

Utz Brands

It's not the dip, it's the chip – upgrade to Buy

Rating Change: BUY | PO: 22.00 USD | Price: 18.98 USD

Improved confidence in share gains on geographic rollout

We upgrade shares of pure-play salty snacks manufacturer Utz Brands (UTZ) to Buy (from Neutral) and raise our PO to \$22 (from \$19), now based on 18x our 2025E EV/EBITDA (versus 15.5x 2025E previously). Earlier this week, we hosted CEO Howard Freidman & CFO Ajay Kataria at the BofA Consumer Conference in Miami. We have increased confidence in UTZ's roadmap to achieving its long-term sales algorithm of 4-5% exiting 4Q24 and into 2025, which we believe could drive upside to both earnings and the multiple. Despite sluggishness in salty snack category volumes, we expect UTZ to continue to take share as its geographic distribution expansion continues and average items per outlet increase (Exhibits 1 and 2). As we noted at the [December 2023 investor day](#) (see our report), UTZ's 16% EBITDA margin target by 2026 could prove conservative, given that peers CPB/K have targets closer to 20%.

Leverage issue comes off table post asset sale

Our prior Neutral rating was predicated on strong salty snack category growth, offset by UTZ's elevated leverage. On January 31, [UTZ announced that it entered into a definitive agreement](#) to sell Good Health and R.W. Garcia and three manufacturing facilities to Our Home for \$150mm, net. Proceeds will be used to pay down debt, which lowers UTZ's net debt/adj. EBITDA ratio from 4.6x to 3.9x, on track to ~3.5x by the end of FY24.

Strategic halo could also benefit UTZ in the medium term

As discussed at investor day, UTZ's long-term growth targets may be attractive to a potential acquirer, as topline growth could be accretive to most consumer products companies' growth algorithms. In addition, a potentially conservative EBITDA margin target could provide attractive synergy opportunities for a larger operator. [Our SMID cap equity strategist notes the high hit rate of SMID cap staples M&A historically. \(see the report\).](#)

Estimates unchanged; risks mainly on category growth

Our sales/earnings estimates for 2024-2026 are unchanged post our [4Q23 recap note](#), though we shift our GM/SD&A estimates. Scanner data for the 12 weeks ended February 24, 2024 shows UTZ growing +4% y/y versus category growth of +0.8% y/y. Risks to our upgrade include if category growth continues to be weak. In addition, competitors (FLNA, Snyder's-Lance, K) could become more price competitive/promotional.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.55	0.57	0.69	0.76	0.90
GAAP EPS	0	(0.31)	0.73	0.76	0.90
EPS Change (YoY)	-3.5%	3.6%	21.1%	10.1%	18.4%
Consensus EPS (Bloomberg)			0.68	0.80	0.93
DPS	0.22	0.23	0.25	0.27	0.29
Valuation (Dec)					
P/E	33.3x	32.1x	26.5x	24.1x	20.3x
GAAP P/E	NA	NM	25.1x	24.1x	20.3x
Dividend Yield	1.2%	1.2%	1.4%	1.5%	1.6%
EV / EBITDA*	20.4x	18.6x	17.4x	15.5x	13.9x
Free Cash Flow Yield*	-1.5%	0.8%	2.5%	2.7%	3.7%

* For full definitions of *IQmethod*SM measures, see page 13.

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Timestamp: 14 March 2024 05:00AM EDT

14 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-2-7	B-1-7
Inv. Rating	NEUTRAL	BUY
Price Obj.	19.00	22.00

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Stock Data

Price	18.98 USD
Price Objective	22.00 USD
Date Established	13-Mar-2024
Investment Opinion	B-1-7
52-Week Range	11.17 USD - 19.21 USD
Mkt Val (mn) / Shares Out (mn)	2,606 USD / 142.5
Free Float	78.2%
Average Daily Value (mn)	15.38 USD
BofA Ticker / Exchange	UTZ / NYS
Bloomberg / Reuters	UTZ US / UTZ.N
ROE (2024E)	6.6%
Net Dbt to Eqty (Dec-2023A)	62.6%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

CPB: Campbell Soup Company
FLNA: Frito Lay North America
GM: gross margin
K: Kellanova
PO: price objective
SD&A: selling, distribution & administrative expenses

iQprofileSM Utz Brands

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	5.4%	6.0%	6.2%	6.8%	7.4%
Return on Equity	5.4%	5.7%	6.6%	6.7%	7.6%
Operating Margin	12.2%	12.9%	14.0%	14.9%	15.9%
Free Cash Flow	(40)	21	65	70	97

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.6x	0.9x	1.4x	1.4x	1.4x
Asset Replacement Ratio	1.0x	0.7x	0.9x	1.0x	0.9x
Tax Rate	18.7%	17.0%	20.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	59.2%	62.6%	43.1%	39.3%	33.9%
Interest Cover	4.0x	3.2x	4.0x	3.7x	4.2x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1,408	1,438	1,434	1,498	1,566
% Change	19.3%	2.1%	-0.3%	4.5%	4.5%
Gross Profit	504	514	531	570	612
% Change	18.6%	1.9%	3.5%	7.3%	7.2%
EBITDA	171	187	200	224	250
% Change	9.2%	9.7%	7.0%	11.9%	11.4%
Net Interest & Other Income	(77)	(88)	(77)	(88)	(88)
Net Income (Adjusted)	78	81	99	107	128
% Change	-3.0%	4.6%	21.0%	9.1%	18.9%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	78	81	99	107	128
Depreciation & Amortization	87	79	84	88	88
Change in Working Capital	(11)	10	(23)	(20)	(19)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(105)	(94)	(20)	(20)	(20)
Capital Expenditure	(88)	(56)	(75)	(85)	(80)
Free Cash Flow	-40	21	65	70	97
% Change	NM	NM	208.9%	8.3%	38.3%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(17)	(19)	(20)	(22)	(24)
Change in Debt	64	(16)	(150)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	73	52	87	125	188
Trade Receivables	137	135	137	144	150
Other Current Assets	162	141	161	173	184
Property, Plant & Equipment	345	319	352	393	429
Other Non-Current Assets	2,123	2,100	2,058	2,014	1,970
Total Assets	2,840	2,747	2,794	2,848	2,921
Short-Term Debt	19	21	21	21	21
Other Current Liabilities	219	210	209	207	205
Long-Term Debt	914	898	748	748	748
Other Non-Current Liabilities	238	235	235	235	235
Total Liabilities	1,389	1,363	1,212	1,211	1,209
Total Equity	1,451	1,384	1,582	1,638	1,712
Total Equity & Liabilities	2,840	2,747	2,794	2,848	2,921

* For full definitions of iQmethodSM measures, see page 13.

Company Sector

Food Producers

Company Description

UTZ is a leading pure-play salty snack platform company in the U.S. that is responsible for manufacturing, marketing and distributing a wide range of salty snacks (potato chips, tortilla chips, pretzels, cheese snacks and pork rinds). The company has been in business for over 100 years and went public through a special purpose acquisition fund in 2020. The company is responsible for producing the following brands: Utz, On the Border, Golden Flake, Zapp's and Good Health.

Investment Rationale

We rate UTZ shares Buy. We are confident UTZ can achieve its long-term sales algorithm of +4-5% driven by market share gains through its geographic distribution expansion. We believe this could drive upside to both earnings estimates and multiple. In addition, we don't expect leverage to be an issue for investors given that asset sale proceeds of \$150mm will be used to pay down debt and lower leverage from 4.6x to 3.9x and on track to reach 3.5x by end of FY24.

Stock Data

Average Daily Volume 841,127

Quarterly Earnings Estimates

	2023	2024
Q1	0.11A	0.13E
Q2	0.13A	0.17E
Q3	0.17A	0.21E
Q4	0.16A	0.19E

Long-term sales also highly achievable given distribution opportunity

We have increased confidence in UTZ's roadmap to achieve its recently updated long-term sales algorithm of +4-5% as the company exits 4Q24 and heads into 2025. UTZ's long-term sales algorithm of +4-5% assumes that the salty snacks category grows at a rate of +2-3% and that the company gains share through its geographic distribution expansion. Expansion geographies include the West, Midwest, Southwest, and some parts of Southeast (KY, TN, GA, and FL). Currently, UTZ is focused on expanding its presence in Texas (bought back its master distributor routes for "On The Border") and Michigan (recently purchased direct store delivery-DSD routes).

In Exhibits 1 and 2, we analyze UTZ's current distribution and sales velocity (retail sales/total distribution points) and forecast the company's 3-year sales CAGR based on our own distribution and sales velocity forecasts.

We use **TDP** (total distribution points) to evaluate a company's level of distribution. It is calculated by multiplying % ACV (All Commodity Volume) and average items carried.

% ACV measures the percentage of stores selling a particular product, weighted by the size of the store's contribution to the total retail sales value in a particular market.

Average items carried is the number of stock-keeping units (SKUs). UTZ has the lowest % ACV of all the key salty snack players and a low number of average items carried in comparison to PepsiCo (PEP) and CPB. UTZ is more focused on increasing its average items carried or, in other words, increasing the number of SKUs it holds.

Our +3.9% 3-year organic sales growth CAGR estimate assumes that sales velocity is unchanged from current levels, % ACV slightly increases from 88.0% to 88.5%, and average items carried grows from 19.3 to 21.6 or +12%.

Exhibit 1: UTZ TDP and sales velocity analysis for the 52 weeks ending February 24, 2024

Assuming that UTZ's sales velocity (retail sales per total per TDP) is unchanged, % ACV reaches 88.5%, and average items carried gets to 21.6, retail sales can reach \$1.87 billion or grow at a +3.9% 3-year CAGR

Distribution metrics	PEP	CPB	K	UTZ	GIS	HSY	Private label
% ACV	98.0%	91.0%	95.9%	88.0%	94.4%	89.8%	87.8%
Average items carried	157.8	34.7	19.3	19.3	11.3	11.6	58.5
TDP (% ACV x Average items carried)	15,458.2	3,159.2	1,850.6	1,701.5	1,069.0	1,045.1	5,134.1
Total retail sales	\$23,450.4	\$1,892.1	\$1,494.5	\$1,665.6	\$795.8	\$1,031.4	\$2,876.9
TDP	15,458.2	3,159.2	1,850.6	1,701.5	1,069.0	1,045.1	5,134.1
Sales velocity (total retail sales/TDP)	\$1.52	\$0.60	\$0.81	\$0.98	\$0.74	\$0.99	\$0.56
% ACV assumption three years from now	88.5%						
Average items carried assumption three years from now	21.6						
TDP assumption three years from now	1,907.2						
Assuming velocity (\$ / TDP) stays the same retail sales for UTZ can reach	\$1,867.0						
3-year CAGR UTZ Sales	3.9%						

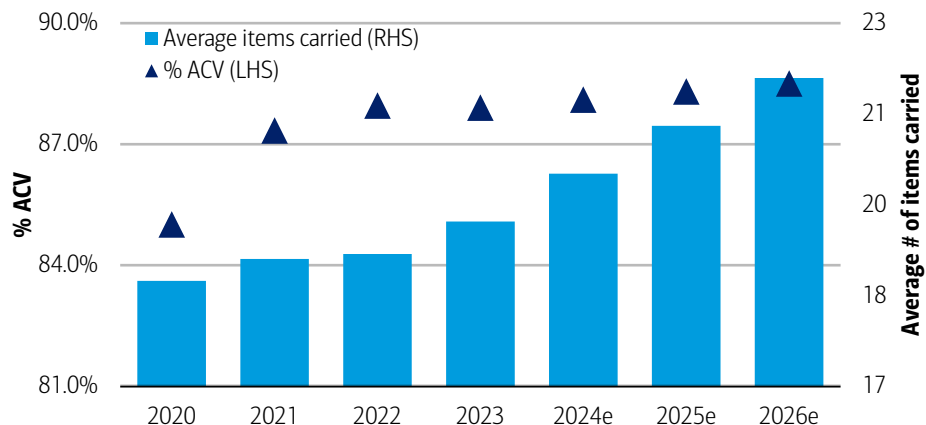
Source: BofA Global Research, NielsenIQ

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Exhibit 2: UTZ average items carried and % ACV historicals and our forecasts

We assume that, three years from now, % ACV reaches 88.5% and average items carried gets to 21.6



Source: BofA Global Research, NielsenIQ

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GM expansion/cost savings to drive increased A&C spending

At its investor day, UTZ outlined \$135mm of cost-saving opportunities through 2026 that should drive significant gross margin upside over the next three years. At ~4.5% of cost of goods sold (COGS), UTZ expects ~3pts (\$90mm) of this to be more standard Consumer Packaged Goods (CPG) cost savings as the company builds out capabilities; UTZ expects to have base productivity of ~3% of COGS productivity per year. The other 1.5pts are expected to be driven by \$45mm of network optimization. In 2024 alone, we expect gross margin to expand by +135bps y/y (prior +123bps).

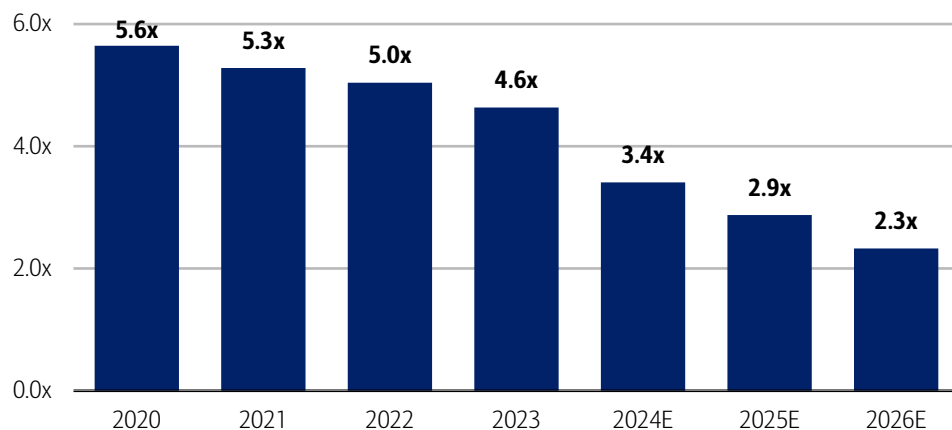
As a result of this gross margin expansion, UTZ also expects to increase its Advertising & Consumer (A&C) spend by ~40% per year (off a base of <1% of sales). This would be put behind its four power brands (Utz, Zapps, On the Border, and Boulder Canyon) and is expected at maturity to be more in the 3-4% of sales range. We now model SG&A as a % of sales in 2024 to be 23.2% (prior 23.1%).

Leverage no longer a headwind

Our prior Neutral rating was predicated on attractive salty snack growth and company fundamentals, offset by UTZ's elevated leverage (net debt/adj. EBITDA). With the leverage headwind beginning to recede, we envision a scenario whereby investors add UTZ to their portfolios. We expect leverage to decline from 4.6x in 2023 to ~3.5x by the end of 2024, which is more in line with peers given that 1) UTZ plans to use \$150mm of after-tax net proceeds from its asset sale (Good Health and R.W. Garcia brands) towards debt (this is worth about 0.7x of leverage) and 2) it has strong fundamentals – we expect 2024 adj. EBITDA to increase by +7.0% y/y.

Exhibit 3: UTZ leverage ratio (net debt/adj. EBITDA)

We expect UTZ's leverage ratio to decline to 3.4x by the end of FY24

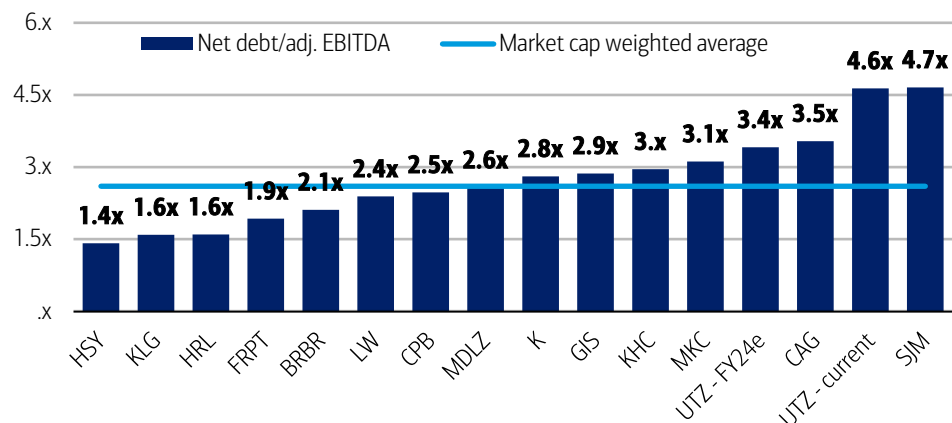


Source: BofA Global Research

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Exhibit 4: Leverage ratio (net debt/adj. EBITDA) for UTZ's peers

We expect UTZ's leverage ratio to be more in line with peers by the end of FY24



Source: BofA Global Research. HSY = Hershey, KLG = WK Kellogg, HRL = Hormel, FRPT = FreshPet, BRBR = BellRing Brand, LW = Lamb Weston, CPB = Campbell Soup, MDLZ = Mondelez, K = Kellanova, GIS = General Mills, KHC = Kraft Heinz, MKC = McCormick, CAG = ConAgra, SJM = J.M. Smucker.

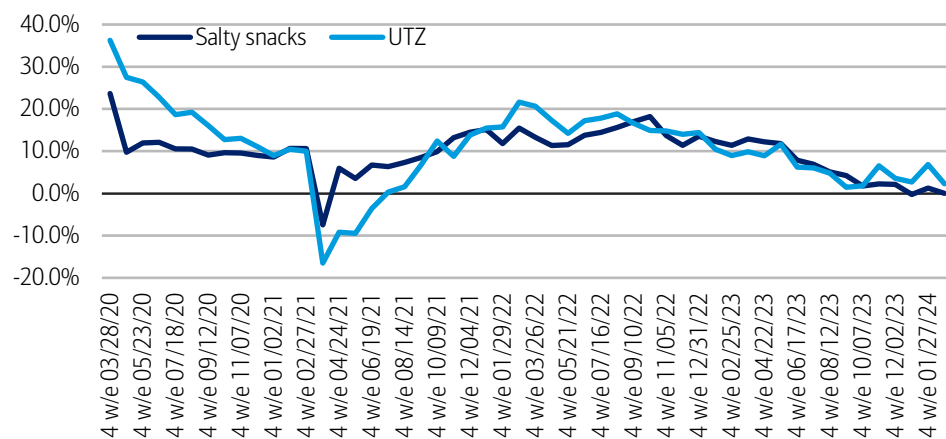
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UTZ outperforming salty snacks category

UTZ expects 2024 to be a challenging year for the salty snacks category given the unprecedented level of pricing the category has seen over the past few years. Retail sales for the category have been sluggish, with sales for the 12 weeks ending February 24, 2024 up +0.3% versus the 52-week trend of +5.1%. UTZ has been experiencing better growth than the category, with sales for the 12 weeks ending February 24, 2024 up +3.9% y/y. We also highlight that UTZ has seen faster year-over-year retail sales growth for the past 5 consecutive months.

Exhibit 5: Year-over-year change in retail sales on a 4-week ending basis

UTZ has outperformed the category for the past 5 consecutive months

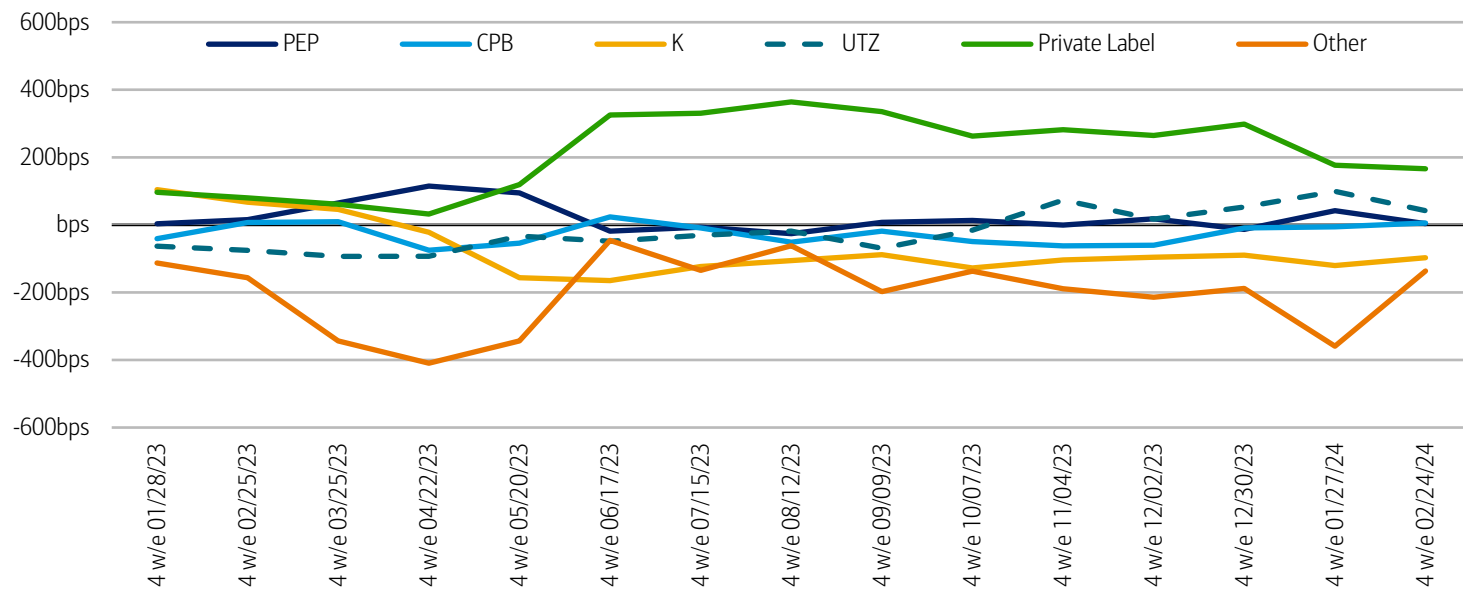


Source: NielsenIQ

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Exhibit 6: Year-over-year change in dollar share for key players in the salty snacks category

Over the past year, private label has gained the most amount of dollar share, and UTZ is also seeing solid gains



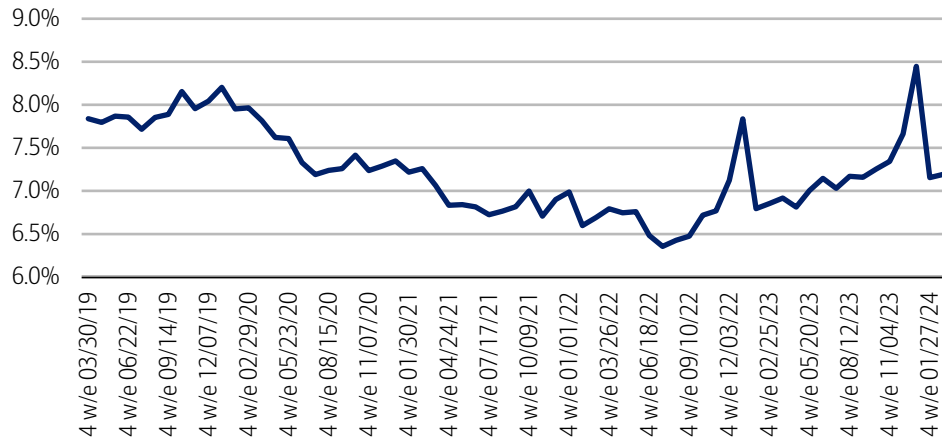
Source: NielsenIQ

Other includes = GLS, Grupo Bimbo, Hain Celestial, HSY, Mars, Arca, Herr Foods, KHC and CAG.

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Exhibit 7: Private label dollar share

Dollar share for private label remains below pre-COVID levels

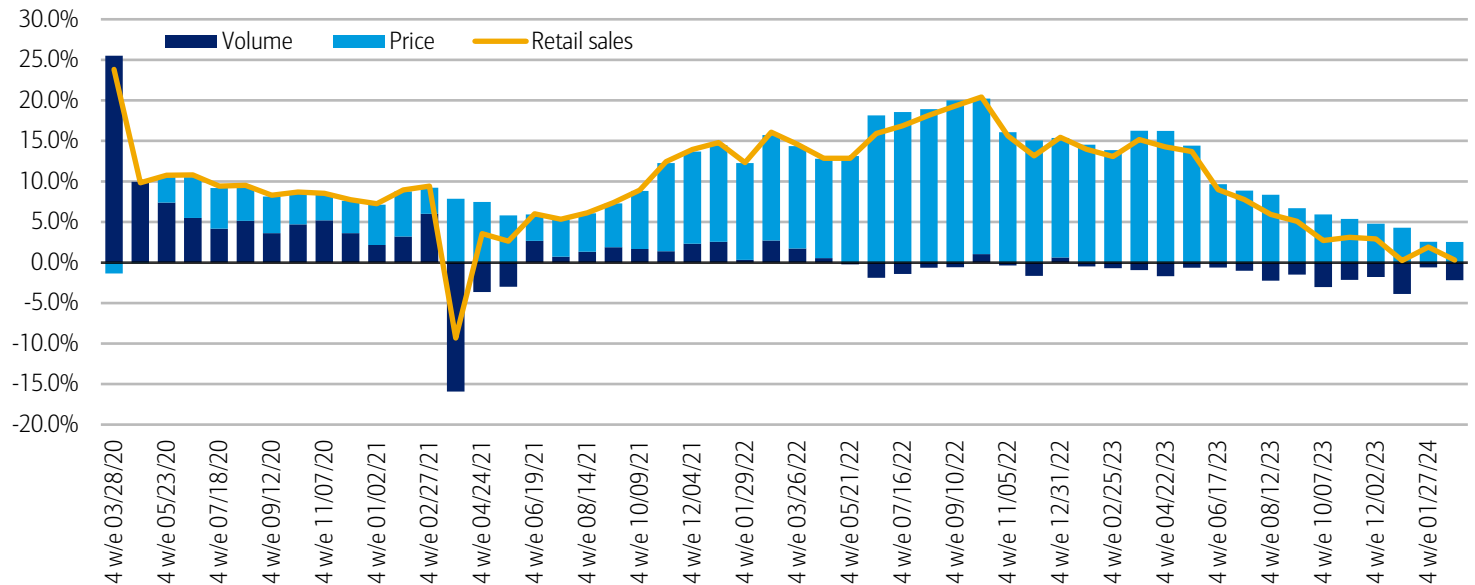


Source: BofA Global Research

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Exhibit 8: Year-over-year change in retail volume, price, and sales for the salty snacks category

Retail sales for the salty snacks category peaked in September 2022

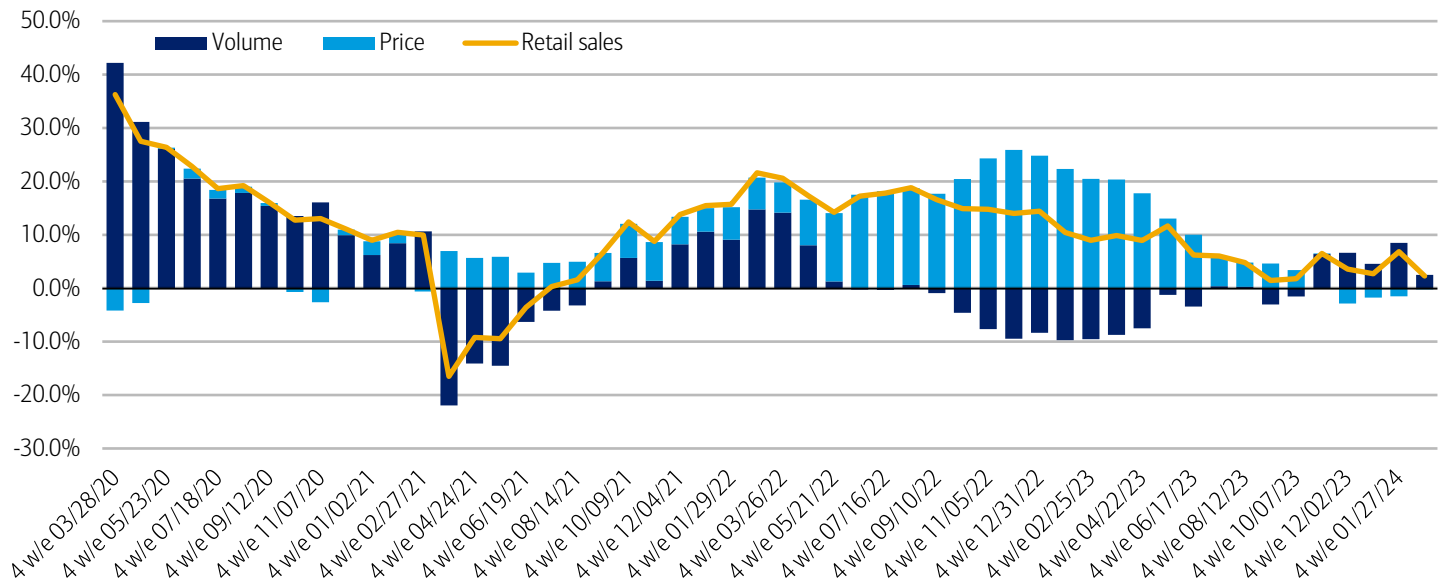


Source: NielsenIQ

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Exhibit 9: Year-over-year change in retail volume, price, and sales for UTZ

Unlike the salty snacks category, UTZ is experiencing volume growth, which we think is driven by its geographic distribution expansion



Source: NielsenIQ

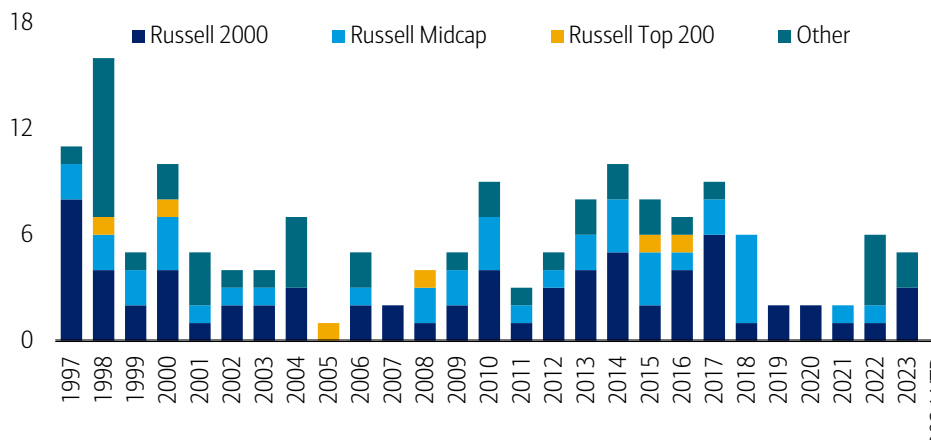
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Potential M&A halo

UTZ presents as a potential takeover candidate, in our view, given that the company competes in the fast-growing salty snacks category and recently announced what we consider to be a conservative 16% adj. EBITDA margin target for FY26 at its investor day. According to BofA Global Research's SMID cap equity strategist, M&A targets in Staples are mostly small caps, which bodes well for UTZ. Our strategist also highlighted that small cap staples benefit from heavy M&A activity – it has outperformed the Russell 2000 80% of the time in years of above-average deal activity (by an average of 6ppt) versus outperformed only 71% of the time in light M&A years (by 5ppt on average). We have discussed how we might see increased M&A activity in Staples this year (see our 7 December 2023 report) as it becomes difficult to push price further and companies have heavy appetite for growth.

Exhibit 10: M&A targets in Staples are mostly small caps

US Consumer Staples M&A deal count: 1997-YTD 2022 (as of February 29, 2024)



Source: FactSet, BofA US Equity & US Quant Strategy

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Exhibit 11: M&A pickups are generally positive for small-cap Staples

Relative performance and hit rates of Russell 2000 sectors versus the index in above-average (heavy) versus below-average (light) M&A years by deal activity (1997-2003)

	Median Relative Performance			Hit Rate		
	Heavy M&A Years	Light M&A Years	Difference	Heavy M&A Years	Light M&A Years	Difference
Health Care	5%	1%	4%	67%	60%	7%
Tech	6%	1%	5%	71%	55%	16%
Cons. Disc.	-4%	4%	-8%	30%	71%	-41%
Staples	6%	5%	1%	80%	71%	9%
Energy	-25%	4%	-29%	22%	50%	-28%
Financials	-2%	2%	-4%	33%	61%	-28%
Industrials	6%	5%	1%	64%	81%	-18%
Materials	6%	1%	5%	56%	56%	0%
Real Estate	0%	6%	-6%	38%	63%	-26%
Utilities	7%	-2%	9%	80%	35%	45%
Comm. Svcs.	-6%	-4%	-2%	45%	31%	14%

Source: FactSet/Mergerstat, BofA US Equity & US Quant Strategy

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Valuation

Our \$22 PO is based on 18x CY25 EV/EBITDA estimate. At this multiple, we value shares of UTZ at a premium to "platform companies" and companies that compete in the salty snack category given what we believe is an embedded take-out premium. Our target multiple of 18.0x is in line with past snack transactions – Hostess (17.2x excluding synergies), Dot's Pretzels (17.3x), and Snyder's-Lance (19.9x).

Exhibit 12: Historical M&A activity in snacks/food space

Our target multiple of 18.0x is in line with past snack transactions – Hostess, Dot's Pretzels, and Snyder's-Lance

Date	Acquirer	Target	Transaction value (\$m)	EV/EBITDA
9/11/2023	The JM Smucker Company	Hostess Brands	\$5,600	17.2x (X synergies)
8/7/2023	Campbell Soup Company	Sovos Brands	\$2,700	19.8x (X synergies)
6/21/2022	MDLZ	Clif Bar & Co	\$2,900	6.1x
11/10/2021	HSY	Dot's Pretzels	\$1,220	17.3x
2/11/2021	HRL	Planters (KHC)	\$3,350	16.0x
5/25/2021	MDLZ	Chipita pastries	\$2,000	22.0x
8/22/2019	Simply Good Foods	Quest	\$870	12.4x
4/1/2019	Ferrero	Keebler (K divestiture)	\$1,300	12.0x
12/18/2017	CPB	Snyder's-Lance	\$6,200	19.9x
12/18/2017	HSY	Amplify	\$1,600	14.8x
11/24/2015	PF	Boulder Brands Inc	\$944	14.4x
6/17/2013	CPB	Kelsen Group	\$450	13.2x
9/8/2014	GIS	Annie's	\$810	21.8x
Average				15.9x

Source: BofA Global Research

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Income Statement

Exhibit 13: UTZ Income Statement

We forecast FY24 adj. EBITDA of \$200.1mm

	Dec-21	Dec-22	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-24	Dec-25	Dec-26
Dec Year End	2021	2022	2023	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Net sales	\$1,180.7	\$1,408.4	\$1,438.2	\$342.3	\$361.0	\$373.6	\$356.7	\$1,433.6	\$1,498.2	\$1,565.6
Cost of goods	755.7	904.3	924.7	220.3	229.6	232.4	220.0	902.3	927.9	954.0
Adjusted Gross profit	\$425.0	\$504.1	\$513.6	\$122.0	\$131.4	\$141.2	\$136.7	\$531.3	\$570.2	\$611.5
Selling, general and administrative expenses	271.7	333.2	326.5	79.9	83.5	85.9	83.8	333.2	348.2	363.9
Gain (loss) on disposal of PPE	1.1	-	1.9	-	-	-	-	-	-	-
Gain (loss) on sale of routes	0.8	1.6	(3.1)	0.5	0.5	0.5	0.5	2.0	2.0	2.0
Adjusted Operating Profit (excludes D&A)	\$155.2	\$172.5	\$185.9	\$42.6	\$48.4	\$55.8	\$53.3	\$200.1	\$224.0	\$249.6
Interest expense	30.9	42.6	58.9	13.5	12.2	12.2	12.2	50.0	60.0	60.0
Other income (expense)	3.6	0.3	3.1	0.8	0.8	0.8	0.8	3.0	2.0	2.0
Non-acquisition related D&A	(29.3)	(34.4)	(32.0)	(7.5)	(7.5)	(7.5)	(7.5)	(30.0)	(30.0)	(30.0)
Loss on re-measurement of warrant liability (gain)	-	-	-	-	-	-	-	-	-	-
Income before taxes	\$98.5	\$95.7	\$98.1	\$22.3	\$29.5	\$36.9	\$34.4	\$123.1	\$136.0	\$161.6
Tax expense (benefit)	18.3	17.9	16.7	4.5	5.9	7.4	6.9	24.6	28.6	33.9
Adjusted net income	\$80.2	\$77.8	\$81.4	\$17.9	\$23.6	\$29.5	\$27.5	\$98.5	\$107.4	\$127.7
Controlling interest (benefit)	(12.6)	(13.6)	(15.1)	(3.8)	(3.8)	(3.8)	(3.8)	(15.0)	(4.0)	(4.0)
Adjusted net income attributable to UTZ	\$92.8	\$91.5	\$96.5	\$21.6	\$27.3	\$33.3	\$31.3	\$113.5	\$111.4	\$131.7
Adjustments	91.3	(91.9)	(121.5)	(13.5)	(13.5)	(13.5)	(13.5)	(54.0)	(58.0)	(58.0)
Reported net income	\$12.1	(\$0.4)	(\$24.9)	\$8.1	\$13.8	\$19.8	\$17.8	\$59.5	\$53.4	\$73.7
Fully diluted shares on an as-converted Basis	141.2	141.5	142.7	142.0	142.0	142.0	142.0	142.0	142.0	142.0
Weighted-average shares outstanding	79.0	80.4	81.7	81.1	81.1	81.1	81.1	81.1	81.1	81.1
Adj. Diluted EPS	\$0.57	\$0.55	\$0.57	\$0.13	\$0.17	\$0.21	\$0.19	\$0.69	\$0.76	\$0.90
Reported EPS	\$0.15	(\$0.00)	(\$0.31)	\$0.10	\$0.17	\$0.24	\$0.22	\$0.73	\$0.66	\$0.91
Dividend per share	\$0.20	\$0.22	\$0.23	\$0.06	\$0.06	\$0.06	\$0.06	\$0.25	\$0.27	\$0.29
EBITDA calculation										
Adjusted Operating profit (excluding D&A)	\$155.2	\$172.5	\$185.9	\$42.6	\$48.4	\$55.8	\$53.3	\$200.1	\$224.0	\$249.6
Other adjustments	1.0	(2.0)	1.1	-	-	-	-	-	-	-
Adjusted EBITDA	\$156.2	\$170.5	\$187.0	\$42.6	\$48.4	\$55.8	\$53.3	\$200.1	\$224.0	\$249.6
Margin Analysis				43.0	48.3	55.9	52.9	\$200.0	\$223.8	\$249.0
				1.2%				1.35%		
Adjusted Gross Margin (excluding D&A)	36.0%	35.8%	35.7%	35.6%	36.4%	37.8%	38.3%	37.1%	38.1%	39.1%
COGS as a % of sales (excluding D&A)	64.0%	64.2%	64.3%	64.4%	63.6%	62.2%	61.7%	62.9%	61.9%	60.9%
SG&A as a % of sales (excluding D&A)	23.0%	23.7%	22.7%	23.4%	23.1%	23.0%	23.5%	23.2%	23.2%	23.2%
Adjusted Operating Profit (excluding D&A)	13.1%	12.2%	12.9%	12.4%	13.4%	14.9%	15.0%	14.0%	14.9%	15.9%
Adjusted EBITDA	13.2%	12.1%	13.0%	12.4%	13.4%	14.9%	15.0%	14.0%	14.9%	15.9%
Further adjusted EBITDA	13.9%	12.1%	13.0%	12.4%	13.4%	14.9%	15.0%	14.0%	14.9%	15.9%
Normalized further adjusted EBITDA	14.1%	12.1%	13.0%	12.4%	13.4%	14.9%	15.0%	14.0%	14.9%	15.9%
Effective tax rate	18.6%	18.7%	17.0%	20.0%	20.0%	20.0%	20.0%	20.0%	21.0%	21.0%
Net profit (attributable to UTZ) margin	7.9%	6.5%	6.7%	6.3%	7.6%	8.9%	8.8%	7.9%	7.4%	8.4%
Dividend as a % of EPS	35.2%	39.8%	40.0%	49.2%	37.2%	29.8%	31.9%	35.7%	35.5%	32.4%
YoY % Change										
Sales	22.4%	19.3%	2.1%	-2.6%	-0.5%	0.5%	1.3%	-0.3%	4.5%	4.5%
Adjusted gross profit	16.3%	18.6%	1.9%	0.8%	3.6%	4.6%	4.6%	3.5%	7.3%	7.2%
Adjusted Operating Profit (ex D&A)	15.8%	11.2%	7.8%	8.9%	6.4%	6.7%	8.7%	7.6%	11.9%	11.4%
Adjusted EBITDA	16.6%	9.2%	9.7%	5.4%	7.1%	7.1%	8.0%	7.0%	11.9%	11.4%
Normalized further adjusted EBITDA	-14.9%	2.6%	9.6%	5.4%	7.1%	7.1%	8.0%	7.0%	11.9%	11.4%
Income before taxes	41.0%	-2.8%	2.5%	22.4%	30.4%	22.8%	26.5%	25.5%	10.4%	18.9%
Net income attributable to UTZ	30.9%	-1.4%	5.5%	5.9%	17.5%	36.2%	10.0%	17.6%	-1.8%	18.2%
Adjusted EPS	n/a	-3.2%	3.8%	19.4%	26.3%	20.5%	20.2%	21.6%	9.1%	18.9%
Dividend growth rate	n/a	9.5%	4.1%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%

Source: BofA Global Research

BofA GLOBAL RESEARCH





Price objective basis & risk

Utz Brands (UTZ)

Our \$22 PO is based on 18.0x CY25 EV/EBITDA estimate. At this multiple, we value shares of UTZ at a premium to "platform companies" and companies that compete in the salty snack category given what we believe is an embedded take-out premium. Our target multiple of 18.0x is in line with past snack transactions - Hostess (17.2x X synergies), Dot's Pretzels (17.3x) and Snyder's-Lane (19.9x).

Upside risks are 1) faster category/brand growth vs peers and market share gains, 2) better-than-modeled cost synergies and 3) deflationary cost basket

Downside risks are 1) bigger-than-expected volume hit from price increases, 2) geographic expansion faces challenges, 3) cost synergies do not achieve targets

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I, Peter T. Galbo, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
NEUTRAL				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Hershey Company	HSY	HSY US	Bryan D. Spillane
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA

US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	WEED CN	Lisa K. Lewandowski
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
	Kimberly-Clark	KMB	KMB US	Anna Lizzul
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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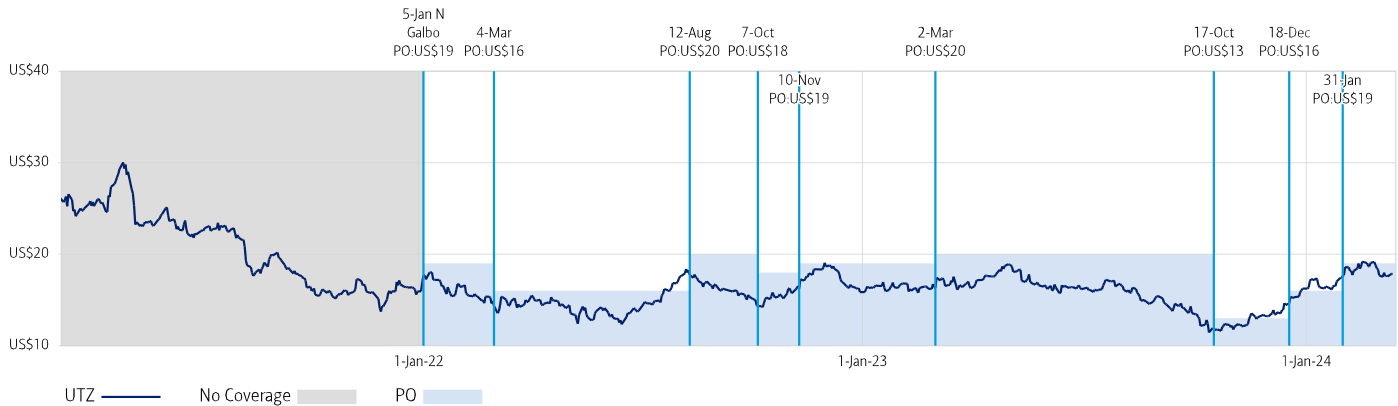
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Important Disclosures

Utz Brands (UTZ) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Food Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	33	49.25%	Buy	16	48.48%
Hold	17	25.37%	Hold	10	58.82%
Sell	17	25.37%	Sell	8	47.06%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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