay in the course. And I think we certainly take some comfort in performance. As we think back about the year the Hefty brand on retail track channel data outperformed the category by 7 points. Outperformed the category in the fourth quarter by 3 points. So, we feel like we've got the winning approach to the marketplace. And we think stay in the course is the right strategy.

Nathan, anything on the guide you want to share?

Answer – Nathan D. Lowe: So, I think you kind of hinted it, this guide. I mean, we saw 7 points of growth in the Hefty waste bag business in 2025 on a category that was roughly up 1 point. So, whilst we wouldn't expect that level of success in the category in 2026, we've certainly, factored in some continued success, just not to that degree.

Question – Peter Grom: Great. And then maybe related on foil elasticities have been favorable thus far. But as you think about the January price increase and more increases to come, how are you thinking about elasticities from here and maybe managing around that \$5 price cliff as we move forward?

Answer – Scott Edward Huckins: Yeah. Again thanks, another good – good question. So, yeah, I think I'd start with where we are really pleased with our commercial team and what we've seen thus far, because it's – it has certainly been a dynamic raw material climate. And it's not as simple as just "executing price increases". I think as we've assessed the situation throughout the year, we've been taking measured generally quarterly price increases. Good example of our developing our GM capability because while we've been taking those price increases, we've actually seen the pricing gap to private label contract throughout the balance of the year. And I think that's a very, very important observation.

Another piece is on consumer insight. So, when we study consumer research, what we find is the consumer will tend to look at their most recent one or two purchase cycles in considering the effect of price. So, going

back to my comment about taking measured quarterly increases, we think that's had a bit of a muting effect on elasticities.

And then in closing, having said all of that, we certainly enjoyed some share gains in the year and the quarter. But we also want to be realistic about the fact that with each subsequent increase, of course, there's more elasticity risks. So, that's how we're thinking about it, so far so good, but we also want to be foreshadowing there with each increase, there's more elasticity risks.

Question – Peter Grom: Great. Thank you so much. I'll pass it on.

Operator

Our next question is from Andrea Teixeira with JPMorgan. Please proceed.

Analyst:Andrea Teixeira

Question – Andrea Teixeira: Hi, everyone. Good morning. Thank you for the question. I was hoping to see, like a good segue into Peter's question on promotional activity. You also alluded to private label, and that's something obviously that you are very active on the bag side. So, just curious to see if you are number one, obviously seeing the down trade, and that's impacting your Hefty and your branded tableware? And how Presto and other private label brands that you have been that you are obviously commissioned to have been getting market share? So, can you comment on that and how we should be thinking the impact of mix within your guide?

Answer – Scott Edward Huckins: Sure. So, as a general statement, I'd say we continue to see stability in the categories in terms of a brand and store brand mix. The categories have actually been remarkably stable. In terms of, I think you specifically asked about Presto, we have seen pronounced growth in that business, particularly around food bags, probably more prominent in clubs than other channels. So, I think that would be the commentary on this generally, had we seen material trade down, no, we haven't, been pretty stable. We've certainly seen some wins in the Presto business in the food bags.

In terms of our brand, store brand mix, my expectation would be we probably see more a branded mix in 2026, in light of some of the offsets in private label that Nathan spoken in the outlook.

Question – Andrea Teixeira: And then but more specifically, so how can we think about like the, I mean, going – looking ahead, if there is any opportunity for you to actually gain a more private label share or like how you see you just discussed Presto, but also like good value for your bags? Like, how is that performing relative to your brands? I mean, obviously you want Hefty to continue to gain share, but if that's not the case, how we should be thinking of that mix impact?

Answer – Scott Edward Huckins: Sure. So, we definitely see opportunities from a share standpoint, what we call share gap selling that was referenced in the prepared remarks, to both gain business in branded and store brand formats. What I was trying to reference in the prepared comments were that, we're seeing just a lot of bid activity commensurate with the state of the economy, which is not surprising. And so, what we have near-term headwinds, we also have wins that you'll start to see flow through the business, particularly in the back half of the year. So, we definitely think that there's opportunities in both the branded and store brand part of the business. We'll start with some headwinds and we'll start to offset those in the store brand business as we work our way through the year.

Question – Andrea Teixeira: Okay. Thank you, Scott. Appreciate it.

Operator

Our next question is from Lauren Lieberman with Barclays. Please proceed.

Analyst: Lauren R. Lieberman

Question – Lauren R. Lieberman: Great. Thanks. Good morning. I'm curious on the SG&A. So, the – you mentioned some delayering, but then also the shorter-term dynamics on advertising. And you're going to kind of true-up in 2026. I just wanted to get a sense for that. I would have thought that the run rate of the first three quarters was kind of a sustainable level, given the delayering work, and that it's really about that 4Q maybe had some more short-term adjustments on the SG&A spend, just as we think about into 2026, is that reasonable?

Answer – Nathan D. Lowe: Yeah. Look, I would say when we talk about the actions that we took on SG&A in 2025, there's – I mean, when we talk about advertising, let's start there, is that we really focused on getting to the point of optimizing ROIs on a marginal ROI basis. So, it's not that we took too much SG&A out, it's that we got it to the right point where we were optimizing that. When we think about bringing some of the SG&A back in 2026, we're really talking about investing behind what particular launches of innovation. And the delayering, as you pointed out, is more structural. So, there's not a lot more to talk about on SG&A other than that. Those...

Question – Lauren R. Lieberman: Okay.

Answer – Nathan D. Lowe: ...variable compensations, the other swing, swing factor.

Question – Lauren R. Lieberman: Okay. And so, was the variable compensation a big factor in the fourth quarter, because \$80 million, it's just \$20 million lower than the kind of quarterly run rate. It's a big number in terms of...

Answer – Nathan D. Lowe: Yes. It's certainly contributed to the fourth quarter SG&A.

Question – Lauren R. Lieberman: Okay. And then as I look into this year, I'm just curious for any perspective you can offer on commodity cost inflation and kind of what type of headwind do you think that's going to be to gross margin? Not – and then on top of that, obviously we'll think about how to flow through pricing?

Answer – Nathan D. Lowe: Yes. Sure. So, I think best way to think about it, as we talked about it all last year, it was 2 to 4 points of costs and a similar quantum of pricing to offset that. Say, that this year we'll talk about it in 2 to 3 points of cost headwinds and similar – a similar amount in terms of pricing to offset that through the year. And roughly half of that is carryover of costs that ramped in 2025. And similarly, the pricing that we took in 2025 wrapping around.

In terms of margins, probably worth starting with a couple of the comments I made in my prepared remarks, just to put some color to that. First, if we are talking about retail sales volumes down for the reasons Scott talked about. At the same time, SG&A is expected to be up, which you mentioned, and then EBITDA flat. So,

that certainly implies that we're expecting some improvement in profitability. At the same time, when we're in a period of taking pricing to cover commodity cost increases, we'd expect that to have a dilutive impact on margin percentages, as was the case in 2025.

Question – Lauren R. Lieberman: Okay. Great. All right. Thank you so much.

Operator

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

Analyst: Robert Ottenstein

Question – Robert Ottenstein: Great. Thank you very much. Good morning. A couple of follow-up questions. So, first on the combination of Hefty and Presto, from what I can gather, that's more sort of strategic and efficiency related rather than pure cost takeout. Is that the right way to look at it?

Answer – Scott Edward Huckins: Yeah. Good morning, Robert. That is accurate. It is not a cost-driven motive, it's an execution-driven motive or focus. And again, just to restate part of my comment to the prior question, we think that unlocks and provides additional clarity for growth. So, it's not a cost motive, it's execution growth.

Answer – Nathan D. Lowe: I, like, termed it as better outcomes with the same resources.

Question – Robert Ottenstein: Thank you. Great. Great. Great. Second, can you talk a little bit about the market share gains that you got in Q4? You had been running at roughly 100 basis points that went to 200 basis points. Maybe some of the drivers around that. And was there any kind of one-offs or anything that makes it unusual? And would that kind of continue driving share gains in the first three quarters of this year at least? And how that ties into the spring shelf set? So, are you getting increased shelf space due to those gains?

Answer – Scott Edward Huckins: Thanks for the follow-up. So, I think what's interesting is that the share gains were really across the portfolio. And so, if you think about our six largest categories, we actually enjoyed share gain performance in each of those six. The only outlier candidly was foam. So, the point of that is it was fairly broad. Certainly, I think there's two drivers of that. One would be innovation. Newer items are certainly winning in the marketplace. I also think it goes back to our performance brand-oriented philosophy. I think more and more is the retail consumer has even a more prominent focus on value. I think that's probably an assist, complementing those first two pieces.

And then frankly, last for me would be service. You think about it's a pretty challenging dynamic here, global tariffs shifts and evolve, and we ran a high-90s case fill rate for the full year. I'm very proud of our supply chain team for that. But I think those would be the three drivers that allowed that performance.

You asked about looks into 2026. We certainly are seeing continuation of that generally in our January results in terms of our performance against the categories, against those same dimensions. So, I think as we see it, we see some continuation.

Question – Robert Ottenstein: And is it also reflected in increased shelf space in the March/April reset?

Answer – Scott Edward Huckins: I guess, two things. So, part of it is we picked up about 5 points of distribution, total distribution points in the fourth quarter. So by definition, that provides distribution growth. We'll see as we get into the May/June timeframe the final outcomes of distribution. But as we're going into it, we're fairly optimistic, because, of course, that very share performance certainly is a useful marketing discussion topic with our retail partners.

Question – Robert Ottenstein: Terrific. Thank you very much.

Answer – Scott Edward Huckins: Thank you.

Operator

Our next question is from Brian McNamara with Canaccord Genuity. Please proceed.

Analyst:Brian C. McNamara

Question – Brian C. McNamara: Hey. Good morning, guys. Thanks for taking the question. I wanted to drill down on elasticity as it relates to aluminum foil, which appears well behaved thus far. I'm curious how you would compare the current environment to 2022, where 75 square foot foil at retail breached \$5, the \$5 price point for a time, and then you lost a few points of branded share. And then you gained it back once you promoted below that kind of \$5 price point. We've recently observed that 75 foot, the price is kind of across the country, kind of well north of that \$5 price point, close to \$6 in some places. So, I'm curious, has that \$5 price point goalpost moved? And I'm curious how you should – how we should think about that, the elasticity threshold?

Answer – Scott Edward Huckins: Good morning, Brian. Another really good question. So, I think there's a couple of factors that worked, probably three. What's different about now versus 2022 that you referenced would be specifically price gaps to private label. Back in that era, those gaps were over \$1 between the brand and store brand. We are seeing significantly tighter gaps as we exited the year in 2025 and early days in 2026, that's the first point.

I think the second point, and this is a factors into our thinking, is over those last several years, if you look at average cost of an item in – a consumer item, excuse me, in a store, it's up about 25% 30%. So, it's not as though we have a (00:47:30) statement, but we certainly observe that on a comparable basis, what was the \$5 price point you've referenced, is conceptually if you inflate it that against the balance of the store, we certainly think that might be providing some insulation.

And then third and finally, is our team has been taking pricing actions. We believe that the quarterly more gradual increases are more effective with the consumer than, say, a semi-annual, much larger increase. Back to the comment I think I shared earlier about consumer insights, where the consumer will tend to look at the most one or two most recent purchases in assessing price. So, I think those are the dynamics.

But we study the categories you would guess every single day, and I think are going to benefit from RGM capabilities, where we've got continued capability development and how we think about how, where and when to promote against those key sales window. So, I think those are the variables, that we certainly would expect to see elasticities, but we think that we've got the data would suggest they've been certainly more muted than they would have been in 2022.

Question – Brian C. McNamara: That's helpful. Thank you.

Answer – Scott Edward Huckins: You're welcome.

Operator

This will conclude our question-and-answer session. I would like to turn the conference back over to Scott for closing remarks.

Thank you, operator. And thank you to everyone who joined us today, our analysts, our investors, and certainly our 6,000 teammates who make RCP the great company that it is. Now, we're energized about the opportunities ahead of us, and we look forward to sharing our progress with you in the quarters to come. Wish everybody a great morning and a great day.

Operator

Thank you. This will conclude today's conference. You may disconnect your lines at this time and thank you for your participation.

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