



FELLOW SHAREHOLDERS:

The hard work of our team, combined with initiatives to drive growth, resulted in record sales in 2023 despite a challenging economic and inflationary environment. To continue this momentum, we remain focused on our four strategic priorities — developing our team, focusing on brands, prioritizing margins, and pursuing smart mergers and acquisitions (M&A).



DEVELOPING OUR TEAM

One of my most important jobs is ensuring we have the right team, with the necessary skills and structure, to achieve our long-term goals. In 2023, we announced several leadership changes: Heeth Varnedoe became president, in addition to continuing as chief operating officer, and Terry Thomas and Cindy Cox joined the leadership team as chief growth officer and chief human resources officer, respectively.

In addition, we shifted operational responsibilities at our bakeries from the sales to the supply chain function. This shift allows our sales team to focus solely on bringing our leading products to customers while our supply chain team drives operating efficiencies and network optimization. We are already seeing a renewed energy and execution of our sales strategy and increased focus and better performance from our bakeries.

We also added two new board members: Brigitte King, global chief digital officer at Colgate-Palmolive Company, and Joanne Smith, executive vice president and chief people officer at Delta Air Lines. Their knowledge and experience should benefit us as we look to expand more into digital commerce, and enhance our recruitment, retention, and talent development programs.



FOCUSING ON BRANDS

The strength of our leading brands has never been more apparent. Dave's Killer Bread outpaced the bread category and achieved a record \$1 billion in retail sales in 2023. The brand continued to prove that consumers are willing to pay premium prices for differentiation and superior quality and taste, even in the current economic environment.

And we are investing in innovation and marketing to further our competitive advantage. Our Nature's Own Keto Net One loaf was the number one new item in the category for 2023. We also continued the nationwide rollout of our DKB snack bars, which are performing well with distribution significantly exceeding our original goal.

The DKB snack bars are just the first item in a deep pipeline of innovation that we expect to expand our addressable market and meaningfully grow sales outside of the bread category.



PRIORITIZING MARGINS

Our team has done an admirable job of mitigating the effects of commodity inflation, improving our gross margins in 2023 versus the prior year. However, costs have been impacted by inflationary pressures in other areas, like labor, along with investments to drive future growth, such as marketing and our digital initiatives. Though these investments temper near-term results, they are crucial in enabling us to meet or exceed our long-term financial targets.

We are focused on offsetting those higher costs through efficiencies and cost savings initiatives, which we expect to save approximately \$30 to \$40 million in 2024. In addition, we continue to execute our portfolio strategy whereby we aim to transition a greater portion of our sales to higher-margin branded retail products. As part of that strategy, we have also improved margins significantly in our cake, foodservice, and private label businesses.



PURSUING SMART M&A

M&A has been a key contributor to our growth for decades, expanding our geographic coverage and supplementing our brand lineup. In 2023, we completed the acquisition of the Papa Pita bakery business, an important co-manufacturer of Flowers products, to drive manufacturing and distribution synergies.

In addition to strengthening our position in core categories by expanding our geographic reach and gaining share in underdeveloped markets, we are also focused on finding new revenue streams across the baked foods category. We continue to monitor the deal market, proactively building relationships with owners and founders, and actively vetting potential acquisitions and investments that could add capabilities, brands, or products to our robust existing lineup.

In closing, we remain focused on the significant longer-term opportunities we see ahead of us, filling in white space in geographic and product adjacencies, while leveraging innovation to push into new categories. I have never been more confident in our long-term potential, and I look forward to building on our strong base throughout 2024.



A. Ryals McMullian
A. RYALS MCMULLIAN
 Chairman and CEO

OUR MISSION

TO DELIGHT CONSUMERS WITH DELICIOUS BAKED FOODS.

OUR VISION

WE STRIVE TO BE A BOLD, VISIONARY BAKED FOODS COMPANY WITH THE CONSUMER AT THE CORE OF EVERYTHING WE DO.



OUR VALUES

HONESTY & INTEGRITY – We always do what's right, maintaining high standards of ethical conduct.

PASSION – We achieve our goals with energy and enthusiasm.

RESPECT & INCLUSION – We create an inclusive, diverse, and respectful culture.

HUMILITY – We strive to serve and learn from others as we pursue common goals.

SUSTAINABILITY – We are committed to building a sustainable future for our team, our company, and our communities.

COMPANY FACTS

BUSINESS: The second-largest producer and marketer of packaged bakery foods in the U.S.

BAKERIES: 46 bakeries in 19 states

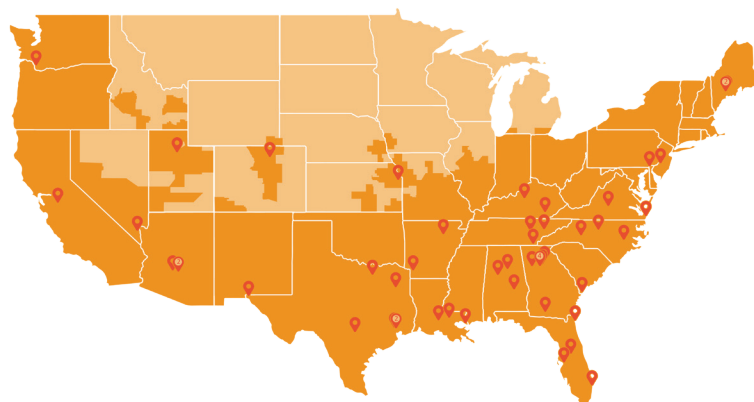
EMPLOYEES: Approximately 9,300

PRODUCTS: Bagels, breads, buns, English muffins, rolls, snack items, and tortillas

TOP BRANDS: Nature's Own, Dave's Killer Bread, Canyon Bakehouse, Tastykake, Wonder, Mrs. Freshley's

MARKET: Retail and foodservice. Fresh bakery foods to more than 85% of the U.S. population through a direct-store-delivery (DSD) network; frozen bakery items and snack cakes to customers' warehouses nationwide.

46 BAKERIES & FRESH/FROZEN DISTRIBUTION



FLOWERS BAKERIES FRESH/DSD FROZEN/WAREHOUSE AVAILABLE THROUGHOUT THE CONTINENTAL U.S.

FLOWERS STRENGTHS

- Leading brands in a large and stable consumer goods category
- Proven ability to grow share in underdeveloped product segments and geographic regions
- Executing initiatives to optimize portfolio and network profitability with a focus on managing costs, leveraging data-driven insights, and shifting mix to higher margin branded products
- Track record of disciplined M&A
- Consistent cash generation and track record of dividend growth
- Broad product range – bagels, breads, buns, English muffins, rolls, snack items, tortillas
- Dual distribution capability – fresh bakery foods distributed daily through a DSD network and fresh and frozen products delivered to customers' warehouses nationwide
- Conservative financial position with investment-grade debt rating

FINANCIAL HIGHLIGHTS (in thousands, except per share data)

	FY2023	FY2022	% CHANGE
Sales	\$5,090,830	\$4,805,822	5.9%
Net income	\$123,416	\$228,394	(46.0%)
Adjusted net income*	\$256,285	\$271,038	(5.4%)
Net income per diluted common share	\$0.58	\$1.07	(45.8%)
Adjusted net income per diluted common share*	\$1.20	\$1.27	(5.5%)
Cash dividends per common share	\$0.91	\$0.87	4.6%

* Excluding items affecting comparability. See reconciliations of these non-GAAP financial measures in the following pages.

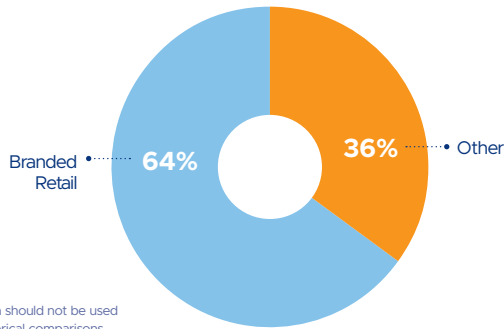
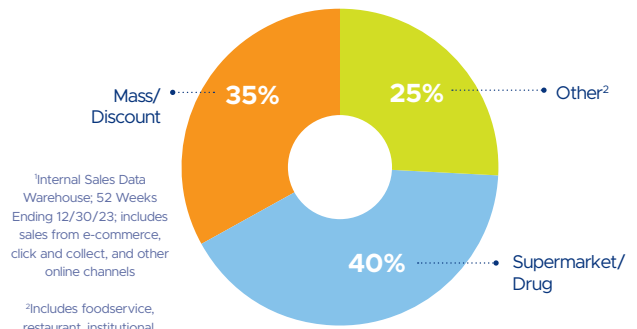


Chart data should not be used for historical comparisons because of changes in sales category definitions.

SALES BY CATEGORY



¹Internal Sales Data Warehouse; 52 Weeks Ending 12/30/23; includes sales from e-commerce, click and collect, and other online channels

²Includes foodservice, restaurant, institutional, vending, thrift stores, and contract manufacturing

SALES CHANNELS¹

BRAND STRENGTHS



America's best-selling loaf bread. **Nature's Own**® breads and buns have no artificial preservatives, colors, or flavors and no high fructose corn syrup. For an artisan experience, try Non-GMO Project Verified Perfectly Crafted® breads, buns, and rolls.



The #1 organic bread in the U.S., **Dave's Killer Bread** is Non-GMO and USDA organic, with killer taste and texture, whole grain nutrition and no artificial ingredients. It will rock your world!



The #1 gluten-free bread brand in the U.S., **Canyon Bakehouse**® is also free from dairy, nuts, and soy and made with 100% whole grains so everyone can Love Bread Again®.



Hot dog, hamburger, or sandwich, **Wonder**® is the way to go. A trusted brand for more than 100 years. Instill a little Wonder in what you're eating today!

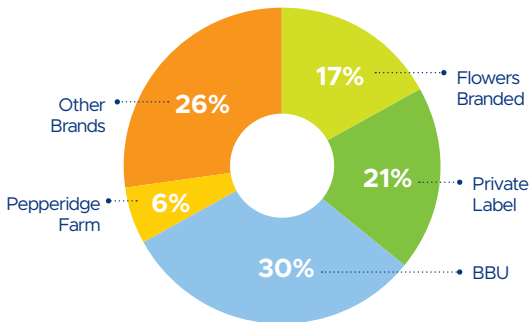


A snack favorite since 1914, **Tastykake**® is celebrated for its complete line of cakes, pies, and donuts. One taste, and you'll know why **Tastykake** has been a favorite for more than 100 years.



True to its name, **Mrs. Freshley's**® offers a wide variety of portioned and portable sweet baked snacks that are ready to go and perfect for busy, everyday lives.

BRAND SHARE, TOTAL U.S.
Breads, Buns, Rolls



Circana Flowers Custom Database
52 weeks ending 12/31/23
(Chart data should not be used for historical comparison because of changes in product and geographic definitions.)

CATEGORY STRENGTHS

\$43.5 billion retail sales*
\$6.6 billion foodservice sales*

- Across the grocery store segment, fresh bread and rolls is the third-largest category, in dollars, behind salty snacks and carbonated beverages.**
- Highly profitable category for retailers
- 97.4% of households buy fresh packaged bread.***

*Flowers internal estimate, based on 2023 Circana data and Technomic Foodservice Industry Indicators

**Circana Syndicated Data TTL US MULTI-OUTLET

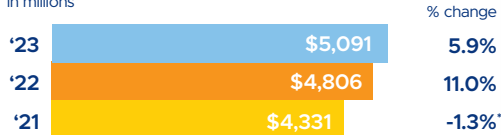
***Circana Panel Data 2023

(Numbers should not be used for historical comparison because of change in Circana data.)

3-YEAR PERFORMANCE

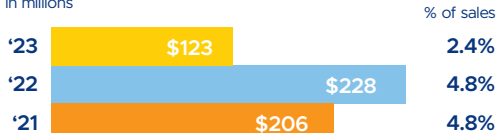
SALES

in millions



NET INCOME

in millions



ADJUSTED NET INCOME**

in millions



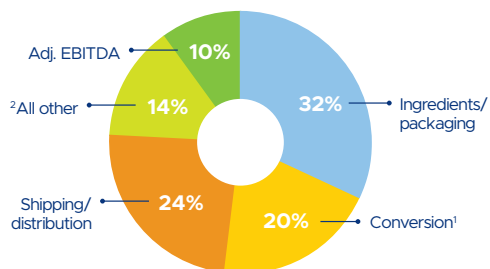
ADJUSTED EBITDA**

in millions



COMPONENTS OF ADJ. EBITDA

% of FY23 Sales

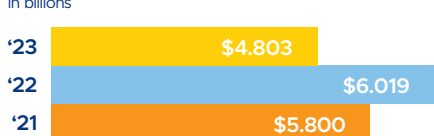


¹Includes direct labor & indirect manufacturing expenses

²Includes selling & administrative expenses

MARKET CAPITALIZATION AT FISCAL YEAR END

in billions



* FY20 was a 53-week year.

** See reconciliations of non-GAAP measures on the tables on the right that are also available at flowersfoods.com. Click on Investors and select Financial Data, then Reconciliation of Non-GAAP Financial Measures.

RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

(in thousands)

	FY2023	FY2022	FY2021
Net income	\$123,416	\$228,394	\$206,187
Pension plan settlement loss	—	—	\$302
Acquisition-related costs	\$2,784	\$9,388	—
Legal settlements and related costs	\$103,147	\$5,625	\$17,316
Restructuring charges	\$5,324	—	—
Multi-employer pension plan withdrawal costs	—	—	\$2,475
Plant closure costs and impairment of assets	\$5,473	\$5,869	—
FASTER Act and loss on inferior ingredients	—	\$177	\$708
Gain on sale, severance costs, and lease termination gain	—	\$(3,292)	\$(1,983)
Loss on extinguishment of debt	—	—	\$12,112
Business process improvement costs	\$16,141	\$24,877	\$23,470
Acquisition consideration adjustment	—	—	\$2,550
Adjusted net income	\$256,285	\$271,038	\$263,137

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

(in thousands)

	FY2023	FY2022	FY2021
Net income	\$123,416	\$228,394	\$206,187
Income tax expense	\$33,691	\$70,317	\$64,585
Interest expense, net	\$16,032	\$5,277	\$8,001
Loss on extinguishment of debt	—	—	\$16,149
Depreciation and amortization	\$151,709	\$141,957	\$136,559
EBITDA	\$324,848	\$445,945	\$431,481
Other pension (benefit)	\$(269)	\$(773)	\$(405)
Acquisition-related costs	\$3,712	\$12,518	—
Pension plan settlement loss	—	—	\$403
Legal settlements and related costs	\$137,529	\$7,500	\$23,089
Restructuring charges	7,099	—	—
Multi-employer pension plan withdrawal costs	—	—	\$3,300
Plant closure costs and impairment of assets	\$7,298	\$7,825	—
Gain on sale, severance costs, and lease termination gain	—	\$(4,390)	\$(2,644)
FASTER Act and loss on inferior ingredients	—	\$236	\$944
Business process improvement costs	\$21,521	\$33,169	\$31,293
Acquisition consideration adjustment	—	—	\$3,400
Adjusted EBITDA	\$501,738	\$502,030	\$490,861
Sales	\$5,090,830	\$4,805,822	\$4,330,767
Adjusted EBITDA margin	9.9%	10.4%	11.3%

RECONCILIATION OF INCOME TAX EXPENSE TO ADJUSTED INCOME TAX EXPENSE

(in thousands)

	FY2023	FY2022	FY2021
Income tax expense	\$33,691	\$70,317	\$64,585
Tax impact of:			
Pension plan settlement loss	—	—	\$101
Legal settlements and related costs	\$34,382	\$1,875	\$5,773
Acquisition-related costs	\$928	\$3,130	—
Restructuring charges	\$1,775	—	—
Multi-employer pension plan withdrawal costs	—	—	\$825
Gain on sale, severance costs, and lease termination gain	—	\$(1,098)	\$(661)
Plant closure costs and impairment of assets	\$1,825	\$1,956	—
FASTER Act and loss on inferior ingredients	—	\$59	\$236
Loss on extinguishment of debt	—	—	\$4,037
Business process improvement costs	\$5,380	\$8,292	\$7,823
Acquisition consideration adjustment	—	—	\$850
Adjusted income tax expense	\$77,981	\$84,531	\$83,569



CORPORATE RESPONSIBILITY

At Flowers Foods, we recognize our responsibility to uphold the company's founding values, which for more than 100 years have centered on working ethically, responsibly, and with integrity. We actively seek opportunities to make a positive difference for our environment, team, consumers, and the communities we serve.

CORPORATE RESPONSIBILITY



Environment

Climate/Energy, Logistics, Packaging, Water & Waste

We believe sustainability makes us stronger. We are committed to applying sustainability processes to all aspects of our business and to exploring ways to prevent waste of water, packaging, energy, and other resources.



Team

Worker Health & Safety

Our team is our top priority. We strive to provide a safe working environment and have policies, procedures, and training programs to ensure team members understand and meet safety guidelines.

Talent Acquisition & Management

We provide competitive pay and benefits and reward eligible employees with bonuses when the company succeeds. We support and develop our employees through training and development programs designed to build and strengthen leadership and professional skills.

Diversity, Equity & Inclusion

We believe in the power of people from diverse backgrounds and experiences coming together under a common set of values to achieve uncommon results. We aspire to be an inclusive workplace — where all perspectives are valued, all contributions are celebrated, and everyone has equal opportunity to learn, grow, and succeed.



Consumers

Food Safety & Quality

The safety and quality of our bakery foods are responsibilities we take very seriously. We provide regular food safety training for our team members and strive to operate clean and efficient bakeries that are regularly inspected by local, state, and industry agencies.

Health & Wellness

We aim to offer a selection of bakery foods to accommodate various dietary needs, preferences, and lifestyles.



Communities

Charitable Giving & Volunteerism

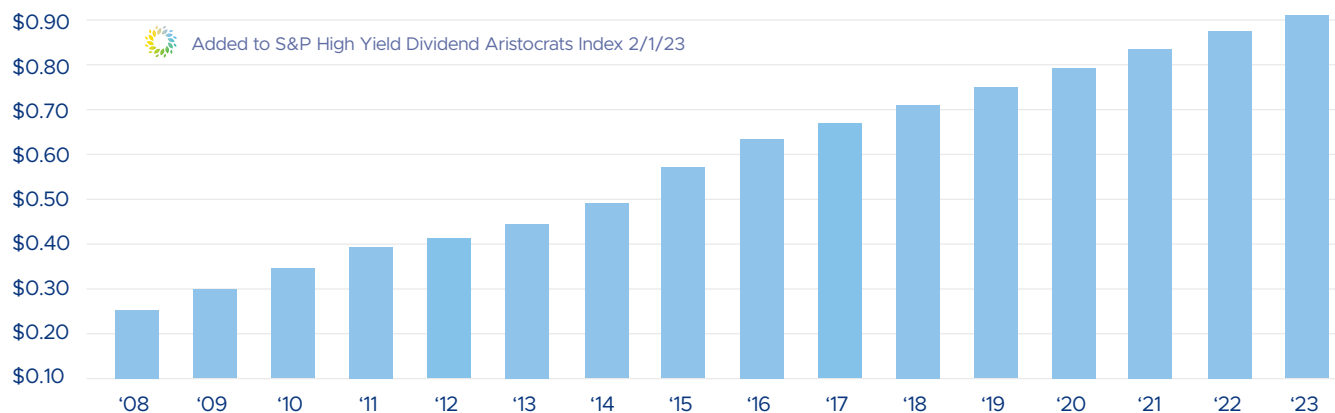
We serve our communities more than just delicious baked goods through our philanthropic efforts that focus on feeding families, helping children, and supporting active duty service members and veterans.

Governance

Our commitment to uphold the company's founding values - working ethically, responsibly, and with integrity - guides our efforts and is the foundation for all that we do.

Learn more about our efforts in our [Corporate Responsibility Report: flowersfoods.com/corporateresponsibility](https://flowersfoods.com/corporateresponsibility).

DIVIDENDS PER SHARE 2008 - 2023



RECONCILIATION OF NET INCOME PER DILUTED COMMON SHARE TO ADJUSTED NET INCOME PER DILUTED COMMON SHARE

	FY2023	FY2022
Net income per diluted common share	\$0.58	\$1.07
Legal settlements and related costs	\$0.48	\$0.03
Gain on sale, severance costs, and lease termination gain	—	\$(0.02)
Business process improvement costs	\$0.08	\$0.12
FASTER Act, net of recovery on inferior ingredients	—	NM
Restructuring charges	\$0.02	—
Plant closure costs and impairment of assets	\$0.03	\$0.03
Acquisition-related costs	\$0.01	\$0.04
Adjusted net income per diluted common share	\$1.20	\$1.27

(Certain amounts may not compute due to rounding); NM - not meaningful

SHAREHOLDER INFORMATION

ANNUAL SHAREHOLDERS MEETING

Flowers Foods' Annual Shareholders Meeting will be held at 11:00 a.m. ET on Thursday, May 23, 2024, virtually, via the Internet at www.virtualshareholdermeeting.com/FLO2024. To participate in the Annual Shareholders Meeting, shareholders will need the 16-digit control number found on their proxy card, voting instructions form, or notice of internet availability of proxy materials.

FINANCIAL DOCUMENTS & WEBCASTS

Investors can find financial documents, notices of events, and archived webcasts on flowersfoods.com. To receive a printed copy of Flowers Foods' 2023 Form 10-K filed with the Securities and Exchange Commission, please send a written request to: Flowers Foods, Inc., 1919 Flowers Circle, Thomasville, Georgia 31757, Attention: Compliance Department.

SHAREHOLDER SERVICES

As the transfer agent for Flowers Foods, Computershare offers direct registration of securities, dividend reinvestment, direct stock purchase, ACH deposit of dividends, stock certificate replacement, address changes, and assistance with stock transfers. Contact Computershare by calling toll free 800.568.3476; by emailing web.queries@computershare.com; or by writing to P.O. Box 505005, Louisville, KY 40233-5005. Shareholders may register their accounts for online access by entering a login and password on Computershare's secure site at <https://www-us.computershare.com/investor>.



INVESTOR RELATIONS
Eric Jacobson
VP Investor Relations & ESG
investorrelations@flocorp.com

CORPORATE OFFICE
1919 Flowers Circle
Thomasville, GA 31757
229.227.9110
flowersfoods.com

MEDIA INQUIRIES
flowersfoods.com/contact

[This page intentionally left blank.]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-16247

FLOWERS FOODS, INC.

(Exact name of registrant as specified in its charter)

Georgia
(State or other jurisdiction of
incorporation or organization)
1919 Flowers Circle
Thomasville, Georgia
(Address of principal executive offices)

58-2582379
(IRS Employer
Identification No.)

31757
(Zip Code)

Registrant's telephone number, including area code:
(229) 226-9110

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value	FLO	NYSE

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of the shares of common stock on the New York Stock Exchange on July 15, 2023, was \$4,947,059,441.

The number of shares of the registrant's Common Stock outstanding as of February 15, 2024 was 210,566,527.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2024 Annual Meeting of Shareholders to be held May 23, 2024, which is expected to be filed with the Securities and Exchange Commission on or about April 9, 2024, have been incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

Auditor Firm Id: 238

Auditor Name: PricewaterhouseCoopers LLP Auditor Location: Atlanta, Georgia

[This page intentionally left blank.]

FORM 10-K REPORT
TABLE OF CONTENTS

	Page
PART I	
Item 1. Business	4
Item 1A. Risk Factors	13
Item 1B. Unresolved Staff Comments	21
Item 1C. Cybersecurity	21
Item 2. Properties	22
Item 3. Legal Proceedings.....	23
Item 4. Mine Safety Disclosures.....	23
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
Item 6. [Reserved].....	25
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	26
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	42
Item 8. Financial Statements and Supplementary Data	42
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	42
Item 9A. Controls and Procedures.....	42
Item 9B. Other Information	43
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	43
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	44
Item 11. Executive Compensation	44
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	44
Item 13. Certain Relationships and Related Transactions, and Director Independence	45
Item 14. Principal Accountant Fees and Services.....	45
PART IV	
Item 15. Exhibits and Financial Statement Schedules	46
Item 16. Form 10-K Summary.....	51
Signatures	52

Forward-Looking Statements

Statements contained in this filing and certain other written or oral statements made from time to time by Flowers Foods, Inc. (the “company”, “Flowers Foods”, “Flowers”, “us”, “we”, or “our”) and its representatives that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to current expectations regarding our business and our future financial condition and results of operations and are often identified by the use of words and phrases such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “should,” “will,” “would,” “is likely to,” “is expected to” or “will continue,” or the negative of these terms or other comparable terminology. These forward-looking statements are based upon assumptions we believe are reasonable.

Forward-looking statements are based on current information and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected. Certain factors that may cause actual results, performance, liquidity, and achievements to differ materially from those projected are discussed in this Annual Report on Form 10-K (the “Form 10-K”) and may include, but are not limited to:

- unexpected changes in any of the following: (i) general economic and business conditions; (ii) the competitive setting in which we operate, including advertising or promotional strategies by us or our competitors, as well as changes in consumer demand; (iii) interest rates and other terms available to us on our borrowings; (iv) supply chain conditions and any related impact on energy and raw materials costs and availability and hedging counter-party risks; (v) relationships with or increased costs related to our employees and third-party service providers; (vi) laws and regulations (including environmental and health-related issues); and (vii) accounting standards or tax rates in the markets in which we operate;
- the loss or financial instability of any significant customer(s), including as a result of product recalls or safety concerns related to our products;
- changes in consumer behavior, trends and preferences, including health and whole grain trends, and the movement toward less expensive store branded products;
- the level of success we achieve in developing and introducing new products and entering new markets;
- our ability to implement new technology and customer requirements as required;
- our ability to operate existing, and any new, manufacturing lines according to schedule;
- our ability to implement and achieve our environmental, social, and governance goals in accordance with regulatory requirements and expectations of stakeholders, suppliers, and customers;
- our ability to execute our business strategies which may involve, among other things, (i) the ability to realize the intended benefits of completed, planned or contemplated acquisitions, dispositions or joint ventures, (ii) the deployment of new systems (e.g., our enterprise resource planning (“ERP”) system), distribution channels and technology, and (iii) an enhanced organizational structure (e.g., our sales and supply chain reorganization);
- consolidation within the baking industry and related industries;
- changes in pricing, customer and consumer reaction to pricing actions (including decreased volumes), and the pricing environment among competitors within the industry;
- our ability to adjust pricing to offset, or partially offset, inflationary pressure on the cost of our products, including ingredient and packaging costs;
- disruptions in our direct-store-delivery distribution model, including litigation or an adverse ruling by a court or regulatory or governmental body that could affect the independent contractor classifications of the independent distributor partners, and changes to our direct-store-delivery distribution model in California;
- increasing legal complexity and legal proceedings that we are or may become subject to;
- labor shortages and turnover or increases in employee and employee-related costs;
- the credit, business, and legal risks associated with independent distributor partners and customers, which operate in the highly competitive retail food and foodservice industries;
- any business disruptions due to political instability, pandemics, armed hostilities (including the ongoing conflict between Russia and Ukraine and the conflict in the Middle East), incidents of terrorism, natural disasters, labor strikes or work stoppages, technological breakdowns, product contamination, product recalls or safety concerns related to our products, or the responses to or repercussions from any of these or similar events or conditions and our ability to insure against such events;

- the failure of our information technology (“IT”) systems to perform adequately, including any interruptions, intrusions, cyber-attacks or security breaches of such systems or risks associated with the implementation of the upgrade of our ERP system; and
- the potential impact of climate change on the company, including physical and transition risks, availability or restriction of resources, higher regulatory and compliance costs, reputational risks, and availability of capital on attractive terms.

The foregoing list of important factors does not include all such factors, nor does it necessarily present them in order of importance. In addition, you should consult other disclosures made by the company (such as in our other filings with the Securities and Exchange Commission (“SEC”) or in company press releases) for other factors that may cause actual results to differ materially from those projected by the company. Refer to Part I, Item 1A., *Risk Factors*, of this Form 10-K for additional information regarding factors that could affect the company’s results of operations, financial condition and liquidity.

We caution you not to place undue reliance on forward-looking statements, as they speak only as of the date made and are inherently uncertain. The company undertakes no obligation to publicly revise or update such statements, except as required by law. You are advised, however, to consult any further public disclosures by the company (such as in our filings with the SEC or in company press releases) on related subjects.

We own or have rights to trademarks or trade names that we use in connection with the operation of our business, including our corporate names, logos and website names. In addition, we own or have the rights to copyrights, trade secrets and other proprietary rights that protect the content of our products and the formulations for such products. Solely for convenience, some of the trademarks, trade names and copyrights referred to in this Form 10-K are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, trade names and copyrights.

PART I

Item 1. *Business*

The Company

Flowers Foods, Inc. (which we reference to herein as “we,” “our,” “us,” the “company,” “Flowers” or “Flowers Foods”), founded in 1919 as a Georgia corporation and headquartered in Thomasville, Georgia, is currently the second-largest producer and marketer of packaged bakery foods in the United States (“U.S.”). Our principal products include breads, buns, rolls, snack items, bagels, English muffins, and tortillas and are sold under a variety of brand names, including *Nature’s Own*, *Dave’s Killer Bread* (“DKB”), *Wonder*, *Canyon Bakehouse*, *Tastykake*, and *Mrs. Freshley’s*. Our brands are among the best known in the baking industry. Many of our brands have a major presence in the product categories in which they compete.

Flowers’ strategic priorities include developing our team, focusing on our brands, prioritizing our margins, and proactively seeking out smart, disciplined acquisitions and are described further in the following section. We believe executing on our strategic priorities will drive future growth and margin expansion and deliver meaningful shareholder value over time.

Current Inflationary Economic Environment and Other Macroeconomic Factors

We continue to monitor the impact of the inflationary economic environment, supply chain disruptions, labor shortages, the conflict between Russia and Ukraine, and the conflict in the Middle East on our business. Our results for Fiscal 2023 continued to benefit from a more optimized sales mix of branded retail products as compared to pre-pandemic periods. However, we experienced significant input cost inflation for commodities and transportation, and, to a lesser extent, for labor in the current and prior year periods. To mitigate the ongoing cost pressures, we implemented price increases during the first quarter of Fiscal 2023 and midway through the second quarter of Fiscal 2023.

Additionally, in both the current and prior year, we experienced supply chain disruptions and capacity constraints (largely for gluten-free production) resulting in lower production volumes and sales. These and other supply chain disruptions could continue to negatively impact production volumes due to uncertainty in the global and U.S. supply chain. Although the conflict between Russia and Ukraine and the conflict in the Middle East have not impacted us directly, we are closely monitoring the effects on the broader economy, including on the availability and price of commodities used in or for the production of our products. Disruptions in our operations, related to factors including, but not limited to, the procurement of raw materials and packaging items, transport of our products, and available workforce, have negatively impacted, and could continue to negatively impact, our operations, results of operations, cash flows, and liquidity.

Labor shortages and turnover at some of our bakeries in Fiscal 2023 and 2022 hampered production levels. These and other factors, including, but not limited to, high employment rates and additional government regulations, may continue to adversely affect labor availability and labor costs. These challenges may negatively affect our ability to operate our production lines efficiently or run at full capacity which could lead to increased labor costs, including additional overtime to meet demand and higher wage rates to attract and retain workers. An overall labor shortage, lack of skilled labor, or increased turnover could have a material adverse impact on the company’s operations, results of operations, liquidity, or cash flows.

We believe we have sufficient liquidity to satisfy our cash needs and we continue to execute on our strategic priorities, including our transformation strategy initiatives.

For additional discussion on the impact of macroeconomic factors on our business, refer to Part II, Item 7., *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, of this Form 10-K.

Strategic Initiatives

We are a brand-focused company dedicated to the consumer and committed to growing our most profitable brands through innovation, market expansion, and prudent mergers and acquisitions (“M&A”). Our strategic priorities and our long-term goals are as follows:

Strategic Priorities:

- *Develop team:* Capabilities to build brands and create value.
- *Focus on brands:* Enhance relevancy and expand presence. Invest in our brands to align with consumers to maximize our return on investment.
- *Prioritize margins:* Optimize the portfolio and supply chain.
- *Smart M&A:* Disciplined approach to acquisitions in the grain-based foods arena that enhances our branded portfolio and margin profile.

Long-term Goals:

- Grow sales by 1% to 2% annually (excluding any future acquisitions).
- Grow EBITDA by 4% to 6% annually (excluding any future acquisitions) (The company defines EBITDA as earnings before interest, taxes, depreciation and amortization.).
- Grow earnings per share by 7% to 9% annually.

A key to our success in achieving our strategic priorities is our talented and dedicated team. We recognize the importance of investing in our people as further discussed in the “Human Capital Resources” section below, which details how we attract, retain, and develop our team. Additionally, we recognize the importance of realigning people and responsibilities in successfully implementing our long-term strategies. This realignment can take the form of organizational changes or providing crucial tools, including investments in our information systems. Our cross-functional transformation office is responsible for overseeing the implementation of our strategic priorities, including our digital and ERP initiatives, which are discussed in more detail under the “Transformation Strategy Initiatives” section below.

A major focus of our long-term strategy is to evolve our sales portfolio to higher margin, value-added branded retail products that we expect will generate top line growth and improve overall profitability. We expect an optimized portfolio will drive share gains by targeting growth segments with new, innovative products. We have established clear roles for the brands and product lines within our portfolio to enable more targeted decision-making on brand investment. Over the past several years, we have completed sales rationalization initiatives resulting in a more streamlined brand and product assortment, and reduced brand portfolio complexity.

As we implement our targeted sales portfolio strategy, the flexibility of our production and distribution systems allows us to pivot capacity to meet this changing demand. For example, Fiscal 2023, we acquired the Papa Pita Bakery business (“Papa Pita”) expanding our production capacity, including for bagels, pitas, and flat breads, the majority of which Papa Pita previously co-manufactured for us, and increasing our direct-store-delivery distribution in the western U.S. In Fiscal 2022, we increased production capacity for our organic products by adding a production line at our Henderson, Nevada bakery to better serve the West Coast market. Additionally, we ceased production at our Phoenix, Arizona bakery, an older, less efficient bakery that produced traditional bread and bun products. We believe our flexible bakery system allows us to quickly shift production to high demand products and adjust distribution where needed. We are continuing to optimize our distribution system by reducing network complexity through depot consolidation and reducing transport miles.

M&A has always been, and we expect will continue to be, an important part of our long-term growth strategy. We employ a disciplined approach to M&A, seeking out candidates primarily in the grain-based foods arena that enhance our branded portfolio, extend our geographic presence, are a strong cultural fit, and add enhanced capabilities to our company. We believe our strong balance sheet and cash flow generation enables us to execute our M&A strategy and, as discussed above, on February 17, 2023, we completed the purchase of Papa Pita, a manufacturer and distributor of bagels, tortillas, breads, buns, English muffins, and flat breads. Founded in 1983, Papa Pita operates one production facility in West Jordan, Utah.

Transformation Strategy Initiatives

In the second half of Fiscal 2020, we launched initiatives to transform our business operations. The primary goals of these initiatives are to: (1) enable a more agile business model, empowering the organization by fundamentally redesigning core business

processes; (2) embed digital capabilities and transform the way we engage with our consumers, customers and employees; and (3) modernize and simplify our application and technology infrastructure landscape, inclusive of the upgrade of our ERP system.

In February 2023, we announced a restructuring of plant operation responsibilities from the sales function to the supply chain function to improve operational effectiveness, increase profitable sales, and better meet customer requirements. This restructuring has now transitioned to digitally enabling these key functions, driving accountability, and improving operational performance and sales execution.

Digital Strategy Initiatives

Our digital strategy initiatives include investments in digital domains of e-commerce, autonomous planning, bakery of the future, digital logistics, and digital sales. In e-commerce, we strive to become a category and market share leader, engage with the consumer through digital platforms and marketplaces, and support our retail partners' omnichannel strategies. The autonomous planning domain encompasses predictive ordering, cost-to-serve modeling, integrated business planning, and supply and demand forecasting, among other areas. Bakery of the future involves transforming our current manufacturing processes and operational visibility to apply industry-leading digital manufacturing tools, such as real-time performance management and visibility, automation of repetitive processes, standardization of processes and procedures, and sensor-based quality monitoring tools to improve consistency and quality. Digital logistics includes real-time operational visibility, improving our routing efficiency, and automating the freight bill pay audit process. Finally, digital sales is focused on improving our sales execution through improved visibility to in-store activities, streamlined reporting, focusing in-store priorities, and improved collaboration tools across our sales ecosystem.

These digital domains are expected to improve data visibility and efficiencies while automating many of our processes. When fully implemented, we expect this work will further our brand efforts, bring us closer to the consumer, increase operational efficiencies, and deliver higher-quality, real-time insights, which will in turn enable more predictive business decision-making. We transitioned into the implementation phase for the e-commerce, autonomous planning, and bakery of the future domains and selected two bakeries for the pilot program for bakery of the future and autonomous planning in Fiscal 2021. To date, we have rolled out bakery of the future to 33 bakeries, digital logistics to all bakery locations, and autonomous planning and our digital sales tools across our entire sales organization. Costs related to the digital initiatives are fluid and cannot be currently estimated.

ERP Upgrade

This initiative includes upgrading our information system platform and is expected to improve data management and efficiencies while automating many of our processes. We completed the initial planning and road mapping phase of the ERP upgrade at the end of Fiscal 2020. In the first quarter of Fiscal 2021, we transitioned into the design phase and engaged a leading, global consulting firm to assist us in designing and implementing the upgrade of our ERP platform and to serve as the system integrator for the project. We transitioned into the build phase at the beginning of Fiscal 2022 and during the second quarter of Fiscal 2023, we began deploying the ERP upgrade. We plan to continue the deployment across the organization over the next few years.

We expect the transformation strategy initiatives to require significant capital investment and expense over the next several years. We currently anticipate the upgrade of our ERP system will cost approximately \$350 million (of which approximately 34% has been or is anticipated to be capitalized) and anticipate the upgrade to be completed in 2026. Previously, these costs were estimated to be approximately \$275 million. The increase in estimated costs resulted from expanding the project scope and anticipation of greater reliance on external resources for bakery deployments due to labor constraints. As of December 30, 2023, we have incurred costs related to the project of approximately \$214 million. See Item 1A., *Risk Factors*, "We may experience difficulties in designing and implementing the upgrade of our ERP system."

Segment

Since the beginning of Fiscal 2019, we have managed our business as one operating segment. The company concluded it has one operating segment based on the nature of the products the company sells, its intertwined production and distribution model, the internal management structure and information that is regularly reviewed by the chief executive officer ("CEO"), who is the chief operating decision maker, for the purpose of assessing performance and allocating resources. See Note 2, *Summary of Significant Accounting Policies*, of Notes to Consolidated Financial Statements of this Form 10-K for detailed financial information about our operating segment.

Brands & Products

We report our sales as Branded Retail and Other. The Other category includes store branded retail, foodservice, restaurant, institutional, vending, thrift stores, and contract manufacturing. In Fiscal 2023, Branded Retail sales represented 64.1% of our total sales.

Our brands are some of the best-known in the U.S. fresh packaged bread industry and many of them hold leading market positions in the categories in which they compete. We believe having a well-diversified portfolio of brands allows us to be more competitive in the marketplace and appeal to a broader range of consumers. Our principal products are breads, buns, rolls, snack items, bagels, English muffins, and tortillas. The table below presents the major brands within our diversified brand portfolio:

Strategic Positioning	Key Brands
Mainstream	<i>Nature's Own, Wonder, Tastykake</i>
Organic	<i>Dave's Killer Bread</i>
Gluten Free	<i>Canyon Bakehouse</i>

Brand Highlights

- *Nature's Own* is the best-selling loaf bread in the U.S. (Source: *Circana Total US MultiOutlet+C-Store L52 Weeks Ending 12/31/23*) *Nature's Own's* sales, at estimated retail, were \$1.5 billion for Fiscal 2023.
- *Nature's Own* Honey Wheat is the #1 Universal Product Code ("UPC") in the U.S. Fresh Packaged Bread category based on dollars and units. In the U.S. Fresh Packaged Bread category, *Nature's Own* Butterbread is the #2 UPC based on units and the #3 UPC based on dollars. (Source: *Circana Total US MultiOutlet+C-Store L52 Weeks Ending 12/31/23*)
- *DKB* is the #1 selling organic brand in the U.S. and the company's #2 brand, with the top-selling organic brand in four different segments. (Loaf, Bagels, Breakfast Bread, and English Muffins). (Source: *Circana Total US MultiOutlet+C-Store L52 Weeks Ending 12/31/23*) *DKB's* sales, at estimated retail, were \$1.0 billion for Fiscal 2023.
- *Canyon Bakehouse*, acquired at the end of Fiscal 2018, is the #1 selling gluten-free bread brand in the U.S. (Source: *Circana Total US MultiOutlet+C-Store L52 Weeks Ending 12/31/23*) *Canyon Bakehouse's* sales, at estimated retail, were \$164 million for Fiscal 2023.
- *Wonder*, over 100 years old, enjoys 97% brand awareness (Source: *Kantar Brand Health Tracking Study - Summer 2023*). *Wonder's* Classic White loaf is the #2 UPC in the white loaf segment based on dollars and units in the U.S. *Wonder's* sales, at estimated retail, were \$512 million for Fiscal 2023 (Source: *Circana Total US MultiOutlet+C-Store L52 Weeks Ending 12/31/23*)

In Fiscal 2023, we introduced *Nature's Own* Keto bread, *Nature's Own* Hawaiian and Everything hamburger buns, *Tastykake* *Dipp'n Sticks*, and *Mrs. Freshley's Donut Sticks*, among others. New product introductions in Fiscal 2022 included *Nature's Own* Hawaiian loaf bread, *Nature's Own* Perfectly Crafted Sourdough loaf bread, *DKB* Organic Everything Bread, and *Canyon Bakehouse* Gluten-Free Brioche and Hawaiian dinner roll varieties, among other new products. Additionally, in Fiscal 2022, we introduced new varieties of *DKB* Organic Snack Bars, including protein bars, and began the nationwide rollout of three varieties of the *DKB* Organic Snack Bars in Fiscal 2023. In early Fiscal 2023, we launched *DKB* Crunchy Snack Bites in test markets. The *DKB* snack bars and snack bites are part of an initiative to extend our presence beyond the traditional bread category and into the snacking category.

Our brands and products are sold through various channels throughout the U.S. These channels include supermarkets, drugstores, mass merchandisers, discount stores, club stores, convenience stores, thrift outlet stores, and foodservice, among others.

Marketing

We support our key brands with an advertising and marketing effort that targets consumers through electronic and in-store coupons, social media (such as Facebook and X (formerly Twitter)), digital media (including e-newsletters to consumers), websites (our brand sites and third-party sites), event and sports marketing, on-package promotional offers and sweepstakes, and print advertising. When appropriate, we may join other sponsors with promotional tie-ins. We often focus our marketing efforts on specific products and holidays, such as hamburger and hot dog bun sales during Memorial Day, the Fourth of July, and Labor Day, and snack cakes for specific seasons. Additionally, we have made and are continuing to make marketing investments to target e-commerce sales as consumers shift to more online shopping alternatives, such as grocery delivery sites, retailer websites and apps, among others.

Customers

Our top 10 customers in Fiscal 2023 accounted for 55.5% of sales. During Fiscal 2023, our largest customer, Walmart/Sam's Club, represented 22.3% of the company's sales. The loss of, or a material negative change in our relationship with, Walmart/Sam's Club or any other major customer could have a material adverse effect on our business. Walmart/Sam's Club was the only customer to account for 10% or more of our sales during Fiscal 2023, 2022, and 2021.

Fresh baked foods' customers include mass merchandisers, supermarkets and other retailers, restaurants, quick-serve chains, food wholesalers, institutions, dollar stores, and vending companies. We also sell returned and surplus product through a system of thrift stores. The company currently operates 238 such stores and reported sales of \$70.3 million during Fiscal 2023 from these outlets.

We also (1) supply national and regional restaurants, institutions and foodservice distributors, and retail in-store bakeries with breads and rolls; (2) sell packaged bakery products to wholesale distributors for ultimate sale to a wide variety of food outlets; and (3) sell packaged snack cakes primarily to customers who distribute them nationwide through multiple channels of distribution, including mass merchandisers, supermarkets, vending outlets and convenience stores. In certain circumstances, we enter into co-packing arrangements with retail customers or other food companies, some of which are competitors. Although we service public health care, military commissaries, and prisons, among other governmental institutions, we do not have any material government contracts.

Distribution

We distribute our products through a direct-store-delivery ("DSD") distribution system and a warehouse delivery system. The DSD distribution system primarily involves aggregating order levels and delivering products from bakeries to independent distributors for sale and direct delivery to customer stores. The independent distributors are responsible for ordering products, stocking shelves, maintaining special displays, and developing and maintaining good customer relations to ensure adequate inventory and removing unsold goods. In certain markets, we utilize a sales employee model to facilitate the distribution of product through our DSD distribution system. The warehouse delivery system involves primarily delivering our products to customers' warehouses.

The company has sold the majority of the distribution rights to market certain brands within a geographic territory to independent distributors under long-term financing arrangements. Independent distributors, highly motivated by financial incentives from their distribution rights ownership, strive to increase sales within their defined geographic territory by offering outstanding service and merchandising.

Our DSD distribution system is comprised of three types of territories: (1) independent distributor-owned and operated territories (independent distributors own the rights to distribute certain brands of our fresh packaged bakery foods in defined geographic markets); (2) distribution rights that are classified as available for sale in the Consolidated Balance Sheets; and (3) other company operated territories. The table below presents the approximate number of territories used by the company as of December 30, 2023:

Type of territory	Number of territories
Independent distributor-owned and operated territories	5,105
Territories classified as available for sale	567
Other company operated territories	251
Total territories	<u>5,923</u>

The company expects to repurchase approximately 400 territories in California during Fiscal 2024 and convert them to company operated territories mostly as a result of the settlement of litigation as further discussed in Note 23, *Commitments and Contingencies*, of Notes to Consolidated Financial Statements of this Form 10-K. Once repurchased, the territories will not be resold and will be classified as company operated territories.

Our warehouse distribution system delivers a portion of our packaged bakery snack products from a central distribution facility located near our Crossville, Tennessee snack cake bakery. We believe this centralized distribution system allows us to achieve both production and distribution efficiencies. Products coming from different bakeries are then cross-docked and shipped directly to customers' warehouses nationwide. Our frozen bread and roll products are shipped to various outside freezer facilities for distribution to our customers.

Intellectual Property

We own many trademarks, trade names, patents, and licenses. The company also sells products under franchised and licensed trademarks and trade names which we do not own pursuant to contractual arrangements. We consider our trademarks and trade names important to our business since we use them to build strong brand awareness and consumer loyalty.

Raw Materials

Our primary baking ingredients are flour, sweeteners, shortening, yeast and water. We also purchase organic and gluten-free ingredients. We also use paper products, such as corrugated containers, folding cartons, films and plastics to package our bakery foods. We strive to maintain diversified sources for all of our baking ingredients and packaging products. In addition, we are dependent on natural gas or propane as fuel for firing our ovens.

Prices of ingredient and packaging materials fluctuate due to various factors including, but not limited to, government policy and regulation, weather conditions, domestic and international demand, or other unforeseen circumstances, and we monitor these markets closely. Ingredient and packaging costs were volatile in both Fiscal 2023 and 2022 but are expected to be more favorable in Fiscal 2024. We enter into forward purchase agreements and other financial instruments to manage the impact of volatility in certain raw material prices. Any decrease in the availability of these agreements and instruments could increase the price of these raw materials and significantly affect our earnings.

Regulations

As a producer and marketer of food items, our operations are subject to regulation by various federal governmental agencies, including the U.S. Food and Drug Administration, the U.S. Department of Agriculture, the U.S. Federal Trade Commission, the U.S. Environmental Protection Agency, the U.S. Department of Commerce, and the U.S. Department of Labor (the "DOL"). We also are subject to the regulations of various state agencies, with respect to production processes, product quality, packaging, labeling, storage, distribution, labor, and local regulations regarding the licensing of bakeries and the enforcement of state standards and facility inspections. Under various statutes and regulations, these federal and state agencies prescribe requirements and establish standards for quality, purity, and labeling. Failure to comply with one or more regulatory requirements could result in a variety of sanctions, including monetary fines or compulsory withdrawal of products from store shelves.

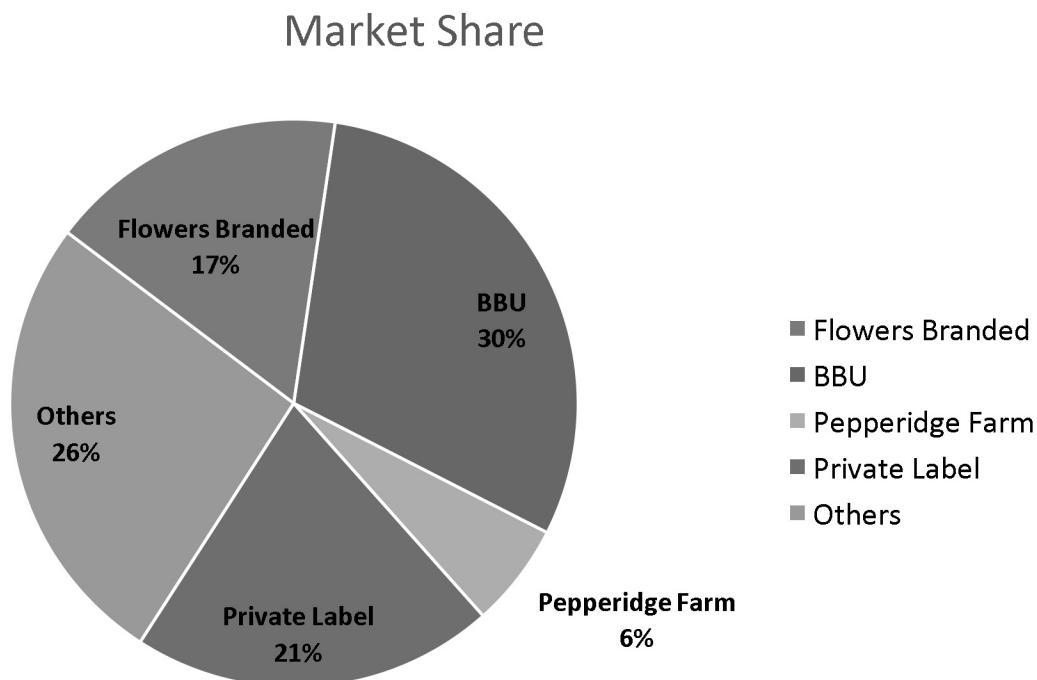
Advertising of our brands is subject to regulation by the Federal Trade Commission, and we are subject to certain health and safety regulations, including those issued under the Occupational Safety and Health Act.

The cost of compliance with such laws and regulations has not had a material adverse effect on the company's business. We believe we are currently in substantial compliance with all material federal, state and local laws and regulations affecting the company and its properties.

Our operations, like those of similar businesses, are subject to various federal, state and local laws and regulations with respect to environmental matters, including air and water quality and underground fuel storage tanks, as well as other regulations intended to protect public health and the environment. The company is not a party to any material proceedings arising under these laws and regulations. We believe compliance with existing environmental laws and regulations will not materially affect the Consolidated Financial Statements or the competitive position of the company. The company is currently in substantial compliance with all material environmental laws and regulations affecting the company and its properties.

Competitive Overview

The U.S. market for fresh and frozen bakery products is estimated at \$50 billion at retail. The fresh packaged bread category is intensely competitive and has continued to experience industry consolidation and volume decreases in recent years. Flowers Foods is currently the second-largest company in the U.S. fresh baking industry based on market share as presented in the following chart (amounts may not compute due to rounding). (Source: *Circana Flowers custom database, 52 weeks ending 12/31/23*):



The current competitive landscape for breads and rolls in the U.S. baking industry consists of Bimbo Bakeries USA (BBU), Flowers Foods, and Campbell Soup Company, under the *Pepperidge Farm* brand, along with a number of smaller independent regional bakers, local bakeries, and retailer-owned bakeries.

Some of these smaller regional bakers do not enjoy the competitive advantages of larger operations, including greater brand awareness and economies of scale in purchasing, distribution, production, IT, advertising and marketing. However, size alone is not sufficient to ensure success in our industry. The company faces significant competition from regional and independent bakeries in certain geographic areas.

Competition in the baking industry continues to be driven by a number of factors, including the ability to serve retail and foodservice customers, generational changes in family-owned businesses, and competitors' promotional efforts on branded bread and store brands. Competition typically is based on the ability to target changing consumer preferences, product availability (including through e-commerce channels), product quality, brand loyalty, price, and effective promotions. Customer service, including frequent deliveries to keep store shelves well-stocked, is also a competitive factor.

The company also faces competition from store brands that are produced either by us or our competitors. Store brands (also known as "private label") have been offered by food retailers for decades. With the growth of mass merchandisers like Walmart and the ongoing consolidation of regional supermarkets into larger operations, store brands have become a significant competitor to the company. The store brand share of retail fresh packaged bread in the U.S. accounts for approximately 21% of the dollar sales and approximately 31% of unit sales. Its dollar share had been steadily declining for a number of years prior to Fiscal 2022, however that trend reversed in Fiscal 2022 and expanded in Fiscal 2023. The recent inflationary environment has pressured more consumers to trade down to store brand bakery products.

Human Capital Resources

As of December 30, 2023, Flowers and its subsidiaries had approximately 9,300 employees located throughout the U.S. and approximately 4,800 long-term leased employees. Approximately 865 employees are covered by collective bargaining agreements and there are no material outstanding labor disputes.

Our legacy of excellence is built on 100+ years of hard work by thousands of Flowers team members. As W.H. Flowers, Jr. said, *“The key to any enterprise or goal is people. People of character, people of integrity, people who don’t mind working and taking advantage of their opportunity.”* We continue to strive toward a people-centric legacy by implementing initiatives that enhance the lives of every employee.

Flowers aims to attract a qualified workforce through an inclusive and accessible recruiting process that utilizes online recruiting platforms, campus outreach, apprenticeships, internships, and job fairs. In 2023, we established relationships with historically black colleges and universities (HBCUs) to expand our reach and recruit more diverse talent. Flowers is also a proud second chance employer for individuals impacted by the criminal justice system, furthering the commitment that began when we acquired the *DKB* brand in Fiscal 2015. At Flowers, we have implemented recruitment initiatives at our bakeries to attract and retain ex-offenders.

In addition, Flowers is a long-time supporter of causes that support U.S. veterans and their families. Since 2018, through our *Wonder* and *Tastykake* brands, we have partnered with the USO to help provide a variety of programs that keep service members and their families connected. Through this partnership, we have donated \$2.3 million to the USO and some of our marketing campaigns and packaging tie-ins recognize the service and sacrifices of the military. Presently, Flowers employs more than 490 veterans.

Flowers offers team members competitive wages, benefits, and training opportunities, while also promoting a safe and healthy workplace. The company provides its employees with resources to enhance their skills and careers, including:

- Promoting education and development by investing in our internal Learning Management System and providing a range of formal and informal learning programs designed to help employees continuously develop skills throughout their careers. Programs available at our bakeries include Skillsoft online learning and a Mentor Up Mentoring Program.
- Offering a variety of programs that contribute to our leadership, training and development goals, including the “Flowers Front-Line Leadership Program,” “Lead Now” for leaders at all levels, and “Leading The Flowers Way” for our high potential leaders.
- Encouraging employees to discuss their professional development during annual performance reviews with their supervisors.
- Offering the Continuous Performance Management module which supports ongoing performance conversations between employees and their managers.
- Offering Career Conversations training for supervisory employees to discuss career pathing and employee development.

In Fiscal 2023, Flowers continued implementing our diversity, equity, and inclusion (DE&I) training and added DE&I to the onboarding process. The company’s board of directors (the “Board” or “Board of Directors”) receives regular updates from management on our inclusion and diversity efforts.

Additionally, we regularly conduct anonymous surveys to capture feedback from our team members on a variety of topics, including, but not limited to, confidence in company leadership, competitiveness of our compensation and benefits package, career growth opportunities and how we can make our company an employer of choice. The results are shared with our team members and reviewed by senior leadership, who seek to analyze areas of opportunity and prioritize actions and activities in response to the feedback to drive meaningful change in our overall employee experience. As an example, our leadership team approved the implementation of a self-managed time-off policy for those at the director and above level as a result of survey feedback.

Total Rewards

We have a demonstrated history of investing in our workforce by providing competitive wages and benefits. Our benefits package includes:

- comprehensive health insurance coverage to employees working 30 hours or more each week;
- parental leave to all new parents for birth, adoption or foster placement;
- adoption reimbursement of up to \$20,000 per employee, per lifetime;

- short-term disability to provide wage protection for up to six months;
- a tuition reimbursement program; and
- a 401(k) plan (certain union-affiliated employees participate in a company-sponsored pension or multi-employer plan) with generous company match.

We believe that because employees drive our success, they should share in that success. In addition to competitive wages and benefits, when annual company goals are met, eligible team members at all levels are rewarded with a bonus.

Other Available Information

Throughout this Form 10-K, we incorporate by reference information from parts of other documents filed with the SEC. The SEC allows us to disclose important information by referring to it in this manner, and you should review this information in addition to the information contained in this report.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy statement for the annual shareholders' meeting, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with the SEC. You can learn more about us by reviewing our SEC filings on our website at www.flowersfoods.com in the "REPORTS & FILINGS" section of the "INVESTORS" tab. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information about SEC registrants, including the company. Except as otherwise expressly set forth herein, the information contained on our website is neither included nor incorporated by reference herein.

The following corporate governance documents may be obtained free of charge through our website in the "CORPORATE GOVERNANCE" section of the "INVESTORS" tab or by sending a written request to Flowers Foods, Inc., 1919 Flowers Circle, Thomasville, GA 31757, Attention: Investor Relations.

- Corporate Governance Guidelines
- Finance Committee Charter
- Audit Committee Charter
- Nominating/Corporate Governance Committee Charter
- Compensation and Human Capital Committee Charter
- Political Contribution and Activity Policy
- Code of Business Conduct and Ethics
- Flowers Foods Employee Code of Conduct
- Animal Welfare Commitment
- Stock Ownership Guidelines

Item 1A. Risk Factors

You should carefully consider the risks described below, together with the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing us. These risk factors are not listed in any order of significance. Additional risks and uncertainties not presently known to us, or that we currently deem insignificant, may also impair our business operations. The occurrence of any of the following risks could harm our business, financial condition, liquidity, or results of operations.

Operational Risks

Economic conditions may negatively impact demand for our products, which could adversely impact our sales and operating profit.

The willingness of our customers and consumers to purchase our products may depend in part on economic conditions. Worsening economic conditions or future challenges to economic growth could have a negative impact on consumer demand, which could adversely affect our business. Deterioration of national and global economic conditions could cause consumers to shift purchases to more generic, lower-priced, or other value offerings, or consumers may forego certain purchases altogether during economic downturns and could result in decreased demand in the foodservice business. This economic uncertainty may increase pressure to reduce the prices of some of our products, limit our ability to increase or maintain prices, and reduce sales of higher margin products or shift our product mix to low-margin products.

In addition, changes in tax or interest rates, whether due to recession, efforts to combat inflation, financial and credit market disruptions or other reasons, could negatively impact us.

A disruption or change in the operation of our DSD distribution system could materially and/or negatively affect our results of operations, financial condition and cash flows.

A material negative change in our relationship with the independent distributor partners could negatively affect our business. Such changes could result from litigation or one or more adverse rulings by courts or regulatory or governmental bodies in any of the jurisdictions in which we operate regarding our independent distributorship model, including actions or decisions that could affect the independent contractor classifications of the independent distributor partners, or an adverse judgment against the company for actions taken by the independent distributor partners. These changes could also result from regulatory developments based on the manner in which the U.S. Department of Labor applies the Fair Labor Standards Act. In addition, as a result of California distributor-related litigation, we plan to convert our DSD distribution model in California to an employment model in 2024. Any of these developments could materially and/or negatively affect our financial condition, results of operations and cash flows.

We may not be able to attract or retain the highly skilled people we need for our business.

We depend on the skills and continued service of key personnel, including our experienced management team. In addition, our ability to achieve our strategic and operating goals depends on our ability to attract, recruit, hire, develop, and retain qualified individuals, including individuals with e-commerce, digital marketing, and data analytics capabilities. We compete with other companies both within and outside of our industry for talented personnel, and we may lose key personnel or fail to attract, recruit, hire, develop, and retain other talented personnel. Any such loss, failure or negative perception with respect to these individuals may adversely affect our business or financial results. In addition, activities related to identifying, recruiting, hiring, and integrating qualified individuals may require significant time and expense. We may not be able to locate suitable replacements for any key employees who terminate their employment or offer employment to potential replacements on reasonable terms, each of which may adversely affect our business and financial results.

Labor shortages and increased turnover or increases in employee and employee-related costs could have adverse effects on our profitability.

We have recently experienced labor shortages at some of our bakeries. A number of factors may adversely affect the labor force available to us, including high employment levels, federal unemployment subsidies and benefits offered, and other government regulations, which include laws and regulations related to workers' health and safety, wage and hour practices, and immigration. A labor shortage or increased turnover rates within our employee base could lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees, and could negatively affect our ability to efficiently operate our bakeries and bread lines or otherwise operate at full capacity. An overall labor shortage, lack of skilled labor, increased turnover or labor inflation could have a material adverse impact on the company's operations, results of operations, liquidity or cash flows.

Additionally, health care, workers' compensation, postretirement welfare, and pension costs are increasing and will likely continue to do so. Any substantial increase in these costs may have an adverse impact on our profitability. The company records the liabilities related to its benefit plans based on actuarial valuations, which include key assumptions determined by management. Material changes in benefit plan liabilities may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by

various factors, such as changes in the number of plan participants, changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plan, and other factors. In addition, legislation or regulations involving labor and employment and employee benefit plans (including employee health care benefits and costs) may impact our operational results.

The costs of maintaining and enhancing the value and awareness of our brands are increasing, which could have an adverse impact on our revenues and profitability.

We rely on the success of our well-recognized brand names and we intend to maintain our strong brand recognition by continuing to devote resources to advertising, marketing and other brand building efforts. Brand value could diminish significantly due to several factors, including consumer perception that we have acted in an irresponsible manner, adverse publicity about our products (whether or not valid), our failure to maintain the quality of our products, the failure of our products to deliver consistently positive consumer experiences, or the products becoming unavailable to consumers. The growing use of social and digital media platforms by consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Brand recognition and loyalty can be impacted by the effectiveness of our advertising campaigns, marketing programs and sponsorships, as well as our use of social media. In addition, failure to comply with local or other laws and regulations could also hurt our reputation. Our marketing investments may not prove successful in maintaining or increasing our market share. If we are not able to successfully maintain our brand recognition or were to suffer damage to our reputation or loss of consumer confidence in our products for any of these reasons, our revenues and profitability could be adversely affected.

Our inability to execute our business strategy could adversely affect our business.

We employ various operating strategies to maintain our position as one of the nation's leading producers and marketers of bakery products available to customers through multiple channels of distribution. In particular, these operating strategies include, among other things, (i) the integration of acquisitions or the acquisition or disposition of assets at presently targeted values, (ii) the deployment of new systems and technology, and (iii) an enhanced organizational structure. Our focus on our long-term goals of being consumer-focused and committed to growing our most profitable brands is dependent on our success in achieving our strategic priorities: (i) develop team; (ii) focus on brands; (iii) prioritize margins; and (iv) smart M&A. These and related demands on our resources may divert the organization's attention from other business issues. Our success is partly dependent upon properly executing, and realizing cost savings or other benefits from, these often-complex initiatives. Any delay in, or failure to implement, our strategic initiatives could adversely affect our ability to grow margins. If we are unsuccessful in implementing or executing one or more of our business strategies, our business could be adversely affected.

We may be adversely impacted by the failure to successfully realize the expected benefits of acquisitions, divestitures or joint ventures.

From time to time, we undertake acquisitions, divestitures, joint ventures and co-investments. The success of any acquisition, divestiture or joint venture depends on the company's ability to identify opportunities that help us meet our strategic objectives, consummate a transaction on favorable contractual terms, and achieve expected returns and other financial benefits.

Acquisitions, including future acquisitions, require us to efficiently integrate the acquired business or businesses, which involves a significant degree of difficulty, including the following:

- integrating the operations and business cultures of the acquired businesses while carrying on the ongoing operations of the businesses we operated prior to the acquisitions;
- managing a significantly larger company than before consummation of the acquisitions;
- the possibility of faulty assumptions underlying our expectations regarding the prospects of the acquired businesses;
- coordinating a greater number of diverse businesses and businesses located in a greater number of geographic locations;
- attracting and retaining the necessary personnel associated with the acquisitions;
- creating uniform standards, controls, procedures, policies and information systems and controlling the costs associated with such matters; and
- expectations about the performance of acquired trademarks and brands and the fair value of such trademarks and brands.

Divestitures have operational risks that may include impairment charges. Divestitures also present unique financial and operational risks, including diverting management attention from the existing core business, separating personnel and financial data and other systems, and adversely affecting existing business relationships with suppliers and customers.

Co-investments with third parties through partnership, joint ventures, or other entities, may involve non-controlling, illiquid interests and limited decision-making authority. Investments in partnerships, joint ventures, or other entities may, under certain

circumstances, involve risks not present were a third-party not involved, including the possibility that our joint venture partners might become bankrupt, fail to fund their share of required capital contributions, make poor business decisions, or block or delay necessary decisions. Disputes between us and our joint venture partners may result in litigation or arbitration that would increase our expenses. In addition, we may in certain circumstances be liable for the actions of our joint venture partners.

We have had, and may have in the future, situations where acquisitions, divestitures or joint ventures are not successfully implemented or completed, or the expected benefits of such acquisitions or divestitures are not otherwise realized, which has, and may in the future, negatively impacted the company's business, results of operations or financial condition.

Disruption in our supply chain or distribution capabilities from political instability, armed hostilities, incidents of terrorism, natural disasters, weather, inferior product or ingredient supply, or labor strikes could have an adverse effect on our business, financial condition and results of operations.

Our ability to make, move and sell products is critical to our success. Damage or disruption to our manufacturing or distribution capabilities, or the manufacturing or distribution capabilities of our suppliers, due to weather, including any potential effects of climate change, natural disaster, fire or explosion, terrorism, pandemics (such as COVID-19 and any variants), inferior product or ingredient supply, labor strikes or work stoppages, or adverse outcomes in litigation involving our independent distributor model, could impair our ability to make, move or sell our products. Moreover, terrorist activity, armed conflict or political instability, including any escalation of hostility arising out of the conflict between Russia and the Ukraine and the conflict in the Middle East, or natural disasters that may occur within or outside the U.S. may disrupt manufacturing, labor, and other business operations. Failure to take adequate steps to mitigate the likelihood or potential impact of such events and disruption to our manufacturing or distribution capabilities, or to effectively manage such events if they occur, could adversely affect our business, financial conditions and results of operations.

The third-party vendor management processes may not be appropriately designed to reduce risks related to the delivery of goods, supplies and services.

As part of a concerted effort to achieve cost savings and efficiencies, we have entered into agreements with third-party vendors for the delivery of goods, supplies and services, including IT services. If we do not select quality vendors, appropriately review vendor contracts and monitor these vendors' performance (including their ability to protect our customer, consumer or other confidential data), or if any of these third-parties do not perform according to the terms of the agreements, we may not be able to achieve the expected cost savings, we may have to incur additional costs to correct errors made by such third-party vendors or our reputation could be harmed by any failure to perform.

Technology Risks

We may be adversely impacted if our IT systems fail to perform adequately, including with respect to cybersecurity issues.

The efficient operation of our business depends on our IT systems. We rely on our IT systems to effectively manage our business data, communications, supply chain, order entry and fulfillment, and other business processes. The failure of our IT systems (including those provided to us by third-parties) to perform as we anticipate could disrupt our business and could result in billing, collecting and ordering errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer.

In addition, our IT systems (including those provided to us by third parties) may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, security breaches or intrusions (including theft of customer, consumer or other confidential data), and viruses. Cyber-attacks and other cyber incidents are occurring more frequently in the United States and are becoming more sophisticated with a wide range of expertise and motives. Such cyber-attacks and cyber incidents can take many forms, including extortion, denial of service, or social engineering through phishing or malware emails. In addition, the risk of cyber-attacks has increased in connection with the military conflict between Russia and Ukraine, the conflict in the Middle East, and the resulting geopolitical conflicts. In light of those and other geopolitical events, nation-state actors or their supporters may launch retaliatory cyber-attacks, and may attempt to cause supply chain and other third-party service provider disruptions, or take other geopolitically motivated retaliatory actions that may disrupt our business operations, result in data compromise, or both. These circumstances increase the likelihood of cyber-attacks and/or security breaches. In addition, the rapid evolution and increased adoption of artificial intelligence technologies may intensify our cybersecurity risks.

There can be no assurance that the policies, protocols, and practices that we follow to address cybersecurity, including our controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information. We may incur significant costs in protecting or remediating cyber-attacks or other cyber incidents. If we are unable to prevent physical and electronic break-ins, cyber-attacks and other information security breaches, we may suffer financial and reputational damage, be subject to litigation or incur remediation costs or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, suppliers or employees.

We may experience difficulties in designing and implementing the upgrade of our ERP system.

We are in the midst of implementing an upgrade to our ERP system to a more robust platform. The upgrade of the ERP system is designed to accurately maintain our financial records, enhance our operational functionality and provide timely information to our management team related to the operations of the business. The design and implementation of the upgrade to the ERP system requires an investment of significant personnel and financial resources, including substantial expenditures for outside consultants, system hardware and software in addition to other expenses in connection with the transformation of our financial and operating processes. We may not be able to implement the ERP system upgrade successfully without experiencing delays, increased costs and other difficulties, including potential design defects, miscalculations, testing requirements, and the diversion of management's attention from day-to-day business operations. If we are unable to implement the ERP system upgrade as planned, the effectiveness of our internal control over financial reporting could be adversely affected, our ability to assess those controls adequately could be delayed, and our financial condition, results of operations and cash flows could be negatively impacted.

Industry Risks

Increases in costs and/or shortages of raw materials, fuels and utilities could adversely impact our profitability.

Raw materials, such as flour, sweeteners, shortening, yeast, and water, which are used in our bakery products, are subject to price fluctuations. The cost of these inputs may fluctuate widely due to foreign and domestic government policies and regulations, inflation, weather conditions, domestic and international demand, availability due to supply chain conditions, or other unforeseen circumstances. The global economy has been negatively impacted by the military conflict between Russia and Ukraine and the conflict in the Middle East. Both conflicts are fast-moving and uncertain. Global grain markets have exhibited increased volatility as sanctions have been imposed on Russia by the United States, the United Kingdom, the European Union, and others in response to Russia's invasion of Ukraine. Furthermore, the conflict in the Middle East may impact oil production capacity, oil prices, and cause disruptions in global supply chains and shipping routes. While we do not expect our operations to be directly impacted by these conflicts at this time, changes in global grain and commodity flows and increased supply chain costs could impact the markets in which we operate, which may in turn negatively impact our business, results of operations, supply chain and financial condition. Any substantial change in the prices or availability of raw materials may have an adverse impact on our profitability. We enter into forward purchase agreements and other derivative financial instruments from time to time to manage the impact of such volatility in raw materials prices; however, these strategies may not be adequate to overcome increases in market prices or availability. Our failure to enter into hedging or fixed price arrangements or any decrease in the availability or increase in the cost of these agreements and instruments could increase the price of these raw materials and significantly affect our earnings.

In addition, we are dependent upon natural gas or propane for firing ovens. The independent distributors and third-party transportation companies are dependent upon gasoline and diesel for their vehicles. The cost of these fuels may fluctuate widely due to economic and political conditions, government policy and regulation, war or other conflicts (including the current situation in Ukraine and the Middle East), or other unforeseen circumstances. Substantial future increases in prices for, or shortages of, these fuels could have a material adverse effect on our profitability, financial condition or results of operations. There can be no assurance that we can cover these potential cost increases through future pricing actions. Also, as a result of these pricing actions, consumers could purchase less or move from purchasing higher-margin products to lower-margin products.

Inflation may adversely affect us by increasing our costs of production, materials, and labor. In an inflationary environment, such as the current economic environment, depending on the market conditions of the baking industry and the raising of interest rates by the United States Federal Reserve (and the duration of the currently elevated interest rates), we may be unable to raise the prices of our products enough to keep up with the rate of inflation, which would reduce our profit margins, and continued inflationary pressures could impact our business, financial condition, and results of operations.

Competition could adversely impact revenues and profitability.

The U.S. bakery industry is highly competitive. Our principal competitors in these categories all have substantial financial, marketing, and other resources. In most product categories, we compete not only with other widely advertised branded products, but also with store branded products that are generally sold at lower prices. Competition is based on product availability, product quality, price, effective promotions, and the ability to target changing consumer preferences. Substantial growth in e-commerce has encouraged the entry of new competitors and business models, intensifying competition by simplifying distribution and lowering barriers to entry. The expanding presence of e-commerce retailers has impacted, and may continue to impact, consumer preferences and market dynamics, which in turn may negatively affect our sales or profits. We experience price pressure from time to time due to competitors' promotional activity and other pricing efforts. This pricing pressure is particularly strong during adverse economic periods and periods of high inflation. Increased competition could result in reduced sales, margins, profits and market share.

Product removals, damaged product or safety concerns could adversely impact our results of operations.

We may be required to recall certain of our products should they be mislabeled, contaminated, spoiled, tampered with or damaged. We may become involved in lawsuits and legal proceedings alleging that the consumption of any of our products causes or caused injury, illness or death. Any such product removal, damaged product or an adverse result in any litigation related to such a product removal or damaged product could have a material adverse effect on our operating and financial results in future periods, depending on the costs of the product removal from the market, the destruction of product inventory, diversion of management time and attention, contractual and other claims made by customers that we supply, loss of key customers, competitive reaction and consumer attitudes. Even if a product liability, consumer fraud or other claim is unsuccessful or without merit, the negative publicity surrounding such assertions regarding our products could adversely affect our reputation and brand image. We also could be adversely affected if our customers or consumers in our principal markets lose confidence in the safety and quality of our products.

During fiscal years 2018 through 2023, we have been required, and may be required in future periods, to remove certain of our products from the market should they be mislabeled, contaminated, spoiled, tampered with or damaged, including as a result of inferior ingredients provided by any of our suppliers.

Consolidation in the retail and foodservice industries could adversely affect our sales and profitability.

We expect consolidations among our retail and foodservice customers to continue. If this trend continues and our retail and foodservice customers continue to grow larger due to consolidation in their respective industries, they may demand lower pricing and increased promotional programs. In addition, these pressures may restrict our ability to increase prices, including in response to commodity and other cost increases. Our margins and profits could decrease if a reduction in prices or increased costs are not counterbalanced with increased sales volume.

Inability to anticipate or respond to changes in consumer preferences may result in decreased demand for our products, which could have an adverse impact on our future growth and operating results.

The fresh packaged bread category has experienced volume declines in recent years reflecting, among other factors, shifts in consumer behavior and preferences. Our success depends in part on our ability to respond to current market trends and to anticipate the tastes and dietary habits of consumers, including concerns of consumers regarding health and wellness, obesity, product attributes, ingredients, and packaging. Similarly, demand for our products could be negatively affected by consumer concerns or perceptions regarding the health effects of specific ingredients such as, but not limited to, sodium, trans fats, sugar, processed wheat, or other product ingredients or attributes. Also, certain weight loss drugs and glucagon-like peptide 1 (GLP-1) agonists, which may suppress a person's appetite, may impact demand for our products. The introduction of new products and product extensions requires significant development and marketing investment. If we fail to anticipate, identify, or react to changes in consumer preferences, or if we fail to introduce new and improved products on a timely basis, we could experience reduced demand for our products, which could cause our sales, profitability, financial condition, and operating results to suffer.

We rely on several large customers for a significant portion of sales and the loss of one of our large customers or their decision to give higher priority to other brands could adversely affect our business, financial condition or results of operations.

We have several large customers that account for a significant portion of sales, and the loss of one of our large customers could adversely affect our financial condition and results of operations. Our top ten customers accounted for 55.5% of sales during Fiscal 2023. Our largest customer, Walmart/Sam's Club, accounted for 22.3% during this period. These customers do not typically enter long-term sales contracts, and instead make purchase decisions based on a combination of price, product quality, consumer demand, and customer service performance. At any time, there is a risk that our customers will give higher priority to their own products or to the products of our competitors, resulting in less shelf space for our products. Additionally, our customers may face financial or other difficulties that may impact their operations and their purchases from us. Disputes with significant suppliers could also adversely affect our ability to supply products to our customers. If our sales to one or more of these customers are reduced, this reduction may adversely affect our business, financial condition or results of operations.

Our large customers may impose requirements on us that may adversely affect our results of operations.

From time to time, our large customers may re-evaluate or refine their business practices and impose new or revised requirements on us, the distributors, and the customers' other suppliers. The growth of large mass merchandisers, supercenters and dollar stores, together with changes in consumer shopping patterns, have produced large, sophisticated customers with increased buying power and negotiating strength. Current trends among retailers and foodservice customers include fostering high levels of competition among suppliers, demanding new products or increased promotional programs, requiring suppliers to maintain or reduce product prices, reducing shelf space for our products, and requiring product delivery with shorter lead times. These business changes may involve inventory practices, logistics, or other aspects of the customer-supplier relationship. Compliance with requirements imposed by large customers may be costly and may have an adverse effect on our margins and profitability. However, if we fail to meet a large customer's demands, we could lose that customer's business, which also could adversely affect our sales and results of operations.

Legal and Regulatory Risks

Government regulation, including labeling or warning requirements, could adversely impact our results of operations and financial condition.

As a producer and marketer of food items, our production processes, product quality, packaging, labeling, storage, and distribution, and the safety of food products and the health and safety of our employees, are subject to regulation by various federal, state and local government entities and agencies. In addition, the marketing and labeling of food products has come under increased scrutiny in recent years, and the food industry has been subject to an increasing number of legal proceedings and claims relating to alleged false or deceptive marketing and labeling under federal, state or local laws or regulations. Uncertainty regarding labeling standards has led to customer confusion and legal challenges. The imposition or proposed imposition of additional product labeling or warning requirements could reduce overall consumption of our products, lead to negative publicity (whether based in scientific fact or not) or leave consumers with the perception (whether or not valid) that our products do not meet their health and wellness needs. Such factors could adversely affect our sales and results of operations.

In addition, our operations are subject to extensive and increasingly stringent regulations administered by the Environmental Protection Agency related to the discharge of materials into the environment and the handling and disposition of waste. Failure to comply with these regulations can have serious consequences, including civil and administrative penalties and negative publicity. Changes in applicable laws or regulations or evolving interpretations thereof, including increased government regulations to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change, may result in increased compliance costs, capital expenditures, and other financial obligations for us, which could affect our profitability or impede the production or distribution of our products, and affect our sales.

Compliance with federal, state and local laws and regulations is costly and time consuming. Failure to comply with, or violations of, applicable laws and the regulatory requirements of one or more of these entities and agencies could subject us to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, any of which could result in increased operating costs and adversely affect our results of operations and financial condition. Legal proceedings or claims related to our marketing could damage our reputation and/or adversely affect our business or financial results.

Climate change, or legal, regulatory, or market measures to address climate change, may negatively affect our business and operations.

There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products, such as corn and wheat. Adverse weather conditions and natural disasters can reduce crop size and crop quality, which in turn could reduce our supplies of raw materials, lower recoveries of usable raw materials, increase the prices of our raw materials, increase our cost of transporting and storing raw materials, or disrupt our production schedules.

We may also be subjected to decreased availability or less favorable pricing for water as a result of climate change, which could impact our production and distribution operations. In addition, natural disasters and extreme weather conditions may disrupt the productivity of our facilities or the operation of our supply chain. The increasing concern over climate change also may result in more regional, federal, and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is enacted and is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy efficiency, we may experience significant increases in our costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the distribution and supply chain costs associated with our products. As a result, climate change could negatively affect our business and operations.

Additionally, as concerns about climate change and other environmental issues continue to increase, we may be required to comply with new laws and regulations which may result in increased/not yet identified compliance costs, the scale of which is to be evaluated. We continue to evaluate the possible impact of such new laws and regulations, including those mentioned in the following sentence. In October 2023, California passed new laws that mandate the disclosure of GHG emissions, including Scope 3 emissions, and climate-related financial risks and measures adopted to reduce and adapt to such risks. Both California laws require initial disclosures in 2026.

We are subject to increasing legal complexity and could be party to litigation that may adversely affect our business.

Increasing legal complexity may continue to affect our operations and results in material ways. We are or could be subject to legal proceedings that may adversely affect our business, including class actions, administrative proceedings, government investigations, securities laws, employment and personal injury claims, disputes with current or former suppliers, claims by current or former distributors, and intellectual property claims (including claims that we infringed another party's trademarks, copyrights, or patents). Inconsistent standards imposed by governmental authorities can adversely affect our business and increase our exposure to litigation. Litigation involving our independent distributor model and the independent contractor classification of the independent distributors, as well as litigation related to disclosure made by us in connection therewith, if determined adversely, could increase costs, negatively impact our business prospects and the business prospects of our distributors and subject us to incremental liability for their actions. We are also subject to the legal and compliance risks associated with privacy, data collection, protection and management, in particular as it relates to information we collect when we provide products to customers.

Executive Offices

The address and telephone number of our principal executive offices are 1919 Flowers Circle, Thomasville, Georgia 31757, (229) 226-9110.

Information about our Executive Officers

The following table sets forth certain information regarding the persons who currently serve as the executive officers of Flowers Foods.

EXECUTIVE OFFICERS

<u>Name, Age and Office</u>	<u>Business Experience</u>
A. Ryals McMullian Age 54 Chairman and Chief Executive Officer	Mr. McMullian serves as chairman and chief executive officer of Flowers. He was elected as chairman of the board of directors effective May 25, 2023 and has served as chief executive officer since May 2019. Previously, Mr. McMullian served as president and chief executive officer from May 2019 to August 2023. He served as chief operating officer from July 2018 until May 2019 and as chief strategy officer from May 2017 to July 2018. Prior to those appointments, Mr. McMullian served as vice president of mergers and acquisitions and deputy general counsel from 2015 until 2017, vice president and associate general counsel from 2011 until 2015, and as associate general counsel from 2003, when he joined the company, until 2011.
R. Steve Kinsey Age 63 Chief Financial Officer and Chief Accounting Officer	Mr. Kinsey was named chief financial officer (“CFO”) and chief accounting officer (“CAO”) in April 2020. Previously, he served as executive vice president, CFO and chief administrative officer from May 2017 to April 2020. Mr. Kinsey served as executive vice president and CFO from 2008 until 2017, and as senior vice president and CFO from 2007 to 2008. Prior to those appointments, Mr. Kinsey served in various accounting roles since joining the company in 1989.
Heeth Varnedoe IV Age 57 President and Chief Operating Officer	Mr. Varnedoe was named president and chief operating officer effective September 2023. Previously, he served as chief operating officer from January 2023 to August 2023. He served as chief transformation officer from December 2020 until January 2023, senior vice president of DSD Regions/Sales from August 2017 until December 2020, and president of Flowers’ Phoenix, Arizona bakery from January 2016 to August 2017. Mr. Varnedoe joined Flowers in 1990 and held a number of positions before leaving the company in 2000 to pursue other business interests. He rejoined Flowers in 2012.
Terry S. Thomas Age 54 Chief Growth Officer	Mr. Thomas joined Flowers as chief growth officer in September 2023. Prior to joining the company, Mr. Thomas served as global chief customer officer of Unilever, a global food, personal care, and household products company, from January 2022 to July 2023, and executive vice president, chief customer officer of Unilever from July 2019 to July 2023. During his career with Unilever, he was named senior vice president of customer development in 2013 and senior vice president of customer development, U.S. grocery channel, DSD & natural channel in 2018. Prior to joining Unilever, Mr. Thomas worked for PepsiCo, Inc. for 13 years, serving as vice president and general manager of various business channels, including small format, global convenience, gas, drug, dollar, and super regional grocery. Mr. Thomas also held management positions at the Coca-Cola Company, Clorox Company, and The Procter & Gamble Company. From August 2020 to August 2023, Mr. Thomas served on Flowers’ board of directors as an independent director.
Stephanie B. Tillman Age 53 Chief Legal Counsel	Ms. Tillman was named chief legal counsel and corporate secretary effective January 2020. Previously, she served as vice president, chief compliance officer, and deputy general counsel from April 2011 to January 2020. Prior to that, Ms. Tillman served in various roles in the legal department since joining the company in 1995.
Cindy L. Cox Age 57 Chief Human Resources Officer	Ms. Cox joined Flowers as chief human resources officer in February 2023. Before joining Flowers, she served as vice president of human resources for the Refrigeration segment of Carrier Corporation, the leading global provider of healthy, safe, sustainable, and intelligent building and cold chain solutions (“Carrier”), since July 2017. During her 27-year tenure with Carrier and Pratt & Whitney, she held multiple human resources roles of increasing scale and responsibility.
H. Mark Courtney Age 63 Chief Brand Officer	Mr. Courtney was named chief brand officer in July 2020. He previously served as president of the Fresh Packaged Bread Business Unit from May 2019 to July 2020, senior vice president of retail accounts from May 2017 to May 2019, and senior vice president of sales from June 2008 to May 2017. Prior to that, Mr. Courtney served in various sales positions since joining the company in 1983.

Name, Age and Office	Business Experience
Tom Winters Age 60 Chief Supply Chain Officer	Mr. Winters joined Flowers as chief supply chain officer in April 2022. Before joining Flowers, he served as senior vice president of supply chain at PepsiCo, Inc., overseeing supply chain functions for two of the company's North American divisions. During his 19-year tenure at PepsiCo, he also held a number of operations and production roles with responsibility for the management of internal plants, warehouses, and contract manufacturers. He began his career with The Proctor & Gamble Company in 1988, serving in a number of operational leadership roles at production facilities in the U.S. and Puerto Rico until joining PepsiCo in 2003.
David M. Roach Age 54 Chief Strategic Projects Officer	Mr. Roach was named chief strategic projects officer in August 2022. He previously served as president of cake operations from July 2020 until August 2022, president of the Snacking/Specialty Business Unit from May 2017 to July 2020, and senior vice president of organics from September 2015 until May 2017. Mr. Roach served in various sales and management positions since joining the company in 1992.
Mark Chaffin Age 53 Chief Information Officer	Mr. Chaffin was named chief information officer (“CIO”) in February 2020 after serving four months in an interim capacity. Prior to joining Flowers, Mr. Chaffin was a partner in the Southeast practice of Fortium Partners, a provider of technology leadership services, from 2019 until joining Flowers. He also served as CIO at SGSCO, a global package and brand design and marketing company, from 2015 to 2019 and as CIO for Acosta Sales and Marketing from 2007 to 2015.

Item 1B. *Unresolved Staff Comments.*

None

Item 1C. *Cybersecurity.*

Protecting the security of our information systems is of significant importance to Flowers. We follow certain policies, protocols, and practices that address cybersecurity.

Risk Management and Strategy. We have processes in place for assessing, identifying and managing material risks from cybersecurity threats. These processes have been integrated into our enterprise risk management system. These processes also cover third-party service provider incidents that may impact the company.

Our cybersecurity program includes employee training and a computer security incident response plan (the “CSIRP”) that provides controls and procedures designed to timely and accurately report material cybersecurity incidents. Employees receive regular security training, and we conduct periodic phishing testing to assess whether our employees require additional training. Additionally, we provide our employees with easy-to-use tools to report potential phishing emails. The CSIRP establishes an organizational framework and guidelines to assist the Company in identifying, responding to, and recovering from computer security incidents both at the company and its third-party service providers in connection with incidents that may impact the company, including the security incident management team (the “SIM Team”), a legal team (the “Legal Team”) and the computer security incident response team (the “CSIRT”). Each of the SIM Team, the Legal Team, and the CSIRT, often in consultation with the VP of Information Security, has a discrete set of responsibilities and obligations under the CSIRP. The CSIRT is a broad, cross-functional team of management stakeholders assigned with coordinating, developing, and managing the Company’s response to computer security incidents when activated.

Once the CSIRT has been activated, incidents are reported to a subcommittee of the Company’s disclosure committee, which consists of certain senior executives and leaders throughout the company and is charged with making disclosure determinations.

The CSIRP provides that, when activated, the CSIRT will lead all aspects of incident response, including the engagement of outside counsel and other third-party resources, such as an external incident response team, forensic resources, a crisis management or public relations firm, or notification service providers. For incidents where the CSIRP is not activated, either the SIM Team or the Legal Team, depending on the circumstances, is expected to lead and manage the incident response.

We maintain insurance covering certain costs that may be incurred in connection with cybersecurity incidents, should they occur. The company engages consultants, auditors, and other third parties to identify and manage risk from third parties.

No risks from previous cybersecurity threats have materially affected or are reasonably likely to materially affect Flowers' business strategy, results of operations, or financial condition. However, we may incur significant costs in protecting or remediating cyber-attacks or other cyber incidents. If we are unable to prevent physical and electronic break-ins, cyber-attacks and other information security breaches, we may suffer financial and reputational damage, be subject to litigation or incur remediation costs or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, suppliers or employees.

Governance. The company's board of directors oversees the company's Information Security program, which is approved annually. The audit committee is tasked with oversight of certain risk issues, including cybersecurity. As described in its charter, the audit committee of the Board of Directors oversees risks related to information technology security and regularly reviews and discusses with management the company's information technology security risk exposures, including (a) the potential impact of those exposures on the company's business, financial results, operations and reputation, (b) the steps that management has taken to monitor and mitigate such exposures, (c) the company's information governance policies and programs, and (d) legislative and regulatory developments that could materially impact the company's privacy and data risk exposure.

At the management-level, the company's IT systems are overseen by our chief information officer, who has responsibility for information technology strategy and operations. The company's Information Security program is led by the company's VP of Information Security, who has responsibility for information security strategy and operation. This individual has a variety of IT security skills, experiences and professional expertise, obtained through work experience and information security certifications and education.

Management tracks cybersecurity incidents through the process described above. Management regularly reports to the audit committee regarding policies and processes for assessing and managing risk associated with information technology and cybersecurity, as well as material cybersecurity incidents.

Item 2. *Properties*

Our principal executive offices are company owned and located in Thomasville, Georgia. The company also leases properties that are used for shared services functions and our IT group and owns several properties for our corporate offices. The company also has an additional shared services center in Phoenix, Arizona.

We operate 46 bakeries across the continental U.S. Each of the listed bakeries is company owned except for Modesto, California and Philadelphia, Pennsylvania. We believe that our bakeries have adequate production utilization and can meet the current operational requirements for the operation of the business. As discussed in Item 1., *Business*, of this Form 10-K, the company is restructuring its plant operation responsibilities from the sales function to the supply chain function. This transition began in Fiscal 2023 and is anticipated to be completed for the remaining bakeries in Fiscal 2024. Additionally, across the continental U.S. in the markets we serve, we own approximately 140 warehouse/distribution centers and lease approximately 509 warehouse/distribution centers.

The table below sets forth the production and sales operations in our bakeries:

Alabama	Kansas	Tennessee
Birmingham (P)	Lenexa (PS)	Cleveland (P)
Montgomery (P)	Kentucky	Crossville (PS)*
Tuscaloosa (P)	Bardstown (PS)	Knoxville (PS)
Arizona	London (PS)*	Texas
Mesa (PS)*	Louisiana	Denton (PS)
Tolleson (P)	Baton Rouge (PS)	El Paso (PS)
Arkansas	Lafayette (P)	Houston (P)
Batesville (PS)	New Orleans (PS)	Houston (PS)
Texarkana (P)	Maine	San Antonio (PS)
California	Lewiston (P)	Tyler (PS)
Modesto (Leased) (P)	Lewiston (PS)	Utah
Colorado	Nevada	West Jordan (PS)
Johnstown (P)	Henderson (PS)	Virginia
Florida	North Carolina	Lynchburg (P)
Bradenton (PS)	Goldsboro (PS)	Norfolk (PS)
Jacksonville (PS)	Jamestown (PS)	
Lakeland (P)	Newton (PS)	
Miami (PS)	Oregon	
Georgia	Milwaukie (PS)	
Atlanta (P)	Pennsylvania	
Savannah (P)	Oxford (PS)	
Suwanee (P)	Philadelphia (Leased) (PS)	
Thomasville (PS)		
Tucker (P)		
Villa Rica (P)		

P - Production Only

PS - Production and Sales

*Only thrift store sales

We believe our facilities are well-maintained and adequate, that they are being appropriately utilized and that they have sufficient production utilization for their present intended purposes. Utilization is actual labor time as a percent of available hours of production in a week (based on 120 hours/week for three shifts). On a consolidated basis during Fiscal 2023, our average quarterly production utilization ranged from 89% to 98% across all bakeries. During heightened periods of demand, the company can improve utilization by streamlining production with longer production runs and fewer differentiated products produced. Production utilization is not materially different when a sales facility is also located at the bakery.

Item 3. Legal Proceedings

For a description of all material pending legal proceedings, See Note 23, *Commitments and Contingencies*, of Notes to Consolidated Financial Statements of this Form 10-K.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Shares of the company's common stock are quoted on the New York Stock Exchange (the "NYSE") under the symbol "FLO."

Holder

As of February 15, 2024, there were approximately 3,225 holders of record of the company's common stock.

Dividends

The payment of dividends is subject to the discretion of the company's Board. The Board bases its decisions regarding dividends on, among other things, general business conditions, our financial results, contractual, legal and regulatory restrictions regarding dividend payments and any other factors the Board may consider relevant.

Purchases of Equity Securities by the Issuer

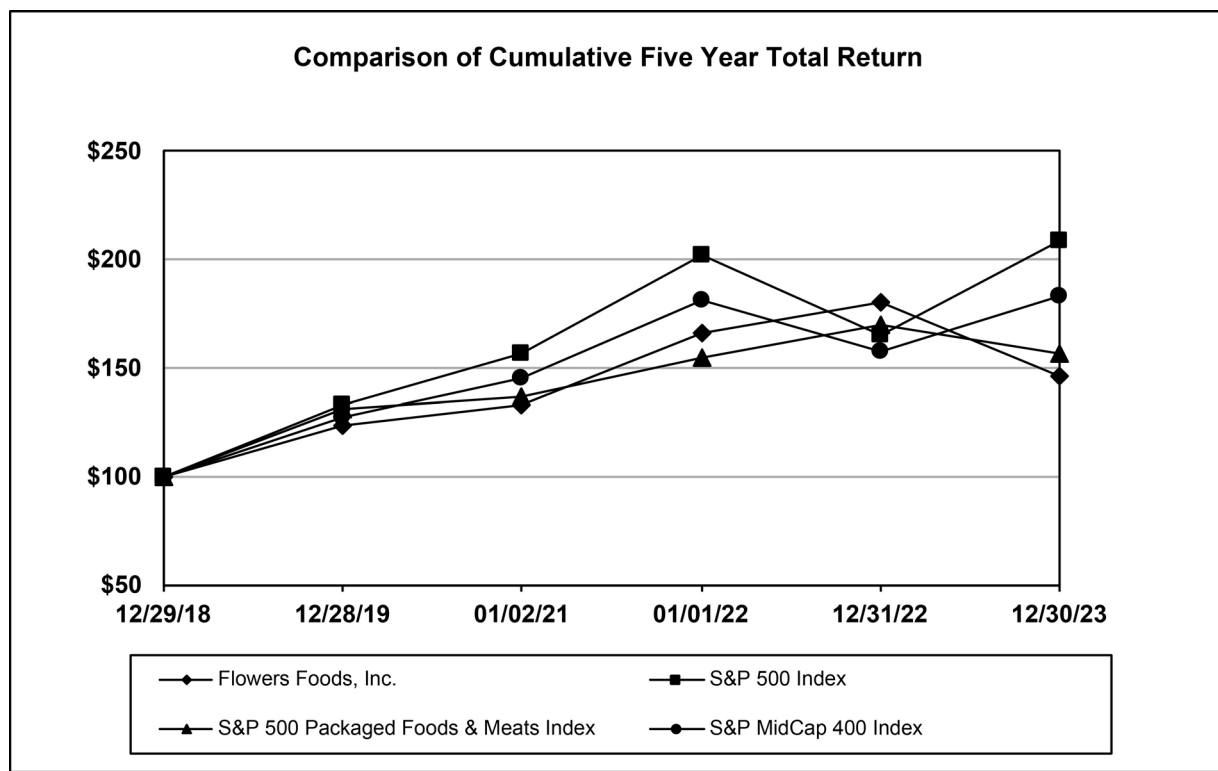
As originally announced on December 19, 2002, and subsequently increased, our Board of Directors had approved a plan that authorized share repurchases of up to 74.6 million shares. On May 26, 2022, the company announced that the Board of Directors increased the company's share repurchase authorization by 20.0 million shares. Under the share repurchase plan, the company may repurchase its common stock in open market or privately negotiated transactions or under an accelerated share repurchase program at such times and at such prices as determined to be in the company's best interest. These repurchases may be commenced or suspended without prior notice depending on then-existing business or market conditions and other factors.

During the twelve weeks ended December 30, 2023, 0.7 million shares, at a cost of \$14.9 million, of the company's common stock were repurchased under the share repurchase plan. From the inception of the share repurchase plan through December 30, 2023, 72.0 million shares, at a cost of \$733.3 million, have been repurchased. The company currently has 22.5 million shares remaining available for repurchase under the share repurchase plan. The table below sets forth the common stock repurchased by the company during the twelve weeks ended December 30, 2023 (amounts in thousands, except share price data):

Period	Total Number of Shares Purchased	Weighted Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 8, 2023 — November 4, 2023	—	\$ —	—	23,229
November 5, 2023 — December 2, 2023	700	\$ 21.30	700	22,529
December 3, 2023 — December 30, 2023	—	\$ —	—	22,529
Total	<u>700</u>	\$ 21.30	<u>700</u>	

Stock Performance Graph

The chart below is a comparison of the cumulative total return (assuming the reinvestment of all dividends paid) of our common stock, Standard & Poor's 500 Index, Standard & Poor's 500 Packaged Foods and Meats Index, and Standard & Poor's MidCap 400 Index for the period December 29, 2018 through December 30, 2023 the last day of our 2023 fiscal year.



	December 29, 2018	December 28, 2019	January 2, 2021	January 1, 2022	December 31, 2022	December 30, 2023
FLOWERS FOODS INC	100.00	123.00	132.50	166.47	179.74	146.26
S&P 500 INDEX	100.00	132.97	157.02	202.09	165.49	209.00
S&P 500 PACKAGED FOODS & MEATS INDEX	100.00	130.90	137.01	154.93	169.46	156.66
S&P MIDCAP 400 INDEX	100.00	127.42	144.91	180.79	157.18	183.01

Companies in the S&P 500 Index, the S&P 500 Packaged Foods and Meats Index, and the S&P MidCap 400 Index are weighted by market capitalization and indexed to \$100 at December 29, 2018. Flowers Foods' share price is also indexed to \$100 at December 29, 2018.

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Item 1., *Business*, and the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements included in this Form 10-K. The following information contains forward-looking statements which involve certain risks and uncertainties. See Forward-Looking Statements at the beginning of this Form 10-K.

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is segregated into four sections, including:

- *Executive overview* — provides a summary of our operating performance and cash flows, industry trends, and our strategic initiatives.
- *Critical accounting estimates* — describes the accounting areas where management makes critical estimates to report our financial condition and results of operations.
- *Results of operations* — an analysis of the company’s consolidated results of operations for Fiscal 2023 compared to Fiscal 2022 as presented in the Consolidated Financial Statements. Refer to the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for a discussion of the results of operations for Fiscal 2022 compared to Fiscal 2021.
- *Liquidity, capital resources and financial position* — an analysis of cash flow, contractual obligations, and certain other matters affecting the company’s financial position.

MATTERS AFFECTING COMPARABILITY

The company operates on a 52-53 week fiscal year ending the Saturday nearest December 31. Fiscal 2023 and Fiscal 2022 each consisted of 52 weeks and Fiscal 2024 will also consist of 52 weeks. Furthermore, comparative results from quarter to quarter are impacted by the company’s fiscal reporting calendar. Internal financial results and key performance indicators are reported on a weekly basis to ensure the same number of Saturdays and Sundays in comparable months to allow for consistent four-week progression analysis. This results in our first quarter consisting of sixteen weeks while the remaining three quarters have twelve weeks (except in cases where there is an extra week every five or six years in the fourth quarter). Accordingly, interim results may not be indicative of subsequent interim period results, or comparable to prior or subsequent interim period results, due to differences in the lengths of the interim periods.

Additionally, detailed below are expense (recovery) items affecting comparability that will provide additional context while reading this discussion:

	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Footnote</u>
	<u>52 weeks</u>	<u>52 weeks</u>	<u>Disclosure</u>
	<u>(Amounts in thousands)</u>		
Business process improvement costs	\$ 21,521	\$ 33,169	Note 2
Restructuring charges	7,099	—	Note 5
Plant closure costs and impairment of assets	7,298	7,825	Note 2
Gain on sale, severance costs, and lease termination (gain) loss	—	(4,390)	Note 2
FASTER Act, net of recovery on inferior ingredients	—	236	Note 4
Acquisition-related costs	3,712	12,518	Note 2, 6
Legal settlements and related costs	137,529	7,500	Note 23
	<u>\$ 177,159</u>	<u>\$ 56,858</u>	

Business process improvement costs related to the transformation strategy initiatives. In the second half of Fiscal 2020, we launched initiatives to transform our business, including upgrading our information system to a more robust platform, as well as investments in e-commerce, autonomous planning, and our “bakery of the future” initiatives. In the first quarter of Fiscal 2022, we launched the digital logistics and digital sales initiatives. Implementation of the ERP upgrade is anticipated to be completed in Fiscal 2026. These initiatives are further discussed in Item 1., *Business*, of this Form 10-K. The expensed portion of costs incurred related to these initiatives, which was primarily consulting costs, was \$21.5 million in Fiscal 2023 and \$33.2 million in Fiscal 2022, and is reflected in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income.

Restructuring charges. In February 2023, to improve operational effectiveness, increase profitable sales, and better meet customer requirements, the company announced a restructuring of plant operation responsibilities from the sales function to the supply chain function. Employee termination benefits and other cash charges were primarily for the voluntary employee separation incentive plan (the "VSIP") and employee relocation costs. During Fiscal 2023, we recorded VSIP-related charges of \$5.2 million and made VSIP-related payments of \$3.8 million. Additionally, we recorded and paid reduction-in-force ("RIF") charges of \$0.9 million and relocation costs of \$1.0 million in Fiscal 2023. All of these costs are recorded in the restructuring charges line item of the Consolidated Statements of Income.

Plant closure costs and impairment of assets. During the third and fourth quarters of Fiscal 2023, the company entered into agreements to sell a warehouse and a closed bakery, respectively, both of which were classified as held for sale, and recorded as impairment charges totaling \$1.8 million. The company completed the sale of the impaired warehouse at the end of the third quarter of Fiscal 2023 and anticipates completing the sale of the closed bakery in the first quarter of Fiscal 2024. Additionally, in the fourth quarter of Fiscal 2023, the company recognized an impairment of \$5.5 million for its investment in Base Culture, an unconsolidated affiliate accounted for as a cost method investment. Base Culture is discussed in more detail below.

On July 19, 2022, the company announced the closure of the Holsum Bakery in Phoenix, Arizona. The bakery, which, produced bread and bun products, ceased production on October 31, 2022. This closure is part of our strategy to optimize our sales portfolio and improve supply chain and manufacturing efficiency. The company recognized severance costs of \$1.7 million, multi-employer pension plan withdrawal costs of \$1.3 million, and asset impairment and equipment relocation charges for bakery equipment of \$3.8 million in the third quarter of Fiscal 2022. The severance payments were substantially complete as of December 31, 2022. As a result of the manufacturing line closures, the union participants of the IAM National Pension Fund (the "IAM Fund") at the Phoenix, Arizona bakery will withdraw from the IAM Fund. While this is our best estimate of the ultimate cost of the withdrawal from this plan, additional withdrawal liability may be incurred based on the final IAM Fund assessment or in the event of a mass withdrawal, as defined by statute, occurring anytime up to July 19, 2025.

During the first quarter of Fiscal 2022, the company decided to sell two warehouses acquired at the end of Fiscal 2021 and recorded an impairment charge of \$1.0 million. The company completed the sale of the impaired warehouse at the end of the first quarter of Fiscal 2022. The plant closure costs and impairment of assets are reflected in the Consolidated Statements of Income.

Gain on sale, severance costs, and lease termination (gain) loss. In the second quarter of Fiscal 2022, the company committed to a plan to outsource its aviation services and recorded severance and lease termination charges totaling \$1.7 million. In the fourth quarter of Fiscal 2022, the company completed the lease buyouts and subsequent sale of two aircraft and recorded gains on these sales totaling \$6.1 million. These amounts are reflected in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income. Lease termination costs were paid in the second quarter of Fiscal 2022 and the severance payments were completed in January 2023.

Food allergen compliance costs, net of recovery on inferior ingredients. In the fourth quarter of Fiscal 2022, the company recognized \$2.0 million of compliance costs associated with the Food, Allergy Safety, Treatment, Education, and Research Act (the FASTER Act) signed into law on April 23, 2021 and effective on January 1, 2023. The FASTER Act declared sesame as the ninth major food allergen recognized by the U.S. and requires, among other things, all food products containing sesame (or products produced on the same equipment as products containing sesame) to list it in the ingredients statement or in a separate allergen statement on the packaging. The costs were mostly attributable to write-offs of obsolete packaging and are recorded in our Consolidated Statements of Income.

In the fourth quarter of Fiscal 2021, the company issued a voluntary recall on certain *Tastykake* multi-pack cupcakes sold in eight states and certain *Tastykake* Krimpets distributed to retail customers throughout the U.S. due to the potential presence of tiny fragments of metal mesh wire. The recall was initiated following notification by a vendor of the possible contamination in a supplied ingredient. The company incurred costs of \$1.8 million related to the recall in Fiscal 2021 and received a full reimbursement for the loss in the fourth quarter of Fiscal 2022. These costs and related reimbursements are recorded in our Consolidated Statements of Income.

Acquisition-related costs. On December 13, 2022, the company announced it had entered into a definitive agreement to acquire the Papa Pita bakery business ("Papa Pita") and, on February 17, 2023, completed the acquisition for total consideration of approximately \$274.8 million, inclusive of a net working capital purchase price adjustment. The property and equipment, certain financial assets and taxes are still under review. We funded the purchase price with cash on-hand and from our existing credit facilities. Papa Pita is a manufacturer and distributor of bagels, tortillas, breads, buns, English muffins, and flat breads with one production facility in West Jordan, Utah and, prior to the acquisition, Papa Pita co-manufactured certain products for us. Papa Pita has direct-store-delivery distribution in the western U.S., expanding our geographic reach. We incurred acquisition-related costs of \$3.7 million and \$0.9 million in Fiscal 2023 and 2022, respectively.

In the third quarter of Fiscal 2022, we incurred \$11.6 million in costs from the pursuit of an acquisition that failed to materialize. In addition to customary acquisition costs, we incurred \$8.4 million related to realized foreign currency exchange losses. Although the majority of the target company's sales were made in the U.S., the target company's foreign domicile required us to convert funds from U.S. dollars to complete the transaction. Following that conversion, a significant strengthening of the U.S. dollar relative to the target company's currency resulted in the foreign currency exchange loss upon conversion back into U.S. dollars following the failure of the deal.

Acquisition-related costs are recorded in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income.

Legal settlements and related costs. In the third quarter of Fiscal 2023, we reached an agreement to settle certain distributor-related litigation for a settlement payment, inclusive of plaintiffs' attorney fees, of \$55.0 million. The settlement also requires a phased repurchase of approximately 350 distribution territories in California and the company estimates this cost, along with the cost to repurchase approximately 50 other California distribution territories that are not part of the settlement, to be approximately \$80.2 million. Additional costs of \$2.3 million were recognized to fully impair held and used distribution rights classified as intangible assets. The terms of the settlement require court approval and preliminary approval was obtained in the fourth quarter of Fiscal 2023. The legal settlement and related costs are higher than originally estimated in the Form 8-K filed by the company on September 1, 2023 primarily due to the planned repurchase of the additional distribution territories that were not part of the settlement.

During the second and third quarters of Fiscal 2022, we reached agreements to settle certain distributor-related litigation in the aggregate amount of \$7.5 million, inclusive of attorney fees. The settlement accrued for in the second quarter of Fiscal 2022 was paid in the third quarter of Fiscal 2022 and the settlement accrued for in the third quarter of Fiscal 2022 was paid in Fiscal 2023.

All amounts related to legal settlements and related costs are recorded in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income. As of December 30, 2023, \$119.6 million of settlements were accrued (inclusive of obligations for the repurchase of distribution territories) and the remaining reserve for the related distributor notes receivable was \$14.8 million.

EXECUTIVE OVERVIEW

We are the second-largest producer and marketer of packaged bakery foods in the U.S. with Fiscal 2023 sales of \$5.1 billion. We operate in the highly competitive fresh bakery market. Our product offerings include a wide range of fresh breads, buns, rolls, snack items, bagels, English muffins, and tortillas, as well as frozen breads and rolls, which we produce at 46 plants in 19 states. Our products are sold under leading brands such as *Nature's Own*, *Dave's Killer Bread ("DKB")*, *Canyon Bakehouse*, *Tastykake*, *Mrs. Freshley's*, and *Wonder*. See Item 1., *Business*, of this Form 10-K for additional information regarding our customers and brands, business strategies, strengths and core competencies, and competition and risks.

Impact of the Inflationary Economic Environment and Other Macroeconomic Factors on Our Business

We continue to monitor the impact of the inflationary economic environment, supply chain disruptions, labor shortages, the conflict between Russia and Ukraine, and the conflict in the Middle East on our business as further discussed in Item 1., *Business*, of this Form 10-K.

Summary of Operating Results, Cash Flows and Financial Condition:

Our results in Fiscal 2023 continued to benefit from a more optimized sales mix of branded retail products as compared to pre-pandemic periods. However, we experienced significant input cost inflation for commodities and, to a lesser extent, for transportation and labor, in Fiscal 2023 and Fiscal 2022. To mitigate these cost pressures, we implemented price increases in the first and second quarters of Fiscal 2023. Additionally, we incurred significant costs associated with a legal settlement in Fiscal 2023.

Sales increased 5.9% in Fiscal 2023 compared to Fiscal 2022. Price/mix contributed 10.1% to the sales growth and the Papa Pita acquisition contributed 1.1%, partially offset by volume declines of 5.3%. The benefits of inflation-driven pricing actions were partially offset by volume softness and consumer trade down to store branded products. Our volumes were impacted by targeted sales rationalization, exiting certain lower margin business, and overall softness in the fresh packaged bread category resulting from inflationary pressure on consumer spending and shifts in consumer behavior and preferences. Sales of our leading brands, *Nature's Own*, *DKB*, and *Canyon Bakehouse*, continued to increase from positive price/mix but volumes were lower except for *DKB*.

Income from operations for Fiscal 2023 was \$172.9 million compared to \$303.2 million in Fiscal 2022. The decrease resulted primarily from an increase in legal settlements and related costs of \$130.0 million, input cost inflation, decreases in production volumes,

increased marketing investments, and higher maintenance costs in the current year. Those factors were partially offset by price increases, reduced outside purchases of product, and lower acquisition-related and consulting costs year over year.

Net income was \$123.4 million for Fiscal 2023 compared to \$228.4 million in the prior year. The decrease year over year resulted primarily from lower income from operations, as described above, and higher net interest expense, partially offset by a lower effective tax rate.

In Fiscal 2023, we generated net cash flows from operations of \$349.4 million, paid \$274.8 million for the Papa Pita acquisition, inclusive of the net working capital purchase price adjustment, and invested \$129.1 million in capital expenditures (inclusive of \$27.8 million for the ongoing ERP upgrade). Additionally, we made stock repurchases of \$45.8 million and paid \$195.2 million in dividends to our shareholders. Our cash and cash equivalents balance as of December 30, 2023 was \$22.5 million. In Fiscal 2023, we terminated the accounts receivable securitization facility (the "securitization facility") and entered into a two-year \$200.0 million trade receivable repurchase facility (the "repurchase facility").

In Fiscal 2022, we generated net cash flows from operations of \$360.9 million and invested \$169.1 million in capital expenditures (inclusive of \$61.3 million for the ongoing ERP upgrade) and \$9.0 million in a cost-method investment as further discussed below. Additionally, we made \$34.6 million in stock repurchases and paid \$186.5 million in dividends to our shareholders in Fiscal 2022.

During the second quarter of Fiscal 2022, we invested \$9.0 million in Base Culture, a Clearwater, Florida-based company with one manufacturing facility. We made an additional investment of \$2.0 million in Base Culture in the second quarter of Fiscal 2023. Base Culture's product offerings include better-for-you, gluten-free, and grain-free sliced breads and baked goods and are all-natural, 100% Paleo-certified, kosher-certified, dairy-free, soy-free, and non-GMO verified. As discussed above, in the fourth quarter of Fiscal 2023, the company recognized a \$5.5 million impairment related to this investment.

CRITICAL ACCOUNTING ESTIMATES

The company's discussion and analysis of its results of operations and financial condition are based upon the Consolidated Financial Statements of the company, which have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP"). The preparation of these financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, and cash flows during the reporting period. On an ongoing basis, the company evaluates its estimates, including those related to customer programs and incentives, bad debts, raw materials, inventories, long-lived assets, leased assets, intangible assets, income taxes, restructuring, pensions and other post-retirement benefits, and contingencies and litigation. The company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The selection and disclosure of the company's critical accounting estimates have been discussed with the company's audit committee. Note 2, *Summary of Significant Accounting Policies*, of Notes to Consolidated Financial Statements of this Form 10-K includes a summary of the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The following table lists, in no particular order of importance, areas of critical assumptions and estimates used in the preparation of the Consolidated Financial Statements. Additional detail can be found in the following notes:

Critical Accounting Estimate	Note
Revenue recognition	—
Derivative financial instruments	11
Long-lived assets	—
Goodwill and other intangible assets	10
Leases	14
Self-insurance reserves	23
Income tax expense and accruals	22
Postretirement plans	21
Stock-based compensation	19
Commitments and contingencies	23

Revenue Recognition. Revenue is recognized when obligations under the terms of a contract with our customers are satisfied. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. The company records both direct and estimated reductions to gross revenue for customer programs and incentive offerings at the time the incentive is offered or at the time of revenue recognition for the underlying transaction that results in progress by the customer towards earning the incentive. These allowances include price promotion discounts, coupons, customer rebates, cooperative advertising, and

product returns. Consideration payable to a customer is recognized at the time control transfers and is a reduction to revenue. The recognition of costs for promotion programs involves the use of judgment related to performance and redemption estimates. Estimates are made based on historical experience and other factors. Price promotion discount expense is recorded as a reduction to gross sales when the discounted product is sold to the customer.

Derivative Financial Instruments. The company's cost of certain raw materials is highly correlated to underlying commodities markets. Raw materials, such as our baking ingredients, experience price fluctuations. If actual market conditions become significantly different than those anticipated, raw material prices could increase significantly, adversely affecting our results of operations. We enter into forward purchase agreements and other derivative financial instruments qualifying for hedge accounting to manage the impact of volatility in raw material prices. The company measures the fair value of its derivative portfolio using fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal market for that asset or liability. When quoted market prices for identical assets or liabilities are not available, the company bases fair value on internally developed models that use current market observable inputs, such as exchange-quoted futures prices and yield curves. Refer to Item 7A., *Quantitative and Qualitative Disclosures About Market Risk*, of this Form 10-K for additional information about our derivative financial instruments, including a sensitivity analysis of the company's potential exposure to commodity price risk.

Valuation of Long-Lived Assets, Goodwill and Other Intangible Assets. The company records an impairment charge to property, plant and equipment, goodwill and intangible assets in accordance with applicable accounting standards when, based on certain indicators of impairment, it believes such assets have experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of these underlying assets could result in losses or an inability to recover the carrying value of the asset that may not be reflected in the asset's current carrying value, thereby possibly requiring impairment charges in the future. Impairment charges recorded in Fiscal 2023 and Fiscal 2022 are discussed above in the "Matters Affecting Comparability" section.

Flowers has concluded it has one operating segment based on the nature of products that Flowers sells, an intertwined production and distribution model, the internal management structure and information that is regularly reviewed by the CEO, who is the chief operating decision maker, for the purpose of assessing performance and allocating resources. The company also determined we have one reporting unit.

The company evaluates the recoverability of the carrying value of its goodwill on an annual basis or at a time when events occur that indicate the carrying value of the goodwill may be impaired. We have elected not to perform the qualitative approach, but instead perform a quantitative analysis by comparing the fair value of the reporting unit with which the goodwill is associated to the carrying amount of the reporting unit. If the fair value is less than the carrying value, the goodwill is written down to the extent the carrying amount exceeds the fair value.

Our annual evaluation of goodwill impairment requires management judgment and the use of estimates and assumptions to determine the fair value of our reporting unit. Fair value is estimated using standard valuation methodologies incorporating market participant considerations and management's assumptions on revenue, revenue growth rates, operating margins, discount rates, and EBITDA (defined as earnings before interest, taxes, depreciation and amortization). Our estimates can significantly affect the outcome of the test. We perform the fair value assessment using the income and market approach. Changes in our forecasted operating results and other assumptions could materially affect these estimates. This test is performed in the fourth quarter of each fiscal year unless circumstances require this analysis to be completed sooner. The income approach is tested using a sensitivity analysis to changes in the discount rate and yield a sufficient buffer to significant variances in our estimates. The estimated fair value of our reporting unit exceeded its carrying value in excess of \$3.4 billion in Fiscal 2023. A 1% decrease in the discount rate would increase the fair value of the reporting unit by \$0.9 billion and a 1% increase in the discount rate would decrease the fair value by \$0.7 billion. Based on management's evaluation, no impairment charges relating to goodwill were recorded for Fiscal 2023 or Fiscal 2022.

In connection with acquisitions, the company has acquired trademarks, customer lists, and non-compete agreements, a portion of which are amortizable. The company evaluates these assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The undiscounted future cash flows of each intangible asset are compared to the carrying amount, and if less than the carrying value, the intangible asset is written down to the extent the carrying amount exceeds the fair value. The fair value is computed using the same approach described above for goodwill and includes the same risks and estimates. The fair value of the trademarks could be less than our carrying value if any of our four material assumptions in our fair value analysis: (a) weighted average cost of capital; (b) long-term sales growth rates; (c) forecasted operating margins; and (d) market multiples do not meet our expectations, thereby requiring us to record an asset impairment. We use the multi-period excess earnings and relief from royalty methods to value these intangibles. The method used for impairment testing purposes is consistent with the valuation method employed at acquisition of the intangible asset. In Fiscal 2023, we recorded a \$2.3 million charge to fully impair held and used distribution rights classified as intangibles assets. This was in conjunction with costs related to a California legal settlement. No impairment charges related to amortizing intangible assets were recorded in Fiscal 2022.

As of December 30, 2023, the company also owns trademarks acquired through acquisitions with a total carrying value of \$127.1 million that are indefinite-lived intangible assets not subject to amortization. The company evaluates the recoverability of intangible assets not subject to amortization by comparing the fair value to the carrying value on an annual basis or at a time when events occur that indicate the carrying value may be impaired. In addition, the assets are evaluated to determine whether events and circumstances continue to support an indefinite life. The fair value is compared to the carrying value of the intangible asset, and if less than the carrying value, the intangible asset is written down to fair value. There are certain inherent risks included in our expectations about the performance of acquired trademarks and brands. If we are unable to implement our growth strategies for these acquired intangible assets as expected, it could adversely impact the carrying value of the brands. The fair value of the trademarks could be less than our carrying value if any of our four material assumptions in our fair value analysis: (a) weighted average cost of capital; (b) long-term sales growth rates; (c) forecasted operating margins; and (d) market multiples do not meet our expectations, thereby requiring us to record an asset impairment.

Leases. The company's leases consist of the following types of assets: two bakeries, corporate office space, warehouses, bakery equipment, transportation, and IT equipment. The company uses the applicable incremental borrowing rate at lease commencement to perform the lease classification tests on lease components and to measure the lease liabilities and right-of-use assets in situations when discount rates implicit in leases cannot be readily determined.

Self-Insurance Reserves. We are self-insured for various levels of general liability, auto liability, workers' compensation, and employee medical and dental coverage. Insurance reserves are calculated on a combination of an undiscounted basis based on actual claims data and estimates of incurred but not reported claims developed utilizing historical claims trends. Projected settlements of incurred but not reported claims are estimated based on pending claims, historical trends, industry trends related to expected losses and actual reported losses, and key assumptions, including loss development factors and expected loss rates. Though the company does not expect them to do so, actual settlements and claims could differ materially from those estimated. Material differences in actual settlements and claims could have an adverse effect on our financial condition and results of operations.

A sensitivity analysis has been prepared to quantify the impact of changes in claim severity and frequency on the estimated unpaid losses on the company's workers' compensation liabilities. We estimate a 1% change in the claim severity and frequency would result in an approximately \$0.6 million change in the workers' compensation liability.

Income Tax Expense and Accruals. The annual tax rate is based on our income, statutory tax rates, and tax planning opportunities available to us in the various jurisdictions in which we operate. Changes in statutory rates and tax laws in jurisdictions in which we operate may have a material effect on the annual tax rate. The effect of these changes, if any, would be recognized as a discrete item upon enactment.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenues and expenses. Deferred tax assets and liabilities are measured based on the enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid.

Our income tax expense, deferred tax assets and liabilities, and reserve for uncertain tax benefits reflect our best assessment of future taxes to be paid in the jurisdictions in which we operate. The company records a valuation allowance to reduce its deferred tax assets if we believe it is more likely than not that some or all of the deferred assets will not be realized. While the company considers future taxable income and ongoing prudent and feasible tax strategies in assessing the need for a valuation allowance, if these estimates and assumptions change in the future, the company may be required to adjust its valuation allowance, which could result in a charge to, or an increase in, income in the period such determination is made.

Periodically, we face audits from federal and state tax authorities, which can result in challenges regarding the timing and amount of income or deductions. We provide reserves for potential exposures when we consider it more likely than not that a taxing authority may take a sustainable position on a matter contrary to our position. We evaluate these reserves on a quarterly basis to ensure that they have been appropriately adjusted for events, including audit settlements that may impact the ultimate payment of such potential exposures. While the ultimate outcome of audits cannot be predicted with certainty, we do not currently believe that current or future audits will have a material adverse effect on our consolidated financial condition or results of operations. The company is no longer subject to federal examination for years prior to Fiscal 2020, and with limited exceptions, for years prior to 2019 in state jurisdictions.

Postretirement Plans. The company records pension costs and benefit obligations related to its defined benefit plans based on actuarial valuations. These valuations reflect key assumptions determined by management, including the discount rate, expected long-term rate of return on plan assets and mortality. Material changes in pension costs and in benefit obligations may occur in the future due to experience that is different than assumed and changes in these assumptions. A sensitivity analysis of pension costs has been prepared to quantify the impact of changes in the discount rate. We estimate a 0.25% change in the discount rate would result in approximately \$0.1 million change in pension costs on a pre-tax basis.

The company sponsors a defined benefit pension plan for union employees, the Flowers Foods, Inc. Retirement Plan No. 2 ("Plan No. 2"), and a frozen nonqualified plan covering former Tasty executives.

We use a spot rate approach ("granular method") to estimate the service cost and interest cost components of benefit cost by applying the specific spot rates along the yield curve to the relevant projected cash flows, as we believe this provides the best estimate of service and interest costs.

The pension plan's investment committee, which consists of certain members of management, establishes investment guidelines and regularly monitors the performance of the plan's assets. The investment committee is responsible for executing these strategies and investing the pension assets in accordance with ERISA and fiduciary standards. The investment objective of the pension plan is to preserve the plan's capital and maximize investment earnings within acceptable levels of risk and volatility. The investment committee meets on a regular basis with its investment advisors to review the performance of the plan's assets. Based upon performance and other measures and recommendations from its investment advisors, the investment committee rebalances the plan's assets to the targeted allocation when considered appropriate. The asset allocation for Plan No. 2 as of December 31, 2023 is equal to 23% equity securities, 75% fixed-income securities, and 2% short-term investments and cash. For the details of our pension plan assets, see Note 21, *Postretirement Plans*, of Notes to Consolidated Financial Statements of this Form 10-K.

In developing the expected long-term rate of return on plan assets at each measurement date, the company considers the plan assets' historical actual returns, targeted asset allocations, and the anticipated future economic environment and long-term performance of the individual asset classes, based on the company's investment strategy. While appropriate consideration is given to recent and historical investment performance, the assumption represents management's best estimate of the long-term prospective return. Further, pension costs do not include an explicit expense assumption, and therefore the return on assets rate reflects the long-term expected return, net of expenses. Based on these factors, the long-term rate of return assumption for Plan No. 2 is set at 5.9% (net of investment and administrative fees, assumed to be 0.4% per annum) for Fiscal 2024.

The company utilizes the Society of Actuaries' ("SOA") published mortality tables and improvement scales in developing their best estimates of mortality. In October 2019, the SOA published its final report on their "standard" mortality table ("Pri-2012"). For purposes of measuring pension benefit obligations of Plan No. 2, the company used the Pri-2012 base table with blue collar adjustment, and 117.1% multiplier, and a projection scale of MP-2021. No other collar adjustments are applied for any other plans. In addition, contingent annuitant mortality rates are applied for surviving spouses after the death of the original retiree.

The company determines the fair value of substantially all of its plans' assets utilizing market quotes rather than developing "smoothed" values, "market related" values, or other modeling techniques. Plan asset gains or losses in a given year are included with other actuarial gains and losses due to remeasurement of the plans' projected benefit obligations ("PBO"). If the total unrecognized gain or loss exceeds 10% of the larger of (i) the PBO or (ii) the market value of plan assets, the excess of the total unrecognized gain or loss is amortized over the expected average remaining service period of active covered employees (or average future lifetime of participants if the plan is inactive or frozen). Prior service cost or credit, which represents the effect on plan liabilities due to plan amendments, is amortized over the average remaining service period of active covered employees (or average future lifetime if the plan is inactive or frozen).

In Fiscal 2024, the company does not expect to make any cash contributions to Plan No. 2 and expects to pay \$0.3 million in nonqualified pension benefits from corporate assets.

Stock-based compensation. Stock-based compensation expense for all share-based payment awards granted is determined based on the grant date fair value. The company recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the share-based payment award.

We grant performance stock awards that separately have a market and performance condition. The expense computed for the total shareholder return shares ("TSR") is fixed and recognized on a straight-line basis over the vesting period. The expense computed for the return on invested capital ("ROIC") shares can change depending on the expected attainment of performance condition goals. The expense for the ROIC shares can be within a range of 0% to 125% of the target. There is a possibility that this expense component will change in subsequent quarters depending on how the company performs relative to the ROIC target. Additionally, there are time-based stock awards that vest over a period of three years. See Note 19, *Stock-Based Compensation*, of Notes to Consolidated Financial Statements of this Form 10-K for additional information. In early Fiscal 2024, the company granted stock awards to certain employees. The company expects stock-based compensation expense for Fiscal 2024 to be relatively consistent with Fiscal 2023. This estimate is inclusive of an additional \$2.0 million of expense anticipated to be recognized in the first quarter of Fiscal 2024 due to the payout for the Fiscal 2022 grant currently trending since the grant date at 125% of target.

Commitments and contingencies. The company and its subsidiaries from time to time are parties to, or targets of, lawsuits, claims, investigations and proceedings, including personal injury, commercial, contract, environmental, antitrust, product liability, health and safety and employment matters, including lawsuits related to the independent distributors, which are being handled and defended in the ordinary course of business. Loss contingencies are recorded at the time it is probable an asset is impaired or a liability has been incurred and the amount can be reasonably estimated. For litigation claims, the company considers the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the loss. Losses are recorded in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income.

RESULTS OF OPERATIONS

Consolidated Results - Fiscal 2023 compared to Fiscal 2022

The company's results of operations, expressed as a percentage of sales, are set forth below for Fiscal 2023 and Fiscal 2022:

	Fiscal 2023		Fiscal 2022		Increase (Decrease)	
	52 weeks	52 weeks	52 weeks	52 weeks	Dollars	%
	(Amounts in thousands, except percentages)					
Sales	\$ 5,090,830	\$ 4,805,822	100.0	100.0	\$ 285,008	5.9
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately below)	2,632,136	2,501,995	51.7	52.1	130,141	5.2
Selling, distribution, and administrative expenses	2,119,718	1,850,594	41.6	38.5	269,124	14.5
Restructuring charges	7,099	—	0.1	—	7,099	NM
FASTER Act, net of recovery on inferior ingredients	—	236	—	0.0	(236)	NM
Plant closure costs and impairment of assets	7,298	7,825	0.1	0.2	(527)	NM
Depreciation and amortization	151,709	141,957	3.0	3.0	9,752	6.9
Income from operations	172,870	303,215	3.4	6.3	(130,345)	(43.0)
Other components of net periodic pension and postretirement benefits credit	(269)	(773)	(0.0)	(0.0)	504	NM
Interest expense, net	16,032	5,277	0.3	0.1	10,755	203.8
Income before income taxes	157,107	298,711	3.1	6.2	(141,604)	(47.4)
Income tax expense	33,691	70,317	0.7	1.5	(36,626)	(52.1)
Net income	\$ 123,416	\$ 228,394	2.4	4.8	\$ (104,978)	(46.0)
Comprehensive income	\$ 122,563	\$ 227,281	2.4	4.7	\$ (104,718)	(46.1)

NM – the computation is not meaningful.

Percentages may not add due to rounding.

Sales

	Fiscal 2023		Fiscal 2022		% Change
	52 weeks	52 weeks	52 weeks	52 weeks	
	\$	%	\$	%	
	(Amounts in thousands)		(Amounts in thousands)		
Branded retail	\$ 3,263,277	64.1	\$ 3,139,306	65.3	3.9
Other	1,827,553	35.9	1,666,516	34.7	9.7
Total	\$ 5,090,830	100.0	\$ 4,805,822	100.0	5.9

(The table above presents certain sales by category that have been reclassified from amounts previously reported to conform to the current period presentation.)

The change in sales was attributable to the following:

Percentage point change in sales attributed to:	Branded Retail	Other	Total
	Favorable (Unfavorable)		
Pricing/Mix*	5.5	16.3	10.1
Volume*	(2.6)	(7.8)	(5.3)
Acquisition	1.0	1.2	1.1
Total percentage point change in sales	3.9	9.7	5.9

* Computations above are calculated as follows:

Price/Mix \$ = Current fiscal year units x change in price per unit

Price/Mix % = Price/Mix \$ ÷ Prior fiscal year Sales \$

Volume \$ = Prior fiscal year price per unit x change in units

Volume % = Volume \$ ÷ Prior fiscal year Sales \$

The company disaggregates its sales into two categories, Branded Retail and Other. This aligns with our brand-focused strategy to drive above-market growth via innovation and focusing on higher margin products. The Other category includes store branded retail and non-retail sales (foodservice, restaurant, institutional, vending, thrift stores, and contract manufacturing).

Sales increased year over year due to positive pricing actions implemented in the first quarter of Fiscal 2023 and midway through the second quarter of Fiscal 2023 and Fiscal 2022, to mitigate cost inflation, and the Papa Pita acquisition contribution. These increases were partially offset by volume declines. The price increases implemented in the first quarter of Fiscal 2023 were focused on our store branded and non-retail sales, whereas the price increases implemented in the second quarter of Fiscal 2023 predominately targeted branded retail sales. Volume decreases were most significant for non-retail items and, to a lesser extent, branded retail traditional loaf breads and branded retail cake products. Our mix of Branded Retail sales to total sales of 64.1% decreased as compared to 65.3% for Fiscal 2022, but continued to exceed pre-pandemic levels (60.1% for Fiscal 2019). Year over year, the promotional environment remained relatively stable, however, promotional activity was higher in the second half of Fiscal 2023 as compared to the same period in the prior year.

We anticipate our Fiscal 2024 sales will be positively impacted by the benefit of price increases implemented during Fiscal 2023 however, this benefit could be offset by changes in consumer buying patterns, changes in promotional activity, and from cycling certain exits of lower margin business that occurred in Fiscal 2023.

Branded Retail Sales

Branded retail sales increased 3.9% year over year due to favorable price/mix resulting from inflation-driven pricing actions in the second quarters of both Fiscal 2022 and Fiscal 2023 and the acquisition contribution, partially offset by volume declines. Branded retail sales in the prior year period benefitted from strong demand at the beginning of the year as a result of increased COVID-19 cases. The largest volume declines occurred in branded traditional loaf breads and branded cake. Inflationary pressure on consumer spending contributed to lower volumes. Additionally, declines in branded cake resulted from market share declines and targeted sales rationalization, partially offset by supply chain disruptions and labor shortages in the prior year.

Sales of our leading brands, *Nature's Own*, *DKB*, and *Canyon Bakehouse*, increased year over year from inflation-driven price increases, partially offset by volume declines with the exception of *DKB* which experienced volume growth. We experienced capacity constraints for production of our *Canyon Bakehouse* products during Fiscal 2023 which contributed to the lower sales volumes. New product introductions, such as *Nature's Own* Keto bread and Hawaiian loaf bread along with *DKB* organic snack bars and Organic Everything Bread, all introduced within the last two years, contributed to the branded retail sales increase. The *DKB* snack bars, which rolled out nationally in Fiscal 2023, and snack bites, which were sold in test markets in Fiscal 2023, are part of an initiative to extend our presence beyond the traditional bread category and into the snacking category.

Other Sales

Sales in the Other category increased 9.7% due to significant price increases implemented in the second quarter of Fiscal 2022 and in the first quarter of Fiscal 2023 to mitigate inflationary pressures, and the acquisition contribution, partially offset by volume declines. Store branded retail sales increased year over year from inflation-driven price increases, and, to a lesser extent, the acquisition contribution, partially offset by volume declines, with the largest decline in cake items. Store branded retail sales comprised a larger portion of our total sales as compared to the prior year, but remained a smaller portion of our total sales mix relative to pre-pandemic levels. Non-retail sales increased year over year from positive price/mix, mostly due to inflation-driven pricing actions, and the acquisition contribution, partially offset by volume declines. Foodservice and vending drove most of the volume decrease, primarily

due to exiting certain lower margin business and targeted sales rationalization. Supply chain disruptions experienced in both years negatively impacted sales volumes. These volume declines were partially offset by increased contract manufacturing volume.

Materials, Supplies, Labor, and Other Production Costs (exclusive of depreciation and amortization shown separately; as a percent of sales)

<u>Line item component</u>	<u>Fiscal 2023 % of sales</u>	<u>Fiscal 2022 % of sales</u>	<u>Change as a % of sales</u>
Ingredients and packaging	32.0	31.8	0.2
Workforce-related costs	13.8	13.8	—
Other	5.9	6.5	(0.6)
Total	<u>51.7</u>	<u>52.1</u>	<u>(0.4)</u>

Materials, supplies, labor and other production costs as a percent of sales decreased year over year due to implementing inflation-driven pricing actions to combat considerable input cost inflation experienced over the past two years. Increased product returns, lower production volumes, and increased bakery maintenance costs partially offset the overall improvement. We experienced supply chain disruptions in both periods. Costs for certain ingredients moderated in Fiscal 2023 relative to the prior year but overall were still higher than the prior year as a percent of sales. Additionally, certain products purchased from Papa Pita in the prior year period and up until the acquisition date were reflected as outside purchases of product (sales with no associated ingredient costs) in the Other line item. This shift in expense between cost categories impacted comparability year over year. Workforce-related costs were unchanged as a percent of sales. Sales increases outpaced wage inflation however, lower production volumes and the competitive labor market impacted our operations and we expect this trend to continue. The decrease in the Other line item mostly reflects lower outside purchases of product, mostly due to the Papa Pita acquisition, net of higher bakery maintenance costs.

Prices of ingredient and packaging materials fluctuate due to various factors including, but not limited to, government policy and regulation, weather conditions, domestic and international demand, or other unforeseen circumstances, and we monitor these markets closely. Ingredient and packaging costs were volatile in both Fiscal 2023 and 2022 but are expected to be more favorable in Fiscal 2024. We enter into forward purchase agreements and other financial instruments to manage the impact of volatility in certain raw material prices. Any decrease in the availability of these agreements and instruments could increase the price of these raw materials and significantly affect our earnings.

Selling, Distribution, and Administrative Expenses (as a percent of sales)

<u>Line item component</u>	<u>Fiscal 2023 % of sales</u>	<u>Fiscal 2022 % of sales</u>	<u>Change as a % of sales</u>
Workforce-related costs	11.1	10.8	0.3
Distributor distribution fees	14.1	14.6	(0.5)
Other	16.4	13.1	3.3
Total	<u>41.6</u>	<u>38.5</u>	<u>3.1</u>

Workforce-related costs were higher as a percent of sales largely due to a shift from distributor distribution fees as a result of a smaller portion of our sales being made through IDPs. The workforce-related costs increase was partially offset by sales increases outpacing wage inflation. We anticipate this shift between these and other cost categories, such as transportation, to continue as we convert to an employment model in California. The increase in the Other line item mostly reflects the \$130.0 million increase in legal settlements and related costs (260 basis point impact), greater marketing investments, and increased amortization of cloud-based applications, net of the \$8.8 million decrease in acquisition-related costs and reduced consulting costs. Transportation cost increases were mostly offset by sales price increases. See the “Matters Affecting Comparability” section above for a discussion of legal settlements and related costs, project-related consulting costs, and acquisition-related costs. Additionally, See Note 23, *Commitments and Contingencies*, of Notes to Consolidated Financial Statements of this Form 10-K for additional information regarding legal settlements.

Restructuring Charges; FASTER Act, net of Recovery on Inferior Ingredients; and Plant Closure Costs and Impairment of Assets

Refer to the discussion in the “Matters Affecting Comparability” section above regarding these items.

Depreciation and Amortization Expense

Depreciation and amortization expense increased in dollars as compared to the prior year period due to assets being placed in service, including assets associated with the ERP upgrade, and the Papa Pita assets acquired, net of assets becoming fully depreciated. We anticipate higher depreciation and amortization expense in Fiscal 2024 mostly due to the ERP-related assets being placed in service during the second quarter of Fiscal 2023.

Income from Operations

Income from operations decreased year over year as a percent of sales mostly due to significant increases in selling, distribution, and administrative costs combined with lower production volumes, partially offset by inflation-driven sales price increases.

Net Interest Expense

Net interest expense increased in dollars and as a percent of sales as compared to the prior year period due to higher average amounts outstanding under our borrowing arrangements, primarily due to funding the Papa Pita acquisition, and lower interest income year over year. We anticipate higher net interest expense in Fiscal 2024 due to funding payments associated with the legal settlement and related costs accrued in Fiscal 2023 and lower interest income resulting from decreases in distributor notes receivable outstanding.

Income Tax Expense

The effective tax rate for Fiscal 2023 was 21.4% compared to 23.5% in the prior year. The decrease in the rate year over year was primarily due to tax credits and windfalls on stock-based compensation awards that vested in Fiscal 2023. For both periods presented, the primary differences in the effective rate and the statutory rate relate to state income taxes, windfalls on the vesting of stock-based compensation awards, and benefits recognized from tax credits.

The Inflation Reduction Act ("IRA") did not have a material impact on the effective tax rate for Fiscal 2023 or 2022 and there is no anticipated material impact on the effective tax rate in future periods.

Comprehensive Income

The decrease in comprehensive income year over year resulted primarily from decreased net income.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

Strategy

We believe our ability to consistently generate cash flows from operating activities to meet our liquidity needs is one of our key financial strengths. Furthermore, we strive to maintain a conservative financial position as we believe it allows us flexibility to make investments and acquisitions and is a strategic competitive advantage. Currently, our liquidity needs arise primarily from working capital requirements, capital expenditures, and obligated debt repayments. We believe we currently have access to available funds and financing sources to meet our short and long-term capital requirements. The company's strategy for use of its excess cash flows includes:

- implementing our strategic priorities, including our transformation strategy initiatives;
- paying dividends to our shareholders;
- maintaining a conservative financial position;
- making strategic acquisitions; and
- repurchasing shares of our common stock.

Although there has been no material adverse impact on the company's results of operations, liquidity or cash flows in Fiscal 2023, volatility in global and U.S. economic environments, including as a result of, among other things, the inflationary economic environment, supply chain disruptions, labor shortages, the conflict between Russia and Ukraine, and the conflict in the Middle East, could significantly impact our ability to generate future cash flows and we continue to evaluate these various potential business risks. Those potential risks include the possibility of future economic downturns that could result in a significant shift away from our branded retail

products to store branded products, supply chain disruptions that have impacted, and could continue to impact, the procurement of raw materials and packaging items, and the workforce available to us, among other risks.

The macroeconomic-related factors discussed above remain fluid and the future impact on our business, results of operations, liquidity or capital resources cannot be reasonably estimated with any degree of certainty. If the company were to experience a significant reduction in revenues, the company would have additional alternatives to maintain liquidity, including amounts available on our debt facilities, capital expenditure reductions, adjustments to its capital allocation policy, and cost reductions. Although we do not currently anticipate a need, we also believe that we could access the capital markets to raise additional funds. During the first quarter of Fiscal 2023, we terminated the securitization facility and entered into the repurchase facility, a two-year \$200.0 million trade receivable repurchase facility. The earliest maturity date of our non-revolving debt is 2026. We believe the fundamentals of the company remain strong and that we have sufficient liquidity on hand to continue business operations during the volatile global and U.S. economic environments. The company had total available liquidity of \$559.1 million as of December 30, 2023, consisting of cash on hand and the available balances under the credit facility (as defined below) and the repurchase facility.

We expect the transformation strategy initiatives will require significant capital investment and expense over the next several years. We currently anticipate the upgrade of our ERP system will cost approximately \$350 million (of which approximately 34% has been or is anticipated to be capitalized) and anticipate the upgrade to be completed in 2026. Previously, these costs were estimated to be approximately \$275 million. The increase in estimated costs resulted from expanding the project scope and anticipation of greater reliance on external resources for bakery deployments due to labor constraints. As of December 30, 2023, we have incurred costs related to the project of approximately \$214 million. In Fiscal 2024, we expect costs for the upgrade of our ERP system (a portion of which may be expensed as incurred, capitalized, recognized as a cloud computing arrangement, or recognized as a prepaid service contract) to be approximately \$25 million to \$35 million. Costs related to our digital initiatives are more fluid and cannot currently be estimated. See Item 1A., *Risk Factors*, “We may experience difficulties in designing and implementing the upgrade of our ERP system.”

The company leases certain property and equipment under various financing and operating lease arrangements. Most of the operating leases provide the company with the option, after the initial lease term, to purchase the property at the then fair value, renew the lease at the then fair value, or return the property. The financing leases provide the company with the option to purchase the property at a fixed price at the end of the lease term. The company believes the use of leases as a financing alternative places the company in a more favorable position to fulfill its long-term strategy for the use of its cash flow. See Note 14, *Leases*, of Notes to Consolidated Financial Statements of this Form 10-K for detailed financial information regarding the company’s lease arrangements.

Key items impacting our liquidity, capital resources and financial position in Fiscal 2023 and 2022:

Fiscal 2023:

- Generated \$349.4 million of net cash from operating activities.
- Completed the Papa Pita acquisition on February 17, 2023 for \$274.8 million in cash (inclusive of a net working capital purchase price adjustment).
- Paid dividends to our shareholders of \$195.2 million.
- Invested in our business through capital expenditures of \$129.1 million (inclusive of \$27.8 million of capital expenditures, including amounts recognized in accounts payable at year end, for the ERP upgrade).
- Repurchased \$45.8 million of our common stock.
- Incurred business process improvement costs of \$21.5 million related to the ongoing transformation strategy initiatives (exclusive of capitalized or deferred costs).

Fiscal 2022:

- Generated \$360.9 million of net cash from operating activities.
- Paid dividends to our shareholders of \$186.5 million.
- Invested in our business through capital expenditures of \$169.1 million (inclusive of \$61.3 million of capital expenditures, including amounts recognized in accounts payable at year end, for the ERP upgrade).
- Repurchased \$34.6 million of our common stock.
- Incurred business process improvement costs of \$33.2 million related to the ongoing transformation strategy initiatives (exclusive of capitalized or deferred costs).

Liquidity Discussion

Flowers Foods' cash and cash equivalents were \$22.5 million at December 30, 2023 and \$165.1 million at December 31, 2022. The cash and cash equivalents were derived from the activities presented in the table below (amounts in thousands):

Cash flow component	Fiscal 2023	Fiscal 2022
Cash flows provided by operating activities	\$ 349,353	\$ 360,889
Cash disbursed for investing activities	(403,812)	(151,088)
Cash disbursed for financing activities	(88,148)	(222,167)
Effect of exchange rates on cash	—	(8,371)
Total change in cash	\$ (142,607)	\$ (20,737)

Cash Flows Provided by Operating Activities. Net cash provided by operating activities included the following items for non-cash adjustments to net income (amounts in thousands):

	Fiscal 2023	Fiscal 2022
Depreciation and amortization	\$ 151,709	\$ 141,957
Loss on foreign currency exchange rates	—	8,371
Impairment of assets	9,611	3,897
Stock-based compensation	26,945	25,822
Allowances for accounts receivable	8,412	8,518
Deferred income taxes	(43,340)	1,446
Loss (gain) reclassified from accumulated comprehensive income to net income	2,920	(5,813)
Other non-cash items	4,559	(708)
Net non-cash adjustment to net income	\$ 160,816	\$ 183,490

- Refer to the *Acquisition-related costs* (loss on foreign currency exchange rates) and *Plant closure costs and impairment of assets* discussion in the “Matters Affecting Comparability” section above regarding these items.
- For Fiscal 2023, deferred income tax activity was comprised of changes year over year, including the impact of the capitalization of research and development and certain information technology costs and accrued legal settlements and related costs. For Fiscal 2022, deferred income tax activity was primarily composed of changes in temporary differences year over year.
- Other non-cash items include non-cash interest expense for the amortization of debt discounts and deferred financing costs (including \$0.3 million related to the write-off of unamortized costs upon the early extinguishment of the securitization facility in the first quarter of Fiscal 2023), activity in the allowances for inventory obsolescence, and gains or losses on the sale of assets.

Net cash for working capital requirements and pension plan contributions included the following items (amounts in thousands):

	Fiscal 2023	Fiscal 2022
Changes in accounts receivable	\$ 5,008	\$ (55,420)
Changes in inventories	(15,163)	(37,396)
Changes in hedging activities, net	(1,498)	(224)
Changes in other assets and accrued liabilities, net	104,362	(39,080)
Changes in accounts payable	(26,588)	82,125
Qualified pension plan contributions	(1,000)	(1,000)
Net changes in working capital and pension plan contributions	\$ 65,121	\$ (50,995)

- Changes in accounts receivable were mainly attributable to significant price increases period over period. Changes in inventories resulted from volatility in input costs. Changes in accounts payable were mainly attributable to higher capital spending in the prior year largely due to the upgrade of the ERP system and volatility in input costs.
- Hedging activities change from market movements that affect the fair value and required collateral of positions and the timing and recognition of deferred gains or losses. We expect these changes will continue to occur as part of our hedging program, though the degree and financial impact cannot be currently estimated.

- The change in other assets primarily resulted from changes in prepaid assets, service contracts, and income tax receivable balances in each respective period. Changes in accruals for employee compensation, insurance, legal settlements, and payroll tax deferrals under the CARES Act primarily resulted in the change in other accrued liabilities. In Fiscal 2023, we accrued \$137.5 million of legal settlements (inclusive of distribution rights repurchase obligations) and paid \$5.5 million of legal settlements that had been accrued for in the prior year. In Fiscal 2022, we accrued \$7.5 million of legal settlements and paid \$18.5 million, of which \$16.5 million had been accrued for in the prior year. Additionally, during Fiscal 2022, we repurchased distribution rights as required by a prior year legal settlement totaling \$4.3 million. We anticipate making payments of approximately \$31.4 million, including our share of employment taxes, in performance-based cash awards under our cash incentive plans in the first quarter of Fiscal 2024. During Fiscal 2023 and Fiscal 2022, we paid \$32.1 million and \$43.8 million, respectively, including our share of employment taxes, in performance-based cash awards under our bonus plans. An additional \$2.2 million and \$1.8 million were paid in Fiscal 2023 and Fiscal 2022, respectively, for our share of employment taxes on the vesting of performance-contingent restricted stock awards in each respective year. Under the CARES Act, the company deferred approximately \$30.0 million of the employer share of Social Security tax for the period from the beginning of the second quarter of Fiscal 2020 through December 31, 2020 and paid approximately \$15.0 million in December 2021 and the remainder in December 2022.
- During both Fiscal 2023 and Fiscal 2022, we made voluntary defined benefit pension plan cash contributions of \$1.0 million to Plan No 2. At this time, we do not expect to make any voluntary cash contributions to our pension plans in Fiscal 2024 and expect to pay \$0.3 million in nonqualified pension benefits from corporate assets. The company believes its cash flow and balance sheet will allow it to fund future pension needs without adversely affecting the business strategy of the company.

Cash Flows Disbursed for Investing Activities. The table below presents net cash disbursed for investing activities for Fiscal 2023 and 2022 (amounts in thousands):

	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>
Purchase of property, plant, and equipment	\$ (129,078)	\$ (169,071)
Principal payments from notes receivable, net of repurchases of independent distributor territories	(374)	18,829
Acquisition of business	(274,755)	—
Investment in unconsolidated affiliate	(1,981)	(9,000)
Proceeds from sale of property, plant and equipment	2,312	7,681
Other	64	473
Net cash disbursed for investing activities	<u>\$ (403,812)</u>	<u>\$ (151,088)</u>

- The company currently estimates capital expenditures of approximately \$120.0 million to \$130.0 million (inclusive of expenditures for the ERP upgrade of \$3.0 million to \$6.0 million) in Fiscal 2024.
- Decreases in principal payments received combined with increased repurchases of independent distributor territories resulted in the change year over year. We anticipate this trend to continue due to the agreement to settle the California distributor-related litigation, reached in Fiscal 2023.
- As discussed in the Executive Overview section above, on February 17, 2023, we completed the Papa Pita acquisition for \$274.8 million in cash (inclusive of a net working capital purchase price adjustment). Papa Pita operates one manufacturing facility in West Jordan, Utah.
- As discussed in the Executive Overview section above, we made an initial investment of \$9.0 million in Base Culture, a Clearwater, Florida-based company with one manufacturing facility, in the second quarter of Fiscal 2022. We made an additional investment of \$2.0 million in the second quarter of Fiscal 2023.

Cash Flows Disbursed for Financing Activities. The table below presents net cash disbursed for financing activities for Fiscal 2023 and 2022 (amounts in thousands):

	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>
Dividends paid, including dividends on share-based payment awards	\$ (195,215)	\$ (186,501)
Payment of financing fees	(533)	(282)
Stock repurchases	(45,801)	(34,586)
Change in bank overdrafts	220	799
Net change in debt obligations	155,000	—
Payments on financing leases	(1,819)	(1,597)
Net cash disbursed for financing activities	<u>\$ (88,148)</u>	<u>\$ (222,167)</u>

- Our annual dividend rate increased from \$0.88 per share in Fiscal 2022 to \$0.92 per share in Fiscal 2023. While there are no requirements to increase our dividend rate, we have shown a recent historical trend to do so. We anticipate funding future dividend payments from cash flows from operations.
- In Fiscal 2023, we paid financing fees associated with executing the repurchase facility and for the amendment to the credit facility. In Fiscal 2022, we paid additional financing costs associated with the Fiscal 2021 amendment of the credit facility and for the amendment of the securitization facility.
- Stock repurchase decisions are made based on our stock price, our belief of relative value, and our cash projections at any given time. See Note 18, *Stockholders' Equity*, of Notes to Consolidated Financial Statements of this Form 10-K for additional information. A portion of these shares were acquired to satisfy employees' tax withholding and payment obligations in connection with the vesting of restricted stock awards, which are repurchased by the company based on the fair market value on the vesting date.
- See the discussion below under the "Capital Structure" section regarding changes in debt obligations.

Capital Structure

Long-term debt and right-of-use lease obligations and stockholders' equity were as follows as of December 30, 2023 and December 31, 2022. For a detailed description of our debt and right-of-use lease obligations and information regarding our distributor arrangements, deferred compensation, and guarantees and indemnification obligations, see Note 14, *Leases*, and Note 15, *Debt and Other Commitments*, of Notes to Consolidated Financial Statements of this Form 10-K:

	<u>Interest Rate at December 30, 2023</u>	<u>Final Maturity</u>	<u>Balance at</u>		<u>Fixed or Variable Rate</u>
			<u>December 30, 2023</u>	<u>December 31, 2022</u>	
(Amounts in thousands)					
2031 notes	2.40%	2031	\$ 494,723	\$ 493,994	Fixed Rate
2026 notes	3.50%	2026	398,421	397,848	Fixed Rate
Unsecured credit facility	6.38%	2026	—	—	Variable Rate
Accounts receivable securitization facility*			—	—	Variable Rate
Accounts receivable repurchase facility	6.16%	2025	155,000	—	Variable Rate
Right-of-use lease obligations		2036	284,501	282,862	
			1,332,645	1,174,704	
Less: Current maturities of long-term debt and right-of-use lease obligations			(47,606)	(45,769)	
Long-term debt and right-of-use lease obligations			<u>\$ 1,285,039</u>	<u>\$ 1,128,935</u>	

* The securitization facility was terminated on April 14, 2023.

Total stockholders' equity was as follows at December 30, 2023 and December 31, 2022:

	<u>Balance at</u>	
	<u>December 30, 2023</u>	<u>December 31, 2022</u>
(Amounts in thousands)		
Total stockholders' equity	<u>\$ 1,351,782</u>	<u>\$ 1,443,290</u>

The company has historically entered into amendments and extensions approximately one year prior to the maturity of its debt facilities. On February 13, 2023, we amended the securitization facility and then on April 14, 2023, terminated the securitization facility and entered into the repurchase facility, a two-year \$200.0 million accounts receivable repurchase facility. Additionally, on April 12, 2023, we completed the eighth amendment to the senior unsecured revolving credit facility (the "credit facility") to, among other things, replace the benchmark rate at which borrowings bear interest under the credit facility from LIBOR to Term SOFR and to allow for entry into permitted accounts receivable repurchase facilities. The repurchase facility and the credit facility are generally used for short-term liquidity needs.

The following table details the amounts available under the repurchase facility, securitization facility, and credit facility as of December 30, 2023 and the highest and lowest balances outstanding under these arrangements during Fiscal 2023:

Facility	Amount Available for Withdrawal at December 30, 2023	Highest Balance in Fiscal 2023	Lowest Balance in Fiscal 2023
	(Amounts in thousands)		
Accounts receivable repurchase facility	\$ 45,000	\$ 180,000	\$ —
Accounts receivable securitization facility	— *	28,000	—
Unsecured credit facility (1)	491,600	174,000	—
	\$ 536,600		

* The securitization facility was terminated on April 14, 2023.

(1) Amount excludes a provision in the agreement which allows the company to request an additional \$200.0 million in additional revolving commitments.

Amounts outstanding under the credit facility can vary daily. Changes in the gross borrowings and repayments can be caused by cash flow activity from operations, capital expenditures, acquisitions, dividends, share repurchases, and tax payments, as well as derivative transactions which are part of the company's overall risk management strategy as discussed in Note 11, *Derivative Financial Instruments*, of Notes to Consolidated Financial Statements of this Form 10-K. During Fiscal 2023, the company borrowed \$540.0 million in revolving borrowings under the credit facility and repaid \$540.0 million in revolving borrowings. The amount available under the credit facility is reduced by \$8.4 million for letters of credit.

The repurchase facility and the credit facility are variable rate debt. In periods of rising interest rates, the cost of using these facilities will become more expensive and increase our interest expense. Therefore, borrowings under these facilities provide us the greatest direct exposure to rising rates.

Restrictive financial covenants for our borrowings include such ratios as a minimum interest coverage ratio and a maximum leverage ratio. Our debt may also contain certain customary representations and warranties, affirmative and negative covenants, and events of default. The company believes that, given its current cash position, its cash flow from operating activities and its available credit capacity, it can comply with the current terms of the debt agreements and can meet its presently foreseeable financial requirements. As of December 30, 2023 and December 31, 2022, the company was in compliance with all restrictive covenants under our debt agreements.

Special Purpose Entities. At December 30, 2023 and December 31, 2022, the company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which are established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes.

Guarantees. In the event the company ceases to utilize the independent distribution form of doing business or exits a geographic market, the company is contractually required to purchase the distribution rights from the independent distributors.

Stock Repurchase Plan. Previously, our Board had approved a plan that authorized share repurchases of up to 74.6 million shares of the company's common stock. On May 26, 2022, the company announced that the Board increased the company's share repurchase authorization by 20.0 million shares. At the close of the company's fourth quarter on December 30, 2023, 22.5 million shares remained under the existing authorization. Under the share repurchase plan, the company may repurchase its common stock in open market or privately negotiated transactions or under an accelerated repurchase program at such times and at such prices as determined to be in the company's best interest. These purchases may be commenced or suspended without prior notice depending on then-existing business or market conditions and other factors.

During Fiscal 2023, 1.9 million shares of the company's common stock were repurchased under the plan at a cost of \$45.8 million and during Fiscal 2022, 1.3 million shares were repurchased under the plan at a cost of \$34.6 million. From the inception of the plan

through December 30, 2023, 72.0 million shares have been repurchased, at a cost of \$733.3 million. See Item 5., *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*, of this Form 10-K for repurchases of the company's common stock during the fourth quarter of Fiscal 2023.

New Accounting Pronouncements Not Yet Adopted

See Note 3, *Recent Accounting Pronouncements*, of Notes to Consolidated Financial Statements of this Form 10-K regarding this information.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

The company uses derivative financial instruments as part of an overall strategy to manage market risk. The company uses forwards, futures, swaps, and option contracts to hedge existing or future exposure to changes in interest rates and commodity prices. The company does not enter into these derivative financial instruments for trading or speculative purposes. If actual market conditions are less favorable than those anticipated, interest rates and commodity prices could increase significantly, adversely affecting our interest costs and the margins from the sale of our products.

Commodity Price Risk

The company enters into commodity forward, futures, option, and swap contracts for wheat and, to a lesser extent, other commodities in an effort to provide a predictable and consistent commodity price and thereby reduce the impact of market volatility in its raw material and packaging prices. As of December 30, 2023, the company's hedge portfolio contained commodity derivatives with a fair value (liability) of \$(1.9) million and is based on quoted market prices, all of which relates to instruments that will be utilized in Fiscal 2024 except for an immaterial amount that will be utilized in Fiscal 2025.

A sensitivity analysis has been prepared to quantify the company's potential exposure to commodity price risk with respect to its derivative portfolio. Based on the company's derivative portfolio as of December 30, 2023, a hypothetical ten percent change in commodity prices would increase or decrease the fair value of the derivative portfolio by \$1.9 million. The analysis disregards changes in the exposures inherent in the underlying hedged items; however, the company expects that any increase or decrease in the fair value of the portfolio would be substantially offset by increases or decreases in raw material and packaging prices.

Item 8. *Financial Statements and Supplementary Data*

Refer to the Index to Consolidated Financial Statements and the Financial Statement Schedule for the required information.

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

None.

Item 9A. *Controls and Procedures*

Management's Evaluation of Disclosure Controls and Procedures:

We have established and maintain a system of disclosure controls and procedures that are designed to ensure that material information relating to the company, which is required to be timely disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 ("Exchange Act"), is accumulated and communicated to management in a timely fashion and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was performed as of the end of the period covered by this annual report. This evaluation was performed under the supervision and with the participation of management, including both our CEO and our CFO and CAO.

Based upon that evaluation, both our CEO and our CFO and CAO have concluded that these disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our CEO and our CFO and CAO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation our management concluded that our internal control over financial reporting was effective as of December 30, 2023.

Management has excluded Papa Pita from its assessment of internal control over financial reporting as of December 30, 2023 because it was acquired by the company in a purchase business combination during Fiscal 2023. Papa Pita is a wholly-owned subsidiary whose total assets and revenues excluded from management's assessment and our audit of internal control over financial reporting represent 3.3% and 1.1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 30, 2023. The effectiveness of our internal control over financial reporting as of December 30, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is included herein.

Changes in Internal Control Over Financial Reporting:

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None of the company's directors or officers adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K, during the company's fiscal quarter ended December 30, 2023.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item with respect to directors of the company set forth under the caption “Proposal I Election of Directors” and the information set forth under the captions “Corporate Governance — The Board and its Committees,” “Corporate Governance — Relationships Among Certain Directors,” “Audit Committee Report,” and “Share Ownership — Delinquent Section 16(a) Reports” in the company’s definitive proxy statement for the 2024 Annual Meeting of Shareholders expected to be filed with the SEC in April 2024 (the “proxy”) are incorporated herein by reference. The information required by this item with respect to executive officers of the company is set forth in Part I of this Form 10-K.

We have adopted the Flowers Foods, Inc. Code of Business Conduct and Ethics for Officers and Members of the Board of Directors (the “Code of Business Conduct and Ethics”), which applies to all of our directors and executive officers. The Code of Business Conduct and Ethics is publicly available on our website at www.flowersfoods.com in the “CORPORATE GOVERNANCE” section of the “INVESTORS” tab. If we make any substantive amendments to our Code of Business Conduct and Ethics or we grant any waiver, including any implicit waiver, from a provision of the Code of Business Conduct and Ethics, that applies to any of our directors or executive officers, including our principal executive officer and our principal financial officer and principal accounting officer, we intend to disclose the nature of the amendment or waiver on our website at the same location. Alternatively, we may elect to disclose the amendment or waiver in a current report on Form 8-K filed with the SEC.

Our Chairman and CEO certified to the NYSE on June 12, 2023 pursuant to Section 303A.12 of the NYSE’s listing standards, that he was not aware of any violation by Flowers Foods of the NYSE’s corporate governance listing standards as of that date.

Item 11. *Executive Compensation*

The information required by this item is incorporated herein by reference to the information set forth under the captions “Corporate Governance — Director Compensation” and “Executive Compensation” in the proxy.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The following chart sets forth the amounts of securities authorized for issuance under the company’s compensation plans as of December 30, 2023.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (3)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,945,303	\$ —	9,030,128
Equity compensation plans not approved by security holders	—	—	—
Total	3,945,303	\$ —	9,030,128

- (1) Includes 678,347 outstanding time-based restricted stock units and 3,266,956 outstanding performance-based awards. The performance-based awards assume outstanding awards vest at the maximum potential number of shares issuable and may overstate potential dilution.
- (2) Time-based restricted stock units and performance-based awards are not considered in the weighted average exercise price as these awards have no exercise price.
- (3) Assumes all unvested awards are issuable at the maximum potential number of shares issuable and may overstate potential dilution.

Under the company’s 2014 Omnibus Equity and Incentive Compensation Plan (the “Omnibus Plan”), the Board is authorized to grant a variety of stock-based awards, including stock options, restricted stock and deferred stock, to its directors and certain of its

employees. The number of securities set forth in column (c) above reflects securities available for issuance as stock options, restricted stock and deferred stock under the company's compensation plans. The number of shares originally available under the Omnibus Plan was 8,000,000 shares. On May 25, 2023, the company amended and restated the Omnibus Plan to register an additional 9,340,000 shares of common stock. The Omnibus Plan replaced the Flowers Foods' 2001 Equity and Performance Incentive Plan, as amended and restated as of April 1, 2009 ("EPIP"), the Stock Appreciation Rights Plan, and the Annual Executive Bonus Plan. As a result, no additional shares will be issued under the EPIP. There are 71,237 deferred shares outstanding under the EPIP that will be issued at the end of the deferral period. See Note 19, *Stock-Based Compensation*, of Notes to Consolidated Financial Statements of this Form 10-K for additional information on equity compensation plans.

The remaining information required by this item is incorporated herein by reference to the information set forth under the caption "Share Ownership — Security Ownership of Certain Beneficial Owners and Management" in the proxy.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is incorporated herein by reference to the information set forth under the captions "Corporate Governance — Transactions with Management and Others" and "Proposal I Election of Directors — Director Independence" in the proxy.

Item 14. *Principal Accountant Fees and Services*

The information required by this item is incorporated herein by reference to the information set forth under the caption "Proposal III Ratification of Appointment of Independent Registered Public Accounting Firm — Fiscal 2023 and Fiscal 2022 Audit Firm Fee Summary" in the proxy.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) *List of documents filed as part of this report.*

1. *Financial Statements of the Registrant*

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets at December 30, 2023 and December 31, 2022.

Consolidated Statements of Income for Fiscal 2023, Fiscal 2022, and Fiscal 2021.

Consolidated Statements of Comprehensive Income for Fiscal 2023, Fiscal 2022, and Fiscal 2021.

Consolidated Statements of Changes in Stockholders' Equity for Fiscal 2023, Fiscal 2022, and Fiscal 2021.

Consolidated Statements of Cash Flows for Fiscal 2023, Fiscal 2022, and Fiscal 2021.

Notes to Consolidated Financial Statements.

2. *Exhibits.* The following documents are filed as exhibits hereto:

EXHIBIT INDEX

Exhibit No	Name of Exhibit
2.1	— Distribution Agreement, dated as of October 26, 2000, by and between Flowers Industries, Inc. and Flowers Foods, Inc. (Incorporated by reference to Exhibit 2.1 to Flowers Foods' Registration Statement on Form 10, dated December 1, 2000, File No. 1-16247).
2.2	— Amendment No. 1 to Distribution Agreement, dated as of March 12, 2001, by and between Flowers Industries, Inc. and Flowers Foods, Inc. (Incorporated by reference to Exhibit 2.2 to Flowers Foods' Annual Report on Form 10-K, dated March 30, 2001, File No. 1-16247).
2.3	— Acquisition Agreement, dated as of May 31, 2012, by and among Flowers Foods, Inc., Lobsterco I, LLC, Lepage Bakeries, Inc., RAL, Inc., Bakeast Company, Bakeast Holdings, Inc., and the equityholders named therein (Incorporated by reference to Exhibit 2.1 to Flowers Foods' Current Report on Form 8-K, dated June 1, 2012, File No. 1-16247).
2.4	— Agreement and Plan of Merger, dated as of May 31, 2012, by and among Flowers Foods, Inc., Lobsterco II, LLC, Aarow Leasing, Inc., The Everest Company, Incorporated and the shareholders named therein (Incorporated by reference to Exhibit 2.2 to Flowers Foods' Current Report on Form 8-K, dated June 1, 2012, File No. 1-16247).
2.5	— Asset Purchase Agreement, dated as of January 11, 2013, by and among Hostess Brands, Inc., Interstate Brands Corporation, IBC Sales Corporation, Flowers Foods, Inc. and FBC Georgia, LLC (Incorporated by reference to Exhibit 2.1 to Flowers Foods' Current Report on Form 8-K, dated January 14, 2013, File No. 1-16247).
2.6	— Stock Purchase Agreement, dated as of August 12, 2015, by and among AVB, Inc., Goode Seed Holdings, LLC, Goode Seed Co-Invest, LLC, Glenn Dahl, trustee of the Glenn Dahl Family Trust, U/A/D November 28, 2012, David J. Dahl, trustee of the David Dahl Family Trust, U/A/D May 1, 2012, Shobi L. Dahl, trustee of the Shobi Dahl Family Trust, U/A/D, December 16, 2011, Flowers Bakeries, LLC, Flowers Foods, Inc., and Goode Seed Holdings, LLC, as shareholders' representative (Incorporated by reference to Exhibit 2.6 to Flowers Foods' Quarterly Report on Form 10-Q, dated August 6, 2020, File No. 1-16247).
3.1	— Amended and Restated Articles of Incorporation of Flowers Foods, Inc., as amended through May 21, 2020 (Incorporated by reference to Exhibit 3.1 to Flowers Foods' Current Report on Form 8-K, dated May 28, 2020, File No. 1-16247).
3.2	— Amended and Restated Bylaws of Flowers Foods, Inc., as amended through August 18, 2023 (Incorporated by reference to Exhibit 3.1 to Flowers Foods' Current Report on Form 8-K, dated August 21, 2023, File No. 1-16247).
4.1	— Form of Share Certificate of Common Stock of Flowers Foods, Inc. (Incorporated by reference to Exhibit 4.1 to Flowers Foods' Annual Report on Form 10-K, dated February 29, 2012, File No. 1-16247).
4.2	— Indenture, dated as of April 3, 2012, by and between Flowers Foods, Inc. and Wells Fargo Bank, National Association, as trustee (Incorporated by reference to Exhibit 4.1 to Flowers Foods' Current Report on Form 8-K, dated April 3, 2012, File No. 1-16247).
4.3	— Officer's Certificate pursuant to Section 2.02 of the Indenture (Incorporated by reference to Exhibit 4.2 to Flowers Foods' Current Report on Form 8-K, dated April 3, 2012, File No. 1-16247).
4.4	— Form of 4.375% Senior Notes due 2022 (Incorporated by reference to Exhibit 4.3 to Flowers Foods' Current Report on Form 8-K, dated April 3, 2012, File No. 1-16247).
4.5	— Flowers Foods, Inc. 401(k) Retirement Savings Plan, as amended through December 17, 2013 (Incorporated by reference to Exhibit 4.1 to Flowers Foods' Registration Statement on Form S-8, dated May 21, 2014, File No. 333-196125).
4.6	— Officer's Certificate pursuant to Section 2.02 of the Indenture (Incorporated by reference to Exhibit 4.2 to Flowers Foods' Current Report on Form 8-K, dated September 28, 2016, File No. 1-16247).
4.7	— Form of 3.500% Senior Notes due 2026 (Incorporated by reference to Exhibit 4.3 to Flowers Foods' Current Report on Form 8-K, dated September 28, 2016, File No. 1-16247).
4.8	* — Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.9	— Officer's Certificate pursuant to Section 2.02 of the Indenture (Incorporated by reference to Exhibit 4.2 to Flowers Foods' Current Report on Form 8-K, dated March 9, 2021. File No. 1-16247).
4.10	— Form of 2.400% Senior Notes due 2031 (Incorporated by reference to Exhibit 4.3 to Flowers Foods' Current Report on Form 8-K, dated March 9, 2021. File No. 1-16247).

Exhibit No	Name of Exhibit
10.01	Amended and Restated Credit Agreement, dated as of May 20, 2011, by and among, Flowers Foods, Inc., the Lenders party thereto from time to time, Cooperative Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank Nederland”, New York Branch, Branch Banking and Trust Company, and Regions Bank, as co-documentation agents, Bank of America, N.A., as syndication agent, and Deutsche Bank AG New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated May 26, 2011, File No. 1-16247).
10.02	First Amendment to Amended and Restated Credit Agreement, dated as of November 16, 2012, by and among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG, New York Branch, as administrative agent, swingline lender and issuing lender (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated November 21, 2012, File No. 1-16247).
10.03	Second Amendment to Amended and Restated Credit Agreement, dated as of April 5, 2013, by and among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swingline lender and issuing lender (Incorporated by reference to Exhibit 10.3 to Flowers Foods’ Current Report on Form 8-K, dated April 10, 2013, File No. 1-16247).
10.04	Third Amendment to Amended and Restated Credit Agreement, dated as of February 14, 2014, by and among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swingline lender and issuing lender (Incorporated by reference to Exhibit 10.2 to Flowers Foods’ Current Report on Form 8-K, dated February 18, 2014, File No. 1-16247).
10.05	Fourth Amendment to Amended and Restated Credit Agreement, dated as of April 21, 2015, by and among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, the swingline lender and issuing lender (Incorporated by reference to Exhibit 10.5 to Flowers Foods’ Quarterly Report on Form 10-Q, dated May 28, 2015, File No. 1-16247).
10.06	Fifth Amendment to Amended and Restated Credit Agreement, dated as of April 19, 2016, among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, the swingline lender and issuing lender (Incorporated by reference to Exhibit 10.3 to Flowers Foods’ Current Report on Form 8-K, dated April 22, 2016, File No. 1-16247).
10.07	Sixth Amendment to Amended and Restated Credit Agreement, dated as of November 29, 2017, among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, the swingline lender and issuing lender (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated November 30, 2017, File No. 1-16247).
10.08	Seventh Amendment to Amended and Restated Credit Agreement, dated as of July 30, 2021, among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG New York Branch, as existing administrative agent, the swingline lender and issuing lender, and Deutsche Bank Trust Company Americas, as successor administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated August 2, 2021, File No. 1-16247).
10.09	Eighth Amendment to Amended and Restated Credit Agreement, dated as of April 12, 2023, among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG New York Branch, as existing administrative agent, the swingline lender and issuing lender, and Deutsche Bank Trust Company Americas, as successor administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Quarterly Report on Form 10-Q, dated May 18, 2023, File No. 1-16247).
10.10	Receivables Loan, Security and Servicing Agreement, dated as of July 17, 2013, by and among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank Nederland,” New York Branch, as facility agent and as a committed lender, certain financial institutions party thereto from time to time, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank Nederland”, New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated July 22, 2013, File No. 1-16247).
10.11	First Amendment to Receivables Loan, Security and Servicing Agreement, dated as of August 7, 2014, by and among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank Nederland,” New York Branch, as facility agent and as a committed lender, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank Nederland”, New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated August 12, 2014, File No. 1-16247).
10.12	Second Amendment to Receivables Loan, Security and Servicing Agreement, dated as of December 17, 2014, by and among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank,” New York Branch, as facility agent and as a committed lender, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank”, New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.9 to Flowers Foods’ Annual Report on Form 10-K, dated February 25, 2015, File No. 1-16247).

Exhibit No	Name of Exhibit
10.13	Third Amendment and Waiver to Receivables Loan, Security and Servicing Agreement, dated as of August 20, 2015, by and among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation B.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank”, New York Branch, as facility agent and as a committed lender, PNC Bank, National Association, as facility agent and as a committed lender, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank,” New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.11 to Flowers Foods’ Quarterly Report on Form 10-Q, dated November 12, 2015, File No. 1-16247).
10.14	Fourth Amendment to Receivables Loan, Security and Servicing Agreement, dated as of September 30, 2016, by and among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation B.V., Coöperatieve Rabobank U.A., as facility agent and as a committed lender, PNC Bank, National Association, as facility agent and as a committed lender, and Coöperatieve Rabobank U.A., New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated October 3, 2016, File No. 1-16247).
10.15	Fifth Amendment to Receivables Loan, Security and Servicing Agreement, dated as of September 28, 2017, among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation B.V., Coöperatieve Rabobank U.A., as facility agent and as a committed lender, PNC Bank, National Association, as facility agent and as a committed lender, and Coöperatieve Rabobank U.A., New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Quarterly Report on Form 10-Q, dated November 8, 2017, File No. 1-16247).
10.16	Sixth Amendment to Receivables Loan, Security and Servicing Agreement, dated as of September 27, 2018, among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation B.U., Coöperatieve Rabobank U.A. (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.), as facility agent and committed lender, PNC Bank, National Association, as facility agent and committed lender, and Coöperatieve Rabobank U.A., New York Branch (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., New York Branch), as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Quarterly Report on Form 10-Q, dated November 7, 2018, File No. 1-16247).
10.17	Seventh Amendment to Receivables Loan, Security and Servicing Agreement, dated as of September 27, 2019, among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation B.U., Coöperatieve Rabobank U.A. (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.), as facility agent and committed lender, PNC Bank, National Association, as facility agent and committed lender, and Coöperatieve Rabobank U.A., New York Branch (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., New York Branch), as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Quarterly Report on Form 10-Q, dated November 6, 2019, File No. 1-16247).
10.18	Eighth Amendment to Receivables Loan, Security and Servicing Agreement, dated as of September 23, 2020, among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation B.V., Coöperatieve Rabobank U.A. (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.), as facility agent for the Nieuw Amsterdam Lender Group and as a committed lender, Regions Bank, as facility agent for the Regions Bank Lender Group and as a committed lender, and Coöperatieve Rabobank U.A., New York Branch (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., New York Branch), as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Quarterly Report on Form 10-Q, dated November 5, 2020, File No. 1-16247).
10.19	Ninth Amendment to Receivables Loan, Security and Servicing Agreement, dated as of September 23, 2021, among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation B.V., Coöperatieve Rabobank U.A. (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.), as facility agent for the Nieuw Amsterdam Lender Group and as a committed lender, Regions Bank, as facility agent for the Regions Bank Lender Group and as a committed lender, and Coöperatieve Rabobank U.A., New York Branch (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., New York Branch), as administrative agent (Incorporated by reference to Exhibit 10.2 to Flowers Foods’ Quarterly Report on Form 10-Q, dated November 12, 2021, File No. 1-16247).
10.20	Tenth Amendment to Receivables Loan, Security and Servicing Agreement, dated as of September 27, 2022, among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation B.V., Coöperatieve Rabobank U.A. (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.), as facility agent for the Nieuw Amsterdam Lender Group and as a committed lender, Regions Bank, as facility agent for the Regions Bank Lender Group and as a committed lender, and Coöperatieve Rabobank U.A., New York Branch (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., New York Branch), as administrative agent. (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Quarterly Report on Form 10-Q, dated November 10, 2022, File No. 1-16247).

Exhibit No	Name of Exhibit
10.21	— Eleventh Amendment to Receivables Loan, Security and Servicing Agreement, dated as of February 13, 2023, among Flowers Finance II, LLC, Flowers Foods, Inc., Nieuw Amsterdam Receivables Corporation B.V., Coöperatieve Rabobank U.A. (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.), as facility agent for the Nieuw Amsterdam Lender Group and as a committed lender, Regions Bank, as facility agent for the Regions Bank Lender Group and as a committed lender, and Coöperatieve Rabobank U.A., New York Branch (f/k/a Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., New York Branch), as administrative agent. (Incorporated by reference to Exhibit 10.2 to Flowers Foods’ Quarterly Report on Form 10-Q, dated May 18, 2023, File No. 1-16247).
10.22	— Master Framework Agreement, dated as of April 14, 2023, by and among Coöperatieve Rabobank U.A., New York Branch, and the other financial institutions listed on the signature pages thereof as “Buyer Funding Parties”, Coöperatieve Rabobank U.A., New York Branch, as repo counterparty, on behalf of itself and the other Buyer Funding Parties, the subsidiaries of Flowers Foods, Inc. listed on Annex I thereto, as Originators, and Flowers Foods, Inc., as repo seller (Incorporated by reference to Exhibit 10.3 to Flowers Foods’ Quarterly Report on Form 10-Q, dated May 18, 2023, File No. 1-16247).
10.23	— Receivables Sale and Distribution Agreement, dated as of April 14, 2023, among Flowers Foods, Inc. and each of the Primary Originators, Secondary Originators, Tertiary Originators and Quaternary Originators signatory thereto Incorporated by reference to Exhibit 10.4 to Flowers Foods’ Quarterly Report on Form 10-Q, dated May 18, 2023, File No. 1-16247).
10.24	— Master Repurchase Agreement, dated as of April 14, 2023, between Flowers Foods, Inc. and Coöperatieve Rabobank U.A., New York Branch. (Incorporated by reference to Exhibit 10.5 to Flowers Foods’ Quarterly Report on Form 10-Q, dated May 18, 2023, File No. 1-16247).
10.25	+ — Flowers Foods, Inc. 2001 Equity and Performance Incentive Plan, as amended and restated effective as of April 1, 2009 (Incorporated by reference to Annex A to Flowers Foods’ Proxy Statement on Schedule 14A, dated April 24, 2009, File No. 1-16247).
10.26	+ — Flowers Foods, Inc. Stock Appreciation Rights Plan (Incorporated by reference to Exhibit 10.8 to Flowers Foods’ Annual Report on Form 10-K, dated March 29, 2002, File No. 1-16247).
10.27	+ — Flowers Foods, Inc. Annual Executive Bonus Plan (Incorporated by reference to Annex B to Flowers Foods’ Proxy Statement on Schedule 14A, dated April 24, 2009, File No. 1-16247).
10.28	+ — Flowers Foods, Inc. 2014 Omnibus Equity and Incentive Compensation Plan (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated May 27, 2014, File No. 1-16247).
10.29	+ — Flowers Foods, Inc. 2014 Omnibus Equity and Incentive Compensation Plan (Amended and Restated Effective May 25, 2023) (Incorporated by reference to Exhibit 4.3 to Flowers Foods’ Registration Statement on Form S-8, dated May 25, 2023, File No. 333-272189).
10.30	+ — Flowers Foods, Inc. Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit 10.10 to Flowers Foods’ Annual Report on Form 10-K, dated March 29, 2002, File No. 1-16247).
10.31	+ — Form of Indemnification Agreement, by and between Flowers Foods, Inc., certain executive officers and the directors of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.14 to Flowers Foods’ Annual Report on Form 10-K, dated March 28, 2003, File No. 1-16247).
10.32	+ — Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated November 21, 2023, File No. 1-16247).
10.33	+ — Flowers Foods, Inc. 2005 Executive Deferred Compensation Plan, effective as of January 1, 2005 (Incorporated by reference to Exhibit 4.7 of Flowers Foods’ Registration Statement on Form S-8, dated December 29, 2008, File No. 333-156471).
10.34	+ — Flowers Foods, Inc. Change of Control Plan, effective as of February 23, 2012 (Incorporated by reference to Exhibit 10.1 to Flowers Foods’ Current Report on Form 8-K, dated February 29, 2012, File No. 1-16247).
10.35	+ — Form of 2020 Performance Stock Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.30 to Flowers Foods’ Annual Report on Form 10-K, dated February 19, 2020, File No. 1-16247).
10.36	+ — Form of 2021 Performance Stock Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.29 to Flowers Foods’ Annual Report on Form 10-K, dated February 24, 2021, File No. 1-16247).
10.37	+ — Form of 2021 Time Based Restricted Stock Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.30 to Flowers Foods’ Annual Report on Form 10-K, dated February 24, 2021, File No. 1-16247).
10.38	+ — Form of 2022 Performance Stock Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.33 to Flowers Foods’ Annual Report on Form 10-K, dated February 23, 2022, File No. 1-16247).

Exhibit No	Name of Exhibit
10.39 + —	Form of 2022 Time Based Restricted Stock Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.34 to Flowers Foods' Annual Report on Form 10-K, dated February 23, 2022, File No. 1-16247).
10.40 + —	Form of 2023 Performance Stock Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.33 to Flowers Foods' Annual Report on Form 10-K, dated February 22, 2023, File No. 1-16247).
10.41 + —	Form of 2023 Time Based Restricted Stock Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.34 to Flowers Foods' Annual Report on Form 10-K, dated February 22, 2023, File No. 1-16247).
10.42 +* —	Form of Performance Stock Agreement.
10.43 +* —	Form of Time Based Restricted Stock Agreement.
10.44 + —	Transition and Consulting Agreement, dated August 10, 2023, by and between Flowers Bakeries, LLC and D. Keith Wheeler (Incorporated by reference to Exhibit 10.1 to Flowers Foods' Quarterly Report on Form 10-Q, dated November 9, 2023, File No. 1-16247).
21.1 * —	Subsidiaries of Flowers Foods, Inc.
23 * —	Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP
31.1 * —	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 * —	Certification of Chief Financial Officer and Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 * —	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by A. Ryals McMullian, Chairman and Chief Executive Officer, R. Steve Kinsey, Chief Financial Officer and Chief Accounting Officer for the fiscal year ended December 30, 2023.
97 * —	Flowers Foods, Inc. Executive Compensation Recoupment Policy Effective November 16, 2023.
101.INS * —	Inline XBRL Instance Document.
101.SCH * —	Inline XBRL Taxonomy Extension Schema Linkbase.
104 —	The cover page from Flowers Foods' Annual Report on Form 10-K for the fiscal year ended December 30, 2023 has been formatted in Inline XBRL.

* Filed herewith

+ Management contract or compensatory plan or arrangement

Item 16. Form 10-K Summary

The company has elected not to provide summary information.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Flowers Foods, Inc. has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 21st day of February, 2024.

FLOWERS FOODS, INC.

/s/ A. RYALS MCMULLIAN

A. Ryals McMullian
*Chairman and
Chief Executive Officer*

/s/ R. STEVE KINSEY

R. Steve Kinsey
*Chief Financial Officer and
Chief Accounting Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of Flowers Foods, Inc. and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ A. RYALS MCMULLIAN</u> A. Ryals McMullian	Chairman and Chief Executive Officer	February 21, 2024
<u>/s/ R. STEVE KINSEY</u> R. Steve Kinsey	Chief Financial Officer and Chief Accounting Officer	February 21, 2024
<u>/s/ EDWARD J. CASEY, JR</u> Edward J. Casey, Jr.	Director	February 21, 2024
<u>/s/ THOMAS C. CHUBB III</u> Thomas C. Chubb III	Director	February 21, 2024
<u>/s/ GEORGE E. DEESE</u> George E. Deese	Director	February 21, 2024
<u>/s/ RHONDA O. GASS</u> Rhonda O. Gass	Director	February 21, 2024
<u>/s/ BRIGITTE H. KING</u> Brigitte H. King	Director	February 21, 2024
<u>/s/ MARGARET G. LEWIS</u> Margaret G. Lewis	Director	February 21, 2024
<u>/s/ W. JAMESON MCFADDEN</u> W. Jameson McFadden	Director	February 21, 2024
<u>/s/ JOANNE D. SMITH</u> Joanne D. Smith	Director	February 21, 2024
<u>/s/ JAMES T. SPEAR</u> James T. Spear	Director	February 21, 2024
<u>/s/ MELVIN T. STITH, PH.D.</u> Melvin T. Stith, Ph.D.	Director	February 21, 2024
<u>/s/ C. MARTIN WOOD III</u> C. Martin Wood III	Director	February 21, 2024

[This page intentionally left blank.]

FLOWERS FOODS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets at December 30, 2023 and December 31, 2022.....	F-4
Consolidated Statements of Income for Fiscal 2023, Fiscal 2022, and Fiscal 2021	F-5
Consolidated Statements of Comprehensive Income for Fiscal 2023, Fiscal 2022, and Fiscal 2021	F-6
Consolidated Statements of Changes in Stockholders' Equity for Fiscal 2023, Fiscal 2022, and Fiscal 2021	F-7
Consolidated Statements of Cash Flows for Fiscal 2023, Fiscal 2022, and Fiscal 2021	F-8
Notes to Consolidated Financial Statements.....	F-9

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Flowers Foods, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Flowers Foods, Inc. and its subsidiaries (the “Company”) as of December 30, 2023 and December 31, 2022, and the related consolidated statements of income, of comprehensive income, of stockholders’ equity and of cash flows for each of the three years in the period ended December 30, 2023, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 30, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management’s Report on Internal Control over Financial Reporting, management has excluded the Papa Pita business, from its assessment of internal control over financial reporting as of December 30, 2023, because the business was acquired by the Company in a purchase business combination during 2023. We have also excluded the Papa Pita business from our audit of internal control over financial reporting. The Papa Pita business is a wholly-owned subsidiary whose total assets and total revenues excluded from management’s assessment and our audit of internal control over financial reporting represent 3.3% and 1.1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 30, 2023.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with

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

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

Critical Audit Matters

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

Workers' Compensation Reserves

As described in Note 2 to the consolidated financial statements, the Company is self-insured for various levels of general liability, including workers' compensation. As of December 30, 2023, self-insurance reserves totaled approximately \$38.0 million, of which workers' compensation reserves represent a portion of the total balance. Management estimates workers' compensation reserves based on actual claim data and estimates of incurred but not reported claims developed utilizing historical claim trends, and projected settlements of incurred but not reported claims are estimated based on pending claims, historical trends and industry trends related to expected losses and actual reported losses and key assumptions, including loss development factors and expected loss rates.

The principal considerations for our determination that performing procedures relating to workers' compensation reserves is a critical audit matter are (i) the significant judgment by management when developing the estimated workers' compensation reserves; (ii) a high degree of auditor judgment and subjectivity in performing procedures and in evaluating audit evidence relating to the estimated workers' compensation reserves and management's significant assumptions related to loss development factors and expected loss rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's estimate of workers' compensation reserves, including controls over the development of significant assumptions related to the determination of the loss development factors and expected loss rates. These procedures also included, among others, obtaining and evaluating the Company's workers' compensation plan documents and testing management's process for estimating the workers' compensation reserves. Testing management's process included (i) evaluating the reasonableness of significant assumptions, including the loss development factors and expected loss rates used by management to estimate workers' compensation reserves, (ii) testing the completeness and accuracy of incurred and paid claims data used in management's workers' compensation reserves and (iii) using professionals with specialized skill and knowledge to assist in evaluating the appropriateness of the actuarial valuation methods and the reasonableness of loss development factors and expected loss rates.

/s/ PricewaterhouseCoopers LLP
Atlanta, Georgia
February 21, 2024

We have served as the Company's auditor since at least 1969. We have not been able to determine the specific year we began serving as auditor of the Company.

FLOWERS FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 30, 2023	December 31, 2022
	(Amounts in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,527	\$ 165,134
Accounts and notes receivable, net of allowances of \$33,386 and \$18,754, respectively	328,246	349,477
Inventories:		
Raw materials	72,941	71,058
Packaging materials	28,743	28,202
Finished goods	82,813	69,437
	184,497	168,697
Spare parts and supplies	86,386	73,614
Other	66,057	48,018
Total current assets	687,713	804,940
Property, plant and equipment:		
Land	128,410	111,792
Buildings	615,895	553,606
Machinery and equipment	1,394,525	1,308,970
Furniture, fixtures and transportation equipment	303,115	184,722
Construction in progress	58,586	137,631
	2,500,531	2,296,721
Less: accumulated depreciation	(1,537,550)	(1,447,396)
	962,981	849,325
Financing lease right-of-use assets	130	1,778
Operating lease right-of-use assets	276,734	273,436
Notes receivable from independent distributor partners	123,571	136,882
Assets held for sale	21,799	12,493
Other assets	18,487	24,515
Goodwill	677,796	545,244
Other intangible assets, net	657,742	664,381
Total assets	\$ 3,426,953	\$ 3,312,994
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ —	\$ —
Current maturities of financing leases	99	1,779
Current maturities of operating leases	47,507	43,990
Accounts payable	318,600	343,380
Other accrued liabilities	292,946	175,276
Total current liabilities	659,152	564,425
Long-term debt and right-of-use lease liabilities:		
Noncurrent long-term debt	1,048,144	891,842
Noncurrent financing lease obligations	23	116
Noncurrent operating lease obligations	236,872	236,977
Total long-term debt and right-of-use lease liabilities	1,285,039	1,128,935
Other liabilities:		
Post-retirement/post-employment obligations	5,798	5,814
Deferred taxes	91,245	134,832
Other long-term liabilities	33,937	35,698
Total other long-term liabilities	130,980	176,344
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — \$100 stated par value, 200,000 authorized and none issued	—	—
Preferred stock — \$.01 stated par value, 800,000 authorized and none issued	—	—
Common stock — \$.01 stated par value and \$.001 current par value; 500,000,000 authorized shares; 228,729,585 issued shares	199	199
Treasury stock — 18,309,359 and 17,595,619 shares, respectively	(281,318)	(252,613)
Capital in excess of par value	699,808	689,959
Retained earnings	932,472	1,004,271
Accumulated other comprehensive income	621	1,474
Total stockholders' equity	1,351,782	1,443,290
Total liabilities and stockholders' equity	\$ 3,426,953	\$ 3,312,994

See Accompanying Notes to Consolidated Financial Statements

FLOWERS FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>
	<u>52 weeks</u>	<u>52 weeks</u>	<u>52 weeks</u>
	(Amounts in thousands, except per share data)		
Sales	\$ 5,090,830	\$ 4,805,822	\$ 4,330,767
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately below)	2,632,136	2,501,995	2,175,247
Selling, distribution, and administrative expenses	2,119,718	1,850,594	1,719,797
Depreciation and amortization	151,709	141,957	136,559
Restructuring charges	7,099	—	—
FASTER Act and loss on inferior ingredients	—	236	944
Plant closure costs and impairment of assets	7,298	7,825	—
Multi-employer pension plan withdrawal costs	—	—	3,300
Income from operations	172,870	303,215	294,920
Interest expense	36,609	28,921	31,534
Interest income	(20,577)	(23,644)	(23,533)
Loss on extinguishment of debt	—	—	16,149
Pension plan settlement and curtailment loss	—	—	403
Other components of net periodic pension and postretirement benefits credit	(269)	(773)	(405)
Income before income taxes	157,107	298,711	270,772
Income tax expense	33,691	70,317	64,585
Net income	<u>\$ 123,416</u>	<u>\$ 228,394</u>	<u>\$ 206,187</u>
Net income per common share:			
Basic:			
Net income per common share	<u>\$ 0.58</u>	<u>\$ 1.08</u>	<u>\$ 0.97</u>
Weighted average shares outstanding	<u>211,630</u>	<u>211,895</u>	<u>211,840</u>
Diluted:			
Net income per common share	<u>\$ 0.58</u>	<u>\$ 1.07</u>	<u>\$ 0.97</u>
Weighted average shares outstanding	<u>213,356</u>	<u>213,227</u>	<u>213,033</u>
Cash dividends paid per common share	<u>\$ 0.9100</u>	<u>\$ 0.8700</u>	<u>\$ 0.8300</u>

See Accompanying Notes to Consolidated Financial Statements

FLOWERS FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Fiscal 2023</u> <u>52 weeks</u>	<u>Fiscal 2022</u> <u>52 weeks</u>	<u>Fiscal 2021</u> <u>52 weeks</u>
	(Amounts in thousands)		
Net income	\$ 123,416	\$ 228,394	\$ 206,187
Other comprehensive income, net of tax:			
Pension and postretirement plans:			
Settlement and curtailment loss	—	—	302
Net actuarial gain for the period	471	2,752	788
Current year prior service credit	—	—	1,661
Amortization of prior service (credit) cost included in net income	(133)	(135)	41
Amortization of actuarial (gain) loss included in net income	(55)	214	400
Pension and postretirement plans, net of tax	<u>283</u>	<u>2,831</u>	<u>3,192</u>
Derivative instruments:			
(Loss) gain on effective portion of derivatives	(2,951)	790	(5,348)
Loss (gain) reclassified to net income	1,815	(4,734)	(1,681)
Derivative instruments, net of tax	<u>(1,136)</u>	<u>(3,944)</u>	<u>(7,029)</u>
Other comprehensive loss, net of tax	<u>(853)</u>	<u>(1,113)</u>	<u>(3,837)</u>
Comprehensive income	<u>\$ 122,563</u>	<u>\$ 227,281</u>	<u>\$ 202,350</u>

See Accompanying Notes to Consolidated Financial Statements

FLOWERS FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other	Treasury Stock		Total
	Number of Shares Issued	Par Value			Comprehensive Loss	Number of Shares	Cost	
(Amounts in thousands, except share data)								
Balances at January 2, 2021	228,729,585	\$ 199	\$ 659,682	\$ 932,094	\$ 6,424	(17,126,261)	\$ (225,405)	\$ 1,372,994
Net income				206,187				206,187
Derivative instruments, net of tax (Note 11)					(7,029)			(7,029)
Pension and postretirement plans, net of tax (Note 21)					3,192			3,192
Stock repurchases						(406,840)	(9,510)	(9,510)
Issuance of deferred stock awards			(636)			48,231	636	—
Amortization of stock-based compensation awards			21,343					21,343
Time-based restricted stock awards issued (Note 19)			(1,798)			136,652	1,798	—
Issuance of deferred compensation			(177)			13,414	177	—
Dividends paid on vested stock-based payments awards				(234)				(234)
Dividends paid — \$0.8300 per common share				(175,669)				(175,669)
Balances at January 1, 2022	228,729,585	\$ 199	\$ 678,414	\$ 962,378	\$ 2,587	(17,334,804)	\$ (232,304)	\$ 1,411,274
Net income				228,394				228,394
Derivative instruments, net of tax (Note 11)					(3,944)			(3,944)
Pension and postretirement plans, net of tax (Note 21)					2,831			2,831
Stock repurchases						(1,321,117)	(34,586)	(34,586)
Issuance of deferred stock awards			(902)			65,687	902	—
Amortization of stock-based compensation awards			25,822					25,822
Time-based restricted stock awards issued (Note 19)			(2,860)			213,436	2,860	—
Performance-contingent restricted stock awards issued (Note 19)			(10,469)			777,773	10,469	—
Issuance of deferred compensation			(46)			3,406	46	—
Dividends paid on vested stock-based payments awards				(2,260)				(2,260)
Dividends paid — \$0.8700 per common share				(184,241)				(184,241)
Balances at December 31, 2022	228,729,585	\$ 199	\$ 689,959	\$ 1,004,271	\$ 1,474	(17,595,619)	\$ (252,613)	\$ 1,443,290
Net income				123,416				123,416
Derivative instruments, net of tax (Note 11)					(1,136)			(1,136)
Pension and postretirement plans, net of tax (Note 21)					283			283
Stock repurchases						(1,898,729)	(45,801)	(45,801)
Issuance of deferred stock awards			(927)			63,266	927	—
Amortization of stock-based compensation awards			26,945					26,945
Time-based restricted stock awards issued (Note 19)			(3,623)			251,222	3,623	—
Performance-contingent restricted stock awards issued (Note 19)			(12,508)			867,944	12,508	—
Issuance of deferred compensation			(38)			2,557	38	—
Dividends paid on vested stock-based payments awards				(2,780)				(2,780)
Dividends paid — \$0.9100 per common share				(192,435)				(192,435)
Balances at December 30, 2023	228,729,585	\$ 199	\$ 699,808	\$ 932,472	\$ 621	(18,309,359)	\$ (281,318)	\$ 1,351,782

See Accompanying Notes to Consolidated Financial Statements

FLOWERS FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal 2023	Fiscal 2022	Fiscal 2021
	52 weeks	52 weeks	52 weeks
	(Amounts in thousands)		
Cash flows provided by (disbursed for) operating activities:			
Net income	\$ 123,416	\$ 228,394	\$ 206,187
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on foreign currency exchange rates	—	8,371	—
Depreciation and amortization	151,709	141,957	136,559
Stock-based compensation	26,945	25,822	21,343
Impairment of assets	9,611	3,897	—
Loss (gain) reclassified from accumulated other comprehensive income to net income	2,920	(5,813)	(2,115)
Deferred income taxes	(43,340)	1,446	6,777
Provision for inventory obsolescence	2,376	3,679	16
Allowances for accounts receivable	8,412	8,518	6,071
Pension and postretirement plans expense	592	629	1,306
Other	1,591	(5,016)	2,473
Qualified pension plan contributions	(1,000)	(1,000)	—
Changes in operating assets and liabilities:			
Accounts receivable	5,008	(55,420)	(10,600)
Inventories	(15,163)	(37,396)	(9,767)
Hedging activities, net	(1,498)	(224)	(4,967)
Accounts payable	(26,588)	82,125	38,076
Other assets and accrued liabilities	104,362	(39,080)	(46,749)
Net cash provided by operating activities	<u>349,353</u>	<u>360,889</u>	<u>344,610</u>
Cash flows provided by (disbursed for) investing activities:			
Purchases of property, plant and equipment	(129,078)	(169,071)	(135,964)
Repurchase of independent distributor territories	(10,007)	(8,163)	(4,585)
Cash paid at issuance of notes receivable	(18,433)	(11,860)	(12,135)
Principal payments from notes receivable	28,066	38,852	31,996
Acquisition of trademark	—	—	(10,200)
Proceeds from sales of property, plant and equipment	2,312	7,681	2,995
Purchase of leased warehouses	—	—	(64,689)
Acquisition of business	(274,755)	—	—
Investment in unconsolidated affiliate	(1,981)	(9,000)	—
Other investing activities	64	473	1,144
Net cash disbursed for investing activities	<u>(403,812)</u>	<u>(151,088)</u>	<u>(191,438)</u>
Cash flows provided by (disbursed for) financing activities:			
Dividends paid, including dividends on share-based payment awards	(195,215)	(186,501)	(175,903)
Payments for debt issuance costs	(533)	(282)	(6,022)
Stock repurchases	(45,801)	(34,586)	(9,510)
Change in bank overdrafts	220	799	261
Proceeds from debt borrowings	898,000	330,000	497,570
Debt obligation payments	(743,000)	(330,000)	(579,428)
Payments on financing leases	(1,819)	(1,597)	(1,745)
Net cash disbursed for financing activities	<u>(88,148)</u>	<u>(222,167)</u>	<u>(274,777)</u>
Effect of exchange rates on cash	—	(8,371)	—
Net decrease in cash and cash equivalents	(142,607)	(12,366)	(121,605)
Cash and cash equivalents at beginning of period	165,134	185,871	307,476
Cash and cash equivalents at end of period	<u>\$ 22,527</u>	<u>\$ 165,134</u>	<u>\$ 185,871</u>
Schedule of non-cash investing and financing activities:			
Issuance of executive deferred compensation plan common stock	\$ 38	\$ 46	\$ 177
Right-of-use assets obtained in exchange for new financing lease liabilities	\$ 34	\$ —	\$ 37
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 54,997	\$ 33,559	\$ 55,869
Issuance of notes receivable on new distribution territories, net	\$ 29,076	\$ 22,446	\$ 21,008
Distributor routes sold with deferred gains, net	\$ 132	\$ 280	\$ 241
Purchase of property, plant and equipment included in accounts payable	\$ 5,449	\$ 6,716	\$ 9,124
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ 34,595	\$ 27,590	\$ 52,620
Income taxes paid, net of refunds of \$120, \$9,797 and \$305, respectively	\$ 99,118	\$ 53,044	\$ 69,401

See Accompanying Notes to Consolidated Financial Statements

FLOWERS FOODS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

General. The accompanying Consolidated Financial Statements of Flowers Foods, Inc. (the “company”, “Flowers Foods”, “Flowers”, “us”, “we”, or “our”) have been prepared by the company’s management in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

Reporting Segment. The company has one operating segment based on the nature of products the company sells, intertwined production and distribution model, the internal management structure and information that is regularly reviewed by the chief executive officer (“CEO”), who is the chief operating decision maker, for the purpose of assessing performance and allocating resources.

Note 2. Summary of Significant Accounting Policies

Basis of Consolidation. The Consolidated Financial Statements include the accounts of the company and its wholly-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year End. Our fiscal year ends on the Saturday nearest December 31, resulting in a 53rd reporting week every five or six years. The last 53-week year was our Fiscal 2020. The next 53-week year will be Fiscal 2025. Our internal financial results and key performance indicators are reported on a weekly calendar basis to ensure the same numbers of Saturdays and Sundays in comparable months and to allow for a consistent four-week progression analysis. The company has elected the first quarter to report the extra four-week period. As such, our quarters are divided as follows:

Quarter	Number of Weeks
First Quarter	Sixteen
Second Quarter	Twelve
Third Quarter	Twelve
Fourth Quarter	Twelve (or Thirteen in fiscal years with an extra week)

Accordingly, interim results may not be indicative of subsequent interim period results, or comparable to prior or subsequent interim period results, due to differences in the lengths of the interim periods.

Revenue Recognition. Revenue is recognized when obligations under the terms of a contract with our customers are satisfied. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. The company records both direct and estimated reductions to gross revenue for customer programs and incentive offerings at the time the incentive is offered or at the time of revenue recognition for the underlying transaction that results in progress by the customer towards earning the incentive. These allowances include price promotion discounts, coupons, customer rebates, cooperative advertising, and product returns. Consideration payable to a customer is recognized at the time control transfers and is a reduction to revenue. The recognition of costs for promotion programs involves the use of judgment related to performance and redemption estimates. Estimates are made based on historical experience and other factors. Price promotion discount expense is recorded as a reduction to gross sales when the discounted product is sold to the customer.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in our selling, distribution, and administrative expenses line item on the Consolidated Statements of Income.

The company's production facilities deliver products to independent distributor partners ("IDP" or "IDPs"), who sell and deliver those products to outlets of retail accounts that are within the IDPs' defined geographic territory. The IDPs sell products using either scan-based trading ("SBT") technology, authorized charge tickets, or cash sales.

SBT technology allows the retailer to take ownership of our products when the consumer purchases the products rather than at the time they are delivered to the retailer. Control of the inventory does not transfer upon delivery to the retailer because the company controls the risks and rights until the product is scanned at the reseller's register. Each of the company's products is considered distinct because the resellers expect each item to be a performance obligation. The company's performance obligations are satisfied at the point in time when the end consumer purchases the product because each product is considered a separate performance obligation. Consequently, revenue is recognized at a point in time for each scanned item. The company has concluded that we are the principal for SBT sales.

In Fiscal 2023, 2022, and 2021, the company recorded \$2.5 billion, \$2.4 billion, and \$2.2 billion, respectively, in sales through SBT.

SBT is utilized primarily in certain national and regional retail accounts ("SBT Outlet"). Generally, revenue is not recognized by the company upon delivery of our products by the company to the IDP or upon delivery of our products by the IDP to an SBT Outlet, but when our products are purchased by the end consumer. Product inventory in the SBT Outlet is reflected as inventory on the Consolidated Balance Sheets.

The IDP performs a physical inventory of products at each SBT Outlet weekly and reports the results to the company. The inventory data submitted by the IDP for each SBT Outlet is compared with the product delivery data. Product delivered to a SBT Outlet that is not recorded as inventory in the product delivery data has been purchased by the consumer/customer of the SBT Outlet and is recorded as sales revenue by the company.

Non-SBT sales are classified as either authorized charge sales or cash sales. The company provides marketing support to the IDP for authorized charge sales but does not provide marketing support to the IDP for cash sales. Marketing support includes providing a dedicated account representative, resolving complaints, and accepting responsibility for product quality which collectively define how to manage the relationship. Revenue is recognized at a point in time for non-SBT sales.

The company retains inventory risk, establishes negotiated special pricing, and fulfills the contractual obligations for authorized charge sales. The company is the principal, the IDP is the agent, and the reseller is the customer. Revenue is recognized for authorized charge sales when the product is delivered to the customer because the company has satisfied its performance obligations.

Cash sales occur when the IDP is the end customer. The IDP maintains accounts receivable, inventory and fulfillment risk for cash sales. The IDP also controls pricing for the resale of cash sale products. The company is the principal and the IDP is the customer, and an agent relationship does not exist. The discount paid to the IDP for cash sales is recorded as a reduction to revenue. Revenue is recognized for cash sales when the company's products are delivered to the IDP because the company has satisfied its performance obligations.

Certain sales are under contracts and include a formal ordering system. Orders are placed primarily using purchase orders ("PO") or electronic data interchange information. Each PO, together with the applicable master supply agreement, is determined to be a separate contract. Product is delivered via contract carriers engaged by either the company or the customer with shipping terms provided in the PO.

Each unit sold, for all product categories, is a separate performance obligation. Each unit is considered distinct because the customer can benefit from each unit by selling each one separately to the end consumer. Additionally, each unit is separately identifiable in the PO. Products are delivered either freight-on-board ("FOB") shipping or destination. The company's right to payment is at the time our products are obtained from our warehouse for FOB shipping deliveries. The right to payment for FOB destination deliveries occurs after the products are delivered to the customer. Revenue is recognized at a point in time when control transfers. The company pays commissions to brokers who obtain contracts with customers. Commissions are paid on the total value of the contract, which is determined at contract inception and is based on expected future activity. Broker commissions will not extend beyond a one-year term because each product is considered a separate order in the PO.

The company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the company otherwise would have recognized is one year or less. These costs are included in our selling, distribution, and administrative expenses line item on the Consolidated Statements of Income.

The company disaggregates revenue by sales channel. Our sales channels are branded retail and other. The other channel includes store branded retail, foodservice, restaurants, institutional, vending, thrift stores, and contract manufacturing. The company does not disaggregate revenue by geographic region, customer type, or contract type. All revenues are recognized at a point in time. Sales by sales channel category are as follows for Fiscal 2023, 2022, and 2021 (amounts in thousands):

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Branded retail	\$ 3,263,277	\$ 3,139,306	\$ 2,874,714
Other	1,827,553	1,666,516	1,456,053
Total	<u>\$ 5,090,830</u>	<u>\$ 4,805,822</u>	<u>\$ 4,330,767</u>

Cash and Cash Equivalents. The company considers deposits in banks, certificates of deposits, and short-term investments with original maturities of three months or less, and highly liquid investments that are readily convertible to known amounts of cash to be cash and cash equivalents.

Accounts and Notes Receivable. Accounts and notes receivable consist of trade receivables, current portions of distributor notes receivable, and miscellaneous receivables. The company recognizes an allowance for credit losses related to its accounts and notes receivable to present the net amount expected to be collected as of the balance sheet date. The company estimates this allowance based on historical data such as days sales outstanding trends, previous write-offs of balances, and weekly reviews of aged trial balances, among others. Accounts and notes receivable balances are written off when deemed uncollectible and are recognized as a deduction from the allowance for credit losses. Expected recoveries, not to exceed the amount previously written off, are considered in determining the reserve balance at the balance sheet date. Activity in the allowance for doubtful accounts is as follows (amounts in thousands):

	Beginning Balance	Charged to Expense	Write-Offs and Other	Ending Balance
Fiscal 2023	\$ 18,764	\$ 8,412	\$ 6,210	\$ 33,386
Fiscal 2022	\$ 15,398	\$ 8,518	\$ (5,152)	\$ 18,764
Fiscal 2021	\$ 15,162	\$ 6,071	\$ (5,835)	\$ 15,398

The company recorded a reserve of \$14.9 million during the third quarter of Fiscal 2023 for the distributor notes receivable as part of a legal settlement. The charge for this allowance was recorded as a legal expense and is recognized as 'Other' in the column of the table above. The expense column is specific to bad debt expense. The amount of reserve for the distributor notes receivable as of December 30, 2023 was \$14.8 million. See Note 23, *Commitments and Contingencies*, for additional information.

Activity in the allowance for trade accounts receivable credit losses for Fiscal 2023, 2022 and 2021 was as follows (amounts in thousands):

	Beginning Balance	Charged to Expense	Write-Offs and Other	Recoveries and other	Ending Balance
Fiscal 2023	\$ 2,188	\$ 3,089	\$ (2,635)	\$ (572)	\$ 2,070
Fiscal 2022	\$ 2,552	\$ 2,270	\$ (2,721)	\$ 87	\$ 2,188
Fiscal 2021	\$ 4,901	\$ 596	\$ (1,018)	\$ (1,927)	\$ 2,552

The amounts charged to expense for bad debts in the table above, inclusive of other non-trade accounts receivable amounts, are reported as adjustments to reconcile net income to net cash provided by operating activities in the Consolidated Statements of Cash Flows. The write-offs represent the amounts that are used to reduce the gross accounts and notes receivable at the time the balance due from the customer is written-off. Walmart/Sam's Club is our only customer with a balance greater than 10% of outstanding trade receivables. Their percentage of trade receivables was 20.3% and 24.3%, on a consolidated basis, as of December 30, 2023 and December 31, 2022, respectively. No other customer accounted for greater than 10% of the company's outstanding receivables.

Concentration of Credit Risk. The company performs periodic credit evaluations and grants credit to customers, who are primarily in the grocery and foodservice markets, and generally does not require collateral. Our top 10 customers in Fiscal 2023, 2022, and 2021 accounted for 55.5%, 54.5% and 53.7% of sales, respectively. Our largest customer's, Walmart/Sam's Club, weighted percent of sales for Fiscal 2023, 2022, and 2021 was as follows:

	Percent of Sales
Fiscal 2023	22.3%
Fiscal 2022	21.7%
Fiscal 2021	21.2%

Walmart/Sam's Club is the only customer to account for greater than 10% of the company's sales.

Inventories. Inventories at December 30, 2023 and December 31, 2022 are valued at net realizable value. Costs for raw materials and packaging are recorded at moving average cost. Finished goods inventories are valued at average costs.

The company will write down inventory to net realizable value for estimated unmarketable inventory equal to the difference between the cost of the inventory and the estimated net realizable value for situations when the inventory is impaired by damage, deterioration, or obsolescence.

Activity in the inventory reserve allowance is as follows (amounts in thousands):

	Beginning Balance	Charged to Expense	Write-Offs and Other	Ending Balance
Fiscal 2023	\$ 1,036	\$ 2,376	\$ (2,716)	\$ 696
Fiscal 2022	\$ 284	\$ 3,679	\$ (2,927)	\$ 1,036
Fiscal 2021	\$ 1,920	\$ 16	\$ (1,652)	\$ 284

The amounts charged to expense for inventory loss in the table above are reported as adjustments to reconcile net income to net cash provided by operating activities in the Consolidated Statements of Cash Flows. The write-offs and other column represents the amounts that are used to reduce gross inventories.

Shipping Costs. Shipping costs are included in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income. For Fiscal 2023, 2022, and 2021, shipping costs were \$1,215.4 million, \$1,169.0 million, and \$1,063.6 million, respectively, including the costs paid to IDPs.

Spare Parts and Supplies. The company maintains inventories of spare parts and supplies, which are used for repairs and maintenance of its machinery and equipment. These spare parts and supplies allow the company to react quickly in the event of a mechanical breakdown. These parts are valued using the moving average method and are expensed as the part is used. Periodic physical inventories of the parts are performed, and the value of the parts is adjusted for any obsolescence or difference from the physical inventory count.

Assets Held for Sale. Assets to be sold are classified as held for sale in the period all the required criteria are met. The company generally has three types of assets classified as held for sale. These include distribution rights, plants and depots/warehouses, and other equipment. See Note 9, *Assets Held for Sale*, for these amounts by classification.

The company voluntarily repurchases distribution rights from and sells distribution rights to IDPs from time to time. At the time the company purchases distribution rights from an IDP, the fair value purchase price of the distribution right is recorded as “Assets Held for Sale”. Upon the sale of the distribution rights to a new IDP, the new distributor franchisee/owner may choose how he/she desires to finance the purchase of the business. If the new distributor chooses to use optional financing via a company-related entity, a note receivable of up to ten years is recorded for the financed amount with a corresponding credit to assets held for sale to relieve the carrying amount of the territory. Any difference between the selling price of the business and the distribution rights’ carrying value, if any, is recorded as a gain or a loss in selling, distribution, and administrative expenses because the company considers the IDP activity a cost of distribution. This gain is recognized over the term of the outstanding notes receivable as payments are received from the IDP. In instances where a distribution right is sold for less than its carrying value, a loss is recorded at the date of sale and any impairment of a distribution right held for sale is recorded at such time when the impairment occurs. The deferred gains were \$10.4 million and \$15.1 million at December 30, 2023 and December 31, 2022, respectively, and are recorded in other short and long-term liabilities on the Consolidated Balance Sheets. The company recorded net gains of \$2.5 million (exclusive of \$65.5 million of repurchase obligations of distribution rights related to a legal settlement) during Fiscal 2023, \$3.8 million during Fiscal 2022 and \$1.6 million during Fiscal 2021 related to the sale of distribution rights as a component of selling, distribution, and administrative expenses. The gains recorded during Fiscal 2021 included a loss of \$4.7 million of repurchase obligations of distribution rights related to a legal settlement. See Note 23, *Commitments and Contingencies*, for details on these settlements.

Property, Plant and Equipment and Depreciation. Property, plant and equipment is recognized at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the depreciable assets.

The table below presents the range of estimated useful lives by property, plant and equipment class.

Asset Class	Useful life term (years)	
	Low	High
Buildings	10	40
Machinery and equipment	3	15
Furniture, fixtures and transportation equipment	3	12

Property recorded as leasehold improvements is amortized over the shorter of the lease term or the estimated useful life of the leased property.

Depreciation expense, excluding amortization of right-of-use financing leases, for Fiscal 2023, 2022, and 2021 was as follows (amounts in thousands):

	Depreciation expense
Fiscal 2023	\$ 117,788
Fiscal 2022	\$ 108,500
Fiscal 2021	\$ 103,949

The company had no capitalized interest during Fiscal 2023, 2022, and 2021. The cost of maintenance and repairs is charged to expense as incurred. Upon disposal or retirement, the cost and accumulated depreciation of assets are eliminated from the respective accounts. Any gain or loss is reflected in the company's Consolidated Statements of Income and is included in adjustments to reconcile net income to net cash provided by operating activities on the other line item in the Consolidated Statements of Cash Flows.

Leases. The company's leases consist of the following types of assets: bakeries, corporate office space, warehouses, bakery equipment, transportation equipment, and IT equipment (debt is discussed separately in Note 15, *Debt and Other Commitments*).

Real estate and equipment contracts occasionally contain multiple lease and non-lease components. Generally, non-lease components represent maintenance and utility related charges, and are primarily minor to the overall value of applicable contracts. These contracts also contain fixed payments with stated rent escalation clauses or fixed payments based on an index such as CPI. Additionally, some contracts contain tenant improvement allowances, rent holidays, lease premiums, and contingent rent provisions (which are treated as variable lease payments). Building and/or office space leases generally require the company to pay for common area maintenance (CAM), insurance, and taxes that are not included in the base rental payments, with the majority of these leases treated as net leases, and the remainder treated as gross or modified gross leases.

The lease term for real estate leases primarily ranges from one to 22 years, with a few leases that are month to month, and accounted for as short-term leases. See discussion on short-term leases below. The term of bakery equipment leases primarily ranges from less than a year up to three years. Transportation equipment generally has terms of less than one year up to seven years. IT equipment is typically leased from less than a year up to five years. Certain equipment (i.e., equipment subject to management contracts) and IT equipment leases have terms shorter than a year and are accounted for as short-term leases. See discussion on short-term leases below.

These contracts may contain renewal options for periods of one month up to 10 years at fixed percentages of market pricing, with some that are reasonably certain of exercise. For those contracts that contain leases, the company recognizes renewal options as part of right-of-use assets and lease liabilities. All other renewal and termination options are not reasonably certain of exercise or occurrence as of December 30, 2023.

These contracts may also contain right of first offer purchase options, along with expansion options that are not reasonably certain of exercise. Additionally, these contracts do not contain residual value guarantees, and there are no other restrictions or covenants in the contracts.

For these real estate contracts, the company's exclusive use of specified real estate for a specific term and for consideration resulted in the company treating these contracts as leases.

For those contracts that contain leases of buildings and land, the company has elected to not separate land components from leases of specified property, plant, and equipment, as it was determined to have no effect on lease classification for any lease component, and the amounts recognized for the land lease components would have been immaterial.

These contracts may also contain end-term purchase options, whereby the company may purchase the assets for stated pricing at the lesser of fair market value or a percentage of original asset cost. Yet, these purchase options were determined to not be reasonably certain of exercise or occurrence as of December 30, 2023. Additionally, these contracts do not contain residual value guarantees, and there are no other restrictions or covenants in the contracts.

The company's ability to make those decisions that most effect the economic benefits derived from the use of the equipment, accompanied by receiving substantially all outputs and utility from the use of the equipment resulted in the company accounting for these contracts as leases.

These leases are classified as operating leases because real estate leases do not transfer ownership at the end of the lease term, assets are not of such a specialized nature that real estate would not have alternative uses to lessors at the end of the lease term, lease terms do not represent a major part of the total useful life of real estate, and the present value of lease payments do not represent substantially all the fair value of leased assets at commencement.

Short-term leases

The company has also entered into short-term leases of certain real estate assets, along with IT equipment, and various equipment used for short-term bakery needs through equipment placement or service contracts that require purchase of consumables. These leases extend for periods of one to 12 months. Lease term and amounts of payments are generally fixed. There are no purchase options present, however, there generally are renewals that could extend lease terms for additional periods. Generally, renewal options, as they cannot be unilaterally exercised, are not reasonably certain of exercise, do not contain residual value guarantees, and there are no other restrictions or covenants in the leases.

Therefore, the company recognizes lease payments from these short-term leases and variable payments on the Consolidated Statements of Income in the period in which obligation for those payments have been incurred.

Modifications and reassessments

During Fiscal 2023 and 2022, the company elected certain renewal options that were not previously certain of exercise. Election of these renewal options resulted in reassessment of lease terms for the applicable leases.

The company included the renewal periods in measurement of lease terms for the applicable leases. Given that rental payments in the renewal periods were fixed, the company also remeasured the lease payments, and reallocated remaining contract consideration to the lease components within the applicable real estate leases. Although the triggering events did not result in changes to lease classification (i.e., all remained operating leases), they did affect the measurement of lease liabilities, right-of-use assets ("ROU assets"), and amounts recognized as lease expense for the applicable real estate leases.

Other significant judgments and assumptions

For all classes of assets, the company primarily used our incremental borrowing rates ("IBR") to perform lease classification tests and measure lease liabilities because discount rates implicit in the company's leases were not readily determinable.

Embedded leases

During Fiscal 2020 and Fiscal 2019, the company entered into embedded leases for IT equipment which matured and were not renewed during Fiscal 2023. As of December 31, 2022, the embedded leases were \$1.4 million of financing ROU assets and \$1.5 million of financing ROU liabilities. The company did not enter into any embedded leases during Fiscal 2023 or Fiscal 2022.

See Note 14, *Leases*, for our lease quantitative disclosures.

Segment. The company has one operating segment based on the nature of products the company sells, intertwined production and distribution model, the internal management structure and information that is regularly reviewed by the CEO, who is the chief operating decision maker, for the purpose of assessing performance and allocating resources.

Impairment of Long-Lived Held and Used Assets. The company determines whether there has been an impairment of long-lived held and used assets when indicators of potential impairment are present. We consider historical performance and future estimated results in our evaluation of impairment. If facts and circumstances indicate that the cost of any long-lived held and used assets may be impaired, an evaluation of recoverability would be performed. If an estimate of the asset's fair value is required in order to determine if an impairment should be recorded, the estimated future gross, undiscounted cash flows associated with the asset would be compared to the asset's carrying amount and if lower than the carrying value, a write-down to market value is required.

On July 19, 2022, the company announced the closure of the Holsum Bakery in Phoenix, Arizona. The bakery produced bread and bun products and ceased production on October 31, 2022. This closure is part of our strategy to optimize our sales portfolio and improve supply chain and manufacturing efficiency. The company recognized asset impairment charges for bakery equipment of \$2.9 million in the third quarter of Fiscal 2022. There were no impairment charges recorded during Fiscal 2023 or Fiscal 2021.

Impairment of Other Intangible Assets. The company accounts for other intangible assets at fair value. These intangible assets can be either finite or indefinite-lived depending on the facts and circumstances at acquisition.

Finite-lived intangible assets are reviewed for impairment when facts and circumstances indicate that the cost of any finite-lived intangible asset may be impaired. This recoverability test is based on an undiscounted cash flows expected to result from the company's use and eventual disposition of the asset. If these cash flows are sufficient to recover the carrying value over the useful life there is no impairment. Amortization of finite-lived intangible assets occurs over their estimated useful lives. The amortization periods, at origination, range from two years to forty years for these assets. The attribution methods we primarily use are the sum-of-the-year digits for customer relationships and straight-line for other intangible assets. These finite-lived intangible assets generally include trademarks, customer relationships, non-compete agreements, distributor relationships (for instances when not held for sale), and supply agreements.

The company fully impaired the California held and used distribution rights classified as intangible assets and recorded a charge of \$2.3 million in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income during Fiscal 2023.

Identifiable intangible assets that are determined to have an indefinite useful economic life are not amortized. Indefinite-lived intangible assets are tested for impairment, at least annually, using a one-step fair value-based approach or when certain indicators of potential impairment are present. We have elected not to perform the qualitative approach. We also reassess the indefinite-lived classification to determine if it is appropriate to reclassify these assets as finite-lived assets that will require amortization. We consider historical performance and future estimated results in our evaluation of impairment. If facts and circumstances indicate that the cost of any indefinite-lived intangible assets may be impaired, an evaluation of the fair value of the asset is compared to its carrying amount. If the carrying amount exceeds the fair value, an impairment charge is recorded for the difference.

We use the multi-period excess earnings and relief from royalty methods to value these indefinite-lived intangible assets. Fair value is estimated using the future gross, discounted cash flows associated with the asset using the following five material assumptions: (a) discount rate; (b) long-term sales growth rates; (c) forecasted operating margins (not applicable to the relief from royalty method), (d) assumed royalty rate; and (e) market multiples. The method used for impairment testing purposes is consistent with the valuation method employed at acquisition of the intangible asset. These indefinite-lived intangible assets are trademarks acquired in a purchase business combination.

The company evaluates useful lives for finite-lived intangible assets to determine if facts or circumstances arise that may impact the estimates of useful lives assigned and the remaining amortization duration. Indefinite-lived intangible assets that are determined to have a finite useful life are tested for impairment as an indefinite-lived intangible asset prior to commencing amortization. These intangible assets were assigned a useful life ranging from 5 years to 40 years.

Future adverse changes in market conditions or poor operating results of underlying intangible assets could result in losses or an inability to recover the carrying value of the intangible assets that may not be reflected in the assets' current carrying values, thereby possibly requiring an impairment charge in the future. See Note 10, *Goodwill and Other Intangible Assets*, for additional disclosure.

Goodwill. The company accounts for goodwill in a purchase business combination as the excess of the cost over the fair value of net assets acquired. The company tests goodwill for impairment on an annual basis (or an interim basis if a triggering event occurs that indicates the fair value of our single reporting unit may be below its carrying value) using a one-step method. We have elected not to perform the qualitative approach. The company conducts this review during the fourth quarter of each fiscal year absent any triggering events. We use the following four material assumptions in our fair value analysis: (a) weighted average cost of capital; (b) long-term sales growth rates; (c) forecasted operating margins; and (d) market multiples. No impairment resulted from the annual review performed in Fiscal 2023, 2022, or 2021. See Note 10, *Goodwill and Other Intangible Assets*, for additional disclosure.

Derivative Financial Instruments. The disclosure requirements for derivatives and hedging provide investors with an enhanced understanding of: (a) how and why an entity uses derivative instruments and related hedged items, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the company's objectives and strategies for using derivative instruments and related hedged items, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments and related hedged items, and disclosures about credit-risk-related contingent features in derivative instruments and related hedged items.

The company's objectives in using commodity derivatives are to add stability to materials, supplies, labor, and other production costs and to manage its exposure to certain commodity price movements. To accomplish this objective, the company uses commodity futures as part of its commodity risk management strategy. The company's commodity risk management programs include hedging price risk for wheat, soybean oil, corn, and natural gas primarily using futures contracts. Commodity futures designated as cash flow hedges involve fixing the price on a fixed volume of a commodity on a specified date. The commodity futures are given up to third parties near maturity to price the physical goods (e.g. flour, sweetener, corn, etc.) required as part of the company's production.

As required, the company records all derivatives on the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedged item with the earnings effect of the hedged forecasted transactions in a cash flow hedge. The company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply, or the company elects not to apply hedge accounting.

For derivatives designated and that qualify as cash flow hedges of commodity price risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income (loss) ("AOCI") and subsequently reclassified in the period during which the hedged transaction affects earnings within the same income statement line item as the earnings effect of the hedged transaction. All our commodity derivatives at December 30, 2023 qualified for hedge accounting. See Note 11, *Derivative Financial Instruments*, for additional disclosure.

The company routinely transfers amounts from AOCI to earnings as transactions for which cash flow hedges were held occur and impact earnings. Amounts reclassified out of AOCI to net income that relate to commodity contracts are presented as an adjustment to reconcile net income to net cash provided by operating activities on the Consolidated Statements of Cash Flows. Significant situations which do not routinely occur that could cause transfers from AOCI to earnings are the cancellation of a forecasted transaction for which a derivative was held as a hedge or a significant and material reduction in volume used of a hedged ingredient such that the company is over hedged and must discontinue hedge accounting. During Fiscal 2023, 2022, and 2021 there were no discontinued hedge positions.

The impact to earnings is included in our materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately) line item. Changes in the fair value of the asset or liability are recorded as either a current or long-term asset or liability depending on the underlying fair value. Amounts reclassified to earnings for the commodity cash flow hedges are presented as an adjustment to reconcile net income to net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 11, *Derivative Financial Instruments*, for additional disclosure.

Treasury Stock. The company records acquisitions of its common stock for treasury at cost. Differences between the proceeds for reissuances of treasury stock and average cost are credited or charged to capital in excess of par value to the extent of prior credits and thereafter to retained earnings. See Note 18, *Stockholders' Equity*, for additional disclosure.

During Fiscal 2022, the Inflation Reduction Act of 2022 ("IRA of 2022") was signed into law. Among other things, it imposes a 1% excise tax on net share repurchases in a tax year that are made by certain publicly traded corporations. Under the requirements of the IRA of 2022, the company accounts for the excise tax as a direct cost of the share repurchase transaction.

Advertising and Marketing Costs. Advertising and marketing costs are expensed the first time the advertising takes place. Advertising and marketing costs were \$99.3 million, \$74.6 million, and \$77.7 million for Fiscal years 2023, 2022, and 2021, respectively. Advertising and marketing costs are recorded in the selling, distribution, and administrative expense line item in our Consolidated Statements of Income.

Stock-Based Compensation. Stock-based compensation expense for all share-based payment awards granted is determined based on the grant date fair value. The company recognizes compensation costs only for those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the share-based payment award. The shares issued for exercises and at vesting of the awards are issued from treasury stock. Forfeitures are recognized as they occur. Shares issued at vesting are recorded as reissuances of treasury stock. See Note 19, *Stock-Based Compensation*, for additional disclosure. Stock-based compensation expense is primarily included in selling, distribution, and administrative expense in the Consolidated Statements of Income.

Cloud computing arrangements ("CCA"). If a CCA includes a software license, the arrangement is within the scope of the internal-use software guidance. If the CCA does not include a software license (i.e. is hosted), the arrangement is a service contract and the fees for the CCA are recorded as an operating expense. Capitalized implementation costs are amortized over the term of the associated hosted CCA service on a straight-line basis. Amortization over the contract term begins at the time any component of the hosted CCA service is ready for use. Capitalized implementation costs are presented on the Consolidated Balance Sheets as an other

asset. Amortization charges are presented in the selling, distribution, and administrative expenses line on the Consolidated Statements of Income.

Software Development Costs. The company expenses internal and external software development costs incurred in the preliminary project stage, and, thereafter, capitalizes costs incurred in developing or obtaining internally used software. Certain costs, such as maintenance and training, are expensed as incurred. Capitalized costs are amortized over a period of three to eight years and are subject to impairment evaluation. An impairment could be triggered if the company determines that the underlying software under review will no longer be used. The net balance of capitalized software development costs included in plant, property and equipment was \$106.5 million and \$14.5 million at December 30, 2023 and December 31, 2022, respectively. Amortization expense of capitalized software development costs, which is included in depreciation and amortization expense in the Consolidated Statements of Income, was \$14.2 million, \$10.2 million, and \$9.9 million in Fiscal 2023, 2022, and 2021, respectively.

Income Taxes. The company accounts for income taxes using the asset and liability method and recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income as a discrete item in the period that includes the enactment date.

The company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. The company has considered carryback, future taxable income, and prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event the company was to determine that it would be more likely than not able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the valuation allowance would increase income in the period such a determination was made. Likewise, should the company determine that it would not more likely than not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the valuation allowance would decrease income in the period such determination was made.

The company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation process. Interest related to unrecognized tax benefits is recorded within the interest expense line in the accompanying Consolidated Statements of Income. See Note 22, *Income Taxes*, for additional disclosure.

The deductions column in the table below presents the amounts reduced in the deferred tax asset valuation allowance that were recorded to, and included as part of, deferred tax expense. The additions column represents amounts that increased the allowance.

Activity in the deferred tax asset valuation allowance is as follows (amounts in thousands):

	Beginning Balance	Deductions	Additions	Ending Balance
Fiscal 2023	\$ 1,030	\$ —	\$ 556	\$ 1,586
Fiscal 2022	\$ 1,030	\$ —	\$ —	\$ 1,030
Fiscal 2021	\$ 1,030	\$ —	\$ —	\$ 1,030

Self-Insurance Reserves. The company is self-insured for various levels of general liability, auto liability, workers' compensation, and employee medical and dental coverage. Insurance reserves are calculated based on a combination of an undiscounted basis based on actual claim data and estimates of incurred but not reported claims developed utilizing historical claim trends. Projected settlements of incurred but not reported claims are estimated based on pending claims, historical trends and industry trends related to expected losses and actual reported losses, and key assumptions, including loss development factors and expected loss rates.

Loss Contingencies. Loss contingencies are recorded at the time it is probable an asset is impaired, or a liability has been incurred and the amount can be reasonably estimated. For litigation claims the company considers the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the loss. Losses are recorded in selling, distribution, and administrative expense in our Consolidated Statements of Income.

Net Income Per Common Share. Basic net income per share is computed by dividing net income by the weighted average common shares outstanding for the period. Diluted net income per share is computed by dividing net income by the weighted average common and common equivalent shares outstanding for the period. Common stock equivalents consist of the incremental shares associated with the company's stock compensation plans, as determined under the treasury stock method. The performance contingent restricted stock awards do not contain a non-forfeitable right to dividend equivalents and are included in the computation for diluted net

income per share. Fully vested shares which have a deferral period extending beyond the vesting date are included in the computation for basic net income per share. See Note 20, *Earnings Per Share*, for additional disclosure.

Variable Interest Entities. The incorporated IDPs are not voting interest entities since the company has no direct interest in each entity; however, they qualify as variable interest entities (“VIEs”). The IDPs who are formed as sole proprietorships are excluded from the VIE accounting analysis because sole proprietorships are not within scope for determination of VIE status. The company typically finances the incorporated IDP and enters into a contract with the incorporated IDP to supply product at a discount for distribution in the IDP’s territory. The combination of the company’s loans to the incorporated IDP and the ongoing supply arrangements with the incorporated IDP provides a level of protection to the equity owners of the various distributorships that would not otherwise be available. However, the company is not considered to be the primary beneficiary of the VIEs. See Note 16, *Variable Interest Entities*, for additional disclosure of these VIEs.

Postretirement Plans. The company records pension costs and benefit obligations related to its defined benefit plans based on actuarial valuations. These valuations reflect key assumptions determined by management, including the discount rate, expected long-term rate of return on plan assets and mortality. Material changes in pension costs and in benefit obligations may occur in the future due to experience that is different than assumed and changes in these assumptions. See Note 21, *Postretirement Plans*, for additional disclosure.

Pension Plan Assets. The finance committee of the Board of Directors delegated its fiduciary and other responsibilities with respect to the Company’s retirement plans’ investment strategies to the investment committee. The investment committee, which consists of certain members of management, establishes investment guidelines and strategies and regularly monitors the performance of the plans’ assets. The investment committee is responsible for executing these strategies and investing the pension assets in accordance with ERISA and fiduciary standards. The investment objective of the pension plans is to preserve the plans’ capital and maximize investment earnings within acceptable levels of risk and volatility. The investment committee meets on a regular basis with its investment advisors to review the performance of the plans’ assets. Based upon performance and other measures and recommendations from its investment advisors, the investment committee rebalances the plans’ assets to the targeted allocation when considered appropriate.

Fair Value of Financial Instruments. On March 9, 2021 and September 28, 2016, the company issued \$500.0 million of senior notes (the “2031 notes”) and \$400.0 million of senior notes (the “2026 notes”), respectively. These notes are recorded in our financial statements at carrying value, net of debt discount and issuance costs. The debt discount and issuance costs are being amortized over the ten-year term of the note to interest expense. In addition, and for disclosure purposes, the fair value of the notes is estimated using yields obtained from independent pricing sources for similar types of borrowing arrangements and is considered a Level 2 valuation. Additional details are included in Note 17, *Fair Value of Financial Instruments*.

Research and Development Costs. The company recorded research and development costs of \$5.9 million, \$6.1 million, and \$5.6 million for Fiscal 2023, 2022, and 2021, respectively. These costs are recorded as selling, distribution, and administrative expenses in our Consolidated Statements of Income.

Other Comprehensive Income (Loss) (“OCI”). The company reports comprehensive income in two separate but consecutive financial statements. See Note 7, *Accumulated Other Comprehensive Income (Loss)*, for additional required disclosures.

Business Process Improvement Costs Related to the Transformation Strategy Initiatives. In the second half of Fiscal 2020, we launched initiatives to transform how we operate our business, including upgrading our information system to a more robust platform, as well as investments in e-commerce, autonomous planning, and our “bakery of the future” initiatives. In the first quarter of Fiscal 2022, we launched the digital logistics and digital sales initiatives. The expensed portion of costs incurred related to these initiatives, which was primarily consulting costs, in Fiscal 2023 and Fiscal 2022 was \$21.5 million and \$33.2 million, respectively, and is reflected in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income.

Plant Closure Costs and Impairment of Assets. During the third and fourth quarters of Fiscal 2023, the company entered into agreements to sell a warehouse and a closed bakery, respectively, both of which were classified as held for sale and recorded impairment charges of \$1.8 million. The company completed the sale of the impaired warehouse for proceeds of \$1.3 million at the end of the third quarter of Fiscal 2023 and anticipates completing the sale of the bakery in the first quarter of Fiscal 2024.

On July 19, 2022, the company announced the closure of the Holsum Bakery in Phoenix, Arizona. The bakery produced bread and bun products and ceased production on October 31, 2022. This closure is part of our strategy to optimize our sales portfolio and improve supply chain and manufacturing efficiency. The company recognized severance costs of \$1.7 million, multi-employer pension plan withdrawal costs of \$1.3 million, and asset impairment and equipment relocation charges for bakery equipment of \$3.8 million in the third quarter of Fiscal 2022. See Note 21, *Postretirement Plans*, for details on the multi-employer pension plan withdrawal costs. During the first quarter of Fiscal 2022, the company decided to sell two warehouses acquired at the end of Fiscal 2021 and recorded an

impairment charge of \$1.0 million. The company completed the sale of the impaired warehouse at the end of the first quarter of Fiscal 2022.

Acquisition-related Costs. On December 13, 2022, the company announced it had entered into a definitive agreement to acquire the Papa Pita bakery business ("Papa Pita") and, on February 17, 2023, completed the acquisition for total consideration of approximately \$274.8 million, inclusive of a net working capital purchase price adjustment. The property and equipment, certain financial assets and taxes are still under review. We funded the purchase price with cash on-hand and from our existing credit facilities. Papa Pita is a manufacturer and distributor of bagels, tortillas, breads, buns, English muffins, and flat breads with one production facility in West Jordan, Utah and, prior to the acquisition, Papa Pita co-manufactured certain products for us. Papa Pita has direct-store-delivery distribution in the western United States ("U.S."), expanding our geographic reach. We incurred acquisition-related costs of \$3.7 million and \$0.9 million in Fiscal 2023 and 2022, respectively.

In the third quarter of Fiscal 2022, we incurred \$11.6 million in costs from the pursuit of an acquisition that failed to materialize. In addition to customary acquisition costs, we incurred \$8.4 million related to realized foreign currency exchange losses. Although the majority of the target company's sales were made in the U.S., the target company's foreign domicile required us to convert funds from U.S. dollars to complete the transaction. Following that conversion, a significant strengthening of the U.S. dollar relative to the target company's currency resulted in the foreign currency exchange loss upon conversion back into U.S. dollars following the failure of the deal.

The acquisition-related costs for these transactions are reflected in the selling, distribution and administrative expenses line item of the Consolidated Statements of Income.

Investment in Unconsolidated Affiliate. In the second quarter of Fiscal 2022, we invested \$9.0 million in Base Culture, a Clearwater, Florida-based company with one manufacturing facility. We made an additional investment of \$2.0 million in Base Culture during the second quarter of Fiscal 2023. Base Culture's product offerings include better-for-you, gluten-free, and grain-free sliced breads and baked goods and are all-natural, 100% Paleo-certified, kosher-certified, dairy-free, soy-free, and non-GMO verified. The investment is being accounted for at cost, less any impairment, adjusted for changes resulting from observable price changes in orderly transactions involving the affiliate, as we do not control nor do we have the ability to significantly influence the affiliate, nor is there a readily determinable fair value. Should circumstances indicate a change in the fair value, a fair value adjustment may be necessary.

During the fourth quarter of Fiscal 2023, management identified a triggering event indicating that our investment in Base Culture may be impaired. Additional quantitative analysis of Base Culture indicated a fair value of \$5.5 million of the company's interest. The company recognized an impairment loss of \$5.5 million which is reported in the Plant closure costs and impairment of assets line item of the Consolidated Statements of Income. The loss recognized represents the difference between the estimated fair value and the company's original carrying value. The remaining carrying value is \$5.5 million.

Gain on sale, severance costs, and lease termination (gain) loss. In the second quarter of Fiscal 2022, the company committed to a plan to outsource its aviation services and recorded severance and lease termination charges totaling \$1.7 million. In the fourth quarter of Fiscal 2022, the company completed the lease buyouts and subsequent sale of two aircraft and recorded gains on these sales totaling \$6.1 million. These amounts are reflected in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income. Lease termination costs were paid in the second quarter of Fiscal 2022 and the severance payments were completed in January 2023.

Note 3. Recent Accounting Pronouncements

Recently adopted accounting pronouncements

The company did not adopt any accounting pronouncements during Fiscal 2023.

Accounting pronouncements not yet adopted

On August 23, 2023, the FASB issued ASU 2023-05, "*Business Combinations - Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*", which requires a joint venture to initially measure all contributions received upon its formation at fair value. This accounting will largely be consistent with ASC 805, *Business Combinations*, although there are some specific exceptions. This new guidance is intended to reduce diversity in practice and provide users of the joint venture's financial statements with more decision-useful information. It may also reduce the amount of basis differences that an investor in a joint venture needs to track. The standard is effective for all joint venture entities with a formation date on or after January 1, 2025, with early adoption permitted. Joint ventures formed prior to the adoption date may elect to apply the new guidance retrospectively back to their original formation date. The company is determining the impact on our business.

On November 27, 2023, the FASB issued ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*", which requires public entities to disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. All public entities will be required to report segment information in accordance with the new guidance starting in annual periods beginning after December 15, 2023. The company is determining the impact on our business.

On December 14, 2023, The FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*", which enhances the transparency and decision usefulness of income tax disclosures by requiring; (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. For public business entities, the standard is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The company is determining the impact on our business.

We have reviewed other recently issued accounting pronouncements and concluded that either they are not applicable to our business or no material effect is expected upon future adoption.

Note 4. Food Allergen Compliance Costs and (Recovery) Loss on Inferior Ingredients

Food Allergen Compliance Costs

In the fourth quarter of Fiscal 2022, the company recognized \$2.0 million of compliance costs associated with the Food, Allergy Safety, Treatment, Education, and Research Act (the FASTER Act) signed into law on April 23, 2021 and effective on January 1, 2023. The FASTER Act declared sesame as the ninth major food allergen recognized by the U.S. and requires, among other things, all food products containing sesame (or products produced on the same equipment as products containing sesame) to list it in the ingredients statement or in a separate allergen statement on the packaging. The costs were mostly attributable to write-offs of obsolete packaging not in compliance with the new requirements and are recorded in our Consolidated Statements of Income.

(Recovery) Loss on Inferior Ingredients

During Fiscal 2021, the company issued a voluntary recall on certain *Tastykake* multi-pack cupcakes sold in eight states and certain *Tastykake* Krimpets distributed to retail customers throughout the U.S. due to the potential presence of tiny fragments of metal mesh wire. The recall was initiated following notification by a vendor of the possible contamination in a supplied ingredient. We incurred costs of \$1.8 million related to the recall in Fiscal 2021 and received a full reimbursement for the loss in the fourth quarter of Fiscal 2022.

During Fiscal 2020, the company received ingredient shipments containing gluten which were used to produce our gluten-free products. The company issued a voluntary product recall due to the potential presence of gluten in certain products. The products recalled were distributed to retail customers in 14 states. The recall was initiated after finished product testing revealed the possible presence of gluten. The cause was gluten present in ingredients from a supplier that should not have contained gluten. We incurred costs of \$1.3 million related to the recall of gluten-free products and an adjustment to previously recorded inferior yeast costs. During Fiscal 2021, the company incurred costs of \$0.1 million and received reimbursements of approximately \$1.0 million for these previously incurred costs.

Unless otherwise noted, the costs and reimbursements related to these inferior ingredients are included in the 'FASTER Act and loss on inferior ingredients' line item in our Consolidated Statements of Income.

There were no costs or reimbursements related to food allergen compliance or inferior ingredients during Fiscal 2023.

The table below presents the total costs associated with the FASTER Act and cost and recoveries on inferior ingredients during Fiscal 2022 and 2021 (amounts in thousands):

	Fiscal 2022	Fiscal 2021
FASTER Act expense recognized	\$ 2,008	\$ —
Expense recognized on inferior ingredients	—	1,894
Recoveries recognized on inferior ingredients	(1,772)	(950)
FASTER Act and loss on inferior ingredients	<u>\$ 236</u>	<u>\$ 944</u>

Note 5. Restructuring Activities

In February 2023, to improve operational effectiveness, increase profitable sales, and better meet customer requirements, the company announced a restructuring of plant operation responsibilities from the sales function to the supply chain function. Employee

termination benefits and other cash charges were primarily for the voluntary employee separation incentive plan (the "VSIP"), reduction-in-force ("RIF") and employee relocation costs. These costs are recorded in the restructuring charges line item of the Consolidated Statements of Income.

The table below presents the components of costs associated with the restructuring (amounts in thousands):

	Fiscal 2023
Restructuring charges:	
VSIP	\$ 5,229
RIF	899
Relocation costs	971
Total restructuring	<u>\$ 7,099</u>

The table below presents the components of, and changes in, our restructuring accruals (amounts in thousands):

	VSIP	Relocation Costs	RIF	Total
Liability balance at December 31, 2022	\$ —	\$ —	\$ —	\$ —
Charges	5,229	971	899	7,099
Cash payments	(3,800)	(971)	(899)	(5,670)
Liability balance (1) at December 30, 2023	<u>\$ 1,429</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,429</u>

(1) Recorded in the other accrued current liabilities line item of our Consolidated Balance Sheets.

Note 6. Acquisition

On February 17, 2023, the company completed the acquisition of the Papa Pita bakery business ("Papa Pita") for total consideration of approximately \$274.8 million, inclusive of a net working capital adjustment. Papa Pita is a manufacturer and distributor of bagels, tortillas, breads, buns, English muffins, and flat breads with one production facility in West Jordan, Utah and, prior to the acquisition, Papa Pita co-manufactured certain products for the company. Papa Pita has direct-store-delivery distribution in the western U.S., expanding our geographic reach. We incurred acquisition costs of \$3.7 million and \$0.9 million during Fiscal 2023 and 2022, respectively. These costs are reflected in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income. The company also recognized an immaterial \$1.5 million goodwill measurement period adjustment related to the final net working capital amount during the second quarter of Fiscal 2023. Papa Pita's operating income since the acquisition was immaterial to our Fiscal 2023 results of operations.

The following table summarizes the consideration paid for Papa Pita based on the fair value at the acquisition date. This table is based on preliminary valuations for the assets acquired (the company did not acquire any cash) and liabilities assumed. The property and equipment, certain financial assets and taxes are still under review. We will continue reviewing the final recognized amounts of identifiable assets acquired and liabilities assumed until the first quarter of Fiscal 2024 when the allocation will be final (amounts in thousands):

Fair Value of consideration transferred:

Cash consideration paid	\$ 270,258
Working capital adjustments	4,497
Total consideration	<u>\$ 274,755</u>

Recognized amounts of identifiable assets acquired and liabilities assumed:

Property, plant, and equipment	\$ 104,118
Identifiable intangible assets	27,100
Financial assets	14,250
Liabilities assumed	(3,265)
Net recognized amounts of identifiable assets acquired	<u>142,203</u>
Goodwill	<u>\$ 132,552</u>

The following table presents the acquired intangible assets subject to amortization (amounts in thousands, except amortization periods):

	Total	Weighted average amortization years	Amortization Method
Trademarks	\$ 4,600	20.0	Straight-line
Customer relationships	22,200	25.0	Sum of year digits
Noncompete agreements	300	4.0	Straight-line
Total intangible assets	<u>\$ 27,100</u>	23.9	

Note 7. Accumulated Other Comprehensive Income (Loss)

The company's total comprehensive income (loss) presently consists of net income, adjustments for our derivative financial instruments accounted for as cash flow hedges, and various pension and other postretirement benefit related items.

During Fiscal 2023, 2022, and 2021, reclassifications out of AOCI were as follows (amounts in thousands):

Details about AOCI Components (Note 2)	Amount Reclassified from AOCI			Affected Line Item in the Statement Where Net Income is Presented
	Fiscal 2023	Fiscal 2022	Fiscal 2021	
Derivative instruments:				
Interest rate contracts	\$ 499	\$ 499	\$ 126	Interest expense
Commodity contracts	(2,920)	5,813	2,115	Cost of sales, Note 3, below
Total before tax	\$ (2,421)	\$ 6,312	\$ 2,241	Total before tax
Tax benefit (expense)	606	(1,578)	(560)	Tax expense
Total net of tax	<u>\$ (1,815)</u>	<u>\$ 4,734</u>	<u>\$ 1,681</u>	Net of tax
Pension and postretirement plans:				
Prior-service credits (cost)	\$ 177	\$ 180	\$ (55)	Note 1, below
Settlement loss	—	—	(403)	Note 1, below
Actuarial gains (losses)	74	(285)	(532)	Note 1, below
Total before tax	\$ 251	\$ (105)	\$ (990)	Total before tax
Tax (expense) benefit	(63)	26	247	Tax benefit
Total net of tax	<u>\$ 188</u>	<u>\$ (79)</u>	<u>\$ (743)</u>	Net of tax benefit
Total reclassifications from AOCI	<u>\$ (1,627)</u>	<u>\$ 4,655</u>	<u>\$ 938</u>	Net of tax benefit

Note 1: These items are included in the computation of net periodic pension cost. See Note 21, *Postretirement Plans*, for additional information.

Note 2: Amounts in parentheses indicate debits to determine net income.

Note 3: Amounts are presented as an adjustment to reconcile net income to net cash provided by operating activities on the Consolidated Statements of Cash Flows.

During Fiscal 2023, 2022, and 2021, amounts recognized in AOCI, exclusive of reclassifications, were as follows (amounts in thousands):

AOCI component	Amount of Gain (Loss) Recognized in AOCI		
	Fiscal 2023	Fiscal 2022	Fiscal 2021
Derivative instruments:			
Interest rate contracts	\$ —	\$ —	\$ 3,902
Commodity contracts	(3,934)	1,053	(11,030)
Total before tax	\$ (3,934)	\$ 1,053	\$ (7,128)
Tax benefit (expense)	983	(263)	1,780
Total net of tax	\$ (2,951)	\$ 790	\$ (5,348)
Pension and postretirement plans:			
Current year actuarial loss	\$ 628	\$ 3,669	\$ 1,050
Current year prior service credit	—	—	2,214
Total before tax	\$ 628	\$ 3,669	\$ 3,264
Tax expense	(157)	(917)	(815)
Total net of tax	\$ 471	\$ 2,752	\$ 2,449
Total recognized in AOCI	\$ (2,480)	\$ 3,542	\$ (2,899)

During Fiscal 2023, changes to AOCI, net of income tax, by component were as follows (amounts in thousands):

	Cash Flow Hedge Items	Defined Benefit Pension Plan Items	Total
AOCI at December 31, 2022	\$ 2,099	\$ (625)	\$ 1,474
Other comprehensive (gain) loss before reclassifications	(2,951)	471	(2,480)
Reclassified to earnings from AOCI	1,815	(188)	1,627
AOCI at December 30, 2023	\$ 963	\$ (342)	\$ 621

During Fiscal 2022, changes to AOCI, net of income tax, by component were as follows (amounts in thousands):

	Cash Flow Hedge Items	Defined Benefit Pension Plan Items	Total
AOCI at January 1, 2022	\$ 6,043	\$ (3,456)	\$ 2,587
Other comprehensive loss before reclassifications	790	2,752	3,542
Reclassified to earnings from AOCI	(4,734)	79	(4,655)
AOCI at December 31, 2022	\$ 2,099	\$ (625)	\$ 1,474

Amounts reclassified out of AOCI to net income that relate to commodity contracts are presented as an adjustment to reconcile net income to net cash provided by operating activities on the Consolidated Statements of Cash Flows. The following table presents the net of tax amount of the loss reclassified from AOCI for our commodity contracts (amounts in thousands):

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Gross (loss) gain reclassified from AOCI into income	\$ (2,920)	\$ 5,813	\$ 2,115
Tax benefit (expense)	732	(1,452)	(529)
Net of tax	\$ (2,188)	\$ 4,361	\$ 1,586

Note 8. Notes Receivable from IDPs

The company provides direct financing to certain IDPs for the purchase of the IDPs' distribution rights and records the notes receivable on the Consolidated Balance Sheets. The distribution rights are financed for up to ten years. During Fiscal 2023, 2022, and 2021 the following amounts were recorded as interest income, the majority of which relates to these notes receivable (amounts in thousands):

	Interest income
Fiscal 2023	\$ 20,577
Fiscal 2022	\$ 23,644
Fiscal 2021	\$ 23,533

The notes receivable are collateralized by the IDPs' distribution rights. Additional details are included in Note 17, *Fair Value of Financial Instruments*.

Note 9. Assets Held for Sale

The table below presents the assets held for sale as of December 30, 2023 and December 31, 2022, respectively (amounts in thousands):

	December 30, 2023	December 31, 2022
Distribution rights	\$ 20,587	\$ 7,608
Property, plant and equipment	1,212	4,885
Total assets held for sale	<u>\$ 21,799</u>	<u>\$ 12,493</u>

The company repurchases distribution rights from IDPs in circumstances when the company decides to exit a territory or, in some cases, when the IDP elects to terminate its relationship with the company. In most distributor agreements, if the company decides to exit a territory or stop using the independent distribution model in a territory, the company is contractually required to purchase the distribution rights from the IDP. In the event an IDP terminates its relationship with the company, the company, although not legally obligated, may repurchase and operate those distribution rights as a company-owned territory. The IDPs may also sell their distribution rights to another person or entity. Distribution rights purchased from IDPs and operated as company-owned territories are recorded on the Consolidated Balance Sheets in the line item "Assets Held for Sale" while the company actively seeks another IDP to purchase the distribution rights for the territory. Distribution rights held for sale and operated by the company are sold to IDPs at fair market value pursuant to the terms of a distributor agreement. There are multiple versions of the distributor agreement in place at any given time and the terms of such distributor agreements vary.

During the third and fourth quarters of Fiscal 2023, the company entered into agreements to sell a warehouse and a closed bakery, respectively, both of which were classified as held for sale and recorded an impairment charges of \$1.8 million. The company completed the sale of the impaired warehouse for proceeds of \$1.3 million at the end of the third quarter of Fiscal 2023 and anticipates completing the sale of the bakery in the first quarter of Fiscal 2024.

During the first quarter of Fiscal 2022, the company reclassified two warehouses acquired at the end of Fiscal 2021 as held for sale and recorded an impairment charge of \$1.0 million. The company completed the sale of the impaired warehouse at the end of the first quarter of Fiscal 2022. The company received net proceeds of \$1.2 million. During Fiscal 2022, the company completed the sale of equipment and property previously included as held for sale and received net proceeds of \$3.7 million.

Note 10. Goodwill and Other Intangible Assets

The table below summarizes our goodwill and other intangible assets as of December 30, 2023 and December 31, 2022, respectively, each of which is explained in additional detail below (amounts in thousands):

	December 30, 2023	December 31, 2022
Goodwill	\$ 677,796	\$ 545,244
Amortizable intangible assets, net of amortization	530,642	537,281
Indefinite-lived intangible assets	127,100	127,100
Total goodwill and other intangible assets	<u>\$ 1,335,538</u>	<u>\$ 1,209,625</u>

The changes in the carrying amount of goodwill during Fiscal 2023, during which time we completed the acquisition of Papa Pita, are as follows (amounts in thousands):

	Total
Balance as of December 31, 2022	\$ 545,244
Acquisition	132,552
Balance as of December 30, 2023	<u>\$ 677,796</u>

On February 17, 2023, the company completed the acquisition of Papa Pita for total consideration of approximately \$274.8 million, inclusive of a net working capital adjustment payment. The acquisition included several amortizable intangible assets which total \$27.1

million and are included in the table below. See Note 6, *Acquisition*, for details of the assets and the respective amortization period by category.

Goodwill was not impaired in Fiscal 2023, 2022, or 2021.

As of December 30, 2023 and December 31, 2022, the company had the following amounts related to amortizable intangible assets (amounts in thousands):

Asset	December 30, 2023			December 31, 2022		
	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value
Trademarks	\$ 481,715	\$ 107,562	\$ 374,153	\$ 477,115	\$ 92,763	\$ 384,352
Customer relationships	340,221	184,222	155,999	318,021	167,688	150,333
Non-compete agreements	5,454	5,206	248	5,154	5,114	40
Distributor relationships	4,123	3,881	242	4,123	3,673	450
Distributor routes held and used	—	—	—	3,249	1,143	2,106
Total	<u>\$ 831,513</u>	<u>\$ 300,871</u>	<u>\$ 530,642</u>	<u>\$ 807,662</u>	<u>\$ 270,381</u>	<u>\$ 537,281</u>

In Fiscal 2020, the company reclassified certain California distribution rights from held for sale to held and used. In conjunction with the agreement to settle the California distributor-related litigation, reached in Fiscal 2023, the company fully impaired these distribution rights and recorded a charge of \$2.3 million in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income during Fiscal 2023. See Note 23, *Commitments and Contingencies*, for details of this settlement.

As of December 30, 2023 and December 31, 2022, there was \$127.1 million of indefinite-lived intangible trademark assets separately identified from goodwill. These trademarks are classified as indefinite-lived because there is no foreseeable limit to the period over which the asset is expected to contribute to our cash flows. They are well established brands with a long history and well-defined markets. In addition, we are continuing to use these brands both in their original markets and throughout our expansion territories. We believe these factors support an indefinite-life assignment with an annual impairment analysis to determine if the trademarks are realizing their expected economic benefits.

Amortization expense

Amortization expense for Fiscal 2023, 2022, and 2021 was as follows (amounts in thousands):

	Amortization expense
Fiscal 2023	\$ 32,218
Fiscal 2022	\$ 31,752
Fiscal 2021	\$ 30,857

Estimated amortization of intangibles for Fiscal 2024 and the next four years thereafter is as follows (amounts in thousands):

Fiscal year	Amortization of Intangibles
2024	\$ 31,409
2025	\$ 30,746
2026	\$ 28,891
2027	\$ 27,242
2028	\$ 25,611

Note 11. Derivative Financial Instruments

The company measures the fair value of its derivative portfolio by using the price that would be received to sell an asset or paid to transfer a liability in the principal market for that asset or liability. These measurements are classified into a hierarchy by the inputs used to perform the fair value calculation as follows:

Level 1: Fair value based on unadjusted quoted prices for identical assets or liabilities at the measurement date

Level 2: Modeled fair value with model inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Modeled fair value with unobservable model inputs that are used to estimate the fair value of the asset or liability

Commodity Price Risk

The company enters into commodity derivatives, designated as cash-flow hedges of existing or future exposure to changes in commodity prices. The company's primary raw materials are flour, sweeteners, yeast, and shortening, along with pulp, paper, and petroleum-based packaging products. Natural gas, which is used as oven fuel, is also an important commodity used for production.

As of December 30, 2023, the company's commodity hedge portfolio contained derivatives which are recorded in the following accounts with fair values measured as indicated (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Other current assets	\$ 55	\$ —	\$ —	\$ 55
Other long-term assets	—	—	—	—
Total	\$ 55	\$ —	\$ —	\$ 55
Liabilities:				
Other current liabilities	\$ (1,918)	\$ —	\$ —	\$ (1,918)
Other long-term liabilities	(2)	—	—	(2)
Total	\$ (1,920)	\$ —	\$ —	\$ (1,920)
Net Fair Value	\$ (1,865)	\$ —	\$ —	\$ (1,865)

As of December 31, 2022, the company's commodity hedge portfolio contained derivatives which are recorded in the following accounts with fair values measured as indicated (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Other current assets	\$ 782	\$ —	\$ —	\$ 782
Other long-term assets	2	—	—	2
Total	\$ 784	\$ —	\$ —	\$ 784
Liabilities:				
Other current liabilities	\$ (1,149)	\$ —	\$ —	\$ (1,149)
Other long-term liabilities	(86)	—	—	(86)
Total	(1,235)	—	—	(1,235)
Net Fair Value	\$ (451)	\$ —	\$ —	\$ (451)

The positions held in the portfolio are used to hedge economic exposure to changes in various raw materials and production input prices and effectively fixes the price, or limits increases in prices, for a period of time extending into Fiscal 2025. These instruments are designated as cash-flow hedges. See Note 2, *Summary of Significant Accounting Policies*, for the accounting treatment of these hedged transactions.

Interest Rate Risk

During the first quarter of Fiscal 2021, the company entered into treasury locks to fix the interest rate for the 2031 notes issued on March 9, 2021. The derivative positions were closed when the debt was priced on March 2, 2021 with a cash settlement net receipt of \$3.9 million that offset changes in the benchmark treasury rate between execution of the treasury rate locks and the debt pricing date. These rate locks were designated as a cash flow hedge and the deferred amount reported in AOCI is being reclassified to interest expense as interest payments are made on the notes through the maturity date.

The company previously entered into treasury rate locks at the time we executed the 2026 notes. These rate locks were designated as a cash flow hedge and the fair value at termination was deferred in AOCI. The deferred amount reported in AOCI is being reclassified to interest expense as interest payments are made on the related notes through the maturity date.

Derivative Assets and Liabilities

The company had the following derivative instruments recorded on the Consolidated Balance Sheets, all of which are utilized for the risk management purposes detailed above (amounts in thousands):

Derivatives Designated as Hedging Instruments	Derivative Assets			
	December 30, 2023		December 31, 2022	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Commodity contracts	Other current assets	\$ 55	Other current assets	\$ 782
Commodity contracts	Other long-term assets	—	Other long-term assets	2
Total		\$ 55		\$ 784

Derivatives Designated as Hedging Instruments	Derivative Liabilities			
	December 30, 2023		December 31, 2022	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Commodity contracts	Other current liabilities	\$ 1,918	Other current liabilities	\$ 1,149
Commodity contracts	Other long-term liabilities	2	Other long-term liabilities	86
Total		\$ 1,920		\$ 1,235

Derivative AOCI transactions

The company had the following derivative instruments for deferred gains and (losses) on closed contracts and the effective portion for changes in fair value recorded in AOCI (no amounts were excluded from the effectiveness test), all of which are utilized for the risk management purposes detailed above (amounts in thousands and net of tax):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion) (Net of tax)		
	Fiscal 2023	Fiscal 2022	Fiscal 2021
Interest rate contracts	\$ —	\$ —	\$ 2,926
Commodity contracts	(2,951)	790	(8,274)
Total	\$ (2,951)	\$ 790	\$ (5,348)

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)(Net of tax)			Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)
	Fiscal 2023	Fiscal 2022	Fiscal 2021	
Interest rate contracts	\$ 373	\$ 373	\$ 95	Interest income (expense)
Commodity contracts	(2,188)	4,361	1,586	Production costs (1)
Total	\$ (1,815)	\$ 4,734	\$ 1,681	

- Included in Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately).

The balance (credit or (debit) balance) in AOCI related to commodity price risk and interest rate risk derivative transactions that are closed or will expire over the next two years are as follows (amounts in thousands and net of tax) at December 30, 2023:

	Commodity Price Risk Derivatives	Interest Rate Risk Derivatives	Totals
Closed contracts	\$ (48)	\$ (2,316)	\$ (2,364)
Expiring in 2024	1,397	—	1,397
Expiring in 2025	2	—	2
Total	\$ 1,351	\$ (2,316)	\$ (965)

See Note 2, *Summary of Significant Accounting Policies*, for the accounting treatment of OCI for these hedged transactions.

Derivative transactions notional amounts

As of December 30, 2023, the company had entered into the following financial contracts to hedge commodity risks (amounts in thousands):

Derivatives in Cash Flow Hedging Relationships	Notional amount
Wheat contracts	\$ 1,183
Soybean oil contracts	16,387
Natural gas contracts	2,940
Total	<u>\$ 20,510</u>

The company's derivative instruments contained no credit-risk-related contingent features at December 30, 2023. As of December 30, 2023 and December 31, 2022, the company had \$6.3 million and \$7.2 million, respectively, recorded in other current assets representing collateral to counterparties for hedged positions. As of December 30, 2023 and December 31, 2022, the company had \$3.2 million and \$3.1 million, respectively, recorded in other accrued liabilities representing collateral from counterparties for hedged positions.

Note 12. Other Current and Non-Current Assets

Other current assets consist of (amounts in thousands):

	December 30, 2023	December 31, 2022
Prepaid assets	\$ 4,042	\$ 4,589
Prepaid insurance	6,546	5,709
Prepaid marketing	4,458	3,917
Service contracts	27,102	25,595
Fair value of derivative instruments	55	782
Collateral to counterparties for derivative positions	6,333	7,210
Income taxes receivable	17,362	—
Other	159	216
Total	<u>\$ 66,057</u>	<u>\$ 48,018</u>

Other non-current assets consist of (amounts in thousands):

	December 30, 2023	December 31, 2022
Unamortized financing fees	\$ 1,125	\$ 1,356
Investments	2,443	2,506
Investment in unconsolidated affiliate	5,481	9,000
Deposits	2,789	2,444
Unamortized cloud computing arrangement costs	81	258
Noncurrent postretirement benefit plan asset	6,494	4,902
Noncurrent service contracts	—	3,957
Other	74	92
Total	<u>\$ 18,487</u>	<u>\$ 24,515</u>

Note 13. Other Accrued Liabilities and Other Long-Term Liabilities

Other accrued liabilities consist of (amounts in thousands):

	December 30, 2023	December 31, 2022
Employee compensation	\$ 28,000	\$ 26,762
VSIP	1,429	—
Employee vacation	17,699	16,058
Employee bonus	28,004	29,526
Fair value of derivative instruments	1,918	1,149
Self-insurance reserves	38,003	30,599
Bank overdraft	18,180	17,960
Accrued interest	7,516	7,127
Accrued taxes	7,984	11,970
Accrued legal costs	3,798	3,021
Accrued advertising	2,333	4,813
Accrued legal settlements	55,000	5,500
Accrued short term deferred income	3,217	3,893
Accrued utilities	6,121	6,861
Acquisition consideration adjustment	—	753
Collateral from counterparties for derivative positions	3,230	3,085
Multi-employer pension plan withdrawal liability	1,297	1,297
Repurchase obligations of distribution rights	64,583	432
Other	4,634	4,470
Total	<u>\$ 292,946</u>	<u>\$ 175,276</u>

In the third quarter of Fiscal 2023, we reached an agreement to settle certain distributor-related litigation for a settlement payment, inclusive of plaintiffs' attorney fees, of \$55.0 million. The settlement also requires a phased repurchase of approximately 350 distribution territories. The company estimated the cost of these repurchases, and an additional 50 other California distribution territories that are not part of the settlement, in accordance with the settlement agreement and the amount is net of the remaining notes receivable balance. See Note 23, *Commitments and Contingencies*, for details on this settlement.

The acquisition consideration adjustment is in connection with an acquisition completed in Fiscal 2012, the company agreed to make the sellers whole for certain taxes incurred by the sellers on the sale. In Fiscal 2021, there was a tax determination that the sellers owed additional taxes of \$3.4 million, and the company recorded this cost in the selling, distribution and administrative expenses line item of the Condensed Consolidated Statements of Income during the second quarter of Fiscal 2021. During Fiscal 2022, the company reached an agreement to settle this issue and made a partial payment in Fiscal 2022 and made the final payment in Fiscal 2023.

Other long-term liabilities consist of (amounts in thousands):

	December 30, 2023	December 31, 2022
Deferred income	\$ 7,222	\$ 11,235
Deferred compensation	26,207	23,675
Other deferred credits	185	382
Other	323	406
Total	<u>\$ 33,937</u>	<u>\$ 35,698</u>

Note 14. Leases

Qualitative disclosures about our leases, including the significant policy elections, can be found in Note 2, *Summary of Significant Accounting Policies*. The quantitative disclosures are presented below.

Lease costs incurred by lease type, and/or type of payment for Fiscal 2023, 2022 and 2021 were as follows (in thousands):

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Lease cost:			
Amortization of right-of-use assets	\$ 1,703	\$ 1,705	\$ 1,751
Interest on lease liabilities	32	93	154
Operating lease cost	62,685	62,115	68,927
Short-term lease cost	3,121	2,897	3,075
Variable lease cost	37,588	33,223	27,120
Total lease cost	<u>\$ 105,129</u>	<u>\$ 100,033</u>	<u>\$ 101,027</u>

Other supplemental quantitative disclosures as of, and for, Fiscal 2023 and Fiscal 2022 were as follows (in thousands):

	Fiscal 2023	Fiscal 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from financing leases	\$ 32	\$ 93
Operating cash flows from operating leases	\$ 62,989	\$ 57,166
Financing cash flows from financing leases	\$ 1,819	\$ 1,597
Right-of-use assets obtained in exchange for new financing lease liabilities	\$ 34	\$ —
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 54,997	\$ 33,559
Weighted-average remaining lease term (years):		
Financing leases	1.4	1.1
Operating leases	7.3	7.8
Weighted-average IBR (percentage):		
Financing leases	3.0	3.5
Operating leases	4.2	3.8

Estimated undiscounted future lease payments under non-cancelable operating leases and financing leases, along with a reconciliation of the undiscounted cash flows to operating and financing lease liabilities, respectively, as of December 30, 2023 (in thousands) were as follows:

	Operating lease liabilities	Financing lease liabilities
2024	\$ 64,060	\$ 205
2025	62,089	18
2026	44,564	7
2027	37,218	3
2028	28,237	—
Thereafter	103,373	—
Total minimum lease payments	339,541	233
Less: amount of lease payments representing interest	(55,162)	(111)
Present value of future minimum lease payments	284,379	122
Less: current obligations under leases	(47,507)	(99)
Long-term lease obligations	<u>\$ 236,872</u>	<u>\$ 23</u>

The following table details lease modifications and renewals and lease impairments (amounts in thousands):

	Fiscal 2023	Fiscal 2022
Lease modifications and renewals	\$ 33,041	\$ 28,278
Lease terminations	\$ 361	\$ 6,035

The lease modifications and renewals for Fiscal 2023 include \$10.6 million related to a 10 year extension for a freezer storage lease. For Fiscal 2022, the lease modifications and renewals include \$11.2 million related to a 10 year extension for a warehouse lease.

Note 15. Debt and Other Commitments

Long-term debt, including capital lease obligations, consisted of the following at December 30, 2023 and December 31, 2022:

	<u>Interest Rate at December 30, 2023</u>	<u>Final Maturity</u>	<u>December 30, 2023</u>	<u>December 31, 2022</u>
(Amounts in thousands)				
Unsecured credit facility	6.38%	2026	\$ —	\$ —
2031 notes	2.40%	2031	494,723	493,994
2026 notes	3.50%	2026	398,421	397,848
Accounts receivable repurchase facility	6.16%	2025	155,000	—
Accounts receivable securitization facility (1)			—	—
			<u>1,048,144</u>	<u>891,842</u>
Current maturities of long-term debt			—	—
Long-term debt			<u>\$ 1,048,144</u>	<u>\$ 891,842</u>

(1) The securitization facility (as defined below) was terminated in Fiscal 2023.

Bank overdrafts occur when checks have been issued but have not been presented to the bank for payment. Certain of our banks allow us to delay funding of issued checks until the checks are presented for payment. The delay in funding results in a temporary source of financing from the bank. The activity related to bank overdrafts is shown as a financing activity in our Consolidated Statements of Cash Flows. Bank overdrafts are included in other current liabilities on our Consolidated Balance Sheets. As of December 30, 2023 and December 31, 2022, the bank overdraft balance was \$18.2 million and \$18.0 million, respectively.

The company also had standby letters of credit (“LOCs”) outstanding of \$8.4 million at December 30, 2023 and December 31, 2022, which reduce the availability of funds under the senior unsecured revolving credit facility (the “credit facility”). The outstanding LOCs are for the benefit of certain insurance companies and lessors. None of the LOCs are recorded as a liability on the Consolidated Balance Sheets.

2031 Notes, 2026 Notes, Accounts Receivable Repurchase Facility, Accounts Receivable Securitization Facility, 2022 Notes, and Credit Facility

2031 Notes. On March 9, 2021, the company issued \$500.0 million of senior notes. The company will pay semiannual interest on the 2031 notes on each March 15 and September 15 and the 2031 notes will mature on March 15, 2031. The notes bear interest at 2.400% per annum. On any date prior to December 15, 2030, the company may redeem some or all of the notes at a price equal to the greater of (1) 100% of the principal amount of the notes redeemed and (2) a “make-whole” amount plus, in each case, accrued and unpaid interest. The make-whole amount is equal to the sum of the present values of the remaining scheduled payments of principal and interest on the 2031 notes to be redeemed that would be due if such notes matured December 15, 2030 (exclusive of interest accrued to, but not including, the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the sum of the applicable treasury rate (as defined in the indenture governing the notes), plus 20 basis points, plus, in each case, accrued and unpaid interest. At any time on or after December 15, 2030, the company may redeem some or all of the 2031 notes at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest. If the company experiences a “change of control triggering event” (which involves a change of control of the company and the related rating of the notes below investment grade), it is required to offer to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest thereon unless the company has exercised its option to redeem the notes in whole. The 2031 notes are also subject to customary restrictive covenants for investment grade debt, including certain limitations on liens and sale and leaseback transactions.

The face value of the 2031 notes is \$500.0 million. There was a debt discount representing the difference between the net proceeds, after expenses, received upon issuance of debt and the amount repayable at its maturity. The company also accrued issuance costs (including underwriting fees and other fees) on the 2031 notes. Debt issuance costs and the debt discount are being amortized to interest expense over the term of the 2031 notes. As of December 30, 2023, the company was in compliance with all restrictive covenants under the indenture governing the 2031 notes. The table below presents the debt discount, underwriting fees and other fees for issuing the 2031 notes (amounts in thousands):

Total fees for 2031 notes	Amount at Issuance
Debt discount	\$ 2,430
Underwriting, legal, and other fees	4,829
Total fees	\$ 7,259

2026 Notes. On September 28, 2016, the company issued \$400.0 million of senior notes (the “2026 notes”). The company will pay semiannual interest on the 2026 notes on each April 1 and October 1, beginning on April 1, 2017, and the 2026 notes will mature on October 1, 2026. The notes bear interest at 3.500% per annum. The 2026 notes are subject to interest rate adjustments if either Moody’s or S&P downgrades (or downgrades and subsequently upgrades) the credit rating assigned to the 2026 notes. On any date prior to July 1, 2026, the company may redeem some or all of the notes at a price equal to the greater of (1) 100% of the principal amount of the notes redeemed and (2) a “make-whole” amount plus, in each case, accrued and unpaid interest. The make-whole amount is equal to the sum of the present values of the remaining scheduled payments of principal and interest on the 2026 notes to be redeemed that would be due if such notes matured July 1, 2026 (exclusive of interest accrued to, but not including, the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate (as defined in the indenture governing the notes), plus 30 basis points, plus in each case accrued and unpaid interest. At any time on or after July 1, 2026, the company may redeem some or all of the 2026 notes at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest. If the company experiences a “change of control triggering event” (which involves a change of control of the company and related rating of the notes below investment grade), it is required to offer to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest thereon unless the company exercised its option to redeem the notes in whole. The 2026 notes are also subject to customary restrictive covenants, including certain limitations on liens and sale and leaseback transactions.

The face value of the 2026 notes is \$400.0 million. There was a debt discount representing the difference between the net proceeds, after expenses, received upon issuance of debt and the amount repayable at its maturity. The company also paid issuance costs (including underwriting fees and legal fees) on the 2026 notes. Debt issuance costs and the debt discount are being amortized to interest expense over the term of the 2026 notes. As of December 30, 2023, the company was in compliance with all restrictive covenants under the indenture governing the 2026 notes. The table below presents the debt discount, underwriting fees and the legal and other fees for issuing the 2026 notes (amounts in thousands):

Total fees for 2026 notes	Amount at Issuance
Debt discount	\$ 2,108
Underwriting, legal, and other fees	3,634
Total fees	\$ 5,742

Accounts Receivable Repurchase Facility. On April 14, 2023, the company terminated the securitization facility and entered into a two-year \$200.0 million accounts receivable repurchase facility (the “repurchase facility”). Under the repurchase facility, certain subsidiaries of the company sell or distribute, on an ongoing basis, substantially all of their trade receivables to the company. The company may at its option onward sell all of its qualifying receivables to the funding parties under the repurchase facility with an agreement to repurchase the receivables on a monthly basis for a repurchase price equal to the purchase price paid and an interest component based on Term SOFR (as defined below) plus a margin. There is an unused fee applicable on the daily unused portion of the repurchase facility. The repurchase facility contains certain customary representations and warranties, affirmative and negative covenants, and events of default. Financing costs paid at inception of the repurchase facility are being amortized over the life of the repurchase facility. The company incurred \$0.8 million in financing costs during the first quarter of Fiscal 2023. The balance of unamortized financing costs was \$0.3 million on December 30, 2023 and is recorded in other assets on the Consolidated Balance Sheets. As of December 30, 2023, the company was in compliance with all restrictive covenants under the repurchase facility.

The table below presents the borrowings and repayments under the repurchase facility during Fiscal 2023:

	<u>Amount (thousands)</u>
Balance as of December 31, 2022	\$ —
Borrowings	330,000
Payments	(175,000)
Balance as of December 30, 2023	<u>\$ 155,000</u>

The table below presents the net amount available for working capital and general corporate purposes under the repurchase facility as of December 30, 2023:

	<u>Amount (thousands)</u>
Gross amount available	\$ 200,000
Outstanding	(155,000)
Available for withdrawal	<u>\$ 45,000</u>

Amounts available for withdrawal under the repurchase facility are determined as the lesser of the total repurchase facility limit and a formula derived amount based on qualifying trade receivables. The table below presents the highest and lowest outstanding balance under the repurchase facility during Fiscal 2023:

	<u>Amount (thousands)</u>
High balance	\$ 180,000
Low balance	\$ —

Accounts Receivable Securitization Facility. On July 17, 2013, the company entered into the accounts receivable securitization facility (the "securitization facility"). The company amended the securitization facility 11 times since execution, most recently on February 13, 2023. On April 14, 2023, the company terminated the securitization facility with no outstanding borrowings. Under the securitization facility, a wholly-owned, bankruptcy-remote subsidiary purchased, on an ongoing basis, substantially all trade receivables of the company's subsidiaries. The subsidiary pledged the receivables as collateral for the obligations under the securitization facility. In the event of liquidation of the subsidiary, its creditors were entitled to satisfy their claims from the subsidiary's pledged receivables prior to distributions of collections to the company. We included the subsidiary in our Consolidated Financial Statements. The securitization facility contained certain customary representations and warranties, affirmative and negative covenants, and events of default.

Optional principal repayments could be made at any time without premium or penalty. Interest was due 18 days after our reporting periods end in arrears on the outstanding borrowings and was computed as SOFR plus an applicable margin of 95 basis points. An unused fee of 40 basis points was applicable on the unused commitment at each reporting period. Financing costs paid at inception of the securitization facility and at the time amendments were executed were being amortized over the life of the securitization facility. The company incurred \$0.2 million in financing costs during the third quarter of Fiscal 2022 for the tenth amendment. The balance of unamortized financing costs was \$0.3 million on December 31, 2022, and was recorded in other assets on the Condensed Consolidated Balance Sheets. During the first quarter of Fiscal 2023, the company recognized \$0.3 million in unamortized loan costs as a loss on extinguishment of debt upon the early termination of the securitization facility. These costs are recorded in interest expense on the Consolidated Statements of Income.

The table below presents the borrowings and repayments under the securitization facility during Fiscal 2023:

	<u>Amount (thousands)</u>
Balance as of December 31, 2022	\$ —
Borrowings	28,000
Payments	(28,000)
Balance as of December 30, 2023	<u>\$ —</u>

Amounts available for withdrawal under the securitization facility were determined as the lesser of the total commitments and a formula derived amount based on qualifying trade receivables. The table below presents the highest and lowest outstanding balance under the securitization facility during Fiscal 2023:

	<u>Amount (thousands)</u>
High balance	\$ 28,000
Low balance	\$ —

2022 Notes. On April 3, 2012, the company issued \$400.0 million of senior notes (the “2022 notes”). Prior to the early redemption discussed below, the company paid semiannual interest on the notes on each April 1 and October 1, beginning on October 1, 2012, and the notes would have matured on April 1, 2022. The notes bore interest at 4.375% per annum.

On April 8, 2021, the company completed the early redemption of the 2022 notes with proceeds received from the issuance of the 2031 notes on March 9, 2021. We recognized a loss on extinguishment of debt of \$16.1 million comprised of a make-whole cash payment of \$15.4 million and the write-off of unamortized debt discount and debt issuance costs of \$0.7 million.

Credit Facility. The company is party to an amended and restated credit agreement, dated as of October 24, 2003, with the lenders party thereto and Deutsche Bank Trust Company Americas, as administrative agent, (as amended, restated, modified or supplemented from time to time, the “amended and restated credit agreement”). The company has amended the amended and restated credit agreement eight times since execution, most recently on April 12, 2023 (the “eighth amendment”). Under the amended and restated credit agreement, our credit facility is a five-year, \$500.0 million senior unsecured revolving loan facility with the following terms and conditions: (i) a maturity date of July 30, 2026; (ii) an applicable margin for revolving loans maintained as (1) base rate loans and swingline loans with a range of 0.00% to 0.525% and (2) SOFR loans with a range of 0.815% to 1.525%, in each case, based on the more favorable (to the company) of (x) the leverage ratio of the company and its subsidiaries and (y) the company’s debt rating; (iii) an applicable facility fee with a range of 0.06% to 0.225%, due quarterly on all commitments under the amended and restated credit agreement, based on the more favorable (to the company) of (x) the leverage ratio of the company and its subsidiaries and (y) the company’s debt rating; and (iv) a maximum leverage ratio covenant to permit the company, at its option, in connection with certain acquisitions and investments and subject to the terms and conditions provided in the amended and restated credit agreement, to increase the maximum ratio permitted thereunder on one or more occasions to 4.00 to 1.00 for a period of four consecutive fiscal quarters, including and/or immediately following the fiscal quarter in which such acquisitions or investments were completed (the “covenant holiday”), provided that each additional covenant holiday will not be available to the company until it has achieved and maintained a leverage ratio of at least 3.75 to 1.00 and has been complied with for at least two fiscal quarters. Additionally, the eighth amendment replaced the benchmark rate at which borrowings under the amended and restated credit agreement bear interest from LIBOR to the forward-looking SOFR term rate administered by CME Group Benchmark Administration Limited (“Term SOFR”). As a result of these amendments and with respect to SOFR Loans, we can borrow at Term SOFR, plus a credit spread adjustment of 0.10% subject to a floor of zero.

In addition, the credit facility contains a provision that permits the company to request up to \$200.0 million in additional revolving commitments, for a total of up to \$700.0 million, subject to the satisfaction of certain conditions. Proceeds from the credit facility may be used for working capital and general corporate purposes, including capital expenditures, acquisition financing, refinancing of indebtedness, dividends and share repurchases. The credit facility includes certain customary restrictions, which, among other things, require maintenance of financial covenants and limit encumbrance of assets and creation of indebtedness. Restrictive financial covenants include such ratios as a minimum interest coverage ratio and a maximum leverage ratio. The company believes that, given its current cash position, its cash flow from operating activities and its available credit capacity, it can comply with the current terms of the amended credit facility and can meet its presently foreseeable financial requirements. As of December 30, 2023 and December 31, 2022, respectively, the company was in compliance with all restrictive covenants under the credit facility.

Financing costs paid at inception of the credit facility and at the time amendments are executed are being amortized over the life of the credit facility. The company incurred additional financing costs of \$0.1 million during the first quarter of Fiscal 2023 for the eighth amendment. There was an additional financing cost paid in the first quarter of Fiscal 2022 that was less than \$0.1 million. The balance of unamortized financing costs was \$0.9 million and \$1.1 million on December 30, 2023 and December 31, 2022, respectively and is recorded in other assets on the Consolidated Balance Sheets.

Amounts outstanding under the credit facility vary daily. Changes in the gross borrowings and repayments can be caused by cash flow activity from operations, capital expenditures, acquisitions, dividends, share repurchases, and tax payments, as well as derivative transactions which are part of the company's overall risk management strategy as discussed in Note 11, *Derivative Financial Instruments*. The table below presents the borrowings and repayments under the credit facility during Fiscal 2023:

	<u>Amount (thousands)</u>
Balance as of December 31, 2022	\$ —
Borrowings	540,000
Payments	(540,000)
Balance as of December 30, 2023	<u>\$ —</u>

The table below presents the net amount available under the credit facility as of December 30, 2023:

	<u>Amount (thousands)</u>
Gross amount available	\$ 500,000
Outstanding	—
Letters of credit	(8,400)
Available for withdrawal	<u>\$ 491,600</u>

The table below presents the highest and lowest outstanding balance under the credit facility during Fiscal 2023:

	<u>Amount (thousands)</u>
High balance	\$ 174,000
Low balance	\$ —

Aggregate debt maturities. Aggregate maturities of debt outstanding as of December 30, 2023, are as follows (excluding unamortized debt discount and issuance costs) (amounts in thousands):

2024	\$ —
2025	155,000
2026	400,000
2027	—
2028	—
Thereafter	500,000
Total	<u>\$ 1,055,000</u>

Debt issuance costs and debt discount. The table below reconciles the debt issuance costs and debt discounts to the net carrying value of each of our debt obligations (excluding line-of-credit arrangements) at December 30, 2023 (amounts in thousands):

	<u>Face Value</u>	<u>Debt issuance costs and debt discount</u>	<u>Net carrying value</u>
2031 notes	\$ 500,000	\$ 5,277	\$ 494,723
2026 notes	400,000	1,579	398,421
Total	<u>\$ 900,000</u>	<u>\$ 6,856</u>	<u>\$ 893,144</u>

The table below reconciles the debt issuance costs and debt discounts to the net carrying value of each of our debt obligations (excluding line-of-credit arrangements) at December 31, 2022 (amounts in thousands):

	<u>Face Value</u>	<u>Debt issuance costs and debt discount</u>	<u>Net carrying value</u>
2031 notes	\$ 500,000	\$ 6,006	\$ 493,994
2026 notes	400,000	2,152	397,848
Total	<u>\$ 900,000</u>	<u>\$ 8,158</u>	<u>\$ 891,842</u>

Deferred Compensation

The Executive Deferred Compensation Plan (“EDCP”) consists of unsecured general obligations of the company to pay the deferred compensation of, and our contributions to, participants in the EDCP. The obligations will rank equally with our other unsecured and unsubordinated indebtedness payable from the company’s general assets.

The company’s directors and certain key members of management are eligible to participate in the EDCP. Directors may elect to defer all or any portion of their annual retainer fee and meeting fees. Deferral elections by directors must be made prior to the beginning of each year and are thereafter irrevocable. Eligible employees could elect to defer up to 75% of their base salaries, and up to 100% of any cash bonuses and other compensation through December 31, 2015. Effective January 1, 2016, employees may elect to defer up to 75% of their base salaries, any cash bonuses, and other compensation. Deferral elections by eligible executives must be made prior to the beginning of each year and are thereafter irrevocable during that year. The portion of the participant’s compensation that is deferred depends on the participant’s election in effect with respect to his or her elective contributions under the EDCP.

The amounts outstanding at December 30, 2023 and December 31, 2022 were as follows (amounts in thousands):

	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Deferral elections outstanding	\$ 27,578	\$ 25,449
Current portion of deferral elections	(1,371)	(1,774)
Long-term portion of deferral elections	<u>\$ 26,207</u>	<u>\$ 23,675</u>

The current portion of deferral elections is included in the other accrued liabilities on the Consolidated Balance Sheets. The long-term portion of deferral elections is included in the other long-term liabilities on the Consolidated Balance Sheets.

Guarantees and Indemnification Obligations

The company has provided various representations, warranties, and other standard indemnifications in various agreements with customers, suppliers, and other parties as well as in agreements to sell business assets or lease facilities. In general, these provisions indemnify the counterparty for matters such as breaches of representations and warranties, certain environmental conditions and tax matters, and, in the context of sales of business assets, any liabilities arising prior to the closing of the transactions. Non-performance under a contract could trigger an obligation of the company. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the final outcome of any potential claims.

No material guarantees or indemnifications have been entered into by the company through December 30, 2023.

Note 16. Variable Interest Entities

Distribution rights agreement VIE analysis

The incorporated IDPs qualify as VIEs. The IDPs who are formed as sole proprietorships are excluded from the following VIE accounting analysis and discussion.

Incorporated IDPs acquire distribution rights and enter into a contract with the company to sell the company’s products in the IDPs’ defined geographic territory. The incorporated IDPs have the option to finance the acquisition of their distribution rights with the company. They can also pay cash or obtain external financing at the time they acquire the distribution rights. The combination of the company’s loans to the incorporated IDPs and the ongoing distributor arrangements with the incorporated IDPs provide a level of funding to the equity owners of the various incorporated IDPs that would not otherwise be available. As of December 30, 2023 and December 31, 2022, there was \$134.4 million and \$144.6 million, respectively, in gross distribution rights notes receivable outstanding from incorporated IDPs.

The company is not considered to be the primary beneficiary of the VIEs because the company does not (i) have the ability to direct the significant activities of the VIEs that would affect their ability to operate their respective businesses and (ii) provide any implicit or explicit guarantees or other financial support to the VIEs, other than the financing described above, for specific return or performance benchmarks. The activities controlled by the incorporated IDPs that are deemed to most significantly impact the ultimate success of the incorporated IDP entities relate to those decisions inherent in operating the distribution business in the territory, including acquiring trucks and trailers, managing fuel costs, employee matters and other strategic decisions. In addition, we do not provide, nor do we intend to provide, financial or other support to the IDP. The IDPs are responsible for the operations of their respective territories.

The company’s maximum contractual exposure to loss for the incorporated IDP relates to the distributor rights note receivable for the portion of the territory the incorporated IDPs financed at the time they acquired the distribution rights. The incorporated IDPs remit

payment on their distributor rights note receivable each week during the settlement process of their weekly activity. The company will operate a territory on behalf of an incorporated IDP in situations where the IDP has abandoned its distribution rights. Any remaining balance outstanding on the distribution rights notes receivable is relieved once the distribution rights have been sold on the IDPs behalf. The company's collateral from the territory distribution rights mitigates the potential losses.

Note 17. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, and short-term debt approximates fair value because of the short-term maturity of the instruments. Notes receivable are entered into in connection with the purchase of distribution rights by IDPs. These notes receivable are recorded in the Consolidated Balance Sheets at carrying value, which represents the closest approximation of fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result, the appropriate interest rate that should be used to estimate the fair value of the distribution rights notes is the prevailing market rate at which similar loans would be made to IDPs with similar credit ratings and for the same maturities. However, the company financed approximately 3,000 and 3,400 IDPs' distribution rights as of December 30, 2023 and December 31, 2022, respectively, all with varied financial histories and credit risks. Considering the diversity of credit risks among the IDPs, the company has no method to accurately determine a market interest rate to apply to the notes. The distribution rights are generally financed for up to ten years and the distribution rights notes are collateralized by the IDPs' distribution rights. The company maintains a wholly-owned subsidiary to assist in financing the distribution rights purchase activities if requested by new IDPs, using the distribution rights and certain associated assets as collateral. These notes receivable earn interest at a fixed rate.

At December 30, 2023 and December 31, 2022, respectively, the carrying value of the distribution rights notes receivable was as follows (amounts in thousands):

	December 30, 2023	December 31, 2022
Distribution rights notes receivable	\$ 133,335	\$ 163,354
Current portion recorded in accounts and notes receivable, net	(9,764)	(26,472)
Long-term portion of distribution rights notes receivable	<u>\$ 123,571</u>	<u>\$ 136,882</u>

During the third quarter of Fiscal 2023, the company recorded a reserve of \$14.9 million for the distributor notes receivable related to a legal settlement. The amount of reserve for the distributor notes receivable as of December 30, 2023 was \$14.8 million. See Note 23, *Commitments and contingencies*, for additional information.

During Fiscal 2021, the company recorded a reserve of \$1.9 million for the distributor notes receivable related to a legal settlement. The company commenced repurchasing the distribution rights during the second quarter of Fiscal 2022 and the reserve balance was \$0.1 million at December 31, 2022. See Note 23, *Commitments and contingencies*, for additional information. Payments on these notes are collected by the company weekly in conjunction with the IDP settlement process.

The fair value of the company's variable rate debt at December 30, 2023 approximates the recorded value. The fair value of the company's notes, as discussed in Note 15, *Debt and Other Commitments*, are estimated using yields obtained from independent pricing sources for similar types of borrowing arrangements and are considered a Level 2 valuation. The fair value of the notes are presented in the table below (amounts in thousands, except level classification):

	Carrying Value	Fair Value	Level
2031 notes	\$ 494,723	\$ 418,399	2
2026 notes	\$ 398,421	\$ 384,469	2

For fair value disclosure information about our derivative assets and liabilities see Note 11, *Derivative Financial Instruments*. For fair value disclosure information about our pension plan net assets see Note 21, *Postretirement Plans*.

Note 18. Stockholders' Equity

Flowers Foods' articles of incorporation provide that its authorized capital consist of 500,000,000 shares of common stock having a par value of \$0.01 per share and 1,000,000 shares of preferred stock. The preferred stock of which (a) 200,000 shares have been designated by the Board of Directors as Series A Junior Participating Preferred Stock, having a par value per share of \$100 and (b) 800,000 shares of preferred stock, having a par value per share of \$0.01, have not been designated by the Board of Directors. No shares of preferred stock have been issued by Flowers Foods.

Common Stock

The holders of Flowers Foods common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Subject to preferential rights of any issued and outstanding preferred stock, including the Series A Preferred Stock, holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors of the company out of funds legally available. In the event of a liquidation, dissolution, or winding-up of the company, holders of common stock are entitled to share ratably in all assets of the company, if any, remaining after payment of liabilities and the liquidation preferences of any issued and outstanding preferred stock, including the Series A Preferred Stock. Holders of common stock have no preemptive rights, no cumulative voting rights, and no rights to convert their shares of common stock into any other securities of the company or any other person.

Preferred Stock

The Board of Directors has the authority to issue up to 1,000,000 shares of preferred stock in one or more series and to fix the designations, relative powers, preferences, rights, qualifications, limitations, and restrictions of all shares of each such series, including without limitation, dividend rates, conversion rights, voting rights, redemption and sinking fund provisions, liquidation preferences, and the number of shares constituting each such series, without any further vote or action by the holders of our common stock. Although the Board of Directors does not presently intend to do so, it could issue shares of preferred stock, with rights that could adversely affect the voting power and other rights of holders of our common stock without obtaining the approval of our shareholders. In addition, the issuance of preferred shares could delay or prevent a change in control of the company without further action by our shareholders.

Stock Repurchase Plan

Previously, our Board of Directors had approved a Stock Repurchase Plan ("SRP") (on December 19, 2002) that authorized share repurchases of up to 74.6 million shares of the company's common stock. On May 26, 2022, the company announced that the Board of Directors increased the company's share repurchase authorization by 20.0 million shares. As of December 30, 2023, 22.5 million shares remained available for repurchase under the existing authorization. Under the plan, the company may repurchase its common stock in open market or privately negotiated transactions or under an accelerated repurchase program at such times and at such prices as determined to be in the company's best interest.

The table below presents the shares repurchased under the SRP during our Fiscal 2023 (amounts in thousands except shares purchased):

Fiscal 2023 Quarter	Total Number of Shares Purchased	Total Cost of Shares Purchased
For the quarter ended April 22, 2023	385,882	\$ 10,981
For the quarter ended July 15, 2023	612,847	\$ 15,263
For the quarter ended October 7, 2023	200,000	\$ 4,647
For the quarter ended December 30, 2023	700,000	\$ 14,910
Total	1,898,729	\$ 45,801

As of December 30, 2023, 72.0 million shares at a cost of \$733.3 million have been purchased since the inception of the SRP.

Dividends

During Fiscal 2023, 2022, and 2021, the company paid the following dividends, excluding dividends on vested stock-based compensation awards discussed in Note 19, *Stock-Based Compensation*, below (amounts in thousands except per share data):

	Dividends paid	Dividends paid per share
Fiscal 2023	\$ 192,435	\$ 0.9100
Fiscal 2022	\$ 184,241	\$ 0.8700
Fiscal 2021	\$ 175,669	\$ 0.8300

Note 19. Stock-Based Compensation

On March 5, 2014, our Board of Directors approved and adopted the 2014 Omnibus Equity and Incentive Compensation Plan ("Omnibus Plan"). The Omnibus Plan was approved by our shareholders on May 21, 2014 and authorized 8,000,000 shares to be used for awards under the Omnibus Plan. The Omnibus Plan authorizes the compensation committee of the Board of Directors to provide equity-based compensation in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance

shares, performance units, dividend equivalents and other awards to provide our officers, key employees, and non-employee directors' incentives and rewards for performance. The Omnibus Plan replaced the Flowers Foods' 2001 Equity and Performance Incentive Plan, as amended and restated as of April 1, 2009 ("EPIP"), the Stock Appreciation Rights Plan, and the Annual Executive Bonus Plan. All outstanding equity awards that were made under the EPIP will continue to be governed by the EPIP; however, all equity awards granted after May 21, 2014 are governed by the Omnibus Plan. No additional awards will be issued under the EPIP. On May 25, 2023, the company amended and restated the Omnibus Plan to register an additional 9,340,000 shares.

The following is a summary of restricted stock and deferred stock outstanding under the plans described above. Information relating to the company's stock appreciation rights, which were issued under a separate stock appreciation right plan, is also described below.

Performance-Contingent Restricted Stock Awards

Performance-Contingent Total Shareholder Return Shares ("TSR Shares")

Since 2012, certain key employees have been granted performance-contingent restricted stock under the EPIP and the Omnibus Plan in the form of TSR Shares. Awards granted prior to Fiscal 2019 vested approximately two years from the date of grant (after the filing of the company's Annual Report on Form 10-K) while the awards granted since the beginning of Fiscal 2019 vest approximately three years from the date of grant. These shares become non-forfeitable if, and to the extent that, on that date the vesting conditions are satisfied. The total shareholder return ("TSR") is the percent change in the company's stock price over the measurement period plus the dividends paid to shareholders. The performance payout is calculated at the end of each of the last four quarters (averaged) in the measurement period. Once the TSR is determined for the company ("Company TSR"), it is compared to the TSR of our food company peers ("Peer Group TSR"). The Company TSR compared to the Peer Group TSR will determine the payout as set forth below (the "TSR Modifier"):

Percentile	Payout as % of Target
90 th	200%
70 th	150%
50 th	100%
30 th	50%
Below 30 th	0%

For performance between the levels described above, the degree of vesting is interpolated on a linear basis. The table below presents the payout percentage for vested TSR awards:

Award	Fiscal year vested	Payout (%)
2020 award	Fiscal 2023	148%
2019 award	Fiscal 2022	137%

The TSR shares vest immediately if the grantee dies or becomes disabled. However, if the grantee retires at age 65 (or age 55 with at least 10 years of service with the company) or later, on the normal vesting date the grantee will receive a pro-rated number of shares based upon the retirement date and measured at the actual performance for the entire performance period. In addition, if the company undergoes a change in control, the TSR shares will immediately vest at the target level, provided that if 12 months of the performance period have been completed, vesting will be determined based on Company TSR as of the date of the change in control without application of four-quarter averaging. During the vesting period, the grantee has none of the rights of a shareholder. Dividends declared during the vesting period will accrue and will be paid at vesting on the shares that ultimately vest. The fair value estimate was determined using a *Monte Carlo* simulation model, which utilizes multiple input variables to estimate the probability of the company achieving the market condition discussed above. Inputs into the model included the following for the company and comparator companies: (i) TSR from the beginning of the performance cycle through the measurement date; (ii) volatility; (iii) risk-free interest rates; and (iv) the correlation of the comparator companies' TSR. The inputs are based on historical capital market data. The 2021 TSR award is expected to payout at 127%.

The following performance-contingent TSR Shares have been granted under the Omnibus Plan and have service period remaining (amounts in thousands, except price data):

Grant Date	Shares Granted	Vesting Date	Fair Value per Share
1/3/2021	365	3/1/2024	\$ 26.75
10/10/2021	18	3/1/2024	\$ 24.47
1/2/2022	331	3/1/2025	\$ 31.97
4/24/2022	16	3/1/2025	\$ 27.38
7/17/2022	3	3/1/2025	\$ 27.06
10/9/2022	3	3/1/2025	\$ 24.55
1/1/2023	338	3/1/2026	\$ 33.52
4/23/2023	9	3/1/2026	\$ 26.11
9/1/2023	25	3/1/2026	\$ 23.04
10/8/2023	40	3/1/2026	\$ 21.43

As of December 30, 2023, there was \$11.6 million of total unrecognized compensation cost related to nonvested TSR Shares granted under the Omnibus Plan. That cost is expected to be recognized over a weighted-average period of 1.85 years.

Performance-Contingent Return on Invested Capital Shares (“ROIC Shares”)

Since 2012, certain key employees have been granted performance-contingent restricted stock under the EPIP and the Omnibus Plan in the form of ROIC Shares. Awards granted prior to Fiscal 2019 vested approximately two years from the date of grant (after the filing of the company’s Annual Report on Form 10-K) while the awards granted since the beginning of Fiscal 2019 vest approximately three years from the date of grant. These shares become non-forfeitable if, and to the extent that, on that date the vesting conditions are satisfied. Return on Invested Capital is calculated by dividing our profit, as defined, by the invested capital (“ROIC”). Generally, the performance condition requires the company’s average ROIC to exceed its average weighted cost of capital (“WACC”) by between 1.75 to 4.75 percentage points (the “ROI Target”) over the three fiscal year performance period. If the lowest ROI Target is not met, the awards are forfeited. The shares can be earned based on a range from 0% to 125% of target as defined below (the “ROIC Modifier”):

- 0% payout if ROIC exceeds WACC by less than 1.75 percentage points;
- ROIC above WACC by 1.75 percentage points pays 50% of ROI Target; or
- ROIC above WACC by 3.75 percentage points pays 100% of ROI Target; or
- ROIC above WACC by 4.75 percentage points pays 125% of ROI Target.

For performance between the levels described above, the degree of vesting is interpolated on a linear basis. The table below presents the payout percentage for vested ROIC awards:

Award	Fiscal year vested	Payout (%)
2020 award	Fiscal 2023	125%
2019 award	Fiscal 2022	125%

The ROIC Shares vest immediately if the grantee dies or becomes disabled. However, if the grantee retires at age 65 (or age 55 with at least 10 years of service with the company) or later, on the normal vesting date the grantee will receive a pro-rated number of shares based upon the retirement date and actual performance for the entire performance period. In addition, if the company undergoes a change in control, the ROIC Shares will immediately vest at the target level. During the vesting period, the grantee has none of the rights of a shareholder. Dividends declared during the vesting period will accrue and will be paid at vesting on the shares that ultimately vest. The fair value of this type of award is equal to the stock price on the grant date. Since these awards have a performance condition feature the expense associated with these awards may change depending on the expected ROI Target attained at each reporting period. The 2021 award is being expensed at our current estimated payout percentage of 125% of the ROI target, and the 2022 and 2023 awards are being expensed at 100% of the ROI target.

The following performance-contingent ROIC Shares have been granted under the Omnibus Plan and have service period remaining (amounts in thousands, except price data):

<u>Grant Date</u>	<u>Shares Granted</u>	<u>Vesting Date</u>	<u>Fair Value per Share</u>
1/03/2021	365	3/1/2024	\$ 22.63
10/10/2021	18	3/1/2024	\$ 24.47
1/2/2022	331	3/1/2025	\$ 27.47
4/24/2022	16	3/1/2025	\$ 27.38
7/17/2022	3	3/1/2025	\$ 27.06
10/9/2022	3	3/1/2025	\$ 24.55
1/1/2023	338	3/1/2026	\$ 28.74
4/23/2023	9	3/1/2026	\$ 26.11
9/1/2023	25	3/1/2026	\$ 23.04
10/8/2023	40	3/1/2026	\$ 21.43

As of December 30, 2023, there was \$10.3 million of total unrecognized compensation cost related to nonvested ROIC Shares granted under the Omnibus Plan. This cost is expected to be recognized over a weighted-average period of 1.85 years.

Performance-Contingent Restricted Stock Summary

The table below presents the TSR Modifier share adjustment, ROIC Modifier share adjustment, accumulated dividends on vested shares, and the tax windfall/shortfall at vesting of the performance-contingent restricted stock awards (amounts in thousands except for share data):

<u>Award granted</u>	<u>Fiscal year vested</u>	<u>TSR Modifier increase shares</u>	<u>ROIC Modifier increase shares</u>	<u>Dividends at vesting (thousands)</u>	<u>Tax benefit</u>	<u>Fair value at vesting</u>
2020	2023	151,513	78,893	\$ 2,154	\$ 1,424	\$ 24,652
2019	2022	109,729	74,154	\$ 1,843	\$ 2,196	\$ 22,143

A summary of the status of all of the company's nonvested shares for performance-contingent restricted stock (including the TSR Shares and the ROIC Shares) for Fiscal 2023, 2022, and 2021 is set forth below (amounts in thousands, except price data):

	<u>Fiscal 2023</u>		<u>Fiscal 2022</u>		<u>Fiscal 2021</u>	
	<u>Number of Shares</u>	<u>Weighted Average Fair Value</u>	<u>Number of Shares</u>	<u>Weighted Average Fair Value</u>	<u>Number of Shares</u>	<u>Weighted Average Fair Value</u>
Balance at beginning of year	2,009	\$ 25.83	1,972	\$ 22.89	1,264	\$ 21.85
Initial grant	824	\$ 29.37	706	\$ 29.41	766	\$ 24.66
Vested	(868)	\$ 23.51	(778)	\$ 20.25	—	\$ —
Grant increase for achieving the ROIC modifier	79	\$ 29.37	74	\$ 29.41	—	\$ —
Grant increase for achieving the TSR modifier	152	\$ 29.37	110	\$ 29.41	—	\$ —
Forfeitures	(179)	\$ 27.80	(75)	\$ 25.48	(58)	\$ 23.27
Balance at end of year	<u>2,017</u>	<u>\$ 27.70</u>	<u>2,009</u>	<u>\$ 25.83</u>	<u>1,972</u>	<u>\$ 22.89</u>

As of December 30, 2023, there was \$22.0 million of total unrecognized compensation cost related to nonvested restricted stock granted under the Omnibus Plan. This cost is expected to be recognized over a weighted-average period of 1.85 years.

Time-Based Restricted Stock Units

Certain key employees have been granted time-based restricted stock units ("TBRU Shares"). These awards vest on the fifth of January each year in equal installments over a three-year period beginning in Fiscal 2020. Dividends earned on shares are held by the company during the vesting period and paid in cash when the awards vest and shares are distributed.

On May 23, 2019, the company's CEO was granted TBRSS Shares of approximately \$1.0 million pursuant to the Omnibus Plan. This award vested 100% during the second quarter of Fiscal 2023. Dividends accrued on the award and were paid to the CEO on the vesting date. There were 43,330 shares issued for this award at a fair value of \$23.08 per share.

The following TBRSS Shares have been granted under the Omnibus Plan and have service periods remaining (amounts in thousands, except price data):

<u>Grant Date</u>	<u>Shares Granted</u>	<u>Vesting Date</u>	<u>Fair Value per Share</u>
1/3/2021	256	Equally over 3 years	\$ 22.63
10/10/2021	6	Equally over 3 years	\$ 24.79
1/2/2022	205	Equally over 3 years	\$ 27.47
1/1/2023	220	Equally over 3 years	\$ 28.74
2/27/2023	11	1/5/2024	\$ 28.33
9/1/2023	54	Equally over 3 years	\$ 23.04
9/17/2023	10	Equally over 3 years	\$ 22.90

The TBRSS Shares activity for Fiscal 2023, 2022 and Fiscal 2021 is set forth below (amounts in thousands, except price data):

	<u>Fiscal 2023</u>		<u>Fiscal 2022</u>		<u>Fiscal 2021</u>	
	<u>Number of Shares</u>	<u>Weighted Average Fair Value</u>	<u>Number of Shares</u>	<u>Weighted Average Fair Value</u>	<u>Number of Shares</u>	<u>Weighted Average Fair Value</u>
Nonvested shares at beginning of year	462	\$ 24.62	492	\$ 21.87	387	\$ 20.64
Granted	295	\$ 27.47	205	\$ 27.47	262	\$ 22.68
Vested	(251)	\$ 23.78	(215)	\$ 21.03	(137)	\$ 19.98
Forfeitures	(33)	\$ 26.87	(20)	\$ 24.39	(20)	\$ 21.56
Nonvested shares at end of year	<u>473</u>	<u>\$ 26.67</u>	<u>462</u>	<u>\$ 24.62</u>	<u>492</u>	<u>\$ 21.87</u>

Deferred Stock

Non-employee directors may convert their annual board retainers into deferred stock equal in value to 100% of the cash payments directors would otherwise receive and the vesting period is a one-year period to match the period of time that cash would have been received if no conversion existed. Accumulated dividends are paid upon delivery of the shares. During Fiscal 2023, non-employee directors elected to receive, and were granted, an aggregate grant of 3,479 common shares for board retainer deferrals pursuant to the Omnibus Plan which vested during the fourth quarter of Fiscal 2023. During the first quarter of Fiscal 2022, non-employee directors elected to receive, and were granted, an aggregate grant of 3,640 shares for board retainer deferrals pursuant to the Omnibus Plan which vested during the first quarter of Fiscal 2023. Non-employee directors received 14,249 shares of previously deferred board retainer deferrals during Fiscal 2023.

Non-employee directors also receive annual grants of deferred stock. This deferred stock vests one year from the grant date. The deferred stock will be distributed to the grantee at a time designated by the grantee at the date of grant. Compensation expense is recorded on this deferred stock over the one-year vesting period. During the second quarter of Fiscal 2023, non-employee directors were granted 59,400 shares for their annual grant pursuant to the Omnibus Plan. Additionally, during the third quarter of Fiscal 2023, an aggregate of 4,660 shares were granted to two newly elected non-employee directors, representing a prorated portion of the annual grant pursuant to the Omnibus Plan. During the second quarter of Fiscal 2022, non-employee directors were granted 58,300 shares, of which 15,900 were deferred, for their annual grant pursuant to the Omnibus Plan that vested during the second quarter of Fiscal 2023. Non-employee directors received 5,780 shares of previously deferred annual grant awards during Fiscal 2023. A prorated amount of 1,980 shares vested on August 31, 2023 at the time a non-employee director resigned from the Board of Directors.

Compensation expense is recorded on deferred stock over the vesting period.

The deferred and restricted stock activity for Fiscal 2023, 2022, and 2021 is set forth below (amounts in thousands, except price data):

	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Number of Shares	Weighted Average Fair Value	Number of Shares	Weighted Average Fair Value	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of year	62	\$ 27.37	67	\$ 24.00	52	\$ 23.21
Granted	68	\$ 26.26	62	\$ 27.37	69	\$ 23.96
Vested	(62)	\$ 27.37	(67)	\$ 24.00	(54)	\$ 23.19
Nonvested shares at end of year	68	\$ 26.26	62	\$ 27.37	67	\$ 24.00
Vested and deferred shares at end of year (1)	<u>214</u>		<u>212</u>		<u>208</u>	

- (1) The vested and deferred shares at the end of the year include 71,237 shares, 82,779 shares, and 89,949 shares granted and deferred under the EPIP for Fiscal 2023, Fiscal 2022, and Fiscal 2021, respectively.

The vested and deferred shares at the end of the year include 142,582 shares, 128,978 shares, and 118,360 shares granted and deferred under the Omnibus Plan for Fiscal 2023, Fiscal 2022, and Fiscal 2021, respectively.

As of December 30, 2023, there was \$0.6 million of total unrecognized compensation cost related to deferred and restricted stock awards. This cost is expected to be recognized over a weighted-average period of 0.40 years. The intrinsic value of deferred stock awards that vested during Fiscal 2023 was \$1.6 million. There was an immaterial tax windfall on the exercise of deferred share awards during fiscal 2023.

Share-Based Payments Compensation Expense Summary

The following table summarizes the company's stock-based compensation expense, all of which was recognized in selling, distribution, and administrative expense, for Fiscal 2023, 2022, and 2021 (amounts in thousands):

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Performance-contingent restricted stock awards	\$ 19,654	\$ 18,943	\$ 15,061
TBRUSU shares	6,381	5,184	4,747
Deferred stock awards	910	1,695	1,535
Total stock-based compensation expense	<u>\$ 26,945</u>	<u>\$ 25,822</u>	<u>\$ 21,343</u>

Note 20. Earnings Per Share

The following is a reconciliation of net income and weighted average shares for calculating basic and diluted earnings per common share for Fiscal 2023, 2022, and 2021 (amounts in thousands, except per share data):

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Net income	<u>\$ 123,416</u>	<u>\$ 228,394</u>	<u>\$ 206,187</u>
Basic Earnings Per Common Share:			
Basic weighted average shares outstanding per common share	211,630	211,895	211,840
Basic earnings per common share	<u>\$ 0.58</u>	<u>\$ 1.08</u>	<u>\$ 0.97</u>
Diluted Earnings Per Common Share:			
Basic weighted average shares outstanding per common share	211,630	211,895	211,840
Add: Shares of common stock assumed issued upon exercise of stock options, vesting of performance-contingent restricted stock and deferred stock	1,726	1,332	1,193
Diluted weighted average shares outstanding per common share	<u>213,356</u>	<u>213,227</u>	<u>213,033</u>
Diluted earnings per common share	<u>\$ 0.58</u>	<u>\$ 1.07</u>	<u>\$ 0.97</u>

There were 287,510 anti-dilutive shares for Fiscal 2023 and no anti-dilutive shares for Fiscal 2022 or Fiscal 2021.

Note 21. Postretirement Plans

The following summarizes the company's balance sheet related pension and other postretirement benefit plan accounts at December 30, 2023 and December 31, 2022 (amounts in thousands):

	December 30, 2023	December 31, 2022
Noncurrent benefit asset	\$ 6,494	\$ 4,902
Current benefit liability	\$ 699	\$ 710
Noncurrent benefit liability	\$ 5,798	\$ 5,814
AOCI, net of tax	\$ (342)	\$ (625)

The company made contributions of \$1.0 million to the Flowers Foods, Inc. Retirement Plan No. 2 ("Plan No. 2") during Fiscal 2023 and Fiscal 2022. There were no contributions made by the company to any plan during Fiscal 2021.

Pension Plans

The company maintains a trustee, noncontributory defined benefit pension plan that covers a small number of certain union employees. The benefits in this plan are based on years of service and the employee's career earnings. This qualified plan is funded at amounts deductible for income tax purposes but not less than the minimum funding required by the Employee Retirement Income Security Act of 1974 ("ERISA") and the Pension Protection Act of 2006 ("PPA").

The company recognizes settlement accounting charges, which accelerates recognition of a plan's unrecognized net gain or loss, when the ongoing lump sum payments from the plan exceed the sum of the plan's service cost and interest cost. During the fourth quarter of Fiscal 2021, the company determined it was probable a settlement would occur and paid lump sums that exceeded that threshold and, as a result, the company recorded a settlement charge of \$0.4 million in the fourth quarter of Fiscal 2021.

The company uses a calendar year end for the measurement date since the plans are based on a calendar year and because it approximates the company's fiscal year end. As of December 31, 2023 and December 31, 2022, the assets of the qualified plans included certificates of deposit, marketable equity securities, mutual funds, corporate and government debt securities, other diversifying strategies and annuity contracts. The company expects pension cost of approximately \$0.4 million for Fiscal 2024.

The net periodic pension cost (income) for the company's pension plans includes the following components for Fiscal 2023, 2022, and 2021 (amounts in thousands):

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Service cost	\$ 682	\$ 1,188	\$ 971
Interest cost	1,304	884	758
Expected return on plan assets	(1,561)	(1,874)	(1,867)
Settlement loss	—	—	403
Amortization:			
Prior service cost	57	57	57
Actuarial loss	173	461	742
Net periodic pension cost	655	716	1,064
Other changes in plan assets and benefit obligations recognized in OCI:			
Current year actuarial gain	(815)	(3,049)	(1,288)
Settlement loss	—	—	(403)
Amortization of prior service cost	(57)	(57)	(57)
Amortization of actuarial loss	(173)	(461)	(742)
Total recognized in OCI	(1,045)	(3,567)	(2,490)
Total recognized in net periodic benefit and OCI	\$ (390)	\$ (2,851)	\$ (1,426)

Actual return on plan assets for Fiscal 2023, 2022, and 2021 was \$3.3 million, \$(4.3) million, and \$1.9 million, respectively.

The funded status and the amounts recognized in the Consolidated Balance Sheets for the company's pension plans are as follows (amounts in thousands):

	December 30, 2023	December 31, 2022
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 25,169	\$ 34,790
Service cost	682	1,188
Interest cost	1,304	884
Actuarial loss (gain)	953	(9,253)
Benefits paid	(3,282)	(2,440)
Benefit obligation at end of year	<u>\$ 24,826</u>	<u>\$ 25,169</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 28,090	\$ 33,589
Actual return (loss) on plan assets	3,328	(4,330)
Employer contribution	1,268	1,271
Benefits paid	(3,282)	(2,440)
Fair value of plan assets at end of year	<u>\$ 29,404</u>	<u>\$ 28,090</u>
Funded status, end of year:		
Fair value of plan assets	\$ 29,404	\$ 28,090
Benefit obligations	(24,826)	(25,169)
Funded status and amount recognized at end of year	<u>\$ 4,578</u>	<u>\$ 2,921</u>
Amounts recognized in the balance sheet:		
Noncurrent asset	\$ 6,494	\$ 4,902
Current liability	(248)	(250)
Noncurrent liability	(1,668)	(1,731)
Amount recognized at end of year	<u>\$ 4,578</u>	<u>\$ 2,921</u>
Amounts recognized in AOCI:		
Net actuarial loss before taxes	\$ 3,415	\$ 4,403
Prior service cost before taxes	84	141
Amount recognized at end of year	<u>\$ 3,499</u>	<u>\$ 4,544</u>
Accumulated benefit obligation at end of year	<u>\$ 23,764</u>	<u>\$ 24,192</u>

The actuarial gain/(loss) on defined benefit obligations of the employer due to experience, including any assumption changes, different from assumed, and the reasons for such (gain)/loss, can be found in the table below for Fiscal 2023, 2022 and 2021 (amounts in thousands).

	Amount of (Gain)/Loss on Defined Benefit Obligation	Reasons for (Gain)/Loss
Fiscal 2023	\$ 953	Loss from decrease in general level of interest rates used to measure defined benefit plan obligations (approximately 33 basis points).
Fiscal 2022	\$ (9,253)	Gain from increase in general level of interest rates used to measure defined benefit plan obligations (approximately 260 basis points).
Fiscal 2021	\$ (1,228)	Gain from increase in general level of interest rates used to measure defined benefit plan obligations (approximately 30 basis points); Loss from change in mortality assumption scale from MP-2020 to MP-2021.

Assumptions used in accounting for the company's pension plans at each of the respective fiscal years ending are as follows:

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Weighted average assumptions used to determine benefit obligations:			
Measurement date	12/31/2023	12/31/2022	12/31/2021
Discount rate	5.32%	5.65%	3.06%
Rate of compensation increase	3.00%	3.00%	3.00%
Weighted average assumptions used to determine net periodic benefit cost/(income):			
Measurement date	1/1/2023	1/1/2022	1/1/2021
Discount rate	5.65%	3.06%	2.78%
Expected return on plan assets	5.90%	5.90%	5.70%
Rate of compensation increase	3.00%	3.00%	3.00%

In developing the expected long-term rate of return on plan assets at each measurement date, the company considers the plan assets' historical actual returns, targeted asset allocations, and the anticipated future economic environment and long-term performance of individual asset classes, based on the company's investment strategy. While appropriate consideration is given to recent and historical investment performance, the assumption represents management's best estimate of the long-term prospective return. Further, pension costs do not include an explicit expense assumption, and therefore the return on assets rate reflects the long-term expected return, net of expenses.

Based on these factors the expected long-term rate of return assumption for Plan No. 2 was set at 5.9% for Fiscal 2024. This rate is net of administrative expenses paid from the trust, assumed to be 0.4% per annum. The average annual return on the plan assets over the last 15 years (while the assets were collectively managed) was approximately 7.9% (net of expenses).

Plan Assets

The investment committee, which consists of certain members of management, establishes investment guidelines and strategies and regularly monitors the performance of the plans' assets. The investment committee is responsible for executing these strategies and investing the pension assets in accordance with ERISA and fiduciary standards. The investment objective of the pension plans is to preserve the plans' capital and maximize investment earnings within acceptable levels of risk and volatility. The investment committee meets on a regular basis with its investment advisors to review the performance of the plans' assets. Based upon performance and other measures and recommendations from its investment advisors, the investment committee rebalances the plans' assets to the targeted allocation when considered appropriate. The fair values of all of the company pension plan assets at December 31, 2023 and December 31, 2022, by asset class are as follows (amounts in thousands):

Asset Class	Fair value of Pension Plan Assets as of December 31, 2023			
	Quoted prices in active markets for identical assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Short term investments and cash	\$ 501	\$ —	\$ —	\$ 501
Common stocks:				
International common stocks	2,401	—	—	2,401
U.S. common stocks	4,425	—	—	4,425
Fixed income securities:				
U.S. government bonds	—	—	—	—
U.S. government agency bonds	—	—	—	—
U.S. corporate bonds	22,077	—	—	22,077
Pending transactions(*)	—	—	—	—
Accrued (expenses) income(*)	—	—	—	—
Total	\$ 29,404	\$ —	\$ —	\$ 29,404

Asset Class	Fair value of Pension Plan Assets as of December 31, 2022			
	Quoted prices in active markets for identical assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Short term investments and cash	\$ 622	\$ —	\$ —	\$ 622
Common stocks:				
International common stocks	2,788	—	—	2,788
U.S. common stocks	4,956	—	—	4,956
Fixed income securities:				
U.S. government bonds	14,975	—	—	14,975
U.S. government agency bonds	—	—	—	—
U.S. corporate bonds	4,749	—	—	4,749
International corporate bonds	—	—	—	—
Pending transactions(*)	—	—	—	—
Other assets and (liabilities)(*)	—	—	—	—
Accrued (expenses) income(*)	—	—	—	—
Total	\$ 28,090	\$ —	\$ —	\$ 28,090

(*) This class includes accrued interest, dividends, and amounts receivable from asset sales and amounts payable for asset purchases.

The company's investment policy includes various guidelines and procedures designed to ensure the plan's assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions.

The plan asset allocation as of the measurement dates December 31, 2023 and December 31, 2022, and target asset allocations for Fiscal 2024 are as follows for Plan No. 2:

Asset Category	Target Allocation	Percentage of Plan Assets at the Measurement Date (As percent)	
	2024	2023	2022
Equity securities	23%	23	28
Fixed income securities	75%	75	70
Short term investments and cash	2%	2	2
Total		100.0	100.0

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

Cash Flows

Company contributions to qualified and nonqualified plans are as follows (amounts in thousands):

Year	Required	Discretionary	Total
2023	\$ 268	\$ 1,000	\$ 1,268
2022	\$ 271	\$ 1,000	\$ 1,271
2021	\$ 271	\$ —	\$ 271

All contributions are made in cash. The required contributions made during Fiscal 2023 include \$0.3 million in nonqualified pension benefits paid from corporate assets. The discretionary contribution of \$1.0 million made to the qualified plan during Fiscal 2023 was not required to be made by the minimum funding requirements of ERISA, but the company believed, due to its strong cash flow and financial position, this was an appropriate time to make the contribution to reduce the impact of future contributions. During Fiscal 2024, the company expects to pay \$0.3 million in nonqualified pension benefits from corporate assets. There are no expected contributions to Plan No. 2 that are required under ERISA and the PPA during Fiscal 2024; however, the company may make a discretionary contribution if appropriate based on cash, tax or other considerations. These amounts represent estimates that are based on assumptions that are subject to change.

Benefit Payments

The following are benefits paid under the plans (including settlements) during Fiscal 2023, 2022, and 2021 and expected to be paid from Fiscal 2024 through Fiscal 2033. Estimated future payments include qualified pension benefits that will be paid from the plans' assets and nonqualified pension benefits that will be paid from corporate assets (amounts in thousands):

Year	Pension Benefits
2021	\$ 3,361 *
2022	\$ 2,440 ^
2023	\$ 3,282 +
Estimated Future Payments:	
2024	\$ 4,744
2025	\$ 2,233
2026	\$ 1,963
2027	\$ 1,971
2028	\$ 1,746
2029 – 2033	\$ 7,674

* Includes \$1.7 million from Plan No. 2 paid as lump sums.

^ Includes \$0.9 million from Plan No. 2 paid as lump sums.

+ Includes \$1.7 million from Plan No. 2 paid as lump sums.

Postretirement Benefit Plans

The company sponsors postretirement benefit plans that provide health care and life insurance benefits to retirees who meet certain eligibility requirements. Generally, this includes employees with at least 10 years of service who have reached age 60 and participate in a Flowers retirement plan. Retiree medical coverage is provided for a period of three to five years, depending on the participant's age and service at retirement. Participant premiums are determined using COBRA premium levels. Retiree life insurance benefits are offered to a closed group of retirees. The company also sponsors a medical, dental, and life insurance benefits plan to a limited and closed group of participants.

The company delivers retiree medical and dental benefits for Medicare eligible retirees through a health-care reimbursement account. The company no longer sponsors a medical plan for Medicare eligible retirees and does not file for a Medicare Part D subsidy.

The net periodic benefit (income) cost for the company's postretirement benefit plans includes the following components for Fiscal 2023, 2022, and 2021 (amounts in thousands):

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Service cost	\$ 177	\$ 214	\$ 337
Interest cost	239	112	119
Amortization:			
Prior service credit	(234)	(237)	(3)
Actuarial gain	(247)	(176)	(211)
Total net periodic benefit (income) cost	(65)	(87)	242
Other changes in plan assets and benefit obligations recognized in OCI:			
Current year actuarial loss (gain)	187	(620)	238
Current year prior service credit	—	—	(2,214)
Amortization of actuarial gain	247	176	211
Amortization of prior service credit	234	237	3
Total recognized in OCI	668	(207)	(1,762)
Total recognized in net periodic cost (benefit) and OCI	\$ 603	\$ (294)	\$ (1,520)

The unfunded status and the amounts recognized in the Consolidated Balance Sheets for the company's postretirement benefit plans are as follows (amounts in thousands):

	December 30, 2023	December 31, 2022
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 4,542	\$ 5,572
Service cost	177	214
Interest cost	239	112
Participant contributions	282	392
Actuarial loss (gain)	187	(620)
Benefits paid	(847)	(1,128)
Benefit obligation at end of year	<u>\$ 4,580</u>	<u>\$ 4,542</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	\$ —
Employer contributions	565	736
Participant contributions	282	392
Benefits paid	(847)	(1,128)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ —</u>
Funded status, end of year:		
Fair value of plan assets	\$ —	\$ —
Benefit obligations	(4,580)	(4,542)
Unfunded status and amount recognized at end of year	<u>\$ (4,580)</u>	<u>\$ (4,542)</u>
Amounts recognized in the balance sheet:		
Current liability	\$ (451)	\$ (459)
Noncurrent liability	(4,130)	(4,083)
Amount recognized at end of year	<u>\$ (4,581)</u>	<u>\$ (4,542)</u>
Amounts recognized in AOCI:		
Net actuarial gain before taxes	\$ (1,297)	\$ (1,730)
Prior service credit before taxes	(1,745)	(1,979)
Amounts recognized in AOCI	<u>\$ (3,042)</u>	<u>\$ (3,709)</u>

Assumptions used in accounting for the company's postretirement benefit plans at each of the respective fiscal years ending are as follows:

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Weighted average assumptions used to determine benefit obligations:			
Measurement date	12/31/2023	12/31/2022	12/31/2021
Discount rate	5.09%	5.43%	2.60%
Health care cost trend rate used to determine benefit obligations:			
Initial rate	7.00%	7.00%	6.25%
Ultimate rate	5.00%	5.00%	5.00%
Year trend reaches the ultimate rate	2032	2031	2027
Weighted average assumptions used to determine net periodic cost:			
Measurement date	1/1/2023	1/1/2022	1/1/2021
Discount rate	5.43%	2.60%	2.11%
Health care cost trend rate used to determine net periodic cost:			
Initial rate	7.00%	6.25%	6.50%
Ultimate rate	5.00%	5.00%	5.00%
Year trend reaches the ultimate rate	2031	2027	2027

Cash Flows

Company contributions to postretirement plans are as follows (amounts in thousands):

Year	Employer Net Contribution
2021	\$ 931
2022	\$ 736
2023	\$ 565
2024 (Expected)	\$ 463

The table above reflects only the company's share of the benefit cost. Since the company no longer receives reimbursement for Medicare Part D subsidies, the entire \$0.5 million expected funding for postretirement benefit plans during 2024 will be required to pay for benefits. Contributions by participants to postretirement benefits were \$0.3 million, \$0.4 million, and \$0.5 million for Fiscal 2023, 2022, and 2021, respectively.

Benefit Payments

The following are benefits paid by the company during Fiscal 2023, 2022, and 2021 and expected to be paid from Fiscal 2024 through Fiscal 2033. All benefits are expected to be paid from the company's assets (amounts in thousands):

Year	Postretirement benefits Employer gross contribution
2021	\$ 931
2022	\$ 736
2023	\$ 565
Estimated Future Payments:	
2024	\$ 463
2025	\$ 483
2026	\$ 511
2027	\$ 504
2028	\$ 513
2029 – 2033	\$ 2,326

Multiemployer Plans

The company contributes to various multiemployer pension plans. Benefits provided under the multiemployer pension plans are generally based on years of service and employee age. Expense under these plans was \$0.3 million for Fiscal 2023, \$0.7 million for Fiscal 2022, and \$1.0 million for Fiscal 2021.

The company contributes to several multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover various union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If we choose to stop participating in some of these multiemployer plans, we may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. None of the contributions to the pension funds was in excess of 5% or more of the total contributions for plan years 2023, 2022, and 2021. There are no contractually required minimum contributions to the plans as of December 30, 2023.

On July 19, 2022, the company announced the closure of the Holsum Bakery in Phoenix, Arizona. The bakery produced bread and bun products and ceased production on October 31, 2022. As a result, the union participants of the IAM National Pension Fund (the "IAM Fund") at the Phoenix bakery will withdraw from the IAM Fund. During the third quarter of Fiscal 2022, the company recorded a liability of \$1.3 million for the withdrawal from the IAM Fund. While this is our best estimate of the ultimate cost of the withdrawal from this plan, additional withdrawal liability may be incurred based on the final IAM Fund assessment or in the event of a mass withdrawal, as defined by statute, occurring anytime up to July 19, 2025.

On September 22, 2021, the union participants of the Retail, Wholesale and Department Store Union Fund (the "Fund") at our Birmingham, Alabama plant voted to withdraw from the Fund in the most recent collective bargaining agreement. The withdrawal was

effective, and the union participants were eligible to participate in the 401(k) plan, on December 1, 2021. During the third quarter of Fiscal 2021, the company recorded a liability of \$2.1 million related to the withdrawal from the Fund. The withdrawal liability was computed as the net present value of 20 years of monthly payments derived from the company's share of unfunded vested benefits. While this is our best estimate of the ultimate cost of the withdrawal from this Fund, additional withdrawal liability may be incurred based on the final Fund assessment or in the event of a mass withdrawal, as defined by statute, occurring anytime within the next three years following our complete withdrawal. Additionally, the company recorded a liability of \$1.2 million related to transition payments, including related tax payments, for the benefit of union participants as part of the collective bargaining agreement. The withdrawal liability charge and the transition payments are recorded in the multi-employer pension plan withdrawal costs line item on our Consolidated Statements of Income. The transition payments were paid during the fourth quarter of Fiscal 2021 and the withdrawal liability payment was paid during the first quarter of Fiscal 2022.

The company's participation in these multiemployer plans for Fiscal 2023 is outlined in the table below. The EIN/Pension Plan Number column provides the Employer Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent PPA zone status available in 2023 and 2022 is for the plan's year-end at December 31, 2023 and December 31, 2022, respectively. The zone status is based on information that the company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The FIP/RP Status Pending/Implemented column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreements to which the plans are subject. Finally, there have been no significant changes that affect the comparability of contributions.

In December 2014, the Consolidated and Further Continuing Appropriations Act of 2015 (the "2015 Appropriations Act") was signed into law and materially amended the PPA funding rules. In general, the PPA funding rules were made more flexible in order to make more manageable the steps necessary for multi-employer plans to become or remain economically viable in the future. While in previous years we have been informed that several of the multi-employer pension plans to which our subsidiaries contribute have been labeled with a "critical" or "endangered" status as defined by the PPA, the changes made by the 2015 Appropriations Act will materially impact, on a going forward basis, these prior funding status assessments. In any event, it is unclear at this time what impact, if any, the 2015 Appropriations Act will have on our future obligations to the multi-employer pension plans in which we participate.

Pension Fund	EIN	Pension Plan No.	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions (Amounts in thousands)			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
			2023	2022		2023 (\$)	2022 (\$)	2021 (\$)		
IAM National Pension Fund Retail, Wholesale and Department Store International Union and Industry Pension Fund	51-6031295	002	—	Red	Yes	—	125	136	No	^
Western Conference of Teamsters Pension Trust	63-0708442	001	—	—	Yes	—	—	211	No	*
	91-6145047	001	Green	Green	No	288	258	266	No	2/7/2027

^ The union employees withdrew from the fund effective November 1, 2022.

* The union employees withdrew from the fund effective December 1, 2021.

401(k) Retirement Savings Plans

The Flowers Foods 401(k) Retirement Savings Plan covers substantially all of the company's employees who have completed certain service requirements. During Fiscal 2023, 2022, and 2021, the total cost and employer contributions were as follows (amounts in thousands):

Contributions by fiscal year	Defined contribution plans expense
Fiscal 2023	\$ 31,378
Fiscal 2022	\$ 29,425
Fiscal 2021	\$ 28,081

Note 22. Income Taxes

The company's provision for income tax expense (benefit) consists of the following for Fiscal 2023, 2022, and 2021 (amounts in thousands):

	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>
Current Taxes:			
Federal	\$ 63,351	\$ 54,462	\$ 46,018
State	13,680	14,409	11,790
	<u>77,031</u>	<u>68,871</u>	<u>57,808</u>
Deferred Taxes:			
Federal	(36,474)	3,508	6,946
State	(6,866)	(2,062)	(169)
	<u>(43,340)</u>	<u>1,446</u>	<u>6,777</u>
Income tax expense	<u>\$ 33,691</u>	<u>\$ 70,317</u>	<u>\$ 64,585</u>

Income tax expense differs from the amount computed by applying the applicable U.S. federal income tax rate of 21% because of the effect of the following items for Fiscal 2023, 2022 and 2021 (amounts in thousands):

	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>
Tax at U.S. federal income tax rate	\$ 32,992	\$ 62,729	\$ 56,862
State income taxes, net of federal income tax benefit	5,383	9,754	9,181
Net share-based windfalls	(1,960)	(2,219)	(104)
Excess executive compensation	1,950	2,218	1,480
Tax credits	(2,655)	(2,263)	(2,506)
Other	(2,019)	98	(328)
Income tax expense	<u>\$ 33,691</u>	<u>\$ 70,317</u>	<u>\$ 64,585</u>

In Fiscal 2023, 2022 and 2021, the most significant difference in the effective rate and the statutory rate was state income taxes.

Deferred tax assets (liabilities) are comprised of the following (amounts in thousands):

	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Self-insurance	\$ 8,478	\$ 6,507
Compensation and employee benefits	10,292	9,991
Deferred income	2,643	3,834
Loss and credit carryforwards	13,111	13,138
Equity-based compensation	8,636	7,692
Legal accrual	33,407	1,369
Pension and postretirement benefits	—	384
Financing and operating lease right-of-use liabilities	72,011	72,470
Capitalized software and research and development costs	32,519	14,898
Other	9,975	7,101
Valuation allowance	(1,586)	(1,030)
Deferred tax assets	<u>189,486</u>	<u>136,354</u>
Depreciation	(77,931)	(74,402)
Intangibles	(125,555)	(119,380)
Financing and operating lease right-of-use assets	(69,987)	(70,385)
Hedging	(322)	(700)
Pension and postretirement benefits	(143)	—
Other	(6,793)	(6,319)
Deferred tax liabilities	<u>(280,731)</u>	<u>(271,186)</u>
Net deferred tax liability	<u>\$ (91,245)</u>	<u>\$ (134,832)</u>

During Fiscal 2022, the company recorded a \$14.9 million deferred tax asset for the then newly effective legislation requiring capitalization of certain expenses. This enactment required expenses related to research and development activities and certain information technology costs, which were previously deductible, to be capitalized and amortized for tax purposes. The resulting cumulative deferred tax asset of \$32.5 million is reflected in the 2023 balances.

In Fiscal 2023, the company recorded a deferred tax asset, in the amount of \$33.4 million, related to a legal settlement accrued during the year for the repurchase of distribution rights. See Note 23, *Commitments and Contingencies*, for details of this settlement.

The company has a deferred tax asset of \$2.2 million related to a federal net operating loss carryforward which we expect to fully utilize before expiration. Additionally, the company and various subsidiaries have a net deferred tax asset of \$3.3 million related to state net operating loss carryforwards with expiration dates from Fiscal 2024 through Fiscal 2040, and \$7.6 million for credit carryforwards with expiration dates from Fiscal 2027 through Fiscal 2034. The utilization of a portion of these state carryforwards could be limited in the future; therefore, a valuation allowance of \$1.6 million has been recorded. Should the company determine at a later date that certain of these losses which have been reserved for may be utilized, a benefit may be recognized in the Consolidated Statements of Income. Likewise, should the company determine at a later date that certain of these net operating losses for which a deferred tax asset has been recorded may not be utilized, a charge to the Consolidated Statements of Income may be necessary. See Note 2, *Summary of Significant Accounting Policies*, for the deferred tax asset valuation allowance analysis.

The company did not have any unrecognized tax benefits for fiscal years 2023, 2022 and 2021. At this time, we do not anticipate significant changes to the amount of gross unrecognized tax benefits over the next twelve months.

The company accrues interest expense and penalties related to income tax liabilities as a component of income before taxes. No accrual of penalties is reflected on the company's balance sheet as the company believes the accrual of penalties is not necessary based upon the merits of its income tax positions. The company had no accrued interest balance at December 30, 2023 and December 31, 2022.

The company defines the federal jurisdiction as well as various state jurisdictions as "major" jurisdictions. The company is no longer subject to federal examinations for years prior to 2020, and with limited exceptions, for years prior to 2019 in state jurisdictions.

Note 23. Commitments and Contingencies

Self-insurance reserves and other commitments and contingencies

The company has recorded current liabilities of \$38.0 million and \$30.6 million related to self-insurance reserves at December 30, 2023 and December 31, 2022, respectively. The reserves include an estimate of expected settlements on pending claims, defense costs and a provision for claims incurred but not reported. These estimates are based on the company's assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and current cost trends.

In the event the company ceases to utilize the independent distributor model or exits a geographic market, the company is contractually required in some situations to purchase the distribution rights from the independent distributor. The company expects to continue operating under this model and has concluded that the possibility of a loss is remote.

The company's facilities are subject to various federal, state and local laws and regulations regarding the discharge of material into the environment and the protection of the environment in other ways. The company is not a party to any material proceedings arising under these regulations. The company believes that compliance with existing environmental laws and regulations will not materially affect the consolidated financial condition, results of operations, cash flows or the competitive position of the company. The company believes it is currently in substantial compliance with all material environmental regulations affecting the company and its properties.

Litigation

The company and its subsidiaries from time to time are parties to, or targets of, lawsuits, claims, investigations and proceedings, including personal injury, commercial, contract, environmental, antitrust, product liability, health and safety and employment matters, which are being handled and defended in the ordinary course of business. While the company is unable to predict the outcome of these matters, it believes, based upon currently available facts, that it is remote that the ultimate resolution of any such pending matters will have a material adverse effect on its overall financial condition, results of operations or cash flows in the future. However, adverse developments could negatively impact earnings in a particular future fiscal period.

At this time, the company is defending 24 complaints filed by IDPs alleging that they were misclassified as independent contractors. Eight of these lawsuits seek class and/or collective action treatment. The remaining sixteen cases either allege individual claims or do not seek class or collective action treatment or, in cases in which class treatment was sought, the court denied class certification. The respective courts have ruled on plaintiffs' motions for class certification in three of the pending cases, each of which is discussed below. Unless otherwise noted, a class was conditionally certified under the FLSA in each of the cases described below, although the company has the ability to petition the court to decertify that class at a later date:

Case Name	Case No.	Venue	Date Filed	Status
Richard et al. v. Flowers Foods, Inc., Flowers Baking Co. of Lafayette, LLC, Flowers Baking Co. of Baton Rouge, LLC, Flowers Baking Co. of Tyler, LLC and Flowers Baking Co. of New Orleans, LLC	6:15-cv-02557	U.S. District Court Western District of Louisiana	10/21/2015	On April 9, 2021, the court decertified the FLSA collective action and denied plaintiffs' motion to certify under Federal Rule of Civil Procedure 23 a state law class of distributors who operated in the state of Louisiana.
Martins v. Flowers Foods, Inc., Flowers Baking Co. of Bradenton, LLC and Flowers Baking Co. of Villa Rica, LLC	8:16-cv-03145	U.S. District Court Middle District of Florida	11/8/2016	
Ludlow et al. v. Flowers Foods, Inc., Flowers Bakeries, LLC and Flowers Finance, LLC	3:18-cv-01190	U.S. District Court Southern District of California	6/6/2018	On August 29, 2023, the company reached an agreement to settle this and two companion cases – Maciel et al. v. Flowers Foods, Inc. et al., No. 3:20-cv-02059-JO-JLB (U.S. District Court for the Southern District of California) and Maciel v. Flowers Foods, Inc. et al., No. 20-CIV-02959 (Superior Court of San Mateo County, California). The settlement provides for a \$55 million common fund to cover settlement payments to a class of approximately 475 plaintiffs, service awards, attorneys' fees and settlement administration expenses. The settlement also requires a phased repurchase of distribution rights associated with approximately 350 territories in California. Once completed, the company plans to service its California market with an employment model. The repurchase of distribution rights is anticipated to be completed by the first quarter of Fiscal 2025. The company estimates the repurchase cost of the 350 territories, along with 50 additional California territories that are not part of the settlement, to be approximately \$80.2 million (of which \$65.3 million was originally included in other accrued liabilities and the remaining \$14.9 million in a contra account to notes receivable. These amounts are recorded in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income during Fiscal 2023. The terms of the settlement require court approval.

The company and/or its respective subsidiaries contests the allegations and are vigorously defending all of these lawsuits. Given the stage of the complaints and the claims and issues presented, except for lawsuits disclosed herein that have reached a settlement or agreement in principle, the company cannot reasonably estimate at this time the possible loss or range of loss that may arise from the unresolved lawsuits.

The company has settled, and the appropriate court has approved, the following collective and/or class action lawsuits filed by distributors alleging that such distributors were misclassified as independent contractors. In each of these settlements, in addition to the monetary terms noted below, the settlements also included certain non-economic terms intended to strengthen and enhance the independent contractor model. The list below details settled lawsuits that impacted the company's presented financial statements since Fiscal 2021:

Case Name	Case No.	Venue	Date Filed	Comments
Noll v. Flowers Foods, Inc., Lepage Bakeries Park Street, LLC, and CK Sales Co., LLC	1:15-cv-00493	U.S. District Court District of Maine	12/3/2015	On April 26, 2022, the Court approved an agreement to settle this and two companion cases pending in the U.S. District Court for the District of Maine – <i>Bowen et al. v. Flowers Foods, Inc. et al. (No. 1:20-cv-00411)</i> ; and <i>Aucoin et al. v. Flowers Foods, Inc. et al. (No. 1:20-cv-00410)</i> – for a payment of \$16.5 million, comprised of \$9.0 million in settlement funds and \$7.5 million in attorneys' fees. The settlement was paid during the second quarter of Fiscal 2022. The settlement also required a phased repurchase of approximately 75 distribution rights in Maine which the company began servicing using company sales employees. The company estimated this cost to be \$6.6 million (of which \$4.7 million was originally included in other accrued liabilities and the remainder as a contra account to notes receivable). These amounts were recorded in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income during the third quarter of Fiscal 2021.
Coronado v. Flowers Foods, Inc. and Flowers Baking Co. of El Paso, LLC	1:16-cv-00350	U.S. District Court District of New Mexico	4/27/2016	On June 7, 2022, the Court approved an agreement to settle this matter for \$137,500, inclusive of attorneys' fees, costs, damages and incentives for class members who are active distributors to enter into an amendment to their distributor agreements. The settlement was paid and the expense was recorded in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income during the second quarter of Fiscal 2022.

See Note 15, *Debt and Other Commitments*, for additional information on the company's commitments.

Note 24. Subsequent Events

The company has evaluated subsequent events since December 30, 2023, the date of these financial statements. We believe there were no material events or transactions discovered during this evaluation that requires recognition or disclosure in the financial statements other than the items discussed below.

Dividend. On February 16, 2024, the Board of Directors declared a dividend of \$0.23 per share on the company's common stock to be paid on March 15, 2024 to shareholders of record on March 1, 2024.

[This page intentionally left blank.]

[This page intentionally left blank.]

[This page intentionally left blank.]

