

Item 8. Financial Statements and Supplementary Data.

THE J. M. SMUCKER COMPANY
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REPORT OF MANAGEMENT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

Shareholders

The J. M. Smucker Company

Management is responsible for establishing and maintaining adequate accounting and internal control systems over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended. Our internal control system is designed to provide reasonable assurance that we have the ability to record, process, summarize, and report reliable financial information on a timely basis.

Our management, with the participation of the principal financial officer and principal executive officer, assessed the effectiveness of the internal control over financial reporting as of April 30, 2023. In making this assessment, we used the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (“the COSO criteria”).

Based on our assessment of internal control over financial reporting under the COSO criteria, we concluded the internal control over financial reporting was effective as of April 30, 2023.

Ernst & Young LLP, an independent registered public accounting firm, audited the effectiveness of our internal control over financial reporting as of April 30, 2023, and their report thereon is included on page 45 of this report.

Mark T. Smucker
*Chair of Board, President, and Chief
Executive Officer*

Tucker H. Marshall
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

**Board of Directors and Shareholders
The J. M. Smucker Company**

Opinion on Internal Control Over Financial Reporting

We have audited The J. M. Smucker Company's internal control over financial reporting as of April 30, 2023, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) ("the COSO criteria"). In our opinion, The J. M. Smucker Company (the "Company") maintained, in all material respects, effective internal control over financial reporting as of April 30, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the 2023 consolidated financial statements of the Company and our report dated June 20, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Akron, Ohio
June 20, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON THE CONSOLIDATED FINANCIAL STATEMENTS

**Board of Directors and Shareholders
The J. M. Smucker Company**

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The J. M. Smucker Company (the “Company”) as of April 30, 2023 and 2022, the related statements of consolidated income, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended April 30, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at April 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of April 30, 2023, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated June 20, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

U.S. Retail Pet Foods Goodwill Impairment Evaluation

Description of the Matter

At April 30, 2023, the Company's total goodwill was \$5.2 billion, of that, \$1.6 billion relates to the U.S. Retail Pet Foods segment. Goodwill is assigned to the Company's reporting units as of the acquisition date. As discussed in Note 1 and Note 6 of the consolidated financial statements, goodwill is quantitatively tested at the reporting unit level for impairment at least annually on February 1, or when events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company uses an income and market approach in its quantitative impairment tests. U.S. Retail Pet Foods goodwill is susceptible to impairment due to the narrow difference between fair value and carrying value.

Auditing the Company's annual U.S. Retail Pet Foods goodwill impairment evaluation was complex and highly judgmental due to the significant estimation required in determining the fair value of the reporting unit. In particular, the fair value estimate using the income approach was sensitive to significant assumptions such as the weighted average cost of capital, discrete revenue growth rates, terminal period revenue growth rate, and profitability assumptions. Elements of these significant assumptions are forward-looking and could be affected by future economic conditions and/or changes in consumer preferences.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's U.S. Retail Pet Foods goodwill impairment review process, including controls over the significant assumptions mentioned above.

To test the estimated fair value used in the Company's U.S. Retail Pet Foods impairment analysis, we performed audit procedures that included, among others, assessing fair value methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. As it pertains to revenue growth rates and profitability assumptions, we compared the significant assumptions used by management to current industry and economic trends, changes to the Company's business model, customer base or product mix, as applicable. We assessed the historical accuracy of management's estimates. In addition, we involved our valuation specialists to assist with our evaluation of the methodology used by the Company and significant assumptions, including, the weighted average cost of capital. Specifically, we evaluated the components of the weighted average cost of capital assumptions used by the Company by performing an independent corroborative calculation with the involvement of our valuation specialists.

Allocation of Goodwill Related to the Divestiture of Certain Pet Food Brands

Description of the Matter

As discussed in Note 3 and Note 6 to the consolidated financial statements, on April 28, 2023, the Company divested certain pet food brands. In conjunction with the divestiture, management allocated goodwill previously included primarily in the U.S. Retail Pet Foods segment to the pet food brands disposal group using a relative fair value approach. Goodwill of \$790.3 million was allocated to the pet food brands disposal group as part of the divestiture.

Auditing the Company's allocation of goodwill to the pet food brands disposal group was complex due to the significant estimation required to determine the relative fair values of the U.S. Retail Pet Foods segment and the pet food brands disposal group referred to above. These fair value estimates were sensitive to significant assumptions such as the weighted-average cost of capital, discrete revenue growth rates, terminal period revenue growth rate, and profitability assumptions. Elements of these significant assumptions are forward-looking and could be affected by future economic conditions and/or changes in consumer preferences.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls over the goodwill allocation process. For example, we tested controls over management's review of the significant assumptions described above along with the completeness and accuracy of the data used in these fair value estimates.

To test the estimated fair value of the goodwill allocated to the divested pet food brands, we performed audit procedures that included, among others, assessing fair value methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. As it pertains to revenue growth rates and profitability assumptions, we compared the significant assumptions used by management to current industry and economic trends. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate any hypothetical change in the fair value of the U.S. Retail Pet Foods segment and pet food brands disposal group that would result from changes in significant assumptions. In addition, we involved our valuation specialists to assist with our evaluation of the methodology used by the Company and significant assumptions, including, the weighted average cost of capital. Specifically, we evaluated the components of the weighted average cost of capital assumptions used by the Company by performing an independent corroborative calculation with the involvement of our valuation specialists. We also tested the allocation of goodwill by recalculating the amounts based on the estimated fair values of the U.S. Retail Pet Foods segment and the pet food brands disposal group. Furthermore, we have evaluated the Company's disclosures in relation to the allocation of goodwill.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1955.

Akron, Ohio
June 20, 2023

REPORT OF MANAGEMENT ON RESPONSIBILITY
FOR FINANCIAL REPORTING

Shareholders

The J. M. Smucker Company

Management of The J. M. Smucker Company is responsible for the preparation, integrity, accuracy, and consistency of the consolidated financial statements and the related financial information in this report. Such information has been prepared in accordance with U.S. generally accepted accounting principles and is based on our best estimates and judgments.

We maintain systems of internal accounting controls supported by formal policies and procedures that are communicated throughout the Company. There is a program of audits performed by our internal audit staff designed to evaluate the adequacy of and adherence to these controls, policies, and procedures.

Ernst & Young LLP, an independent registered public accounting firm, has audited our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Management has made all financial records and related data available to Ernst & Young LLP during its audit.

Our audit committee, comprised of three independent non-employee members of the Board of Directors, meets regularly with the independent registered public accounting firm and management to review the work of the internal audit staff and the work, audit scope, timing arrangements, and fees of the independent registered public accounting firm. The audit committee also regularly satisfies itself as to the adequacy of controls, systems, and financial records. The lead internal auditor of the internal audit department is required to report directly to the audit committee as to internal audit matters.

It is our best judgment that our policies and procedures, our program of internal and independent audits, and the oversight activity of the audit committee work together to provide reasonable assurance that our operations are conducted according to law and in compliance with the high standards of business ethics and conduct to which we subscribe.

Mark T. Smucker
*Chair of Board, President, and Chief
Executive Officer*

Tucker H. Marshall
Chief Financial Officer

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED INCOME

(Dollars in millions, except per share data)	Year Ended April 30,		
	2023	2022	2021
Net sales	\$ 8,529.2	\$ 7,998.9	\$ 8,002.7
Cost of products sold ^(A)	5,727.4	5,298.2	4,864.0
Gross Profit	2,801.8	2,700.7	3,138.7
Selling, distribution, and administrative expenses	1,455.0	1,360.3	1,523.1
Amortization	206.9	223.6	233.0
Other intangible assets impairment charges	—	150.4	3.8
Other special project costs ^(A)	4.7	8.0	20.7
Loss (gain) on divestitures – net	1,018.5	(9.6)	(25.3)
Other operating expense (income) – net	(40.8)	(55.8)	(3.4)
Operating Income	157.5	1,023.8	1,386.8
Interest expense – net	(152.0)	(160.9)	(177.1)
Other income (expense) – net	(14.7)	(19.1)	(37.8)
Income (Loss) Before Income Taxes	(9.2)	843.8	1,171.9
Income tax expense	82.1	212.1	295.6
Net Income (Loss)	\$ (91.3)	\$ 631.7	\$ 876.3
Earnings per common share:			
Net Income (Loss)	\$ (0.86)	\$ 5.84	\$ 7.79
Net Income (Loss) – Assuming Dilution	\$ (0.86)	\$ 5.83	\$ 7.79

(A) Special project costs include certain restructuring costs, which are recognized in cost of products sold and other special project costs. For more information, see Note 2: Special Project Costs and Note 4: Reportable Segments.

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(Dollars in millions)	Year Ended April 30,		
	2023	2022	2021
Net income (loss)	\$ (91.3)	\$ 631.7	\$ 876.3
Other comprehensive income (loss):			
Foreign currency translation adjustments	(13.2)	(12.1)	41.5
Cash flow hedging derivative activity, net of tax	10.3	10.9	10.8
Pension and other postretirement benefit plans activity, net of tax	1.5	43.1	49.4
Available-for-sale securities activity, net of tax	(0.4)	(1.9)	(0.1)
Total Other Comprehensive Income (Loss)	(1.8)	40.0	101.6
Comprehensive Income (Loss)	\$ (93.1)	\$ 671.7	\$ 977.9

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	April 30,	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 655.8	\$ 169.9
Trade receivables – net	597.6	524.7
Inventories:		
Finished products	657.6	704.4
Raw materials	352.2	384.9
Total Inventory	1,009.8	1,089.3
Investment in equity securities	487.8	—
Other current assets	107.7	226.2
Total Current Assets	2,858.7	2,010.1
Property, Plant, and Equipment		
Land and land improvements	131.0	120.4
Buildings and fixtures	956.1	959.7
Machinery and equipment	2,443.5	2,503.3
Construction in progress	629.4	527.8
Gross Property, Plant, and Equipment	4,160.0	4,111.2
Accumulated depreciation	(1,920.5)	(1,979.5)
Total Property, Plant, and Equipment	2,239.5	2,131.7
Other Noncurrent Assets		
Operating lease right-of-use assets	103.0	106.5
Goodwill	5,216.9	6,015.8
Other intangible assets – net	4,429.3	5,652.2
Other noncurrent assets	144.0	138.7
Total Other Noncurrent Assets	9,893.2	11,913.2
Total Assets	\$ 14,991.4	\$ 16,055.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 1,392.6	\$ 1,193.3
Accrued compensation	112.9	91.8
Accrued trade marketing and merchandising	187.7	193.8
Dividends payable	106.3	105.3
Short-term borrowings	—	180.0
Current operating lease liabilities	33.2	40.1
Other current liabilities	154.0	148.5
Total Current Liabilities	1,986.7	1,952.8
Noncurrent Liabilities		
Long-term debt	4,314.2	4,310.6
Defined benefit pensions	62.1	114.9
Other postretirement benefits	49.1	54.2
Deferred income taxes	1,138.9	1,325.8
Noncurrent operating lease liabilities	77.2	76.2
Other noncurrent liabilities	72.4	80.4
Total Noncurrent Liabilities	5,713.9	5,962.1
Total Liabilities	7,700.6	7,914.9
Shareholders' Equity		
Serial preferred shares – no par value: Authorized – 6,000,000 shares; outstanding – none	—	—
Common shares – no par value: Authorized – 300,000,000 shares; outstanding – 104,398,618 at April 30, 2023, and 106,458,317 at April 30, 2022 (net of 42,099,112 and 40,039,413 treasury shares, respectively), at stated value	26.1	26.6
Additional capital	5,371.8	5,457.9
Retained income	2,132.1	2,893.0
Accumulated other comprehensive income (loss)	(239.2)	(237.4)
Total Shareholders' Equity	7,290.8	8,140.1
Total Liabilities and Shareholders' Equity	\$ 14,991.4	\$ 16,055.0

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	Year Ended April 30,		
	2023	2022	2021
Operating Activities			
Net income (loss)	\$ (91.3)	\$ 631.7	\$ 876.3
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:			
Depreciation	224.1	235.5	219.5
Amortization	206.9	223.6	233.0
Other intangible assets impairment charges	—	150.4	3.8
Pension settlement loss (gain)	7.4	10.8	35.5
Share-based compensation expense	25.6	22.3	28.7
Loss (gain) on divestitures – net	1,018.5	(9.6)	(25.3)
Deferred income tax expense (benefit)	(190.8)	(38.1)	(13.9)
Loss on disposal of assets – net	5.1	4.7	7.1
Other noncash adjustments – net	23.9	14.9	11.8
Make-whole payments included in financing activities	—	7.0	—
Defined benefit pension contributions	(74.1)	(5.3)	(13.1)
Changes in assets and liabilities, net of effect from divestitures:			
Trade receivables	(74.8)	7.5	22.0
Inventories	(134.6)	(178.7)	(110.4)
Other current assets	86.8	(52.8)	(34.0)
Accounts payable	151.6	149.5	260.9
Accrued liabilities	0.4	(33.0)	56.0
Income and other taxes	9.5	12.8	(17.6)
Other – net	0.2	(16.9)	24.7
Net Cash Provided by (Used for) Operating Activities	1,194.4	1,136.3	1,565.0
Investing Activities			
Proceeds from divestitures – net	686.3	130.0	564.0
Additions to property, plant, and equipment	(477.4)	(417.5)	(306.7)
Other – net	47.3	(68.0)	53.8
Net Cash Provided by (Used for) Investing Activities	256.2	(355.5)	311.1
Financing Activities			
Short-term borrowings (repayments) – net	(185.9)	97.6	(166.4)
Proceeds from long-term debt	—	797.6	—
Repayments of long-term debt, including make-whole payments	—	(1,157.0)	(700.0)
Capitalized debt issuance costs	—	(10.4)	—
Quarterly dividends paid	(430.2)	(418.1)	(403.2)
Purchase of treasury shares	(367.5)	(270.4)	(678.4)
Proceeds from stock option exercises	21.6	16.3	4.5
Other – net	(2.6)	(0.1)	(0.4)
Net Cash Provided by (Used for) Financing Activities	(964.6)	(944.5)	(1,943.9)
Effect of exchange rate changes on cash	(0.1)	(0.7)	11.0
Net increase (decrease) in cash and cash equivalents	485.9	(164.4)	(56.8)
Cash and cash equivalents at beginning of year	169.9	334.3	391.1
Cash and Cash Equivalents at End of Year	\$ 655.8	\$ 169.9	\$ 334.3

() Denotes use of cash

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

(Dollars in millions)	Common Shares Outstanding	Common Shares	Additional Capital	Retained Income	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at May 1, 2020	114,072,726	\$ 29.0	\$ 5,794.1	\$ 2,746.8	\$ (379.0)	\$ 8,190.9
Net income (loss)				876.3		876.3
Other comprehensive income (loss)					101.6	101.6
Comprehensive Income (Loss)						977.9
Purchase of treasury shares	(5,834,904)	(1.5)	(301.5)	(375.4)		(678.4)
Stock plans	101,235	0.1	34.5			34.6
Cash dividends declared, \$3.60 per common share				(400.2)		(400.2)
Other		(0.5)	0.5	—		—
Balance at April 30, 2021	108,339,057	27.1	5,527.6	2,847.5	(277.4)	8,124.8
Net income (loss)				631.7		631.7
Other comprehensive income (loss)					40.0	40.0
Comprehensive Income (Loss)						671.7
Purchase of treasury shares	(2,059,083)	(0.5)	(109.6)	(160.3)		(270.4)
Stock plans	178,343	—	39.9			39.9
Cash dividends declared, \$3.96 per common share				(425.9)		(425.9)
Balance at April 30, 2022	106,458,317	26.6	5,457.9	2,893.0	(237.4)	8,140.1
Net income (loss)				(91.3)		(91.3)
Other comprehensive income (loss)					(1.8)	(1.8)
Comprehensive Income (Loss)						(93.1)
Purchase of treasury shares	(2,423,196)	(0.6)	(132.2)	(238.3)		(371.1)
Stock plans	363,497	0.1	46.1	(0.1)		46.1
Cash dividends declared, \$4.08 per common share				(431.2)		(431.2)
Balance at April 30, 2023	104,398,618	\$ 26.1	\$ 5,371.8	\$ 2,132.1	\$ (239.2)	\$ 7,290.8

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars and shares in millions, unless otherwise noted, except per share data)

Note 1: Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and its majority-owned investments, if any. Intercompany transactions and accounts are eliminated in consolidation.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires that we make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates in these consolidated financial statements include, among others, estimates of future cash flows associated with assets, potential asset impairments, allocated goodwill disposed of as part of the sale of certain pet food brands, useful lives and residual values of long-lived assets used in determining depreciation and amortization, net realizable value of inventories, accruals for trade marketing and merchandising programs, income taxes, and discount rates and other assumptions used in determining defined benefit pension and other postretirement benefit expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents: We consider all short-term, highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Based on the short-term nature of these assets, carrying value approximates fair value. Cash equivalents within cash and cash equivalents in the Consolidated Balance Sheets were \$614.0 and \$116.3 at April 30, 2023 and 2022, respectively.

Revenue Recognition: Most of our revenue is derived from the sale of food and beverage products to food retailers, online retailers, and foodservice distributors and operators. We recognize revenue when obligations under the terms of a contract with a customer have been satisfied. This occurs when control of our products transfers, which typically takes place upon delivery to or pick up by the customer. Amounts due from our customers are classified as trade receivables in the Consolidated Balance Sheets and require payment on a short-term basis.

Transaction price is based on the list price included in our published price list, which is then reduced by the estimated impact of variable consideration, such as trade marketing and merchandising programs, discounts, unsaleable product allowances, returns, and similar items, in the same period that the revenue is recognized. To estimate the impact of these costs, we consider customer contract provisions, historical data, and our current expectations.

We have trade marketing and merchandising programs that consist of various promotional activities conducted through retailers, distributors, or directly with consumers, including in-store display and product placement programs, price discounts, coupons, and other similar activities. For additional discussion on these programs, refer to “Critical Accounting Estimates and Policies” within Management’s Discussion and Analysis of Financial Condition and Results of Operations.

For revenue disaggregated by reportable segment, geographical region, and product category, see Note 4: Reportable Segments.

Shipping and Handling Costs: Transportation costs included in cost of products sold relate to the costs incurred to ship our products. Distribution costs are included in SD&A expenses and primarily relate to the warehousing costs incurred to store our products. Total distribution costs recorded within SD&A were \$304.5, \$294.1, and \$281.8 in 2023, 2022, and 2021, respectively.

Advertising Expense: Advertising costs are expensed as incurred. Advertising expense was \$160.3, \$176.5, and \$224.4 in 2023, 2022, and 2021, respectively.

Research and Development Costs: Research and development (“R&D”) costs are expensed as incurred and are included in SD&A in the Statements of Consolidated Income. R&D costs include expenditures for new and existing product and manufacturing process innovations, which are comprised primarily of internal salaries and wages, consulting, testing, and other supplies attributable to time spent on R&D activities. Other costs include the depreciation and maintenance of research facilities. Total R&D expense was \$47.3, \$48.8, and \$57.7 in 2023, 2022, and 2021, respectively.

Share-Based Payments: Share-based compensation expense, including stock options, is recognized on a straight-line basis over the requisite service period, and generally vest over a period of 1 to 3 years.

The following table summarizes amounts related to share-based payments.

	Year Ended April 30,		
	2023	2022	2021
Share-based compensation expense included in SD&A	\$ 25.6	\$ 23.7	\$ 28.3
Share-based compensation expense included in other special project costs	—	(1.4)	0.4
Total share-based compensation expense	\$ 25.6	\$ 22.3	\$ 28.7
Related income tax benefit	\$ 6.0	\$ 5.3	\$ 6.6

As of April 30, 2023, total unrecognized share-based compensation cost related to nonvested share-based awards, including stock options, was \$36.4. The weighted-average period over which this amount is expected to be recognized is 1.9 years.

Realized excess tax benefits and tax deficiencies are presented in the Statements of Consolidated Cash Flows as an operating activity and are recognized within income taxes in the Statements of Consolidated Income. In 2023 and 2022, the excess tax benefits realized upon exercise or vesting of share-based compensation were \$1.4 and \$1.1, respectively, and in 2021, there were tax deficiencies realized of \$0.1. For additional discussion on share-based compensation expense, see Note 12: Share-Based Payments.

Earnings Per Share: Earnings per share is computed in accordance with FASB ASC 260, *Earnings Per Share*. As required by ASC 260, we computed net income (loss) per common share (“basic earnings per share”) under the two-class method for 2023, 2022, and 2021, due to certain unvested common shares that contained non-forfeitable rights to dividends (i.e., participating securities) during the periods. Further, we compute net income (loss) per common share – assuming dilution (“diluted earnings per share”) under either the two-class method or the treasury method, dependent on which is more dilutive. In 2023, we recognized a net loss, and as a result, excluded the anti-dilutive effect of stock-based awards from the computation of net income (loss) per common share – assuming dilution. Therefore, in 2023, diluted earnings per share was computed under the two-class method. In 2022, the computation of diluted earnings per share was more dilutive under the treasury stock method, while in 2021, diluted earnings per share was more dilutive under the two-class method.

Basic earnings per share is calculated by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding during the period. Under the two-class method, net income (loss) available to common and participating common shareholders is reduced by the net income (loss) allocated to participating securities, which is equal to the amount of dividends declared in the current period and by the contractual amount of dividends that must be paid for the current period related to participating securities. Under the treasury stock method, the diluted earnings per share calculation includes potential common shares assumed to be issued, which reflects the potential dilution that would occur if any outstanding options or warrants were exercised or restricted stock becomes vested, and includes the “if converted” method for participating securities if the effect is dilutive. For additional information on the earnings per share calculations, see Note 5: Earnings Per Share.

Defined Contribution Plans: We offer employee savings plans for domestic and Canadian employees. Our contributions under these plans are based on a specified percentage of employee contributions. Charges to operations for these plans in 2023, 2022, and 2021 were \$41.0, \$40.9, and \$41.2, respectively. For information on our defined benefit plans, see Note 8: Pensions and Other Postretirement Benefits.

Income Taxes: We account for income taxes using the liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the applicable tax rate is recognized in income or expense in the period that the change is enacted. A tax benefit is recognized when it is more likely than not to be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

We account for the financial statement recognition and measurement criteria of a tax position taken or expected to be taken in a tax return under FASB ASC 740, *Income Taxes*. ASC 740 also provides guidance on derecognition, classification, interest

and penalties, accounting in interim periods, and disclosure. In accordance with the requirements of ASC 740, uncertain tax positions have been classified in the Consolidated Balance Sheets as noncurrent, except to the extent payment is expected within one year. We recognize net interest and penalties related to unrecognized tax benefits in income tax expense.

Trade Receivables: In the normal course of business, we extend credit to customers. Trade receivables, less credit losses, reflects the net realizable value of receivables and approximates fair value. We account for trade receivables, less credit losses, under Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses*. We evaluate our trade receivables and establish a reserve for credit loss based on a combination of factors. When aware that a specific customer has been impacted by circumstances such as bankruptcy filings or deterioration in the customer’s operating results or financial position, potentially making it unable to meet its financial obligations, we record a specific reserve for bad debt to reduce the related receivable to the amount we reasonably believe is collectible. We also record reserves for credit loss for all other customers based on a variety of factors, including the length of time the receivables are past due, historical collection experience, and an evaluation of current and projected economic conditions at the balance sheet date. Trade receivables are charged off against the reserve for credit losses after we determine that the potential for recovery is remote. At April 30, 2023 and 2022, the reserve for credit loss was \$2.3. We believe there is no concentration of risk with any single customer whose failure or nonperformance would materially affect results other than as discussed in Note 4: Reportable Segments.

Inventories: Inventories are stated at the lower of cost or market, with market being defined as net realizable value, less costs to sell. Cost for all inventories is determined using the first-in, first-out method applied on a consistent basis.

The cost of finished products and work-in-process inventory includes materials, direct labor, and overhead. Work-in-process is included in finished products in the Consolidated Balance Sheets and was \$82.5 and \$65.8 at April 30, 2023 and 2022, respectively.

Derivative Financial Instruments: We account for derivative instruments in accordance with FASB ASC 815, *Derivatives and Hedging*, which requires all derivative instruments to be recognized at fair value in the financial statements, regardless of the purpose or intent for holding them.

We do not qualify commodity derivatives or instruments used to manage foreign currency exchange exposures for hedge accounting treatment, and, as a result, the derivative gains and losses are immediately recognized in earnings. Although we do not perform the assessments required to achieve hedge accounting for derivative positions, we believe all of our derivatives are economic hedges of our risk exposure. The exposures hedged have a high inverse correlation to price changes of the derivative instrument. Thus, we would expect that over time any gain or loss in the estimated fair value of the derivatives would generally be offset by an increase or decrease in the estimated fair value of the underlying exposures.

We utilize derivative instruments to manage interest rate risk associated with anticipated debt transactions, as well as to manage changes in the fair value of our long-term debt. At the inception of an interest rate contract, the instrument is evaluated and documented for qualifying hedge accounting treatment. If the contract is designated as a cash flow hedge, the mark-to-market gains or losses on the contract are deferred and included as a component of accumulated other comprehensive income (loss) and generally reclassified to interest expense in the period during which the hedged transaction affects earnings. If the contract is designated as a fair value hedge, the contract is recognized at fair value on the balance sheet, and changes in the fair value are recognized in interest expense. Generally, changes in the fair value of the contract are equal to changes in the fair value of the underlying debt and have no net impact on earnings.

Property, Plant, and Equipment: Property, plant, and equipment is recognized at cost and is depreciated on a straight-line basis over the estimated useful life of the asset (3 to 20 years for machinery and equipment, 1 to 7 years for capitalized software costs related to software that we have purchased or has been licensed to us, and 5 to 40 years for buildings, fixtures, and improvements).

We lease certain land, buildings, and equipment for varying periods of time, with renewal options. Lease expense in 2023, 2022, and 2021 totaled \$113.3, \$111.0, and \$108.7, respectively.

In accordance with FASB ASC 360, *Property, Plant, and Equipment*, long-lived assets, other than goodwill and other indefinite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net undiscounted cash flows estimated to be generated by such assets. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount exceeds

the estimated fair value of the assets. Assets to be disposed of by sale are recognized as held for sale at the lower of carrying value or fair value less costs to sell. Furthermore, determining fair value is subject to estimates of both cash flows and discount rates, and different estimates could yield different results. There are no events or changes in circumstances of which we are aware of that indicate the carrying value of our long-lived assets may not be recoverable at April 30, 2023.

Goodwill and Other Intangible Assets: Goodwill is the excess of the purchase price paid over the estimated fair value of the net assets of a business acquired. In accordance with FASB ASC 350, *Intangibles – Goodwill and Other*, goodwill and other indefinite-lived intangible assets are not amortized but are reviewed at least annually for impairment. We conduct our annual test for impairment of goodwill and other indefinite-lived intangible assets as of February 1 of each year. A discounted cash flow valuation technique is utilized to estimate the fair value of our reporting units and indefinite-lived intangible assets. We also use a market-based approach to estimate the fair value of our reporting units. The discount rates utilized in the cash flow analyses are developed using a weighted-average cost of capital methodology. In addition to the annual test, we test for impairment if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit or an indefinite-lived intangible asset below its carrying value. Further, upon disposal of a business, a relative fair value analysis is utilized to determine the amount of goodwill to be disposed of for each impacted reporting unit, using estimates and assumptions consistent with the annual test. Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives. For additional information, see Note 6: Goodwill and Other Intangible Assets.

Marketable Securities and Other Investments: We maintain funds for the payment of benefits associated with nonqualified retirement plans. These funds include investments considered to be available-for-sale marketable securities. At April 30, 2023 and 2022, the fair value of these investments was \$24.0 and \$26.6, respectively, and was included in other noncurrent assets in the Consolidated Balance Sheets. Included in accumulated other comprehensive income (loss) at April 30, 2023 and 2022, were unrealized pre-tax gains of \$1.8 and \$2.4, respectively.

Investment in Equity Securities: Investments in common stock of entities other than our consolidated subsidiaries in which we own less than 20 percent of an entity's common stock and do not provide significant influence are accounted for as a financial instrument in accordance with FASB ASC 321, *Investments – Equity Securities*. As required by ASC 321, the ownership interest in the entity is recognized at fair value based on fixed or determinable prices within current assets in the Consolidated Balance Sheets, and any change in fair value is included in other income (expense) – net in the Statements of Consolidated Income.

The net proceeds received from the divestiture of certain pet food brands included approximately 5.4 million shares of Post common stock, which represents approximately an 8 percent equity interest in Post. At April 30, 2023, the fair value of the investment in Post common stock was \$487.8, which included an unrealized pre-tax loss of \$3.8. In connection with the divestiture of certain pet food brands and the acquisition of Post common stock, we entered into a registration rights agreement with Post (the "Registration Rights Agreement") on April 28, 2023. Under the Registration Rights Agreement, Post must use reasonable best efforts to keep its existing registration statement on Form S-3, or any applicable subsequent shelf registration statement, continuously effective and usable for the resale of the Post common stock that we received in the divestiture, and upon receipt of a request or notice from us, Post must, subject to the terms and conditions of the Registration Rights Agreement, register the sale of the Post common stock under the Securities Act of 1933, as amended. In May 2023, we entered into an agreement with an unrelated third party giving us the ability to enter into forward derivative transactions to provide flexibility with respect to the potential sale of Post common stock during the first two quarters of 2024. Subsequent to April 30, 2023, we have not entered into any forward derivative transactions.

Equity Method Investments: Investments in common stock of entities other than our consolidated subsidiaries in which we own between 20 percent and 50 percent of an entity's common stock and are able to exercise significant influence over them are accounted for under the equity method in accordance with FASB ASC 323, *Investments – Equity Method and Joint Ventures*. Under the equity method, the initial investment is recorded at cost, and the investment is subsequently adjusted for its proportionate share of earnings or losses, including consideration of basis differences resulting from the difference between the initial carrying amount of the investment and the underlying equity in net assets. The difference between the carrying amount of the investment and the underlying equity in net assets is primarily attributable to goodwill and other intangible assets.

We have a 20 percent equity interest in Mountain Country Foods, LLC, and approximately a 42 percent equity interest in Numi, Inc. The carrying amount of these investments is included in other noncurrent assets in the Consolidated Balance Sheets. The investments did not have a material impact on the consolidated financial statements or the respective reportable segment to which they relate for the years ended April 30, 2023 and 2022.

Supplier Financing Program: We have an agreement with a third-party administrator to provide an accounts payable tracking system and facilitate a supplier financing program which allows participating suppliers the ability to monitor and voluntarily elect to sell our payment obligations to a designated third-party financial institution. Participating suppliers can sell one or more of our payment obligations at their sole discretion, and our rights and obligations to our suppliers are not impacted. We have no economic interest in a supplier's decision to enter into these agreements. Our obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted by our suppliers' decisions to sell amounts under these arrangements. However, our right to offset balances due from suppliers against our payment obligations is restricted by the agreement for those payment obligations that have been sold by our suppliers. The payment of these obligations is included in cash provided by operating activities in the Statements of Consolidated Cash Flows. Included in accounts payable in the Consolidated Balance Sheets as of April 30, 2023 and 2022, were \$414.2 and \$314.3 of our outstanding payment obligations, respectively, that were elected and sold to a financial institution by participating suppliers.

Foreign Currency Translation: Assets and liabilities of foreign subsidiaries are translated using the exchange rates in effect at the balance sheet dates, while income and expenses are translated using average rates throughout the periods. Translation adjustments are reported as a component of accumulated other comprehensive income (loss). Included in accumulated other comprehensive income (loss) at April 30, 2023 and 2022, were foreign currency losses of \$34.3 and \$21.1, respectively.

Recently Issued Accounting Standards: In March 2022, the SEC issued the proposed rule under SEC Release No. 33-11042, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, to enhance and standardize the climate-related disclosures provided by public companies. This update will require the disclosure of greenhouse gas emissions, climate-related targets and goals, how the Board and management oversee climate-related risks, and Scope 1 and 2 emissions, which will be subject to third-party assurance. As of April 30, 2023, these amendments were not adopted by the SEC; however, we anticipate that the adoption of these amendments will have a material impact on our financial statements and disclosures.

Risks and Uncertainties: The raw materials used in each of our segments are primarily commodities, agricultural-based products, and packaging materials. The principal packaging materials we use are plastic, glass, metal cans, caps, carton board, and corrugate. Green coffee, protein meals, peanuts, grains, oils and fats, fruit, and other ingredients are obtained from various suppliers. The availability, quality, and costs of many of these commodities have fluctuated, and may continue to fluctuate over time, partially driven by the elevated commodity and supply chain costs we experienced in 2023. We actively monitor changes in commodity and supply chain costs, and to mitigate the rising costs, we may be required to implement material price increases across our business. Green coffee, along with certain other raw materials, is sourced solely from foreign countries, and its supply and price is subject to high volatility due to factors such as weather, global supply and demand, product scarcity, plant disease, investor speculation, armed hostilities (including the ongoing conflict between Russia and Ukraine), changes in governmental agricultural and energy policies and regulation, and political and economic conditions in the source countries. Raw materials are generally available from numerous sources, although we have elected to source certain plastic packaging materials for our *Folgers* coffee products, as well as our *Jif* peanut butter, and certain finished goods, such as K-Cup® pods, our *Pup-Peroni* dog snacks, and liquid coffee, from single sources of supply pursuant to long-term contracts. While availability may vary from year-to-year, we believe that we will continue to obtain adequate supplies and that alternatives to single-sourced materials are available. We have not historically encountered significant shortages of key raw materials. We consider our relationships with key raw material suppliers to be in good standing.

We have consolidated production capacity at a single manufacturing site for certain products, including substantially all of our coffee, *Milk-Bone* dog snacks, and fruit spreads. Although steps are taken at all of our manufacturing sites to reduce the likelihood of a production disruption, an interruption at a single manufacturing site would result in a reduction or elimination of the availability of some of our products for a period of time.

Of our full-time employees, 22 percent are covered by union contracts at seven manufacturing locations. The contracts vary in term depending on location, with one contract expiring in 2024, representing approximately one percent of our total employees.

We insure our business and assets in each country against insurable risks, to the extent that we deem appropriate, based upon an analysis of the relative risks and costs.

Note 2: Special Project Costs

Special project costs primarily consist of employee-related costs and other transition and termination costs related to approved restructuring activities. Employee-related costs include severance, retention bonuses, and relocation costs. Severance costs and retention bonuses are recognized over the estimated future service period of the impacted employees, and relocation costs are expensed as incurred. Other transition and termination costs include fixed asset-related charges, contract and lease termination costs, professional fees, and other miscellaneous expenditures associated with the restructuring activities. With the exception of accelerated depreciation, these costs are expensed as incurred. These restructuring costs are reported in cost of products sold and other special project costs in the Statements of Consolidated Income and are not allocated to segment profit. The obligation related to employee separation costs is included in other current liabilities in the Consolidated Balance Sheets.

A restructuring program was approved by the Board during 2021, associated with opportunities identified to reduce our overall cost structure, optimize our organizational design, and support our portfolio reshape. This is inclusive of certain restructuring costs associated with the divestitures of the *Crisco*, *Natural Balance*, private label dry pet food, and natural beverage and grains businesses. For additional information related to the divestitures, see Note 3: Divestitures.

During 2021, we substantially completed an organizational redesign related to our corporate headquarters and announced plans to close our Suffolk, Virginia facility as a result of a new strategic partnership for the production of our liquid coffee products. During 2022, we completed the transition of production to JDE Peet's, and expanded the restructuring program to include certain costs associated with the divestitures of the private label dry pet food and natural beverage and grains businesses, as well as the closure of our Ripon, Wisconsin production facility to further optimize operations for our U.S. Retail Consumer Foods business. We completed the closure of the Ripon facility during 2023, as planned, and the remaining restructuring activities were completed as of April 30, 2023. The costs incurred associated with these restructuring activities include other transition and termination costs associated with our cost reduction and margin management initiatives, inclusive of accelerated depreciation, as well as employee-related costs.

The following table summarizes our restructuring costs incurred related to the restructuring program.

	2023	2022	2021	Total Costs Incurred to Date at April 30, 2023
Employee-related costs	\$ 3.5	\$ 6.3	\$ 17.3	\$ 27.1
Other transition and termination costs	7.6	22.2	6.8	36.6
Total restructuring costs	<u>\$ 11.1</u>	<u>\$ 28.5</u>	<u>\$ 24.1</u>	<u>\$ 63.7</u>

The obligation related to severance costs and retention bonuses was \$1.6 and \$2.4 at April 30, 2023 and 2022, respectively, and is expected to be settled in the first quarter of 2024. As of April 30, 2023, cumulative noncash charges incurred to date were \$33.2, including \$10.2, \$18.6, and \$4.4 incurred during 2023, 2022, and 2021, respectively, and primarily consisted of accelerated depreciation.

Note 3: Divestitures

On April 28, 2023, we sold certain pet food brands to Post. The transaction included the *Rachael Ray Nutrish*, *9Lives*, *Kibbles 'n Bits*, *Nature's Recipe*, and *Gravy Train* brands, as well as our private label pet food business, inclusive of certain trademarks and licensing agreements, manufacturing and distribution facilities in Bloomsburg, Pennsylvania, manufacturing facilities in Meadville, Pennsylvania and Lawrence, Kansas, and approximately 1,100 employees who supported these pet food brands. Under our ownership, these brands generated net sales of \$1.5 billion in 2023, and \$1.4 billion in both 2022 and 2021, primarily included in the U.S. Retail Pet Foods segment. Net proceeds from the divestiture were \$1.2 billion, consisting of \$684.7 in cash, net of a preliminary working capital adjustment and cash transaction costs, and approximately 5.4 million shares of Post common stock, valued at \$491.6 at the close of the transaction. Upon close of the transaction, we recognized a pre-tax loss of \$1.0 billion. The net proceeds and pre-tax loss will be finalized during the first quarter of 2024, upon finalization of the working capital adjustment and cash transaction costs.

The following table summarizes the net assets and liabilities included in the disposal group associated with the divestiture of certain pet food brands.

	April 30, 2023
Assets disposed:	
Inventories	\$ 210.2
Other current assets	0.5
Property, plant, and equipment – net	179.4
Goodwill	790.3
Other intangible assets – net	1,014.4
Other noncurrent assets	1.7
Total assets disposed	\$ 2,196.5
Liabilities disposed:	
Other current liabilities	\$ 0.3
Other noncurrent liabilities	2.0
Total liabilities disposed	2.3
Net assets disposed	\$ 2,194.2

On January 31, 2022, we sold the natural beverage and grains businesses to Nexus. The transaction included products sold under the *R.W. Knudsen* and *TruRoots* brands, inclusive of certain trademarks, a licensing agreement for *Santa Cruz Organic* beverages, dedicated manufacturing and distribution facilities in Chico, California and Havre de Grace, Maryland, and approximately 150 employees who supported the natural beverage and grains businesses. The transaction did not include *Santa Cruz Organic* nut butters, fruit spreads, syrups, or applesauce. Under our ownership, the businesses generated net sales of \$106.7 and \$143.4, in 2022 and 2021, respectively, primarily included in the U.S. Retail Consumer Foods segment. Final net proceeds from the divestiture were \$98.7, net of a working capital adjustment and cash transaction costs. We recognized a pre-tax gain of \$28.3 related to the natural beverage and grains businesses, of which \$26.7 was recognized during 2022, and the remaining \$1.6 was recognized upon finalization of the working capital adjustment in 2023.

On December 1, 2021, we sold the private label dry pet food business to Diamond Pet Foods. The transaction included dry pet food products sold under private label brands, a dedicated manufacturing facility located in Frontenac, Kansas, and approximately 220 employees who supported the private label dry pet food business. The transaction did not include any branded products or our private label wet pet food business. Under our ownership, the business generated net sales of \$62.3 and \$94.0 in 2022 and 2021, respectively, included in the U.S. Retail Pet Foods segment. Final net proceeds from the divestiture were \$32.9, net of cash transaction costs. Upon completion of this transaction during 2022, we recognized a pre-tax loss of \$17.1.

On January 29, 2021, we sold the *Natural Balance* premium pet food business to Nexus. The transaction included pet food products sold under the *Natural Balance* brand, certain trademarks and licensing agreements, and select employees who supported the *Natural Balance* business. Under our ownership, the business generated net sales of \$156.7 in 2021, included in the U.S. Retail Pet Foods segment. Final net proceeds from the divestiture were \$33.8, net of a working capital adjustment and cash transaction costs. Upon completion of this transaction, we recognized a pre-tax loss of \$89.5.

On December 1, 2020, we sold the *Crisco* oils and shortening business to B&G Foods. The transaction included oils and shortening products sold under the *Crisco* brand, primarily in the U.S. and Canada, certain trademarks and licensing agreements, dedicated manufacturing and warehouse facilities located in Cincinnati, Ohio, and approximately 160 employees who supported the *Crisco* business. Under our ownership, the business generated net sales of \$198.9 in 2021, primarily included in the U.S. Retail Consumer Foods segment. Final net proceeds from the divestiture were \$530.2, net of a working capital adjustment and cash transaction costs. Upon completion of this transaction, we recognized a pre-tax gain of \$114.8.

Note 4: Reportable Segments

We operate in one industry: the manufacturing and marketing of food and beverage products. We have three reportable segments: U.S. Retail Pet Foods, U.S. Retail Coffee, and U.S. Retail Consumer Foods. The presentation of International and Away From Home represents a combination of all other operating segments that are not individually reportable.

The U.S. Retail Pet Foods segment primarily includes the domestic sales of *Meow Mix*, *Milk-Bone*, *Pup-Peroni*, and *Canine Carry Outs* branded products; the U.S. Retail Coffee segment primarily includes the domestic sales of *Folgers*, *Dunkin'*, and *Café Bustelo* branded coffee; and the U.S. Retail Consumer Foods segment primarily includes the domestic sales of *Smucker's* and *Jif* branded products. International and Away From Home includes the sale of products distributed domestically and in foreign countries through retail channels and foodservice distributors and operators (e.g., health care operators, restaurants, lodging, hospitality, offices, K-12, colleges and universities, and convenience stores). Under our ownership, the divested *Rachael Ray Nutrish*, *9Lives*, *Kibbles 'n Bits*, *Nature's Recipe*, and *Gravy Train* brands generated net sales of \$1.5 billion in 2023, and \$1.4 billion in both 2022 and 2021, primarily included in the U.S. Retail Pet Foods segment.

Segment profit represents net sales, less direct and allocable operating expenses, and is consistent with the way in which we manage our segments. However, we do not represent that the segments, if operated independently, would report operating profit equal to the segment profit set forth below, as segment profit excludes certain expenses such as amortization expense and impairment charges related to intangible assets, gains and losses on divestitures, change in net cumulative unallocated derivative gains and losses, special project costs, as well as corporate administrative expenses.

Commodity and foreign currency exchange derivative gains and losses are reported in unallocated derivative gains and losses outside of segment operating results until the related inventory is sold. At that time, we reclassify the hedge gains and losses from unallocated derivative gains and losses to segment profit, allowing our segments to realize the economic effect of the hedge without experiencing any mark-to-market volatility. We would expect that any gain or loss in the estimated fair value of the derivatives would generally be offset by a change in the estimated fair value of the underlying exposures.

The following table reconciles segment profit to income before income taxes and presents total assets; total depreciation, amortization, and impairment charges; and total additions to property, plant, and equipment by segment.

	Year Ended April 30,		
	2023	2022	2021
Net sales:			
U.S. Retail Pet Foods ^(A)	\$ 3,038.1	\$ 2,764.3	\$ 2,844.5
U.S. Retail Coffee	2,735.3	2,497.3	2,374.6
U.S. Retail Consumer Foods	1,630.9	1,707.2	1,835.7
International and Away From Home	1,124.9	1,030.1	947.9
Total net sales	\$ 8,529.2	\$ 7,998.9	\$ 8,002.7
Segment profit:			
U.S. Retail Pet Foods ^(A)	\$ 494.9	\$ 395.9	\$ 487.0
U.S. Retail Coffee	737.7	736.7	769.1
U.S. Retail Consumer Foods	352.6	424.2	472.5
International and Away From Home	143.3	142.0	124.1
Total segment profit	\$ 1,728.5	\$ 1,698.8	\$ 1,852.7
Amortization	(206.9)	(223.6)	(233.0)
Other intangible assets impairment charges	—	(150.4)	(3.8)
Gain (loss) on divestitures – net	(1,018.5)	9.6	25.3
Interest expense – net	(152.0)	(160.9)	(177.1)
Change in net cumulative unallocated derivative gains and losses	(21.4)	(23.4)	93.6
Cost of products sold – special project costs ^(B)	(6.4)	(20.5)	(3.4)
Other special project costs ^(B)	(4.7)	(8.0)	(20.7)
Corporate administrative expenses	(313.1)	(258.7)	(323.9)
Other income (expense) – net	(14.7)	(19.1)	(37.8)
Income (loss) before income taxes	\$ (9.2)	\$ 843.8	\$ 1,171.9
Assets:			
U.S. Retail Pet Foods ^(A)	\$ 4,994.3	\$ 7,167.4	\$ 7,480.8
U.S. Retail Coffee	4,808.9	4,891.8	4,793.9
U.S. Retail Consumer Foods	2,972.7	2,692.1	2,553.4
International and Away From Home	978.3	973.9	1,013.8
Unallocated ^(C)	1,237.2	329.8	442.3
Total assets	\$ 14,991.4	\$ 16,055.0	\$ 16,284.2
Depreciation, amortization, and impairment charges:			
U.S. Retail Pet Foods ^(A)	\$ 178.7	\$ 342.8	\$ 194.8
U.S. Retail Coffee	101.6	100.2	96.7
U.S. Retail Consumer Foods	76.3	64.6	75.4
International and Away From Home	31.7	46.2	50.2
Unallocated ^(D)	42.7	55.7	39.2
Total depreciation, amortization, and impairment charges	\$ 431.0	\$ 609.5	\$ 456.3
Additions to property, plant, and equipment:			
U.S. Retail Pet Foods ^(A)	\$ 64.3	\$ 74.0	\$ 72.4
U.S. Retail Coffee	49.0	49.8	42.5
U.S. Retail Consumer Foods	341.6	274.8	167.4
International and Away From Home	22.5	18.9	24.4
Total additions to property, plant, and equipment	\$ 477.4	\$ 417.5	\$ 306.7

(A) On April 28, 2023, we sold certain pet food brands to Post, and the divested net sales were primarily included in the U.S. Retail Pet Foods segment. In addition, the net assets disposed of during 2023 were primarily included in the U.S. Retail Pet Foods segment. For more information, see Note 3: Divestitures.

(B) Special project costs include certain restructuring costs, which are recognized in cost of products sold and other special project costs in the Statements of Consolidated Income. For more information, see Note 2: Special Project Costs.

(C) Primarily represents unallocated cash and cash equivalents and corporate-held investments.

(D) Primarily represents unallocated corporate administrative expenses, mainly consisting of depreciation and software amortization.

The following table presents certain geographical information.

	Year Ended April 30,		
	2023	2022	2021
Net sales:			
United States	\$ 8,001.4	\$ 7,469.6	\$ 7,448.3
International:			
Canada	\$ 433.2	\$ 439.6	\$ 443.6
All other international	94.6	89.7	110.8
Total international	\$ 527.8	\$ 529.3	\$ 554.4
Total net sales	\$ 8,529.2	\$ 7,998.9	\$ 8,002.7
Assets:			
United States	\$ 14,577.5	\$ 15,653.5	\$ 15,879.7
International:			
Canada	\$ 412.5	\$ 399.8	\$ 402.7
All other international	1.4	1.7	1.8
Total international	\$ 413.9	\$ 401.5	\$ 404.5
Total assets	\$ 14,991.4	\$ 16,055.0	\$ 16,284.2
Long-lived assets (excluding goodwill and other intangible assets):			
United States	\$ 2,421.9	\$ 2,331.2	\$ 2,220.6
International:			
Canada	\$ 64.6	\$ 45.7	\$ 57.1
All other international	—	—	—
Total international	\$ 64.6	\$ 45.7	\$ 57.1
Total long-lived assets (excluding goodwill and other intangible assets)	\$ 2,486.5	\$ 2,376.9	\$ 2,277.7

The following table presents product category information.

	Year Ended April 30,			Primary Reportable Segment ^(A)
	2023	2022	2021	
Coffee	\$ 3,088.8	\$ 2,804.7	\$ 2,639.7	U.S. Retail Coffee
Cat food	1,101.1	969.9	918.4	U.S. Retail Pet Foods
Pet snacks	1,052.4	944.9	907.3	U.S. Retail Pet Foods
Dog food	980.0	926.5	1,090.8	U.S. Retail Pet Foods
Frozen handheld	686.4	510.7	430.3	U.S. Retail Consumer Foods
Peanut butter	635.6	801.1	796.1	U.S. Retail Consumer Foods
Fruit spreads	426.2	386.5	385.9	U.S. Retail Consumer Foods
Portion control	163.7	158.2	120.5	Other ^(B)
Baking mixes and ingredients	94.3	85.5	93.5	Other ^(B)
Juices and beverages	3.2	106.3	139.0	Other ^{(B)(C)}
Shortening and oils	—	—	193.9	U.S. Retail Consumer Foods ^(D)
Other	297.5	304.6	287.3	Other ^(B)
Total net sales	\$ 8,529.2	\$ 7,998.9	\$ 8,002.7	

(A) The primary reportable segment generally represents at least 75 percent of total net sales for each respective product category.

(B) Represents the combined International and Away From Home operating segments.

(C) During 2022 and 2021, the net sales within this category were primarily related to the divested natural beverage business included in the U.S. Retail Consumer Foods segment. For more information, see Note 3: Divestitures.

(D) During 2021, the net sales within this category were related to the divested *Crisco* business. For more information, see Note 3: Divestitures.

Sales to Walmart Inc. and subsidiaries amounted to 34 percent of net sales in both 2023 and 2022 and 32 percent of net sales in 2021. These sales are primarily included in our U.S. retail market segments. No other customer exceeded 10 percent of net sales for any year. Trade receivables – net at April 30, 2023 and 2022, included amounts due from Walmart Inc. and subsidiaries of \$211.5 and \$179.9, respectively.

Note 5: Earnings Per Share

The following table sets forth the computation of basic earnings per share and diluted earnings per share under the two-class method.

	Year Ended April 30,		
	2023	2022	2021
Net income (loss)	\$ (91.3)	\$ 631.7	\$ 876.3
Less: Net income (loss) allocated to participating securities	(0.1)	1.8	3.7
Net income (loss) allocated to common stockholders	\$ (91.2)	\$ 629.9	\$ 872.6
Weighted-average common shares outstanding	106.2	107.9	112.0
Add: Dilutive effect of stock options	—	—	—
Weighted-average common shares outstanding – assuming dilution	106.2	107.9	112.0
Net income (loss) per common share	\$ (0.86)	\$ 5.84	\$ 7.79
Net income (loss) per common share – assuming dilution	\$ (0.86)	\$ 5.84	\$ 7.79

The following table sets forth the computation of diluted earnings per share under the treasury stock method.

	Year Ended April 30,		
	2023	2022	2021
Net income (loss)	\$ (91.3)	\$ 631.7	\$ 876.3
Weighted-average common shares outstanding – assuming dilution:			
Weighted-average common shares outstanding	106.2	107.9	112.0
Add: Dilutive effect of stock options	—	—	—
Add: Dilutive effect of restricted shares, restricted stock units, and performance units	—	0.5	0.4
Weighted-average common shares outstanding – assuming dilution	106.2	108.4	112.4
Net income (loss) per common share – assuming dilution	\$ (0.86)	\$ 5.83	\$ 7.80

We computed basic earnings per share under the two-class method for 2023, 2022, and 2021, due to certain unvested common shares that contained non-forfeitable rights to dividends (i.e., participating securities) during these periods. Further, we computed diluted earnings per share under the two-class method and treasury stock method to determine the method that was most dilutive, in accordance with FASB ASC 260, *Earnings Per Share*. In 2023, we recognized a net loss, and as a result, excluded the anti-dilutive effect of stock-based awards from the computation of net income (loss) per common share – assuming dilution. Therefore, in 2023, diluted earnings per share was computed under the two-class method. In 2022, the computation of diluted earnings per share was more dilutive under the treasury stock method, while in 2021, diluted earnings per share was more dilutive under the two-class method.

Note 6: Goodwill and Other Intangible Assets

The following table summarizes the changes in our goodwill.

	U.S. Retail Pet Foods	U.S. Retail Coffee	U.S. Retail Consumer Foods	International and Away From Home	Total
Balance at May 1, 2021	\$ 2,368.2	\$ 2,090.9	\$ 1,147.5	\$ 417.0	\$ 6,023.6
Other ^(A)	—	—	—	(7.8)	(7.8)
Balance at April 30, 2022	\$ 2,368.2	\$ 2,090.9	\$ 1,147.5	\$ 409.2	\$ 6,015.8
Divestiture	(788.0)	—	—	(2.3)	(790.3)
Other ^(A)	—	—	—	(8.6)	(8.6)
Balance at April 30, 2023 ^(B)	\$ 1,580.2	\$ 2,090.9	\$ 1,147.5	\$ 398.3	\$ 5,216.9

(A) The amounts classified as other represent foreign currency translation adjustments.

(B) Included in goodwill as of April 30, 2023, are accumulated goodwill impairment charges of \$242.9.

The following table summarizes our other intangible assets and related accumulated amortization and impairment charges, including foreign currency translation adjustments.

	April 30, 2023			April 30, 2022		
	Acquisition Cost	Accumulated Amortization/ Impairment Charges/ Foreign Currency Translation	Net	Acquisition Cost	Accumulated Amortization/ Impairment Charges/ Foreign Currency Translation	Net
Finite-lived intangible assets subject to amortization:						
Customer and contractual relationships	\$ 3,499.0	\$ 1,719.8	\$ 1,779.2	\$ 4,450.0	\$ 1,724.8	\$ 2,725.2
Patents and technology	167.6	161.6	6.0	167.6	155.0	12.6
Trademarks	151.4	111.6	39.8	661.7	354.1	307.6
Total intangible assets subject to amortization	<u>\$ 3,818.0</u>	<u>\$ 1,993.0</u>	<u>\$ 1,825.0</u>	<u>\$ 5,279.3</u>	<u>\$ 2,233.9</u>	<u>\$ 3,045.4</u>
Indefinite-lived intangible assets not subject to amortization:						
Trademarks	\$ 2,830.7	\$ 226.4	\$ 2,604.3	\$ 2,833.1	\$ 226.3	\$ 2,606.8
Total other intangible assets	<u>\$ 6,648.7</u>	<u>\$ 2,219.4</u>	<u>\$ 4,429.3</u>	<u>\$ 8,112.4</u>	<u>\$ 2,460.2</u>	<u>\$ 5,652.2</u>

The decrease in finite-lived intangible assets from April 30, 2022, includes the disposal of the *Rachael Ray Nutrish*, *9Lives*, *Kibbles 'n Bits*, *Nature's Recipe*, and *Gravy Train* trademarks, as well as select customer and contractual relationships and licensing agreements during the fourth quarter of 2023. For additional information, see Note 3: Divestitures.

Amortization expense for finite-lived intangible assets was \$205.9, \$222.5, and \$232.0 in 2023, 2022, and 2021, respectively. The weighted-average useful lives of the customer and contractual relationships, patents and technology, and trademarks are 24 years, 17 years, and 14 years, respectively. The weighted-average useful life of total finite-lived intangible assets is 24 years. Based on the carrying value of intangible assets subject to amortization at April 30, 2023, the estimated amortization expense is \$156.2 for 2024, \$153.2 for 2025, \$151.5 for 2026, \$150.9 for 2027, and \$150.9 for 2028.

We review goodwill and other indefinite-lived intangible assets for impairment at least annually on February 1 and more often if indicators of impairment exist.

As of February 1, 2023, we completed the annual impairment review, in which goodwill impairment was tested at the reporting unit level for all of our reporting units with goodwill. As part of our annual evaluation, we did not recognize any impairment charges related to each of our reporting units and indefinite-lived intangible assets. The estimated fair value exceeded the carrying value by greater than 10 percent for all our reporting units and indefinite-lived intangible assets, with the exception of the Pet Foods reporting unit, for which its fair value exceeded its carrying value by approximately 7 percent.

Subsequent to the annual impairment review, on April 28, 2023, we divested certain pet food brands, and as a result, we disposed \$790.3 of goodwill, primarily within the Pet Foods reporting unit. The amount of goodwill allocated to the disposal group was determined based on a relative fair value analysis. In addition, the impacted reporting units were re-assessed for impairment as of April 30, 2023, and we concluded there were no indicators of impairment, as the estimated fair values were in excess of the carrying values for all reporting units. Further, the estimated fair value exceeded the carrying value of the Pet Foods reporting unit by greater than 10 percent as of April 30, 2023. However, any significant adverse change in our near or long-term projections or macroeconomic conditions could result in future impairment charges. For additional information, see Goodwill and Other Intangible Assets in Note 1: Accounting Policies and Note 3: Divestitures.

In 2022, we recognized an impairment charge of \$150.4 related to the divested *Rachael Ray Nutrish* brand within the U.S. Retail Pet Foods segment, primarily driven by the re-positioning of this brand within the Pet Foods brand portfolio, which led to a decline in the current and long-term net sales expectations and the royalty rate used in the valuation analysis. During 2021, we recognized an impairment charge of \$3.8 related to an immaterial trademark within the U.S. Retail Consumer Foods segment. These charges were included as noncash charges in our Statements of Consolidated Income.

Note 7: Debt and Financing Arrangements

The following table summarizes the components of our long-term debt.

	April 30, 2023		April 30, 2022	
	Principal Outstanding	Carrying Amount ^(A)	Principal Outstanding	Carrying Amount ^(A)
3.50% Senior Notes due March 15, 2025	\$ 1,000.0	\$ 998.4	\$ 1,000.0	\$ 997.6
3.38% Senior Notes due December 15, 2027	500.0	498.0	500.0	497.6
2.38% Senior Notes due March 15, 2030	500.0	496.7	500.0	496.2
2.13% Senior Notes due March 15, 2032	500.0	494.4	500.0	493.8
4.25% Senior Notes due March 15, 2035	650.0	645.1	650.0	644.7
2.75% Senior Notes due September 15, 2041	300.0	297.3	300.0	297.1
4.38% Senior Notes due March 15, 2045	600.0	588.2	600.0	587.6
3.55% Senior Notes due March 15, 2050	300.0	296.1	300.0	296.0
Total long-term debt	<u>\$ 4,350.0</u>	<u>\$ 4,314.2</u>	<u>\$ 4,350.0</u>	<u>\$ 4,310.6</u>

(A) Represents the carrying amount included in the Consolidated Balance Sheets, which includes the impact of capitalized debt issuance costs, offering discounts, and terminated interest rate contracts.

In 2022, we completed an offering of \$800.0 in Senior Notes due March 15, 2032, and September 15, 2041. The net proceeds from the offering were primarily used to repay \$750.0 in principal of the Senior Notes due October 15, 2021. Furthermore, during 2022, we prepaid \$400.0 in principal of the Senior Notes due March 15, 2022, and as a result, we recognized a net loss on extinguishment of \$6.9, which primarily consisted of a make-whole payment and was included in other income (expense) – net in the Statement of Consolidated Income.

In 2022, we entered into an unsecured revolving credit facility with a group of 11 banks, which provides for a revolving credit line of \$2.0 billion and matures in August 2026, and terminated the previous \$1.8 billion revolving credit facility. The 2022 revolving credit facility included \$4.3 of capitalized debt issuance costs, and is amortized to interest expense over the time for which the revolving credit facility is effective. Borrowings under the revolving credit facility bear interest on the prevailing U.S. Prime Rate, SOFR, Euro Interbank Offered Rate, or Canadian Dealer Offered Rate, based on our election. Interest is payable either on a quarterly basis or at the end of the borrowing term. We did not have a balance outstanding under the revolving credit facility at April 30, 2023, or 2022.

We participate in a commercial paper program under which we can issue short-term, unsecured commercial paper not to exceed \$2.0 billion at any time. The commercial paper program is backed by our revolving credit facility and reduces what we can borrow under the revolving credit facility by the amount of commercial paper outstanding. Commercial paper is used as a continuing source of short-term financing for general corporate purposes. As of April 30, 2022, we had \$180.0 of short-term borrowings outstanding, which were issued under our commercial paper program at a weighted-average interest rate of 0.65 percent. As of April 30, 2023, we did not have a balance outstanding under the commercial paper program.

In 2020, we completed an offering of \$800.0 in Senior Notes due March 15, 2030, and March 15, 2050. Concurrent with the pricing of these Senior Notes, we terminated interest rate contracts that were designated as cash flow hedges and were used to manage our exposure to interest rate volatility associated with the anticipated debt financing. The termination resulted in a pre-tax loss of \$239.8, which was deferred and included as a component of accumulated other comprehensive income (loss) and is amortized as interest expense over the life of the debt. For additional information, see Note 9: Derivative Financial Instruments.

All of our Senior Notes outstanding at April 30, 2023, are unsecured, and interest is paid semiannually, with no required scheduled principal payments until maturity. We may prepay all or part of the Senior Notes at 100 percent of the principal amount thereof, together with the accrued and unpaid interest, and any applicable make-whole amount.

Interest paid totaled \$153.1, \$155.2, and \$169.9 in 2023, 2022, and 2021, respectively. This differs from interest expense due to capitalized interest, the effect of interest rate contracts, amortization of debt issuance costs and discounts, and payment of other debt fees.

Our debt instruments contain certain covenant restrictions, including an interest coverage ratio. Our financial covenant restrictions were amended to remove the leverage ratio in 2022, in conjunction with entering into the \$2.0 billion unsecured revolving credit facility. We are in compliance with all covenants.

Note 8: Pensions and Other Postretirement Benefits

We have defined benefit pension plans covering certain U.S. and Canadian employees. Pension benefits are based on the employee's years of service and compensation levels. Our plans are funded in conformity with the funding requirements of applicable government regulations.

In addition to providing pension benefits, we sponsor several unfunded postretirement plans that provide health care and life insurance benefits to certain retired U.S. and Canadian employees. These plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features, such as deductibles and coinsurance. Covered employees generally are eligible for these benefits when they reach age 55 and have attained 10 years of credited service.

The following table summarizes the components of net periodic benefit cost and the change in accumulated other comprehensive income (loss) related to the defined benefit pension and other postretirement plans.

	Defined Benefit Pension Plans			Other Postretirement Benefits		
	Year Ended April 30,			Year Ended April 30,		
	2023	2022	2021	2023	2022	2021
Service cost	\$ 1.2	\$ 1.7	\$ 1.8	\$ 1.0	\$ 1.2	\$ 1.8
Interest cost	17.8	12.4	14.4	2.3	1.3	1.8
Expected return on plan assets	(15.4)	(15.9)	(19.3)	—	—	—
Amortization of prior service cost (credit)	0.7	0.9	0.9	(0.6)	(0.6)	(1.0)
Amortization of net actuarial loss (gain)	4.0	6.9	10.9	(1.2)	(0.4)	—
Settlement loss (gain)	7.4	10.8	35.5	—	—	—
Net periodic benefit cost	<u>\$ 15.7</u>	<u>\$ 16.8</u>	<u>\$ 44.2</u>	<u>\$ 1.5</u>	<u>\$ 1.5</u>	<u>\$ 2.6</u>
Other changes in plan assets and benefit liabilities recognized in accumulated other comprehensive income (loss) before income taxes:						
Prior service credit (cost) arising during the year	\$ —	\$ (0.4)	\$ —	\$ —	\$ —	\$ —
Net actuarial gain (loss) arising during the year	(11.5)	30.4	14.3	3.8	8.2	5.9
Amortization of prior service cost (credit)	0.7	0.9	0.9	(0.6)	(0.6)	(1.0)
Amortization of net actuarial loss (gain)	4.0	6.9	10.9	(1.2)	(0.4)	—
Settlement loss (gain)	7.4	10.8	35.5	—	—	—
Foreign currency translation	—	—	(1.5)	(0.2)	(0.1)	0.2
Net change for year	<u>\$ 0.6</u>	<u>\$ 48.6</u>	<u>\$ 60.1</u>	<u>\$ 1.8</u>	<u>\$ 7.1</u>	<u>\$ 5.1</u>
Weighted-average assumptions used in determining net periodic benefit costs:						
U.S. plans:						
Discount rate used to determine benefit obligation	4.59 %	3.13 %	3.05 %	4.52 %	2.97 %	2.98 %
Discount rate used to determine service cost	4.77	3.53	3.34	4.64	3.20	3.18
Discount rate used to determine interest cost	4.26	2.40	2.54	4.11	2.07	2.42
Expected return on plan assets	4.51	4.59	4.96	—	—	—
Rate of compensation increase	3.55	3.55	3.58	—	—	—
Canadian plans:						
Discount rate used to determine benefit obligation	2.41 %	2.15 %	2.95 %	4.50 %	3.03 %	2.93 %
Discount rate used to determine service cost	—	—	3.06	4.69	3.52	3.19
Discount rate used to determine interest cost	2.33	1.95	2.47	4.18	2.32	2.46
Expected return on plan assets	1.60	1.70	3.00	—	—	—
Rate of compensation increase	—	—	3.00	—	—	—

We amortize gains and losses for our postretirement plans over the average expected future period of vested service. For plans that consist of less than 5 percent of participants that are active, average life expectancy is used instead of the average expected future service period.

We use a measurement date of April 30 to determine defined benefit pension and other postretirement benefit plans' assets and benefit obligations. The following table sets forth the combined status of the plans as recognized in the Consolidated Balance Sheets.

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	Year Ended April 30,		Year Ended April 30,	
	2023	2022	2023	2022
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 429.4	\$ 546.8	\$ 59.7	\$ 69.6
Service cost	1.2	1.7	1.0	1.2
Interest cost	17.8	12.4	2.3	1.3
Amendments	—	0.4	—	—
Actuarial loss (gain) ^(A)	(14.9)	(62.4)	(3.8)	(8.2)
Benefits paid	(17.7)	(25.4)	(4.3)	(4.1)
Settlement	(36.1)	(44.1)	—	—
Foreign currency translation adjustments	—	—	(0.2)	(0.1)
Benefit obligation at end of year	<u>\$ 379.7</u>	<u>\$ 429.4</u>	<u>\$ 54.7</u>	<u>\$ 59.7</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 317.1	\$ 397.8	\$ —	\$ —
Actual return on plan assets	(11.1)	(16.1)	—	—
Company contributions	74.1	5.3	4.3	4.1
Benefits paid	(17.7)	(25.4)	(4.3)	(4.1)
Settlement	(36.1)	(44.1)	—	—
Foreign currency translation adjustments	(0.4)	(0.4)	—	—
Fair value of plan assets at end of year	<u>\$ 325.9</u>	<u>\$ 317.1</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status of the plans	<u>\$ (53.8)</u>	<u>\$ (112.3)</u>	<u>\$ (54.7)</u>	<u>\$ (59.7)</u>
Defined benefit pensions	\$ (62.1)	\$ (114.9)	\$ —	\$ —
Other noncurrent assets	12.3	6.6	—	—
Accrued compensation	(4.0)	(4.0)	(5.6)	(5.5)
Other postretirement benefits	—	—	(49.1)	(54.2)
Net benefit liability	<u>\$ (53.8)</u>	<u>\$ (112.3)</u>	<u>\$ (54.7)</u>	<u>\$ (59.7)</u>

(A) The actuarial losses and gains for our defined benefit pension plans and other postretirement benefits were primarily due to changes in the discount rates used in determining the plan obligations.

The following table summarizes amounts recognized in accumulated other comprehensive income (loss) in the Consolidated Balance Sheets, before income taxes.

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	Year Ended April 30,		Year Ended April 30,	
	2023	2022	2023	2022
Net actuarial gain (loss)	\$ (92.5)	\$ (92.4)	\$ 21.7	\$ 19.3
Prior service credit (cost)	(0.5)	(1.2)	2.5	3.1
Total recognized in accumulated other comprehensive income (loss)	<u>\$ (93.0)</u>	<u>\$ (93.6)</u>	<u>\$ 24.2</u>	<u>\$ 22.4</u>

The following table sets forth the weighted-average assumptions used in determining the benefit obligations.

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	Year Ended April 30,		Year Ended April 30,	
	2023	2022	2023	2022
U.S. plans:				
Discount rate	5.19 %	4.59 %	5.15 %	4.52 %
Rate of compensation increase	3.66	3.55	—	—
Interest crediting rate	5.75	4.50	—	—
Canadian plans:				
Discount rate	4.59 %	2.41 %	4.62 %	4.50 %

For 2024, the assumed health care trend rates are 6.4 percent and 4.5 percent for the U.S. and Canadian plans, respectively. The rate for participants under age 65 is assumed to decrease to 5.0 percent in 2032 for the U.S. plan and remain at 4.5 percent for the Canadian plan. The health care cost trend rate assumption impacts the amount of the other postretirement benefits obligation and periodic other postretirement benefits cost reported.

The following table sets forth selective information pertaining to our Canadian pension and other postretirement benefit plans, which is included in the consolidated information presented on pages 68 and 69.

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	Year Ended April 30,		Year Ended April 30,	
	2023	2022	2023	2022
Benefit obligation at end of year	\$ 0.4	\$ 2.0	\$ 3.9	\$ 4.9
Fair value of plan assets at end of year	6.5	8.1	—	—
Funded status of the plans	\$ 6.1	\$ 6.1	\$ (3.9)	\$ (4.9)
Components of net periodic benefit cost:				
Interest cost	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.1
Expected return on plan assets	(0.1)	0.1	—	—
Amortization of net actuarial loss (gain)	—	—	(0.2)	(0.1)
Settlement loss (gain)	0.7	—	—	—
Net periodic benefit cost (credit)	\$ 0.7	\$ 0.2	\$ —	\$ —
Changes in plan assets:				
Actual return on plan assets	\$ 0.1	\$ 0.3	\$ —	\$ —
Company contributions	0.1	(0.4)	0.3	0.4
Benefits paid	7.1	(0.3)	(0.3)	(0.4)
Settlement	(8.4)	—	—	—
Foreign currency translation	(0.4)	(0.4)	—	—

During 2021, we transferred \$82.6 of our Canadian defined benefit pension plan obligations to an insurance company through the purchase of an irrevocable group annuity contract (the “Canadian buy-out contract”). The group annuity contract was purchased using assets from the pension trust. As a result of this transaction, during 2021, we recognized a noncash pre-tax settlement charge of \$29.6 to accelerate the unrecognized losses within accumulated other comprehensive income (loss) that would have otherwise been recognized in subsequent periods. This settlement charge was included within other income (expense) – net in the Statement of Consolidated Income. We did not recognize any additional charges related to the Canadian buy-out contract during 2023 and 2022. We expect to finalize the wind-up of the Canadian pension plan impacted by the buy-out in 2024, upon Board approval for payout of the surplus.

The following table sets forth additional information related to our defined benefit pension plans.

	April 30,	
	2023	2022
Accumulated benefit obligation for all pension plans	\$ 374.6	\$ 423.9
Plans with an accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation ^(A)	\$ 194.6	\$ 422.4
Fair value of plan assets	133.1	309.0
Plans with a projected benefit obligation in excess of plan assets:		
Projected benefit obligation ^(A)	\$ 198.9	\$ 427.8
Fair value of plan assets	133.1	309.0

(A) The decrease in our defined benefit pension plan obligations for plans in excess of plan assets, as compared to 2022, is primarily driven by the fact that we made contributions during 2023, which significantly improved the funded status of the majority of our defined benefit pension plans.

We employ a total return on investment approach for the defined benefit pension plans' assets. A mix of equity, fixed-income, and alternative investments is used to maximize the long-term rate of return on assets for the level of risk. In determining the expected long-term rate of return on the defined benefit pension plans' assets, we consider the historical rates of return, the nature of investments, the asset allocation, and expectations of future investment strategies.

Based on our improved funded status, our current investment policy includes a mix of investments that consist of approximately 80 percent fixed-income securities and 20 percent equity securities.

The following tables summarize the major asset classes for the U.S. and Canadian defined benefit pension plans and the levels within the fair value hierarchy for those assets measured at fair value.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets at April 30, 2023
Cash and cash equivalents ^(A)	\$ 30.1	\$ —	\$ —	\$ 30.1
Equity securities:				
U.S. ^(B)	2.6	—	—	2.6
International ^(C)	6.7	—	—	6.7
Fixed-income securities:				
Bonds ^(D)	259.6	—	—	259.6
Other types of investments ^(F)	—	26.9	—	26.9
Total financial assets measured at fair value	\$ 299.0	\$ 26.9	\$ —	\$ 325.9
Total financial assets measured at net asset value ^(G)				—
Total plan assets				\$ 325.9

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets at April 30, 2022
Cash and cash equivalents ^(A)	\$ 8.1	\$ —	\$ —	\$ 8.1
Equity securities:				
U.S. ^(B)	29.8	—	—	29.8
International ^(C)	33.3	—	—	33.3
Fixed-income securities:				
Bonds ^(D)	187.3	—	—	187.3
Fixed income ^(E)	6.6	—	—	6.6
Other types of investments ^(F)	—	50.9	—	50.9
Total financial assets measured at fair value	\$ 265.1	\$ 50.9	\$ —	\$ 316.0
Total financial assets measured at net asset value ^(G)				1.1
Total plan assets				\$ 317.1

- (A) This category includes money market holdings with maturities of three months or less and are classified as Level 1 assets. Based on the short-term nature of these assets, carrying value approximates fair value.
- (B) This category is invested in a diversified portfolio of common stocks and index funds that primarily invest in U.S. stocks with broad market capitalization ranges similar to those found in the S&P 500 Index and/or the various Russell Indices, and are traded on active exchanges. The Level 1 assets are valued using quoted market prices for identical securities in active markets.
- (C) This category is invested primarily in common stocks and other equity securities traded on active exchanges of foreign issuers located outside the U.S. The fund invests primarily in developed countries, but may also invest in emerging markets. The Level 1 assets are valued using quoted market prices for identical securities in active markets.
- (D) This category is primarily composed of bond funds, which seek to duplicate the return characteristics of high-quality U.S. and foreign corporate bonds with a duration range of 10 to 13 years, as well as various U.S. Treasury Separate Trading of Registered Interest and Principal holdings, with wide-ranging maturity dates. These assets are valued using quoted market prices for identical securities in active markets and are classified as Level 1 assets.
- (E) This category was composed of fixed-income funds that were invested primarily in government-related bonds of non-U.S. issuers and included investments in the Canadian, as well as emerging markets. These assets were valued using quoted market prices for identical securities in active markets and were classified as Level 1 assets.
- (F) This category is composed of a real estate fund whereby the underlying investments are contained in the Canadian market and a common collective trust fund investing in direct commercial property funds. The real estate fund and the collective trust fund investing in direct commercial property are classified as Level 2 assets, whereby the underlying securities are valued utilizing quoted market prices for identical securities in active markets and based on the quoted market prices of the underlying investments in the common collective trust, respectively.
- (G) This category was composed of a private equity fund that consisted primarily of limited partnership interests in corporate finance and venture capital funds, as well as a private limited investment partnership. The fair value estimates of the private equity fund and private limited investment partnership were based on the underlying funds' net asset values. Furthermore, as a practical expedient equivalent to our defined benefit plan's ownership interest in the partners' capital, a proportionate share of the net assets was attributed and further corroborated by our review. The private equity fund and private limited investment partnership were non-redeemable, and the return of principal was based on the liquidation of the underlying assets. In accordance with ASU 2015-07, the private equity fund and private limited investment partnership were removed from the total financial assets measured at fair value and disclosed separately.

In 2024, we do not expect to make any contributions to our U.S. qualified defined benefit pension plans; however, we do expect to make direct benefit payments of approximately \$9.8 in 2024. Further, we expect the following payments to be made from the defined benefit pension and other postretirement benefit plans: \$40.4 in 2024, \$41.1 in 2025, \$35.0 in 2026, \$34.2 in 2027, \$33.5 in 2028, and \$165.5 in 2029 through 2033.

Multi-Employer Pension Plan: We participate in one multi-employer pension plan, the Bakery and Confectionery Union and Industry International Pension Fund ("Bakery and Confectionery Union Fund") (52-6118572), which provides defined benefits to certain union employees. During 2023 and 2022, a total of \$2.0 and \$2.6 was contributed to the plan, respectively, and we anticipate contributions of \$2.8 in 2024.

The risks of participating in multi-employer pension plans are different from the risks of participating in single-employer pension plans. For instance, the assets contributed to the multi-employer plan by one employer may be used to provide

benefits to employees of other participating employers, and if a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to the withdrawing employer may be the responsibility of the remaining participating employers. Additionally, if we stop participating in the multi-employer pension plan, we may be required to pay the plan an amount based on our allocable share of the underfunded status of the plan, referred to as a withdrawal liability.

The Pension Protection Act of 2006 ranks the funded status of multi-employer pension plans depending upon a plan's current and projected funding. A plan is in the Red Zone (Critical) if it has a current funded percentage less than 65 percent. A plan is in the Yellow Zone (Endangered) if it has a current funded percentage of less than 80 percent or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80 percent and does not have a projected credit balance deficit within seven years. The zone status is based on the plan's year-end, not our fiscal year-end. The zone status is based on information that we received from the plan and is certified by the plan's actuary. During calendar year 2022, the Bakery and Confectionery Union Fund was in Red Zone status, as the current funding status was 49.4 percent. A funding improvement plan, or rehabilitation plan, has been implemented.

The American Rescue Plan Act (the "ARPA"), signed into law on March 11, 2021, established a special financial assistance program for financially troubled multi-employer pension plans. Under the ARPA, eligible multi-employer plans can apply to receive a cash payment in an amount projected by the Pension Benefit Guaranty Corporation to pay pension benefits through the plan year ending 2051. On March 1, 2023, the Bakery and Confectionery Union Fund applied for assistance under the ARPA program.

Note 9: Derivative Financial Instruments

We are exposed to market risks, such as changes in commodity prices, foreign currency exchange rates, and interest rates. To manage the volatility related to these exposures, we enter into various derivative transactions. We have policies in place that define acceptable instrument types we may enter into and establish controls to limit our market risk exposure.

Commodity Derivatives: We enter into commodity derivatives to manage the price volatility and reduce the variability of future cash flows related to anticipated inventory purchases of key raw materials, notably green coffee, corn, soybean meal, edible oils, and wheat. We also enter into commodity derivatives to manage price risk for energy input costs, including diesel fuel and natural gas. Our derivative instruments generally have maturities of less than one year.

We do not qualify commodity derivatives for hedge accounting treatment, and as a result, the derivative gains and losses are immediately recognized in earnings. Although we do not perform the assessments required to achieve hedge accounting for derivative positions, we believe all of our commodity derivatives are economic hedges of our risk exposure.

The commodities hedged have a high inverse correlation to price changes of the derivative instrument. Thus, we would expect that over time any gain or loss in the estimated fair value of its derivatives would generally be offset by an increase or decrease in the estimated fair value of the underlying exposures.

Foreign Currency Exchange Derivatives: We utilize foreign currency derivatives to manage the effect of foreign currency exchange fluctuations on future cash payments primarily related to purchases of certain raw materials and finished goods. The contracts generally have maturities of less than one year. We do not qualify instruments used to manage foreign currency exchange exposures for hedge accounting treatment.

Interest Rate Derivatives: We utilize derivative instruments to manage interest rate risk associated with anticipated debt transactions, as well as to manage changes in the fair value of our long-term debt. At the inception of an interest rate contract, the instrument is evaluated and documented for qualifying hedge accounting treatment. If the contract is designated as a cash flow hedge, the mark-to-market gains or losses on the contract are deferred and included as a component of accumulated other comprehensive income (loss) and generally reclassified to interest expense in the period during which the hedged transaction affects earnings. If the contract is designated as a fair value hedge, the contract is recognized at fair value on the balance sheet, and changes in the fair value are recognized in interest expense. Generally, changes in the fair value of the contract are equal to changes in the fair value of the underlying debt and have no net impact on earnings.

The following table presents the gross notional value of outstanding derivative contracts.

	Year Ended April 30,	
	2023	2022
Commodity contracts	\$ 448.1	\$ 2,086.2
Foreign currency exchange contracts	98.1	91.3

The following tables set forth the gross fair value amounts of derivative instruments recognized in the Consolidated Balance Sheets.

	April 30, 2023			
	Other Current Assets	Other Current Liabilities	Other Noncurrent Assets	Other Noncurrent Liabilities
Derivatives not designated as hedging instruments:				
Commodity contracts	\$ 18.1	\$ 14.7	\$ —	\$ —
Foreign currency exchange contracts	1.4	0.1	—	—
Total derivative instruments	<u>\$ 19.5</u>	<u>\$ 14.8</u>	<u>\$ —</u>	<u>\$ —</u>
	April 30, 2022			
	Other Current Assets	Other Current Liabilities	Other Noncurrent Assets	Other Noncurrent Liabilities
Derivatives not designated as hedging instruments:				
Commodity contracts	\$ 45.4	\$ 22.3	\$ —	\$ —
Foreign currency exchange contracts	1.7	—	—	—
Total derivative instruments	<u>\$ 47.1</u>	<u>\$ 22.3</u>	<u>\$ —</u>	<u>\$ —</u>

We have elected to not offset fair value amounts recognized for our exchange-traded derivative instruments and our cash margin accounts executed with the same counterparty that are generally subject to enforceable netting agreements. We are required to maintain cash margin accounts in connection with funding the settlement of our open positions. Our cash margin accounts represented collateral pledged of \$17.0 and \$54.6 at April 30, 2023 and 2022, respectively, and are included in other current assets in the Consolidated Balance Sheets. The change in the cash margin accounts is included in other – net, investing activities in the Statements of Consolidated Cash Flows. In the event of default and immediate net settlement of all of our open positions with individual counterparties, all of our derivative liabilities would be fully offset by either our derivative asset positions or margin accounts based on the net asset or liability position with our individual counterparties. Cash flows associated with the settlement of derivative instruments are classified in the same line item as the cash flows of the related hedged item, which is within operating activities in the Statements of Consolidated Cash Flows.

Economic Hedges

The following table presents the net gains and losses recognized in cost of products sold on derivatives not designated as hedging instruments.

	Year Ended April 30,		
	2023	2022	2021
Derivative gains (losses) on commodity contracts	\$ (6.1)	\$ 74.1	\$ 101.4
Derivative gains (losses) on foreign currency exchange contracts	4.4	4.2	(8.8)
Total derivative gains (losses) recognized in cost of products sold	<u>\$ (1.7)</u>	<u>\$ 78.3</u>	<u>\$ 92.6</u>

Commodity and foreign currency exchange derivative gains and losses are reported in unallocated derivative gains and losses outside of segment operating results until the related inventory is sold. At that time, we reclassify the hedge gains and losses from unallocated derivative gains and losses to segment profit, allowing our segments to realize the economic effect of the hedge without experiencing any mark-to-market volatility. The following table presents the net change in cumulative unallocated derivative gains and losses.

	Year Ended April 30,		
	2023	2022	2021
Net derivative gains (losses) recognized and classified as unallocated	\$ (1.7)	\$ 78.3	\$ 92.6
Less: Net derivative gains (losses) reclassified to segment operating profit	19.7	101.7	(1.0)
Change in net cumulative unallocated derivative gains and losses	<u>\$ (21.4)</u>	<u>\$ (23.4)</u>	<u>\$ 93.6</u>

The net cumulative unallocated derivative gains were \$15.9 and \$37.3 at April 30, 2023 and 2022, respectively.

Cash Flow Hedges

In 2020, we terminated all outstanding interest rate contracts concurrent with the pricing of the Senior Notes due March 15, 2030, and March 15, 2050. The contracts were designated as cash flow hedges and were used to manage our exposure to interest rate volatility associated with the anticipated debt financing. The termination resulted in a pre-tax loss of \$239.8, which was deferred and included as a component of accumulated other comprehensive income (loss) and is being amortized as interest expense over the life of the debt.

The following table presents information on the pre-tax gains and losses recognized on all contracts previously designated as cash flow hedges.

	Year Ended April 30,		
	2023	2022	2021
Gains (losses) recognized in other comprehensive income (loss)	\$ —	\$ —	\$ —
Less: Gains (losses) reclassified from accumulated other comprehensive income (loss) to interest expense – net ^(A)	(13.5)	(13.7)	(13.8)
Less: Gains (losses) reclassified from accumulated other comprehensive income to other (expense) – net ^(B)	—	0.6	—
Change in accumulated other comprehensive income (loss)	<u>\$ 13.5</u>	<u>\$ 13.1</u>	<u>\$ 13.8</u>

(A) Interest expense – net, as presented in the Statements of Consolidated Income, was \$152.0, \$160.9, and \$177.1 in 2023, 2022, and 2021, respectively. The reclassification includes terminated contracts which were designated as cash flow hedges.

(B) Other income (expense) – net, as presented in the Statements of Consolidated Income, was \$14.7, \$19.1, and \$37.8 in 2023, 2022, and 2021, respectively. The reclassification is related to the debt extinguishment during 2022, as discussed in Note 7: Debt and Financing Arrangements.

Included as a component of accumulated other comprehensive income (loss) at April 30, 2023 and 2022, were deferred net pre-tax losses of \$200.7 and \$214.2, respectively, related to the terminated interest rate contracts. The related net tax benefit recognized in accumulated other comprehensive income (loss) was \$47.1 and \$50.3 at April 30, 2023 and 2022, respectively. Approximately \$13.6 of the net pre-tax loss will be recognized over the next 12 months related to the terminated interest rate contracts.

Fair Value Hedges

In 2015, we terminated the interest rate swap on the Senior Notes due October 15, 2021, which was designated as a fair value hedge and used to hedge against the changes in the fair value of the debt. As a result of the early termination, we received \$58.1 in cash, which included \$4.6 of accrued and prepaid interest. The gain on termination was recorded as an increase in the long-term debt balance and was recognized over the life of the debt as a reduction of interest expense. As of April 30, 2022, we had fully recognized the gain of \$53.5, of which \$4.0 and \$8.4 were recognized in 2022 and 2021, respectively.

Note 10: Other Financial Instruments and Fair Value Measurements

Financial instruments, other than derivatives, that potentially subject us to significant concentrations of credit risk consist principally of cash investments, short-term borrowings, and trade receivables. The carrying value of these financial instruments approximates fair value. Our remaining financial instruments, with the exception of long-term debt, are recognized at estimated fair value in the Consolidated Balance Sheets.

The following table provides information on the carrying amounts and fair values of our financial instruments.

	April 30, 2023		April 30, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Marketable securities and other investments	\$ 24.0	\$ 24.0	\$ 26.6	\$ 26.6
Derivative financial instruments – net	4.7	4.7	24.8	24.8
Investment in equity securities	487.8	487.8	—	—
Total long-term debt	(4,314.2)	(3,879.1)	(4,310.6)	(3,977.7)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions.

The following tables summarize the fair values and the levels within the fair value hierarchy in which the fair value measurements fall for our financial instruments.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at April 30, 2023
Marketable securities and other investments: ^(A)				
Equity mutual funds	\$ 5.0	\$ —	\$ —	\$ 5.0
Municipal obligations	—	18.6	—	18.6
Money market funds	0.4	—	—	0.4
Derivative financial instruments: ^(B)				
Commodity contracts – net	2.7	0.7	—	3.4
Foreign currency exchange contracts – net	0.2	1.1	—	1.3
Investment in equity securities ^(C)	487.8	—	—	487.8
Total long-term debt ^(D)	(3,879.1)	—	—	(3,879.1)
Total financial instruments measured at fair value	\$ (3,383.0)	\$ 20.4	\$ —	\$ (3,362.6)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at April 30, 2022
Marketable securities and other investments: ^(A)				
Equity mutual funds	\$ 5.7	\$ —	\$ —	\$ 5.7
Municipal obligations	—	19.9	—	19.9
Money market funds	1.0	—	—	1.0
Derivative financial instruments: ^(B)				
Commodity contracts – net	23.4	(0.3)	—	23.1
Foreign currency exchange contracts – net	0.2	1.5	—	1.7
Total long-term debt ^(D)	(3,977.7)	—	—	(3,977.7)
Total financial instruments measured at fair value	\$ (3,947.4)	\$ 21.1	\$ —	\$ (3,926.3)

- (A) Marketable securities and other investments consist of funds maintained for the payment of benefits associated with nonqualified retirement plans. The funds include equity securities listed in active markets, municipal obligations valued by a third-party using valuation techniques that utilize inputs that are derived principally from or corroborated by observable market data, and money market funds with maturities of three months or less. Based on the short-term nature of these money market funds, carrying value approximates fair value. As of April 30, 2023, our municipal obligations are scheduled to mature as follows: \$1.6 in 2024, \$1.3 in 2025, \$0.8 in 2026, \$4.9 in 2027, \$0.4 in 2028, and the remaining \$9.6 in 2029 and beyond. For additional information, see Marketable Securities and Other Investments in Note 1: Accounting Policies.
- (B) Level 1 commodity and foreign currency exchange derivatives are valued using quoted market prices for identical instruments in active markets. Level 2 commodity and foreign currency exchange derivatives are valued using quoted prices for similar assets or liabilities in active markets. For additional information, see Note 9: Derivative Financial Instruments.
- (C) The market approach is utilized to measure the fair value of equity securities. The investment in equity securities represents our equity interest in Post of approximately 8 percent as of April 30, 2023, which is valued using the trading value of Post common stock. In 2023, we recognized an unrealized pre-tax loss of \$3.8 on the investment, which was included in other income (expense) – net in the Statement of Consolidated Income. For additional information, see Investment in Equity Securities in Note 1: Accounting Policies and Note 3: Divestitures.
- (D) Long-term debt is composed of public Senior Notes, which are traded in an active secondary market and valued using quoted prices. For additional information, see Note 7: Debt and Financing Arrangements.

During 2023, we recognized a loss on divestiture in our Statement of Consolidated Income related to the divestiture of certain pet food brands. The loss on divestiture included the impact of an allocation of \$790.3 of goodwill, primarily in the U.S. Retail Pet Foods segment, which was determined based on a relative fair value analysis. The impact of the goodwill disposed was included in the noncash pre-tax loss on the divestiture in our Statement of Consolidated Income. We recognized an impairment charge of \$150.4 during 2022 related to the divested *Rachael Ray Nutrish* brand within the U.S. Retail Pet Foods segment. During 2021, we recognized an impairment charge of \$3.8 related to an immaterial trademark within the U.S. Retail Consumer Foods segment. These charges were included as noncash charges in our Statements of Consolidated Income. We utilized Level 3 inputs based on management's best estimates and assumptions to estimate the fair value of the indefinite-lived trademarks. For additional information, see Goodwill and Other Intangible Assets in Note 1: Accounting Policies and Note 6: Goodwill and Other Intangible Assets.

Note 11: Leases

We lease certain warehouses, manufacturing facilities, office space, equipment, and vehicles, primarily through operating lease agreements. We have elected to not recognize leases with a term of 12 months or less in the Consolidated Balance Sheets. Instead, we recognize the related lease expense on a straight-line basis over the lease term.

Although the majority of our right-of-use asset and lease liability balances consist of leases with renewal options, these optional periods do not typically impact the lease term as we are not reasonably certain to exercise them. Certain leases also include termination provisions or options to purchase the leased property. Since we are not reasonably certain to exercise these types of options, minimum lease payments do not include any amounts related to these termination or purchase options. Our lease agreements generally do not contain residual value guarantees or restrictive covenants that are material.

We determine if an agreement is or contains a lease at inception by evaluating whether an identified asset exists that we control over the term of the arrangement. A lease commences when the lessor makes the identified asset available for our use. We generally account for lease and non-lease components as a single lease component. Minimum lease payments do not include variable lease payments other than those that depend on an index or rate.

Because the interest rate implicit in the lease cannot be readily determined for the majority of our leases, we utilize our incremental borrowing rate to present value lease payments using information available at the lease commencement date. We consider our credit rating and the current economic environment in determining this collateralized rate. As of April 30, 2023, we have entered into a lease commitment related to a distribution center for which the lease has not yet commenced as of that date. The lease will begin during the first quarter of 2024, and upon commencement, we expect to recognize a right-of-use asset and lease liability of approximately \$75.8 in the Condensed Consolidated Balance Sheet.

The following table sets forth the right-of-use assets and lease liabilities recognized in the Consolidated Balance Sheets.

	Year Ended April 30,	
	2023	2022
Operating lease right-of-use assets	\$ 103.0	\$ 106.5
Operating lease liabilities:		
Current operating lease liabilities	\$ 33.2	\$ 40.1
Noncurrent operating lease liabilities	77.2	76.2
Total operating lease liabilities	<u>\$ 110.4</u>	<u>\$ 116.3</u>
Finance lease right-of-use assets:		
Machinery and equipment	\$ 7.7	\$ 8.1
Accumulated depreciation	(4.4)	(4.3)
Total property, plant, and equipment	<u>\$ 3.3</u>	<u>\$ 3.8</u>
Finance lease liabilities:		
Other current liabilities	\$ 1.2	\$ 1.4
Other noncurrent liabilities	2.2	2.5
Total finance lease liabilities	<u>\$ 3.4</u>	<u>\$ 3.9</u>

The following table summarizes the components of lease expense.

	Year Ended April 30,		
	2023	2022	2021
Operating lease cost	\$ 42.2	\$ 43.8	\$ 45.4
Finance lease cost:			
Amortization of right-of-use assets	1.6	2.0	2.4
Interest on lease liabilities	0.1	0.1	0.1
Variable lease cost	24.9	21.6	23.2
Short-term lease cost	44.5	43.5	37.6
Total lease cost ^(A)	<u>\$ 113.3</u>	<u>\$ 111.0</u>	<u>\$ 108.7</u>

(A) Total lease cost does not include sublease income which is immaterial for all years presented.

The following table sets forth cash flow and noncash information related to leases.

	Year Ended April 30,		
	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 44.3	\$ 45.6	\$ 45.7
Operating cash flows from finance leases	0.1	0.1	0.2
Financing cash flows from finance leases	1.7	2.1	2.6
Right-of-use assets obtained in exchange for new lease liabilities:			
Operating leases	37.9	7.2	34.8
Finance leases	1.5	1.8	1.1

The following table summarizes the maturity of our lease liabilities by fiscal year.

	April 30, 2023	
	Operating Leases	Finance Leases
2024	\$ 35.9	\$ 1.3
2025	27.2	1.0
2026	23.8	0.7
2027	9.5	0.4
2028	4.6	0.1
2029 and beyond	19.9	—
Total undiscounted minimum lease payments	\$ 120.9	\$ 3.5
Less: Imputed interest	10.5	0.1
Lease liabilities	\$ 110.4	\$ 3.4

The following table sets forth the weighted average remaining lease term and discount rate.

	Year Ended April 30,	
	2023	2022
Weighted average remaining lease term (in years):		
Operating leases	4.8	3.6
Finance leases	3.1	3.3
Weighted average discount rate:		
Operating leases	3.3 %	2.5 %
Finance leases	2.4 %	2.1 %

Note 12: Share-Based Payments

We provide for equity-based incentives to be awarded to key employees and non-employee directors. Currently, these incentives consist of restricted shares, restricted stock units (which may also be referred to as deferred stock units), performance units, and stock options. During 2023 and 2022, these awards were administered through the 2020 Equity and Incentive Compensation Plan (the “2020 Plan”), which was approved by our shareholders in August 2020. The previous 2010 Equity and Incentive Compensation Plan (the “2010 Plan”) expired and the 2020 Plan became effective in November 2020, at which time the common shares remaining available for issuance under the 2010 Plan were transferred to the 2020 Plan. During 2021, awards were administered through the 2010 Plan and the 2020 Plan. Awards under these plans may be in the form of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, performance units, incentive awards, and other share-based awards, and they may be granted to our non-employee directors, consultants, officers, and other employees. Deferred stock units granted to non-employee directors vest immediately and, along with dividends credited on those deferred stock units, are paid out in the form of common shares upon termination of service as a non-employee director. At April 30, 2023, there were 3,967,804 shares available for future issuance under the 2020 Plan.

Under the 2020 Plan, we have the option to settle share-based awards by issuing common shares from treasury, issuing new Company common shares, or issuing a combination of common shares from treasury and new Company common shares.

Stock Options: Under the 2020 Plan, we granted 113,970 and 152,971 stock options during 2023 and 2022, respectively, and under the 2010 Plan, we granted 296,619 stock options during 2021. Stock options granted in 2023, 2022, and 2021 vest ratably over a period of three years. The exercise price of all stock options granted was equal to the market value of the shares on the date of grant, and all stock options granted and outstanding have a contractual term of 10 years.

The fair value of each stock option is estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for stock options granted:

	2023	2022	2021
Expected volatility	25.0 %	24.0 %	23.0 %
Dividend yield	3.1 %	2.7 %	3.2 %
Risk-free interest rate	3.6 %	1.0 %	0.4 %
Expected life of stock options (years)	6.0	6.0	6.0

Expected volatility was calculated in accordance with the provisions of FASB ASC 718, *Compensation – Stock Compensation*, based on consideration of both historical and implied volatilities. The expected life of a stock option represents the period from the grant date through the expected exercise date of the option. This was calculated using a simplified method whereby the midpoint between the vesting date and the end of the contractual term is utilized to compute the expected term.

The following table is a summary of our stock option activity.

	Number of Stock Options	Weighted-Average Exercise Price
Outstanding at May 1, 2022	727,742	\$ 118.37
Granted	113,970	125.82
Exercised	(207,576)	113.14
Cancelled	(27,658)	123.40
Outstanding at April 30, 2023	606,478	\$ 121.33
Exercisable at April 30, 2023	345,948	\$ 119.12

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the stock option. The total intrinsic value for stock options outstanding and exercisable was \$20.1 and \$12.2 at

April 30, 2023, respectively, with an average remaining contractual term of 7.2 years and 6.5 years, respectively. The total intrinsic value of stock options exercised during 2023, 2022, and 2021 was \$8.6, \$3.6, and \$0.6, respectively. The closing market price of our common stock on the last trading day of 2023 was \$154.41 per share. The stock options granted during 2023 have a weighted-average grant date fair value of \$26.27 per option.

Compensation cost related to stock options is recognized ratably over the service period from the grant date through the end of the requisite service period. During 2023, 2022 and 2021, we recognized compensation cost of \$3.1, \$3.0, and \$2.3, respectively. The tax benefit related to the stock option expense was \$0.7, \$0.7, and \$0.5 for 2023, 2022, and 2021, respectively. As of April 30, 2023, we had unrecognized compensation cost of \$3.1 related to the stock options that were granted in 2023, 2022, and 2021.

Cash received from stock option exercises was \$21.6, \$16.3, and \$4.5 for the years ended April 30, 2023, 2022, and 2021, respectively.

Other Equity Awards: The following table is a summary of our restricted shares, deferred stock units, and performance units.

	Restricted Shares and Deferred Stock Units	Weighted- Average Grant Date Fair Value Per Share	Performance Units	Weighted- Average Grant Date Fair Value Per Share
Outstanding at May 1, 2022	431,055	\$ 117.24	462,477	\$ 124.22
Granted	146,290	131.96	130,939	133.01
Vested	(185,183)	109.72	(75,218)	123.68
Forfeited	(37,438)	124.65	(104,308)	125.47
Outstanding at April 30, 2023	354,724	\$ 126.45	413,890	\$ 126.78

The weighted-average grant date fair value of equity awards other than stock options that vested in 2023, 2022, and 2021 was \$30.6, \$21.7, and \$23.1, respectively. The weighted-average grant date fair value of restricted shares, deferred stock units,

and performance units is the average of the high and the low share price on the date of grant. The vesting date fair value of equity awards other than stock options that vested in 2023, 2022, and 2021 was \$36.2, \$24.0, and \$19.7, respectively. The following table summarizes the weighted-average fair values of the equity awards granted.

Year Ended April 30,	Restricted Shares and Deferred Stock Units	Weighted- Average Grant Date Fair Value Per Share	Performance Units	Weighted- Average Grant Date Fair Value Per Share
2023	146,290	\$ 131.96	130,939	\$ 133.01
2022	66,514	135.10	171,907	135.53
2021	83,188	110.66	194,786	113.70

The restricted shares and deferred stock units granted in 2023, 2022, and 2021 under our new long-term incentive compensation program vest ratably over three years from the date of grant. The remaining restricted shares and deferred stock units generally vest over four years from the date of grant or upon the attainment of a defined age and years of service, subject to certain retention requirements. The performance units granted in 2023, 2022, and 2021 vest three years from the date of grant and are converted to common shares upon vesting based on the performance achieved during the service period. The performance goal for the performance units is based on adjusted earnings per share and return on invested capital targets. Dividend equivalents are accumulated on the performance units from the date of grant, but participants only receive payment if the awards vest.

Note 13: Income Taxes

The following table sets forth our income (loss) before income taxes.

	Year Ended April 30,		
	2023	2022	2021
Domestic	\$ (23.6)	\$ 806.0	\$ 1,176.6
Foreign	14.4	37.8	(4.7)
Income (loss) before income taxes	\$ (9.2)	\$ 843.8	\$ 1,171.9

The following table summarizes the components of the provision for income taxes.

	Year Ended April 30,		
	2023	2022	2021
Current:			
Federal	\$ 217.9	\$ 201.8	\$ 251.3
Foreign	5.4	9.2	11.7
State and local	49.5	39.0	46.7
Deferred:			
Federal	(158.5)	(48.1)	(3.3)
Foreign	(1.0)	0.3	(7.9)
State and local	(31.2)	9.9	(2.9)
Total income tax expense	\$ 82.1	\$ 212.1	\$ 295.6

The following table sets forth a reconciliation of the statutory federal income tax rate and the effective income tax rate.

(Percent of pre-tax income)	Year Ended April 30,		
	2023	2022	2021
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Sale of certain pet food brands	(776.4)	—	—
Sale of the <i>Crisco</i> business	—	—	4.5
Sale of the <i>Natural Balance</i> business	—	—	(3.0)
State and local income taxes	(157.7)	2.6	2.9
Deferred tax expense from internal restructuring	—	2.0	—
Other items – net	20.7	(0.5)	(0.2)
Effective income tax rate	(892.4)%	25.1 %	25.2 %
Income taxes paid	\$ 254.8	\$ 233.0	\$ 333.2

The income tax expense of \$82.1 for 2023 includes a permanent tax impact associated with the sale of certain pet food brands. The income tax expense of \$212.1 for 2022 includes an unfavorable deferred tax impact, primarily related to an internal legal entity simplification to support multiple work locations for office-based employees and our continued strategic activities. The income tax expense of \$295.6 for 2021 includes the permanent tax impacts associated with the sales of the *Crisco* and *Natural Balance* businesses.

We are a voluntary participant in the Compliance Assurance Process (“CAP”) program offered by the IRS and are currently under a CAP examination for the tax years ended April 30, 2023 and April 30, 2024. For the 2019 through 2022 tax years, the CAP examination is substantially complete and awaiting final closing documentation. The tax years prior to 2020 are no longer subject to U.S. federal tax examination under the statute of limitations. With limited exceptions, we are no longer subject to examination for state, local, and foreign jurisdictions for the tax years prior to 2019.

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. The following table summarizes significant components of our deferred tax assets and liabilities.

	April 30,	
	2023	2022
Deferred tax liabilities:		
Intangible assets	\$ 1,119.9	\$ 1,303.5
Property, plant, and equipment	192.0	174.7
Leases	15.6	21.8
Other	8.2	19.2
Total deferred tax liabilities	\$ 1,335.7	\$ 1,519.2
Deferred tax assets:		
Post-employment and other employee benefits	\$ 75.1	\$ 66.2
Tax credit and loss carryforwards	26.1	27.8
Intangible assets	19.0	15.9
Hedging transactions	46.9	47.6
Leases	17.5	23.5
Other	38.2	42.3
Total deferred tax assets	\$ 222.8	\$ 223.3
Valuation allowance	(26.0)	(29.9)
Total deferred tax assets, less allowance	\$ 196.8	\$ 193.4
Net deferred tax liability	\$ 1,138.9	\$ 1,325.8

We evaluate the realizability of deferred tax assets for each of the jurisdictions in which we operate. The total valuation allowance decreased by an immaterial amount during the year.

We did not repatriate foreign cash to the U.S. during both 2023 and 2022. We returned \$100.0 of foreign cash to the U.S. from Canada during 2021, net of \$5.0 of foreign withholding taxes and insignificant U.S. federal and state income taxes. Consistent with the prior year, as of April 30, 2023, we have determined that a portion of our undistributed earnings, in Canada, is not permanently reinvested, resulting in the recognition of an immaterial deferred tax liability. Deferred income taxes have not been provided on approximately \$30.0 of the remaining temporary differences of our foreign subsidiaries, primarily Canada, that are determined to be permanently reinvested, the tax effects of which are immaterial.

Our unrecognized tax benefits were \$5.3, \$6.5, and \$10.2, of which \$4.2, \$5.1, and \$8.1 would affect the effective income tax rate, if recognized, as of April 30, 2023, 2022, and 2021, respectively.

Within the next 12 months, it is reasonably possible that we could decrease our unrecognized tax benefits by an estimated \$1.8, primarily as a result of the expiration of statute of limitation periods.

The following table sets forth a reconciliation of our unrecognized tax benefits.

	2023	2022	2021
Balance at May 1,	\$ 6.5	\$ 10.2	\$ 13.1
Increases:			
Current year tax positions	—	0.1	0.7
Prior year tax positions	—	0.2	—
Decreases:			
Expiration of statute of limitations periods	1.2	4.0	2.6
Prior year tax positions	—	—	1.0
Balance at April 30,	<u>\$ 5.3</u>	<u>\$ 6.5</u>	<u>\$ 10.2</u>

Note 14: Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), including the reclassification adjustments for items that are reclassified from accumulated other comprehensive income (loss) to net income (loss), are shown below.

	Foreign Currency Translation Adjustment	Net Gains (Losses) on Cash Flow Hedging Derivatives ^(A)	Pension and Other Postretirement Liabilities ^(B)	Unrealized Gain (Loss) on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss)
Balance at May 1, 2020	\$ (50.5)	\$ (185.6)	\$ (146.7)	\$ 3.8	\$ (379.0)
Reclassification adjustments	—	13.8	46.3	—	60.1
Current period credit (charge)	41.5	—	18.9	(0.1)	60.3
Income tax benefit (expense)	—	(3.0)	(15.8)	—	(18.8)
Balance at April 30, 2021	\$ (9.0)	\$ (174.8)	\$ (97.3)	\$ 3.7	\$ (277.4)
Reclassification adjustments	—	13.1	17.6	—	30.7
Current period credit (charge)	(12.1)	—	38.1	(2.5)	23.5
Income tax benefit (expense)	—	(2.2)	(12.6)	0.6	(14.2)
Balance at April 30, 2022	\$ (21.1)	\$ (163.9)	\$ (54.2)	\$ 1.8	\$ (237.4)
Reclassification adjustments	—	13.5	10.3	—	23.8
Current period credit (charge)	(13.2)	—	(7.9)	(0.6)	(21.7)
Income tax benefit (expense)	—	(3.2)	(0.9)	0.2	(3.9)
Balance at April 30, 2023	<u>\$ (34.3)</u>	<u>\$ (153.6)</u>	<u>\$ (52.7)</u>	<u>\$ 1.4</u>	<u>\$ (239.2)</u>

(A) The reclassification from accumulated other comprehensive income (loss) is primarily composed of deferred gains (losses) related to terminated interest rate contracts which were reclassified to interest expense. For additional information, see Note 9: Derivative Financial Instruments.

- (B) The reclassification from accumulated other comprehensive income (loss) to other income (expense) – net is composed of settlement charges and amortization of net losses and prior service costs. The reclassification in 2021 primarily includes the impact of the nonrecurring settlement charges related to the Canadian buy-out contract. For additional information, see Note 8: Pensions and Other Postretirement Benefits.

Note 15: Contingencies

We, like other food manufacturers, are from time to time subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. We are currently a defendant in a variety of such legal proceedings, including certain lawsuits related to the alleged price-fixing of shelf stable tuna products prior to 2011 by a business previously owned by, but divested prior to our acquisition of, Big Heart, the significant majority of which were settled and paid during 2019 and 2020. While we cannot predict with certainty the ultimate results of these proceedings or potential settlements associated with these or other matters, we have accrued losses for certain contingent liabilities that we have determined are probable and reasonably estimable at April 30, 2023. Based on the information known to date, with the exception of the matters discussed below, we do not believe the final outcome of these proceedings would have a material adverse effect on our financial position, results of operations, or cash flows.

In addition to the legal proceedings discussed above, we are defendants in a series of putative class action lawsuits that were transferred to the United States District Court for the Western District of Missouri for coordinated pre-trial proceedings. The plaintiffs assert claims arising under various state laws for false advertising, consumer protection, deceptive and unfair trade practices, and similar statutes. Their claims are premised on allegations that we have misrepresented the number of servings that can be made from various canisters of *Folgers* coffee on the packaging for those products.

The outcome and the financial impact of these cases, if any, cannot be predicted at this time. Accordingly, no loss contingency has been recorded for these matters as of April 30, 2023, and the likelihood of loss is not considered probable or estimable. However, if we are required to pay significant damages, our business and financial results could be adversely impacted, and sales of those products could suffer not only in these locations but elsewhere.

Product Recall: In May 2022, we initiated a voluntary recall of select *Jif* peanut butter products produced at our Lexington, Kentucky facility and sold primarily in the U.S., due to potential salmonella contamination. At that time, we also suspended the manufacturing of *Jif* peanut butter products at the Lexington facility and temporarily paused shipments from our Memphis, Tennessee facility to eliminate confusion while customers cleared their shelves of potentially impacted products manufactured at the Lexington facility. No other products produced at our other facilities were affected by the recall. In June 2022, we resumed manufacturing *Jif* peanut butter products at our Lexington facility, as well as shipping from our Memphis facility. We partnered with retailers to restock *Jif* peanut butter products during the first quarter of 2023, and as of April 30, 2023, we have returned to normal levels. To date, we have recognized total direct costs associated with the recall of approximately \$120.0, net of insurance recoveries, related to customer returns, fees, unsaleable inventory, and other product recall-related costs, primarily within our U.S. Retail Consumer Foods segment. We expect costs associated with the recall to be minimal in 2024.

Further, the FDA issued a Warning Letter on January 24, 2023, following an inspection of our Lexington facility completed in June 2022 in connection with the *Jif* voluntary recall, identifying concerns regarding certain practices and controls at the facility. We have responded to the Warning Letter with a detailed explanation of our food safety plan and extensive verification activities to prevent contamination in *Jif* peanut butter products. In addition, we have worked diligently to further strengthen our already stringent quality processes, including doubling our finished product testing and tripling our environmental testing to verify the efficacy of our actions. The FDA or other agencies may nonetheless conclude that certain practices or controls were not in compliance with the Federal Food, Drug, and Cosmetic Act or other laws. Any potential regulatory action based on such an agency conclusion could result in the imposition of injunctive terms and monetary payments that could have a material adverse effect on our business, reputation, brand, results of operations, and financial performance, as well as affect ongoing consumer litigation associated with the voluntary recall of *Jif* peanut butter products. The outcome and financial impact of the ongoing consumer litigation or any potential regulatory action associated with the *Jif* voluntary recall cannot be predicted at this time. Accordingly, no loss contingency has been recorded for these matters as of April 30, 2023, and the likelihood of loss is not considered probable or estimable.

Note 16: Common Shares

Voting: The Amended Articles of Incorporation provide that each holder of a common share outstanding is entitled to one vote on each matter submitted to a vote of the shareholders.

Repurchase Programs: During the fourth quarter of 2023, we repurchased approximately 2.4 million common shares for \$358.0 pursuant to the authorizations of the Board. Under the repurchase plan, a total of approximately 3.5 million common shares remain available for repurchase as of April 30, 2023. In accordance with the Inflation Reduction Act, a one percent excise tax was applied to share repurchases after December 31, 2022. As a result, an excise tax of \$3.6 was accrued on the repurchased shares during 2023, and included within additional capital in our Consolidated Balance Sheet. A total of 2.0 million common shares were repurchased for \$262.5 during 2022 under authorizations by the Board, and no excise tax was accrued on the repurchased shares. All other share repurchases during 2023 and 2022 consisted of shares repurchased from stock plan recipients in lieu of cash payments.

On March 2, 2023, we also entered into the 10b5-1 Plan that was established in accordance with Rule 10b5-1 of the Exchange Act in connection with the remaining common shares authorized for repurchase by the Board. In accordance with the 10b5-1 Plan, our designated broker has the authority to repurchase approximately 2.4 million common shares, which commenced on the consummation of the sale of certain pet food brands on April 28, 2023, and will expire 45 calendar days after the closure of the transaction, which is in the first quarter of 2024, unless terminated earlier in accordance with the terms of the 10b5-1 Plan. Subsequent to April 30, 2023, we repurchased approximately 2.4 million common shares for \$362.8 under this 10b5-1 Plan, and approximately 1.1 million common shares remain available for repurchase. An excise tax of \$3.6 was also accrued on the repurchased shares during the first quarter of 2024.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures: Management, including the principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act), as of April 30, 2023 (the “Evaluation Date”). Based on that evaluation, the principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls: As a result of the divestiture of certain pet food brands on April 28, 2023, new controls and procedures were executed during the fourth quarter.

Other than the item discussed above, there were no changes in internal control over financial reporting that occurred during the fourth quarter ended April 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.