

LWAY Earnings Call Transcript

Date: 2025-11-12

Quarter: 3

John: Good morning. Welcome to LifeWay Foods Third Quarter twenty twenty five Conference Call. On the call with me today is Julie Smolansky, president and chief executive officer. Bye now. Everyone should have access to the press release that went out this morning. If you have not received the release, it is available on the Investor Relations portion of LifeWay's website at www.lifewayfoods.com. A recording of this call will be available on the company's website. Before we begin, would like to remind everyone that the prepared remarks contain forward looking statements. The words believe, expect, anticipate, plan, will, and other similar expressions generally identify forward looking statements. These statements do not guarantee future performance, and therefore, undue reliance should not be placed on them. Actual results could differ materially from those projected in any forward looking statements. LifeWay assumes no obligation to update any forward looking projections that may be made during today's call except as required by law. All of the forward looking statements contained herein speak only as of the date of this call. And with that, I would like to turn the call over to LifeWay's president, chief executive officer, Julie Smolansky.

Julie Smolansky: Thank you, John, and good morning to everyone joining us. As always, we greatly appreciate your interest in LifeWay Foods. I'm thrilled to announce yet another record breaking quarter for LifeWay Foods. This quarter significantly surpassed our previous high set in Q2 and further showcases our unique and powerful world as we continue to define our industry and deliver outstanding results across the board. Before diving into the details, I wanna applaud our incredible Likely team. Your relentless execution, innovation, and commitment to excellence are the driving force behind our consistently extraordinary results, and you continue to raise the bar every quarter. In the third quarter, we delivered record net sales of \$57,100,000 a 24% increase year over year, and an approximate 29% increase on a comparable basis when adjusted for two strategic modifications to customer relationships that we initiated in late twenty twenty four to prioritize high value brand strengthening opportunities. This growth was entirely volume led and driven by the explosive demand for our flagship lightweight keeper and high protein lightweight farmer cheese. This growth is even more impressive when considering we delivered it on top of a strong 13% increase in 2024. This marks our twenty fourth consecutive quarter of year over year net sales growth. In other words, six full years of uninterrupted growth. To put that in perspective, year to date, we achieved net sales of a \$157,100,000, which is an incredible 123% increase when compared to the same nine month period six years ago in 2019. We're consistently setting records at LifeWay and have been doing so for years. Our growth trajectory is consistent and sustainable, and it's accelerating strongly as we continue to cement our position as the undisputed leader in in Kefir And Help Drive Growth In The Functional Dairy Space. Our Outstanding Track Record Of Growth Recently Garnered Nationwide Attention As We Were Named To The Time America's Growth Leader 2026 list. We secured the thirty third position out of a 101 distinguished companies and ranked as the number two food and beverage company, highlighting our strong growth financial stability, and leading market performance. Our business is rooted in humble beginnings and has succeeded through resilience, community, and the unwavering belief that healthy food can change people's lives. This recognition is truly an honor. The lightweight portfolio is positioned at the intersection of numerous consumer including the demand for protein rich probiotic functional foods.

Heightened awareness of the gut's critical role in overall wellness, and the rising prevalence of Americans on GLP one seeking nutrient dense foods that naturally support digestive health. As consumers have increasingly embraced the vast nutritional and gut health benefits of our delicious products, They are flying off the shelf faster and faster. Which is driving our surging product velocity. We are at the forefront of these trends, which show no signs of slowing down and we are investing heavily in our marketing efforts and manufacturing capabilities to support our accelerating velocities and comfortably meet the growing demand for the lightweight brand. Alongside our outstanding top line performance, we delivered meaningful growth across our core profitability metrics, Our gross profit margin in Q3 was 28.7% up an impressive 300 basis points from last year and up sequentially compared to our strong Q2 margin performance. This margin expansion reflects strong volume growth of our core LifeWay products, efficiencies aided by our Waukesha facility improvements and favorable conventional milk pricing. Selling expenses were \$5,000,000, up slightly from last year as we continue to invest in marketing, sales activations, and retail expansions to heighten brand awareness and sustain our significant growth. Our sales performance in 2025 demonstrates that these investments are paying off. Product velocities are accelerating, We are driving trial, and our loyal customers keep coming back for more. Net income was \$3,500,000 or 23¢ per basic and diluted share compared to \$3 or 20¢ per basic and 19¢ per diluted share last year. This strong double digit growth on the bottom line further shines a light on our operational and our ability to seamlessly convert top line strength into profitable results. I'll now touch on ongoing modernization of our state of the art Waukesha facility. This strategic expansion continues to progress as planned, and we are on track to double manufacturing capacity and enhance our operation efficiencies by the 2026. In September, we completed the first step of our facility optimization with the successful installation of additional fermentation tanks, which are used to combine raw milk and the live kefir culture during the fermentation process to make our kefir. As for next steps, we have recently initiated critical infrastructure enhancements to our refrigeration capabilities and milk processing sys system with plans to break ground on the facility expansion in early twenty twenty six. We will realize the full production capacity benefits and including more than tripling our bottling speed upon completion of the project in 2026. Enabling us to meet the accelerating demand for our products while maintaining our exceptional product quality standards. To date, in 2025, we have invested over 9,000,000 in this project. And upon completion, we estimate the total and then investments of approximately \$45,000,000 in capital expenditures. This expansion is a pivotal investment in LifeWay's future as we position ourselves to further capitalize on the rapid growth in functional dairy consumer for protein, and associated GLP one trends. Beyond our operational investments, simultaneously keeping a pulse on the consumer and their revolving case stay ahead of the curve on emerging trends. We recently announced MuscleMase, our revolutionary ready to drink functional beverage that delivers a powerful trifecta of 20 grams of protein, five grams of creatine, and our 12 live and active probiotic cultures. This product happens to the exploding creatine market which has seen significant triple digit growth at certain retailers in recent years and is notably serving a growing percentage of With this product, we are advancing functional nutrition by delivering performance, wellness in one convenient and delicious bottle, and we are extremely excited for it to begin shipping to retailers. Our first of its kind probiotic smoothies with collagen continue to perform very well and are resonating comfortably with the global growing global market for collagen, which is projected to exceed \$8,000,000,000 by 2030. We are also expanding our brand reach through strategic partnerships that introduce LifeWay to new consumers through innovative product launches and experiential settings. Our trust your gut smoothie is an exciting collaboration with Joe and the Juice, bringing LifeWay Cafir to a wide audience of Gen z and millennial consumers and es across The United States. Our second partnership with Air One delivered a delicious love your gut pumpkin spice smoothie exclusively for the month of October Perfectly timed for seasonal wellness trends at LA's iconic wellness destination. I'm also excited to highlight LifeWay's nationwide sorority tour, We are currently connecting with young women across the country to introduce them to the brand and the benefits of gut health. The gut health blow up tour is yet another opportunity to build community and sample our core products and innovative keeper flavor fusions. With the next generation of lightweight keeper consumers. Our digital marketing strategy continues to launch LifeWay into the center of viral moments. Across TikTok and Instagram, millions of users are engaging with authentic customer stories

about the daily wellness benefits that they're experiencing from life weight care, and we continue to expand our influencer partnerships to drive awareness of our product offerings, educate on their benefits, and showcase the rest with LifeWay Kefir and Farmers Chief. In stores, we continue to be strategic with our marketing dollars and our effectively driving velocities with high visibility programs that meet consumers at interrupted moments during their shopping experience. We also continue to expand distribution across our key product channels, We recently gained everyday placements at BJ's and are currently in rotation Costco in San Diego. Additionally, in Q4, we have visibility into a significant nationwide distribution expansion for our lightweight Farmers' Cheese as it continues to capture the attention of consumers nationwide. What we have accomplished is extraordinary, but our momentum is only in test intensifying. We're well on pace to deliver our strongest annual sales in the company history in 2025, and we're reiterating our target to achieve between 45 and 50,000,000 in adjusted by fiscal year twenty twenty seven? We are operating from a position of strength. Dominating the keeper category, heavily investing behind our key products and expanding into high growth adjacent, all while scaling profitability. With our improving production capabilities and our accelerating tailwinds behind consumer health and wellness, we are perfectly situated to sustain this remarkable momentum. The results speak for themselves. And we're on an incredible growth trajectory as we finish off 2025 and head into the new year. We remain committed to our mission of bringing best in class bioavailable probiotic and foods to our loyal and growing customer base. Thank you for your continued support, and we look forward to updating you on our continued progress when we report our fourth quarter and full year results in March 2026. I hope you all have a wonderful holiday season. Thank you.