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CALL PARTICIPANTS 2

PRESENTATION 3

QUESTION AND ANSWER 7

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Presentation

Operator

Good morning. My name is Towanda, and I will be your conference call facilitator today. At this time, I would like to welcome everyone to the Lancaster Colony Corporation Fiscal Year 2024 Third Quarter Conference Call.

Conducting today's call will be Dave Ciesinski, President and CEO; and Tom Pigott, CFO. All lines have been placed on mute to prevent any background noise. After the speakers have completed their prepared remarks, there will be a question-and-answer period. If you would like to ask a question during this time, simply press -- if you would like to withdraw your question, start again. Thank you.

And now to begin the conference call, here is Dale Ganobsik, Vice President of Corporate Finance and Investor Relations for Lancaster Colony Corporation. You may begin.

Dale N. Ganobsik
Vice President of Corporate Finance, Investor Relations & Treasurer

Good morning, everyone, and thank you for joining us today for Lancaster Colony's Fiscal Year 2024 Third Quarter Conference Call. Our discussion this morning may include forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially, and the company undertakes no obligation to update these statements based upon subsequent events. A detailed discussion of these risks and uncertainties is contained in the company's filings with the SEC. Also note that the audio replay of this call will be archived and available at our company's website, lancastercolony.com, later this afternoon.

For today's call, Dave Ciesinski, our President and CEO, will begin with the business update and highlights for the quarter. Tom Pigott, our CFO, will then provide an overview of the financial results. Dave will then share some comments regarding our current strategy and outlook. At the conclusion of our prepared remarks, we'll be happy to answer any questions you may have. Once again, we appreciate your participation this morning.

I'll now turn the call over to Lancaster Colony's President and CEO, Dave Ciesinski. Dave?

David A. Ciesinski
President, CEO & Director

Thanks, Dale, and good morning, everyone. It's a pleasure to be here with you today, as we review our third quarter results for fiscal year 2024. In our fiscal third quarter, which ended March 31, we were pleased to report record net sales and gross profit as consolidated net sales increased 1.4% to $471.4 million, and gross profit grew 10.9% to $104.5 million.

Operating income increased 19.5% to $35.1 million, driven by solid growth in the underlying performance of the business. This was partially offset by the impact of charges arising from the decision to exit our perimeter-of-the-store product lines, specifically Flatout and Angelic Bakehouse, which reduced operating income by $14.7 million. In our retail segment, net sales growth of 30 basis points was driven by volume gains for our successful licensing program, led by Chick-fil-A sauces and dressings, Olive Garden dressings and our newly introduced Subway sandwich sauces and Texas Roadhouse steak sauces.

Retail segment volume measured in pounds shipped increased 1.5%, driven by the growth from licensed items and investments in trade spending that drove household penetration gains across our portfolio.

Excluding the impact of product down weighting initiatives and sales attributed to Flatout and Angelic Bakehouse product lines that we exited, Q3 retail sales volume increased 2.8%.

Circana retail scanner data for the 13-week period ending March 31 shows our brands, including license items, performed very well, with consumption measured in pounds growing 5.6%. The increased

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consumption was driven by 3 primary factors. First, we successfully invested in promotional activity to drive trial and household penetration across the range of our brands. Second, our consumer-relevant licensed brands continued to deliver strong consumption behind notable gains for Chick-fil-A dressings and sauces, Olive Garden dressings, in addition to new contributions from the launches of Subway and Texas Roadhouse sauces. And finally, we experienced a modest benefit in retail consumption attributed to the shift and Easter timing for holiday favorites such as Sister Schubert rolls and Marzetti dips.

Circana's retail scanner data for the quarter showed Chick-fil-A sauces up 8.3% to $42.8 million. Olive Garden dressings up 7.5% to $41.3 million. Buffalo Wild Wings sauces were down 2.6% to $26.1 million, but compared to a strong quarter last year when sales increased 47.9%. New York Bakery garlic bread was up 5.8% to $94.7 million, resulting in a category-leading market share of 44.3%. The Sister Schubert's brand was up 13% to $35 million and extended its leading share to 55.5% in the frozen general category.

And finally, we were pleased to share that Chick-fil-A refrigerated salad dressings, which we launched nationally last May, continue to perform well with Circana's data showing sales of $10.8 million and a 7.9% share of the category. When combined with the sales of our Marzetti brand salad dressings, our refrigerated addressing market share has grown over 5 percentage points to a category-leading 28.7%.

In the Foodservice segment, net sales growth of 2.6% was led higher by demand from several of our national chain restaurant accounts and volume gains for our branded foodservice products. Foodservice sales volume measured in pounds shipped increased 3.9%. As anticipated, the Foodservice segment net sales growth was adversely impacted by pass-through price decreases during the quarter due to commodity cost deflation.

During Q3, we were pleased to deliver record gross profit of $104.5 million and a gross margin increase of 190 basis points versus last year. This increase was driven by favorability in our pricing net of commodities, or PNOC, following 2 years of unprecedented inflation as well as the beneficial impacts of our cost saving initiatives and volume growth.

Our focus on supply chain productivity, value engineering and revenue management all remain core elements to further improve our financial performance.

Before I turn it over to Tom, I would like to share a few additional comments regarding Lancaster Colony's recent decision to exit our perimeter-of-the-store bakery lines, specifically Flatout and Angelic Bakehouse. Both brands were typically sold in the deli section of the grocery store. Unfortunately, due to a lack of scale and direct-to-store distribution capabilities, we were not able to achieve the required operational or financial performance for these product lines, and subsequent efforts to sell these product lines were unsuccessful.

I can assure you this was a very difficult decision with 80 of our employees impacted by the closures of our Flatout facility in Saline, Michigan, and the Angelic Bakehouse facility in Cudahy, Wisconsin. Since the announcement of the plant closures on March 12, we've provided financial assistance and outplacement support for the impacted employees. I extend my sincere thanks to all of them for their dedication and commitment to our business during their time with us.

With our exit from these product lines, now complete, we intend to direct even greater focus towards categories where we believe we have strategic scale such as dressings and sauces and focused scale such as frozen bakery.

I'll now turn the call over to Tom Pigott, our CFO, for his commentary on our third quarter results. Tom?

Thomas K. Pigott
VP, Assistant Secretary & CFO

Thanks, Dave. This quarter, the company was able to achieve top line growth, improved gross margin performance and higher operating income despite the impacts of the product line discontinuations, that Dave mentioned.

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The net sales and gross profit results set fiscal third quarter records. Third quarter consolidated net sales increased by 1.4% to $471.4 million, decomposing the revenue performance, approximately 2.9 percentage points was driven by volume mix. This growth was partially offset by deflationary pricing in our Foodservice segment and promotional trade spending investments in our Retail segments. These reductions in revenue were funded through commodity input cost favorability.

Consolidated gross profit increased by $10.3 million or 10.9% versus the prior year quarter to $104.5 million. Gross margins expanded by 190 basis points to 22.2%. The gross profit growth was primarily driven by favorable PNOC performance, the company's cost savings initiatives, and volume growth. These drivers were partially offset by a $2.6 million inventory write-down recorded in our cost of goods sold resulting from our decision to exit the Flatout and Angelic product lines.

Commodity costs were deflationary versus the prior year but remained elevated versus historical levels.

Selling, general and administrative expenses decreased 11.8% or $7.6 million to $57.2 million. The decrease reflects reduced expenditures for Project Ascent, our ERP initiative. Costs related to the project continued to wind down totaling $1.9 million in the current year quarter versus $7.6 million in the prior year quarter. In addition, we had lower legal expenditures this quarter versus a heightened level in the prior year quarter.

As Dave mentioned, the company chose to exit the Flatout and Angelic product lines during the quarter. As a result, we recorded restructuring impairment charges of $12.1 million related to these exits as well as the $2.6 million write-down of inventories recorded in our cost of sales.

The restructuring impairment charges, which consisted of impairment charges for fixed assets and intangible assets, onetime termination benefits and other closing costs were not allocated to our 2 reportable segments due to their unusual nature, whereas the $2.6 million write-down of inventories was recorded in our retail segment. The noncash portion of these charges totaled $10.7 million.

The Flatout and Angelic product lines combined reported $15.5 million in net sales through the first 3 quarters of the year and did not have a significant impact on profitability. Consolidated operating income increased $5.7 million or 19.5% due to the gross profit improvement and the SG&A reduction, partially offset by the exit costs I previously mentioned, which totaled $14.7 million. Our tax rate for the quarter was 23.2%. We estimate our fiscal Q4 tax rate to be at 23%.

Third quarter diluted earnings per share increased $0.14 or 15.7% to $1.03. The exit costs drove a $0.41 decline in EPS, $0.34 of which was charged to restructuring impairment and the remaining $0.07 was charged to cost of goods sold. The reduction in Project Ascent costs drove a $0.16 increase in EPS. The remaining $0.39 of EPS growth was driven by the underlying performance of the business.

With regard to capital expenditures, our year-to-date payments for property additions totaled $52 million. For fiscal '24, our forecasted total capital expenditures are estimated to be approximately $65 million. This forecast reflects a decline versus the previous year spending with the Horse Cave expansion now complete.

In addition to investing in our business, we also returned funds to shareholders. Our quarterly cash dividend of $0.90 per share paid on March 29, represented a 6% increase from the prior year's amount. Our enduring streak of annual dividend increases stands at 61 years.

Net cash provided by operating activities for the third quarter was $75.9 million, a $32.2 million increase versus the prior year quarter. Our financial position remains strong with a debt-free balance sheet and $164.8 million in cash.

So to wrap up my commentary, our third quarter results reflected record top line and gross profit performance. Operating income also grew nicely despite the charges I mentioned, and we took action to streamline our product offerings to provide more focus for future growth.

I'll now turn it back over to Dave for his closing remarks. Thank you.

David A. Ciesinski

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President, CEO & Director

Thanks, Tom. As we look ahead, Lancaster Colony will continue to leverage the combined strength of our team, our operating strategy and our balance sheet in support of 3 simple pillars of our growth plan: one, accelerate core business growth; two, to simplify our supply chain to reduce our cost and grow our margins; and three, to expand our core with focused M&A and strategic licensing.

Looking ahead to our fiscal fourth quarter, we project retail net sales will continue to benefit from our expanding licensing program, including incremental growth from the recent additions of Subway and Texas Roadhouse sauces. In the Foodservice segment, we expect continued volume growth from select QSR customers and our branded foodservice products. Deflationary pricing is projected to remain a headwind for Foodservice segment net sales.

With respect to our gross profit, we anticipate reduced PNOC favorability in fiscal Q4 when compared sequentially to Q3 and as commodity deflation becomes less pronounced. Gross profit will continue to benefit from our ongoing cost savings program.

In closing, I would like to extend my sincere thanks to the entire Lancaster Colony team for their ongoing commitment and contributions to our improved operational and financial performance this past quarter. This concludes our prepared remarks for today, and we'd be happy to answer any questions you might have.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Brian Holland with D.A. Davidson.

Brian Patrick Holland
D.A. Davidson & Co., Research Division

Dave, typically in the press release, you made reference to kind of below the top line, whether that's PNOC and the favorability there or just commodity costs inflation. So forgive me if I missed that somewhere. But if not, maybe just an update on kind of where you see that going into 4Q? And maybe more broadly, the balance of calendar year '24.

David A. Ciesinski
President, CEO & Director

Okay. So I want to make sure I understand your question, Brian. Are you asking just for our view on PNOC through Q4 and then the remainder of the calendar year?

Brian Patrick Holland
D.A. Davidson & Co., Research Division

Yes, yes.

David A. Ciesinski
President, CEO & Director

Yes. So as you noticed in the most recent quarter, PNOC was an important contributor in Q3, and we expect PNOC to be a contributor into Q4, but it's ultimately going to be diminishing as we're lapping more and more of those price increases, and we're seeing commodities flatten out.

Tom, I don't know if you want to provide [indiscernible] on that?

Thomas K. Pigott
VP, Assistant Secretary & CFO

I think that -- so Brian, our -- this quarter, we saw some nice deflation as you get into Q4. We don't expect as much PNOC favorability.

That said, we do expect nice contributions from our cost savings initiatives, which is also driving the margin growth you saw in the quarter, and we expect that to be continue to help us drive margin as we get out into the future.

Brian Patrick Holland
D.A. Davidson & Co., Research Division

Okay. That's helpful. And then maybe skipping right into kind of a bigger picture question, but if I pair the perimeter bakery exit that you disclosed this morning, and you're coming out of this period of heavy capital investment. I mean, we talked about refocusing, reallocating resources, increased focused elsewhere.

Maybe an update on kind of what the pipeline looks like from an M&A standpoint? I guess one thing that I would sort of take from this is, are these guys clearing the deck to do something, which I understand you can't announce beforehand. But just kind of curious -- and that's my takeaway. So I don't know if that's something you want to throw cold water on, it's not possibly related or maybe just a sense of what the M&A backdrop and pipeline look like for you all? And what is obviously a challenging environment for food right now.

David A. Ciesinski

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President, CEO & Director

Yes. So maybe, Brian, I appreciate that question. I'll start by just providing a little bit more texture about the decision regarding Angelic Bakehouse and Flatout. So those two businesses were purchased in 2015 and 2016, respectively, predicated on assumptions of growth in the perimeter store.

The reality is, as we worked our way through those businesses, what we found is that; one, they lack scale. And two, we lack the capabilities that we believe you really need to win in that part of the store, which is direct-to-store distribution capabilities. And as it sort of played out from period to period, in spite of our very best efforts, one day, you're on display exactly where you're supposed to be, and it looks awesome. And the next day, some of your items are near the cat litter.

So as we looked at those businesses versus a lot of our others, for example, that are more tightly planogram in frozen or in dry grocery or even in produce, the combination of the fact that they lack the right scale, we didn't have the right capabilities just made it a really tough situation. And our view was discretion is the better part of valor. We've given it a good trial. Let's back away from this and let's move on and really focus on our core.

What this wasn't was a grand review of our whole portfolio as much as it was us just looking at these two businesses that we liked a lot, but we just couldn't get to work. and we moved on.

So as far as our view on M&A, maybe I'll turn it over to Tom. Tom, if you want to talk about where we intend to focus on a go-forward basis.

Thomas K. Pigott
VP, Assistant Secretary & CFO

Absolutely. So Brian, I think over the last few years, we've evolved our M&A strategy to really focus in on our core competencies in dressings and sauces. So certainly, we feel like we've got good culinary expertise in that space, really good manufacturing with the Horse Cave expansion and then a strong retail selling arm to enable us to really -- to do better in that space on M&A should the right opportunities to come to us.

In addition, from a deployment of capital, we continue to look at cost savings initiatives, things that can reduce our reliance on labor as well as opportunistically how can we continue to support the growth algorithm. With Horse Cave behind us, we're starting to look at kind of the next phase of expansion. And could there be potential brownfield sites or other opportunities for us to support continued growth, providing good returns to shareholders.

Operator

Our next question comes from the line of Alton Stump with Loop Capital.

Alton Kemp Stump
Loop Capital Markets LLC, Research Division

I guess the first, I want to ask, and I apologize if I missed this time, but did you mention what your overall basket as far as commodities, how much they were down during the quarter?

Thomas K. Pigott
VP, Assistant Secretary & CFO

Yes, they were -- I didn't mention it, but they were down in the mid- to high single digits on a percentage basis.

Alton Kemp Stump
Loop Capital Markets LLC, Research Division

Okay. Great. And then I guess, I kind of look ahead to fourth quarter or even into next year, I mean, any kind of ballpark range as far as where you think that your overall commodity that still go?

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Thomas K. Pigott
VP, Assistant Secretary & CFO

Yes. So right now, in Q4, we don't -- we do expect it to be deflationary but not as deflationary as it was in Q3. So as we mentioned, we don't expect as big a PNOC contribution in Q4. That said, into the future, we continue to focus on driving margins through our productivity initiatives, and we feel good about the pipeline there. From a fiscal '25 commodity outlook, we're right now looking at a flattish profile.

Alton Kemp Stump
Loop Capital Markets LLC, Research Division

Okay. Great. And then I just want to ask about the Horse Cave facility -- plant, obviously, it's open up and running now, I guess, here for the last 8, 9 months. So that now that you -- further along in that process -- how are things going there? Are you up to full kind of operational capabilities yet? Or just kind of what has been your learning curve over the last couple of quarters since opening that facility.

David A. Ciesinski
President, CEO & Director

Yes. So Alton, really two things. If you go back to a little more than a year ago, not only did we stand up at the facility, but we also installed SAP, as you remember. So we really put that facility, our flagship through an intense period of change, and we're pleased to report that the factory is running very well, that we're seeing the volumes run through there that we would like to see. We're seeing very high engagement from the employees. It continues to be a big area of focus from our supply chain leadership team just because of the magnitude of the promise that, that facility affords us.

In some of my earlier comments during the script, I mentioned the idea that by exiting the perimeter-of-the-store, it allowed us to focus in a couple of areas. One, our center-of-the-store bakery business where we have focused scale, particularly around ginger rolls and things like garlic toast. But also focus on areas where we believe we have strategic scale, where I would put our capabilities, our ability to source and manufacture and ship against many of the very biggest players in CPG. So we can't compete against them across the board, obviously.

But when you talk about those categories, dressings and sauces, which for lots of reasons we could talk about maybe a little bit later in the call, we believe are really relevant today and into the future. That plant is really a cornerstone of our ability to deliver on that strategic scale, and it's coming along very much in line with our expectations.

Operator

Our next question comes from the line of Connor Rattigan with Consumer Edge.

Connor J. Rattigan
Consumer Edge Research, LLC

Yes. So I guess -- I'm curious what you're seeing as it relates to foodservice traffic. So we've heard commentary of your peers and even the restaurant reporters. It just seems like traffic was really down across the board. I guess, are you guys seeing the same thing in your business? And if no, I suppose that may be driven by your Chick-fil-A exposure? And if you are, I guess, what gives you the confidence that you can continue to deliver that volume growth in foodservice over the coming quarters?

David A. Ciesinski
President, CEO & Director

I'm glad you asked this, Connor. It's an important question. So we subscribe to a range of different syndicated data sources. And when you look at the whole industry broadly, and you look at it 52 weeks, 12 weeks, 4 weeks, you can see a very modest slowdown. And it's across the board. You see full service restaurants have pulled back modestly. QSR has pulled back modestly. These are single-digit pullbacks that we're looking at here. And it's really impacting all of our customers. Everybody in the mix is being impacted by this. It's kind of step back and say, what is it that's driving this?

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Our view is that consumers are continuing to work their way through a period of transition, not an inflection but period of transition driven by the combined effects of higher interest rates, but importantly, inflation, which is continuing to bite.

And whether you're talking retail or food service. What really happens in these times is consumers are really -- they go off autopilot, instead of just going to the store and grabbing what they've always bought because they've always bought that or pulling into the restaurant because that's the place that they've always gone. They start to think about these choices. And consequently, sometimes they might buy and sometimes they might consider buying somebody else.

So if you look at it very, very broadly, we are seeing that modest single-digit slowdown across the portfolio. Foods -- full service impacted more than quick service, but across the board.

Now as far as our view, what we've seen in these times is our business has really two hedges built in. One is, as consumers become concerned about away-from-home dining and they eat at home, it typically inures to the benefit of our portfolio. As we look at what's happening away from home, though importantly, as traffic starts to moderate at any one of our concepts or really any operators concept period, they typically will back off and say, what do we need to do to drive traffic back into the stores. And it really creates an intense period of innovation for a lot of these operators.

And if past is prologue, we get those calls and we work with them on signature items, signature sauces that they can advertise to drive traffic back into the store. What I would share with you, Connor, is that we're already starting to see that activity happen and we're already engaged in those sorts of discussions with our operators.

So what I would tell you, our view on the business is we believe that we're always going to be positioned to have the chance to perform in the top quartile of our peer group. And we continue to believe that, that's true 1.5 years ago, and we believe that it's true going forward.

Connor J. Rattigan
Consumer Edge Research, LLC

Got it. And then I guess just changing gears to pricing. So it looks like pricing was down roughly the same in Foodservice and at Retail. So I understand Foodservice is primarily pass-through pricing and that is expected to be down year-over-year. But I guess, could you maybe give us some color on maybe what's going on in Retail drive, I think down so much? Because I mean, and the data that we're [indiscernible] look like you're dialing up to too much promos. So I guess just trying to get a sense of where we should expect prices to trend in Foodservice and Retail over the coming quarters?

David A. Ciesinski
President, CEO & Director

Yes. No, I'm glad you asked this question. They were down about the same amount, but it was more a coincidence, and it was necessarily a plan. We didn't say, okay, we're going to back them up.

A couple of things that we'll share with you. Tom, I think nicely pointed out that we are seeing favorable PNOC as commodities have backed off. That's given us the incremental firepower to step into the consumer part of the business, the Retail business, and to do a couple of things. I mentioned the fact that in these times, consumers take themselves off autopilot and they start to look at more carefully what they're buying.

In some cases, it's a price point. In other cases, it might be a gap versus private label or even a promoted price point. And what we're doing is using the benefit that we're seeing from the PNOC deflation to strategically invest back to make sure that as consumers come up autopilot and they're making these choices, we're still getting converted into the basket. So that was really one component of the spend.

But the other thing is really, as you look longer term, we have some great brands in our portfolio, both our own core brands and our licensed brands that we think have the opportunity to drive significantly more household penetration. So some of the investment that we're driving this period behind a range of brands

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to include things like Chick-fil-A and others were intended to help us drive household penetration because if we can get it into the basket, and we can get it at home and get consumers to try it. Our repeat rates on these products are extremely high. And we think it's in our strategic best interest to continue to drive that process.

So really two components of what we're doing ultimately funded by PNOC deflation. One part is just being really [indiscernible] about managing our price points. But the second is while we have the opportunity, let's invest to drive that penetration because we know once we get them converted, it becomes -- if we treat them right, it becomes an annuity.

Operator

Our next question comes from the line of Andrew Wolf with CL King.

Andrew Paul Wolf
CL King & Associates, Inc., Research Division

Follow-ups here. On the Subway and the Texas Roadhouse distribution, is that fully distributed -- was it fully distributed in the quarter?

David A. Ciesinski
President, CEO & Director

It was not.

Andrew Paul Wolf
CL King & Associates, Inc., Research Division

Could you give us [indiscernible] distribution?

David A. Ciesinski
President, CEO & Director

It started to ship it early on in the quarter. So it's still building.

Andrew Paul Wolf
CL King & Associates, Inc., Research Division

Okay. And is it going to get the similar ACV as the other licensed products like Chick-fil-A and Olive Garden or?

David A. Ciesinski
President, CEO & Director

It really remains to be -- it's either they're different brands. There are different occasions, so it remains to be same. So I don't know if I can give you a firm answer there in that we don't necessarily -- Texas Roadhouse, for example, plays in a much more narrow occasion, steak sauces compared to, let's say, an all-purpose sauce, like some of the others that we have. So I think that will probably impact at some level. certainly, the TDPs that we're able to generate behind these items, but they'll be important.

Andrew Paul Wolf
CL King & Associates, Inc., Research Division

And you've mentioned cost saves a couple of times. And I know in the past, you talked about value engineering and just sort of reviewing some of your other things. I think strategic procurement -- many companies, including yourselves, are focused on that. Could you just give us a sense how impactful cost savings -- these types of cost savings efforts were? Probably more importantly, what's the runway like for them going out.

David A. Ciesinski
President, CEO & Director

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So Tom, if you -- maybe if you can talk about the quarter, I can talk more broadly about the outlook and how we're thinking about it.

Thomas K. Pigott
VP, Assistant Secretary & CFO

Sure. So as we look at the margin growth we experienced in the quarter. It was a fairly evenly split, maybe slightly more driven by PNOC, but the cost savings were a key driver as well.

And then I think I'll let Dave talk to the forward outlook.

David A. Ciesinski
President, CEO & Director

Yes. So as we look into the future, Andrew, we're focusing on a couple of areas. We continue to believe that there are big opportunities around automation. For those of you that have been following the stock for a while, you know that we went to a period of years where we invested behind the front of line and back of line automation on our dressing business. And we're in a season today where we're investing in the automation of our bakery business. So that's going to be an important contributor really for the next year and probably then some.

As we move beyond other areas where we believe there are opportunities, we continue to be focused on primary and secondary packaging, where we think there are opportunities to drive savings as well. And then, I think, leveraging the power of SAP, which is fortunately sort of moving a little bit further into the rearview mirror. But SAP affords us with a lot of information to seek out cost savings opportunities in areas such as reducing waste and being more effective at utilizing our materials, but also looking at things like unplanned downtime and what we need to do to make sure that our plants are running more efficiently.

So if you put those together, the combination of automation, the better utilization of resources and the better utilization of labor and plants, we continue to believe that. Really, there's a multiyear opportunity for us to go after cost savings in the business.

Andrew Paul Wolf
CL King & Associates, Inc., Research Division

Dave, and just a quick. I may have missed this, did you quantify the impact of the Easter shift, what it was for the quarter? And I assume it's going to be a bit of a drag for the fourth quarter there?

David A. Ciesinski
President, CEO & Director

So for this fiscal, we had -- in the prior year fiscal, all the shipments in this quarter, and I think as we look -- as you look at the consumption, some of the consumption last year was in Q4 where we got all of it in Q3 this year. So from a shipment standpoint, we were neutral.

Thomas K. Pigott
VP, Assistant Secretary & CFO

Yes, as you know, it was a 1 week shift. So just wasn't going to be that big of a difference in terms of shipments more on the consumption side.

Operator

Our next question comes from the line of Jim Salera with Stephens.

James Ronald Salera
Stephens Inc., Research Division

I wanted to drill down a little bit more on the Foodservice volume. I think all encouraged to see it up given the backdrop of restaurants. Can you just disaggregate how much of that is your exposure to best-in-class

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operators like Chick-fil-A versus maybe some share gains where you're servicing larger amounts of some of your existing customers?

David A. Ciesinski
President, CEO & Director

Jim, I think -- how I would answer that question. Maybe I'll start by setting the context. About 75% of our business are large national chain restaurant accounts. And we enjoyed growth in the period, both on the branded side, which is our own products, where we are picking up share. This would be Marzetti items sold up and down the street.

As we look at what's happening on the restaurant side, what I can tell you is that we continue to believe that we have a favorable portfolio of customers that's allowing us to grow better than the average today. That's what's really driving it. As far as sort of an account-by-account basis, are we picking up share, are we not? There really haven't been many changes there.

And I think, really, the bigger point that we're seeing and then, Jim, this is an important way to think about it going forward is that we continue to believe that chicken is having its moment. You look at the mix of growth that's happening in QSR today, it's really focused around concepts that are selling chicken and whether it's Chick-fil-A, which has been doing it enormously well since 1982 or any one of a number of other operators. That seems to be where the growth is.

If you sort of pull apart and you -- and we have the data, we looked at sort of the share of pizza and burgers and chicken, even if you look 52-week,12-week and 4-weeks, chicken continues to drive share even within the year. One of your reports, you did a nice job of pointing out the long-term trends towards chicken. We're seeing that even in a little bit more of a challenging environment, continuing to play out. And we believe that we sit in a good spot. We have the right capabilities, and those are capabilities we want to continue to leverage with those operators so they can offer consumer relevant items to their customers.

James Ronald Salera
Stephens Inc., Research Division

Great. That's helpful. And then I think as it ties the environment and restaurants back to the licensed sauce business, given the, let's say, heightened uncertainty around the restaurant piece of the business. Do you find that your partners or potential partners are much more receptive to either new licensing offerings or expanding their license portfolio, given the reliability of that royalty check that they get in helping diversify some of their revenue streams given the uncertainty on the traffic side?

David A. Ciesinski
President, CEO & Director

Well, I think -- I mean -- as much as I'd like to tell you, that was true. I don't know if I can necessarily say it because I think that our partners take a strategic view of decisions like this. So rather than focusing on the near-end pressure, they're going to take a longer-term view and figure out, is this going to help them diversify their business and grow their revenue. And what we've seen is pretty consistently, the answer to that is yes. I can't tell you that we've seen an uptick on that.

What I can tell you is, what usually happens in this season, and we've all been doing it a while here is as traffic starts to slow down, the operators come together, and it's usually the Chief Marketing Officer, the Head of menu development, maybe the head of the concept and others in the business. and they work together to figure out ideas, menu ideas that they can talk about in advertising to drive traffic in stores.

And I think importantly for us, we're seeing that activity spin up, and we believe that [indiscernible] to our benefit. We're seeing even concepts that haven't played in chicken start to talk more about chicken, like wings on their menu and wings, of course, the sauces.

So as we think about sort of our overall algorithm, even our work with our license partners, I think the biggest driver to the Foodservice business is going to be activity around new sauces for new menu items. Licensing, we continue to be bullish that it's a big opportunity for us.

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Operator

Our next question comes from the line of Todd Brooks with The Benchmark Company.

Todd Morrison Brooks
The Benchmark Company, LLC, Research Division

Just a couple of follow-up questions. Digging in on licensing, it looks like kind of the capability and the bandwidth to introduce multiple products and support them as has expanded. I think this will be in conjunction with RVs on the 2 recent launches, kind of 3 launches in a year, 1.5 years window. Bandwidth to handle further new partners as you're supporting 2 rollouts simultaneously now?

And then the second question that I have is on the Horse Cave side. You hinted at a potential use of capital, maybe being a brownfield facility or figuring out what's next capacity wise with the growth that you've seen in your business? What's kind of the remaining kind of time frame until Horse Cave starts to get full again from a capacity standpoint?

David A. Ciesinski
President, CEO & Director

Yes. So Tom, do you want to talk about maybe a view on the Horse Cave first?

Thomas K. Pigott
VP, Assistant Secretary & CFO

Yes. So from a capacity standpoint, on the Foodservice side, we're running it full out. Now what I would tell you is that we are -- what we have today, we are going to continue to focus on improving OEE and maybe adding some manufacturing to it on the Foodservice side.

On the Retail side, we still have capacity to grow bottles. So we feel good about where we stand with Horse Cave. And certainly, we're focused on -- there's been a lot of change in Horse Cave with both SAP implementation and the expansion. And we think we can continue to drive more production out of that facility into the future.

In terms of longer term, I think it's just prudent for us to begin to think about the next phase, given the tailwinds the business has. As Dave mentioned, certainly, we're in a sweet spot from a consumer standpoint and no specific plans at this stage, but we're starting a process on that front.

I don't know, Dave, if you have anything to add [indiscernible]?

David A. Ciesinski
President, CEO & Director

Yes. And I'll go back -- and Todd, the first part of your question was how are we in terms of able to handle multiple partners? And I would tell you that we would have the/ 41pacity to take on incremental partners and products and the nature of the Horse Cave factory is that we make lots of different sauces there. So we would certainly have the manufacturing and the sourcing capability to do that.

And one of the areas where we think we're extremely strong in execution is in our sales team, both inside sales that handles price points in trade and outside sales that are calling on customers as we've added additional items and additional partners, it's really just giving us more and more scale.

We're at a point now where we're having some of these big customers and come and meet with us here in Columbus because they view us as innovators and people driving excitement in these categories. So as we bring more items, it gives us more scale and more relevance with our retail partners. Our retail team has stepped up and they're executing well. So I think Tom and I and the rest of the leadership team would feel comfortable that, hey, if we had the right partner come in on board, we could support them and continue to focus on driving growth on our existing brands.

I mean one of the milestones that we hit in this most recent period is that Chick-fil-A sauce entered into the top 10 of all SKUs in the sauces category. And when I'm talking the top 10, I'm talking Hellmann's

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Mayonnaise is on that list. Some of the Heinz ketchup items are on that list. And we still believe that, that brand, even though between dressings and sauces now and retail sales is about $200 million in sales, there's a lot of chicken [indiscernible] on that one. There's a lot of room for us to continue to grow.

Todd Morrison Brooks
The Benchmark Company, LLC, Research Division

Well, just two quick follow-ups. Are -- is Subway or any of the partners selling product in restaurants? And is that -- would that -- if they were doing that show up in Foodservice? Or would you take that back to the retail side of the operation?

And then Tom, where you talked about Horse Cave running pullout for Foodservice. Have we started to need to go back to kind of those co-manufacturer arrangements that we had leading up into Horse Cave to meet the demand on that side of the house.

David A. Ciesinski
President, CEO & Director

Yes. On the co-packer front, not really. What we're focused on here is, I think, the decisions when we're investing, I think what Tom was trying to share is, a brownfield or a greenfield decision is you're talking 2 or 3 years. These are long-term things, and it takes time to bring them to fruition. So just as a matter of keeping pace with the lead times that are required, you begin to think about these things earlier than you might think. And I think that's the point he's trying to make.

So we're not trying to give the impression that we're pinched up capacity because that's not the case. These are -- they're just decisions that require time to make sure you get the right place, it's designed the right way. And if it's a new site, you work with the government on things like incentives and stuff like that.

So I think what Tom was trying to foreshadow is that as we continue to see growth in recent periods as we continue to project for growth, it's going to necessitate us to think about another site, but also kind of our network more broadly.

In terms of where we want that site to be to make sure that it's maximizing utility and profit.

Operator

Our next question comes from the line of Scott Marx with Jefferies.

Unknown Analyst

This is Scott [indiscernible] here on for -- just wanted to come back to the Subway and Texas Roadhouse items you launched at retail. Just wondering how those are performing relative to your initial expectations?

And then secondly to that, how some of the other licensed brands are performing relative to expectations for where they are in their life cycle.

David A. Ciesinski
President, CEO & Director

Yes. So maybe starting first with Subway and Texas Roadhouse, Scott, in the period, we had very modest sales in Q3. So I would tell you, it's certainly projecting off of Q3 results too early to say one way or another to look at the data. I would tell you that we're building distribution in line with our expectations, but it's a slow build from customer to customer. It doesn't happen, as you know. And one overnight tranche. So I would tell you, we're just taking an optimistic wait-and-see view and our sales team is aggressively working with our retail partners to make sure that we're getting the items and the right number of facings and the right place on the shelf.

Now as you just asked a bigger question, which is around how do we feel about the performance of these items and the long-term opportunity we continue to be very bullish, really, across all of our license partners. I mentioned that if you look at Chick-fil-A, one of points we would point to.

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On a 52-week basis today, Chick-fil-A's household penetration is only 10.5% our own New York Bakery garlic bread is almost a 19% household penetration. So we feel like there continues to be a lot of opportunity to drive household penetration. If you look at the number of consumers that visit Chick-fil-A restaurants, I mean it's probably 3x what that number is, if not higher than that. So again, just taking that brand close in, we believe there's plenty of room to continue to build household penetration on the core.

We think the Chick-fil-A brand has big shoulders and there are other sauces and dressings that we could launch behind that. You move around the portfolio and you talk about Olive Garden. Really early days. We launched into Italian then we moved into ranch as we entered into ranch, we were able to get more facings on the shelf, which improved velocity for all of the items. We came out behind that with Caesar which has performed very, very well and then most recently out with balsamic.

So in some brands, it's just driving penetration and getting sizing right. I think that's the case with Chick-fil-A because that brand just has big shoulders like a Heinz ketchup, for example. In the case of an Olive Garden, the way you manage a brand like that is you drive assortment. And we think that the Olive Garden brand continues to have more room to continue to grow as well.

With Buffalo Wild Wings, it's kind of a combination of the two. We think there's more different flavor dimensions that we can go out with. But most recently, now we're taking some of their best-selling items, and we're converting those to larger sizes. So whether Tom or me or any one of the number of people on our team, we all grew up managing big brands. I spent time at Heinz and Kraft, and worked on Blue Box and Heinz ketchup. And most of our team comes from bigger companies like that.

And in essence, what we're doing is we're using the same sort of playbook tailored for each of these brands to help them uniquely grow. But with our existing partners, we think that there's plenty more room to continue to grow.

Unknown Analyst

That's helpful. And then just as a second question, I know there's been a lot of discussion around foodservice and just general macro environment impacting obviously restaurants.

Wondering if you could talk about your outlook maybe for the next 6 months for the balance of the year. I think we've heard from some others that they expect the consumer to improve a little, feel a little less pressure later in the year. Wondering if you guys kind of feel the same and any general thoughts you may have, that would be great.

David A. Ciesinski
President, CEO & Director

Yes. We expect our algorithm to remain essentially the same, with the ability to deliver both top line growth, sales growth and volumetric growth on both sides of the business.

And Tom, I don't know if you want to provide any other texture to add?

Thomas K. Pigott
VP, Assistant Secretary & CFO

Yes. I think where we sit in the marketplace, as Dave hit on earlier, there's certainly some concern about the consumer. I think when we look at our broader portfolio, the QSR exposure we have particularly with Chick-fil-A, we feel very good about that.

And then on the retail side, as you saw this last quarter, we reinvested a bit of trade. We were able to drive more volume growth protect our position in the marketplace, grow penetration. And so I think overall, we're responding to the softness that a lot of folks see, and I think we're well positioned to continue to do it. So that's where I think Dave and I both feel we can continue the algorithm through Q4 and into next year.

David A. Ciesinski

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President, CEO & Director

Maybe the thing that I'll offer to that question is sort of how we're thinking about Q4 and the next fiscal year, it's really focusing on three key things. Consumer-relevant innovation because in a great economy, it's important and in an economy that's slightly more challenging, it's equally important. So consumer-relevant innovation. Second point is just smart cost management. And then finally, just good execution and avoiding unforced error.

So the team is pretty narrowly focused on those three items. And if we can just continue to execute, we're bullish about the outlook.

Operator

Thank you. I'm showing no further questions in the queue. I would now like to turn the call back over to Dave for his closing comments.

David A. Ciesinski
President, CEO & Director

Very good. Well, thank you. And thank you to everybody that joined on the call. We look forward to being with you again in August where we take you through our Q4 results and talk a little bit about our outlook for the next fiscal year. We hope you guys have a great rest of the day.

Operator
Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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