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OVERVIEW:

Company Summary

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PRESENTATION

Brian Vaccaro - *Raymond James Financial, Inc. - Analyst*

Brian Vaccaro, I'm the restaurant analyst here at Raymond James. And it's my pleasure to introduce the team from Flowers Foods. Flowers is one of the largest baking companies in the US that generates annual revenues around $5 billion. Some of its well-known brands include Nature's Own, Dave's Killer Bread, Canyon Bakehouse and Simple Mills, both -- Simple Mills recently completed an acquisition or at least announced an acquisition earlier this year.

So presenting for the company is going to be Chairman and CEO, Ryals McMullian; followed by CFO, Steve Kinsey. Thank you.

A.Ryals McMullian - *Flowers Foods Inc - Chairman of the Board, Chief Executive Officer*

Okay. Great. Thank you, Brian. Appreciate it. Good afternoon, everybody. Happy to be here, and we appreciate your interest in our company.

Real quick disclaimer before we get started. Keep in mind that the information presented here may include some forward-looking statements about the company's performance. And although we believe these statements to be reasonable, they are subject to risks and uncertainties that could cause actual results to differ materially.

So jumping in to some investment highlights. So these are really the takeaways that we want everyone to remember from the presentation today. We are a leading player, as Brian said, in the fresh baking category. It's a large and stable category through a variety of economic environments, such as the one we're going through right now. We've got several number one brands, as Brian pointed out, and the strength of our portfolio provides us with a distinct competitive advantage. And we're investing in those brands to further strengthen our portfolio by targeting growth segments with innovative products.

Our portfolio strategy leverages that brand strength by shifting a greater percentage of our sales to branded products, which we expect to drive not only the top line but also improved margins over time. One of the great things about our business is the strong cash flow that it generates, and we expect that our growth initiatives will enhance that cash flow over time. And just as important as generating strong cash flow is our ability to allocate that capital in a shareholder-friendly manner, focused on maximizing returns. We're very proud of our consistent dividend track record. We've paid a dividend in 89 consecutive quarters. And in recognition of that consistency, we've been named to the S&P High-Yield Dividend Aristocrats Index.

M&A is important to us and will continue to play a vital role in our growth story. Like recently, we actually just closed the acquisition of Simple Mills, a great recent example. Our strong cash flow, our investment grade credit profile and ample liquidity allow us the ability to capitalize on opportunities as they arise. We've got a really strong track record of deleveraging quickly following our recent transactions, and we expect to follow that same playbook with the acquisition of Simple Mills. We have a history of conservative leverage, and we're committed to maintaining our investment-grade ratings. So as we work through the presentation today, you'll hear some more detail about each of those points.

So we're a 100-plus-year-old -- actually about 105 years old, founded in Thomasville, Georgia, in 1919. The Flowers is a family name. It was founded by the Flowers family. We were a single bakery in Thomasville, Georgia, which if you don't know, is a very small town in deep Southwest Georgia just above the Florida line. Today, however, we have 45 bakeries across the US, and we produce a wide variety of products, as Brian mentioned, under several major brands, Nature's Own, Dave's Killer Bread, Canyon Bakehouse on the gluten-free side, Simple Mills, Wonder, Tastykake, and some other regional brands. And our DSD network allows us to reach over 85% of the US population, and that will continue to grow as we expand geographically.

We've made over 100 acquisitions since we went public in 1968, and those acquisitions have broadened our geographic reach. They've strengthened our brand portfolio, enhanced our production capacity, and infused our team with new talent.

So as I said, we're the second largest baker in the US and almost 2/3 of our sales come from our branded retail products. And this chart actually underestimates the impact of branded retail given its attractive growth and margins, and I'll get into more detail on that in just a second.

The last chart on the right here gives you a sense of our diverse channel mix, and that has been an area of focus for us as we seek to maximize our distribution in areas where we have the right to win. And our DSD network provides a competitive advantage in the brick-and-mortar space, while e-commerce is adding yet another layer of growth as it becomes a more meaningful part of the equation.

So as I said, the US fresh bakery market is large and stable, and so let's look deeper at the attractiveness of the bread category. It's big at $32 billion and reaches 98% of households, so definitely a staple still in the American diet. It's virtually in every pantry during the course of the year, and consumers are coming back in and buying the category roughly every 17 days.

You can see the premium consumers are willing to pay for differentiated products, and that differentiation is why, over time, branded products have gained share from store brands, though inflationary pressures more recently have interrupted those gains. Operating in a category with those positive attributes gives us a firm foundation for consistent cash generation and growth.

Turning to our four essential strategic priorities, developing our team, focusing on our brands, prioritizing margins, and proactively seeking out smart, disciplined M&A transactions, all the while maintaining a conservative capital structure. By executing on these priorities over time, we expect to deliver performance in line with these long-term financial targets that you see here. Ultimately, our goal is to transform Flowers into a faster-growing, higher-margin business that will compound shareholder value over time. Part of that process will be enabled through M&A, such as the recently announced acquisition of Simple Mills, but we also have to continue optimizing the core business. This evaluation includes our brand portfolio, the way we go to market, our distribution model and supply chain, and you'll hear some more about those initiatives as well.

With regard to developing our team, the first strategic priority, we've made considerable progress in the past few years. We developed new skill sets and added external talent to meet the evolving demands of our business and ensure we're best positioned to meet our long-term financial targets. We also streamlined our operating structure to maximize the impact of these additions and put our team in the best position to succeed.

One of our most important responsibilities as a company is ensuring that we have the right people in the right roles and providing them with the necessary resources to succeed. In that regard, we've made substantial investments in our agile innovation team, which is leveraging the power of our number one brands to extend our reach beyond the traditional bread aisle. This team, which is led by our chief innovation officer, is dedicated to commercializing innovative products using an asset-light model that enables quicker responsiveness to consumer insights without significant upfront capital expenditures.

We also restructured operational responsibilities of our bakeries, shifting them from the sales function to the supply chain function. And this change is really, really helping to improve operational effectiveness, increasing profitable sales and better meeting customer requirements. And our supply chain team is now able to drive operating efficiencies and network optimization, and our sales team is able to focus on what they do best, bringing our leading products to as many customers as possible. And over time, we expect these benefits to accelerate the market advantages we already enjoy with our leading brands.

An important slide here, definite alignment between management and shareholder interest. So in addition to having the right skill sets and operating structure, aligning management compensation with shareholder interest is very important to us and crucial to driving long-term results. So our Board has implemented performance-based compensation that rewards management for short- and long-term results that directly benefits our shareholders. And that structure incentivizes us to hit annual sales and EBITDA targets while also driving strong returns in TSR versus our peers. In short, our interests are directly aligned with those of our shareholders as it should be.

Our second strategic priority is focusing on our brands, which is what our portfolio strategy enables. So to serve as a guide for resource investments and prioritization, we've clarified the strategic roles of each of our brands, and that's illustrated here on the slide. We've aligned our growth maps and brand strategies with our network optimization plans to ensure we have the capacity for the right products in the right markets and with minimal capital investment.

So today, Flowers has a commanding presence in several areas of the market. Nature's Own is the number one loaf brand in the United States, has a retail sales value of about $1.4 billion. That brand was introduced in 1977. DKB, Dave's Killer Bread, is far and away the number one brand in the organic space with a commanding 75 share of the organic bread market. Essentially, Dave's is the category. And Canyon Bakehouse is the number one gluten-free bread brand, while Wonder is a strong player within the white loaf segment with 97% awareness given its iconic status.

So with leading brands in several major categories, we're working from a position of strength. And our goal is to build upon these leading positions by placing even more focus on branded growth through targeted strategies and better resource allocation, which are encompassed in our portfolio strategy work. And adding Simple Mills to the portfolio increases our exposure to better-for-you, and attractive snacking segments diversifies our category exposure and enhances our growth and margin prospects.

Consistent with our portfolio strategy, which I discussed earlier, our branded products have been driving an outsized portion of our growth. Since 2019, our branded retail sales outpaced sales of our non-retail and non-branded products driven by consumer preference for trusted brands, premiumization trends, and enhanced marketing efforts. And our branded growth would be even stronger were it not for the recent category weakness, which has pressured results in traditional loaf and sweet baked goods, and we're addressing those headwinds through innovation and brand extensions. Overall, we believe our portfolio is very well positioned to capitalize on the seeming secular shifts in the category to more premium and better-for-you items.

We also have a great opportunity to grow our business through close-in adjacencies. In the markets we serve, we're the clear leader in loaf bread with a near 30 share nationally. We believe we have significant headroom to build our business in other segments by introducing products that uniquely deliver on our brands' promises. Dave's Killer Bread has successfully grown our share in the breakfast category. We've made a strong push into the dinner meal occasion, specifically with sandwich buns.

Now, it's true that we have sold hamburger and hot dog buns, those kind of things for many years, but our growth has been limited by two factors. First, our branded bun opportunity has been constrained as much of our bun capacity was dedicated to non-branded buns. Secondly, our brand strategy has been fragmented with most of our efforts behind regional brands. But our portfolio strategy addresses both of those issues by defining retail as our channel priority and leveraging the power of the Wonder brand to unify our team's efforts behind this brand on a national scale.

Another of our key growth opportunities is clearly to drive growth in underdeveloped markets. And this map does a great job of illustrating where the opportunities are. While we have strong share in the South, sort of our home territory, we've only begun to reach our potential in high-population markets like the Northeast and out on the West Coast. We've also made very recent progress in expanding into the largely untapped Midwest market driven by new business wins, really helps to have number one brands because retailers are anxious to get them in the stores. It's nice to have the retailer pulling us through instead of having to push it.

We're taking a focused approach to target markets that offer us the greatest opportunity for profitable growth and investing appropriately to drive presence with customers and consumers in high potential markets.

Now I'd like to walk you through a bit more detail on our leading brands and what makes them so special. So let's talk about Nature's Own first. As I said, Nature's Own is the number one loaf bread brand in the fresh packaged bread category. And to grow our sales beyond the core white bread segment, we introduced Nature's Own, as I said, in 1977. And it was really the first commercially available bread on the market that had no artificial flavors, colors, and preservatives.

And as you think about where we're taking our portfolio, we're definitely a better-for-you bent. We actually have a very long history with that starting with Nature's Own. And over the years, we've continued to introduce varieties under the brand with better-for-you attributes, including sugar-free, low-carb, high-fiber, whole grains, and now keto along those lines. So these introductions have helped the brand become the most productive national loaf brand with sales per distribution point 33% higher than the closest competitor.

Dave's Killer Bread. We acquired Dave's in 2015, and it has quickly become a leader in the organic bread category. As I said, with a market share of 74%, 75%, there's no exaggeration to say that Dave's is organic bread. It is the category. The brand's great taste, texture, and quality have generated the highest consumer loyalty of all national brands, excluding gluten-free products, and Dave's continues to demonstrate strong growth even in today's challenging economic environment.

Canyon Bakehouse is our third number one brand, and it's generated strong growth since we purchased it in 2018, led by the introduction of popular new products, which have spurred a market-leading 37% market share. Canyon has the highest loyalty of all national bread brands, and we're very excited about its continued growth in the future.

Wonder is an iconic American brand known for its freshness, family-friendly reputation, and bringing back childhood memories. With 97% consumer awareness, it's also the most recognized bread brand. And that recognition has helped Wonder develop the number four loaf brand SKU.

Sweet baked goods. We're leveraging Wonder's strong brand recognitions to help revitalize our sweet baked goods business, which, if anybody who follow us know, has been under some pressure. Our legacy cake brands include Tastykake and Mrs. Freshley's. And while Tastykake is a very popular iconic brand in the Mid-Atlantic region, it's less well known in other parts of the country, where, as we said, Wonder has 97% awareness across the US.

So this year, we're launching a line of Wonder snack cake products that we expect will delight consumers with great taste and quality while rekindling childhood memories. And we're excited about the strong momentum building around the upcoming national launch in the spring. Retailers are responding very enthusiastically and even voted Wonder a top 10 new product at the recent National Association of Convenience Store Show. It's also important to note that the Wonder lots capitalizes on our existing supply chain network and requires minimal financial investments. So no significant capital to get this off the ground.

This brand extension is not a doubling down on the cake business, but it is instead of a way to strengthen and stabilize our cake business, leveraging our existing assets.

Earlier, I spoke about the investment in our innovation team. And here you can just -- you can see a sampling of some of the fruits of that investment. In recent years, our innovation team has successfully launched a number of new products, including the Nature's Own keto line of products, brioche role, small loaves, among others. As evidence of that effectiveness, we've had the number one bread category SKU introduced in both '22 and 2023.

Nature's Own Keto products have enjoyed remarkable success and now hold the number one unit share in that subcategory of the market. Capitalizing on the consumer shift to better-for-you eating options in 2025, we're bolstering our keto line-up with the addition of the hot dog buns. We've also rolled out a line of DKB rock 'n' rolls. And for those looking for a more affordable price point or just less volume, our new small loaves fit that bill perfectly and we have an exciting pipeline of additional products that we expect to continue to meet consumers' evolving demands.

So on to Agile innovation. So going a step further, that team is focused on developing unique products to expand our addressable market. Leveraging its strong brand and loyal consumer base, we're extending Dave's Killer Bread into adjacencies and even new categories. Our DKB snack products are one example of that strategy. Having moved DKB successfully in the breakfast and bun and rolls, we further expanded now into snacking.

The snack bars are making really good progress as they continue to gain distribution and receive rave reviews from consumers. And in keeping with the healthier eating trend, we're launching our most unique product yet, DKB Snack Bites. We're ramping up distribution right now of the snack bites as we roll out the national launch this year and retailers are responding very enthusiastically, and we're optimistic that consumers will love them as well.

So as we turn to our third strategic priority, focusing on margins, we've made really good progress in that regard by executing on our portfolio strategy. Since 2019, we've increased the percentage of branded retail sales as a percentage of the total by 440 basis points to almost 65%, and that actually doesn't include Simple Mills, it's closer to 68% now that we've closed on the Simple Mills transaction. So from 59% in 2019 to 68% today, and we'll continue to focus on that moving forward. So that shift has helped drive margin expansion despite inflationary pressures, and we expect our investments in innovation to expand those margins even further.

We're also focused on improving the profitability of our other segment through contract renegotiations and business exits. Optimizing our supply chain is another area of focus for margin improvement. We're focused on a number of productivity initiatives, including reducing production scrap, improving manufacturing efficiencies, optimizing our transportation network, and rightsizing our transportation equipment base. Similarly, our procurement team has undertaken several strategic sourcing initiatives to reduce cost.

Having said all that, while cost containment and management are definitely important, the most critical factor for our future success and ultimately, margin improvement is growth, the right kind of growth. That's why we're so focused on further shifting our mix over time to branded retail and making investments to drive growth and share while selectively pulling back on underperforming business and optimizing that capacity. That shift can be enhanced by innovation and continuing to smartly add to our branded portfolio with M&A. Here you can see a couple of examples of our M&A activity. We do have a long track record of successful M&A, and we've used that to expand our geographic presence and enhance our sales growth and margins.

Turning to Simple Mills. We did, as I said, closed that acquisition just a couple of weeks ago. Simple Mills is a market-leading natural brand, offering premium and better-for-you crackers, cookies, snack bars and baking mixes. Simple Mills will continue to operate as an independent subsidiary, and it will continue to be led, importantly, by its founder, Katlin Smith and her entire leadership team, which we're absolutely thrilled about. The Simple Mills acquisition increases our exposure to better-for-you and attractive snacking segments, diversifies our category exposure, and enhances growth and margin prospects.

This transaction is consistent with our clearly defined M&A strategy of seeking compelling brands that complement our existing portfolio and that skew towards better-for-you products. It also leverages our demonstrated ability to grow acquired brands in the better-for-you space. Simple Mills has a very loyal consumer following and a strong track record of growth, and we expect to further that growth by applying our best-in-class capabilities and leveraging customer relationships. We see significant opportunity by expanding distribution, developing new innovative products, and increasing velocities.

So now I'll turn it over to Steve for a few minutes to run through our financial highlights. Steve?

R. Steve Kinsey - *Flowers Foods Inc - Chief Financial Officer, Chief Accounting Officer*

Thank you, Ryals, and good afternoon, everyone.

As Ryals highlighted, Flowers is well positioned to deliver sales and EPS growth over time, in line with our long-term financial targets as we execute on our strategic pillars. Despite the challenging consumer environment, we are focused on maximizing current results while positioning Flowers for success when the environment normalizes. 2024 results were impacted by soft consumer demand, but we overcame those topline headwinds, growing both adjusted EBITDA and adjusted EPS by 7%. Net performance benefited from a 70-basis-point increase in EBITDA margins.

Our outlook for 2025 incorporates an expectation for near-term headwinds from the difficult current economic environment and the potential impact of new tariffs combined with actions we are taking to drive long-term performance improvement. The largest swing factor in our guidance is overall category performance. The significant category volatility we've seen in recent weeks and months which drove lower-than-expected sales, makes forecasting full-year results challenging. We are assuming a range of outcomes that anticipate continued category weakness in bread and cake.

Other key factors that could shift results within our guidance range includes the promotional environment, potential new business wins, the transition of our California distribution, and implementation of our ERP initiative. Ryals talked about the consistency of our business in a variety of economic environments, and this slide illustrates that story well. Over the last 15-plus years, we've maintained a steady sales trajectory with consistent margins, demonstrating the strength and resilience of our business model. Despite market fluctuations, our ability to sustain profitability highlights operational efficiency and disciplined cost management. This consistency positions us well for future growth while ensuring stability and financial performance.

We expect to maintain that growth trajectory but also working hard to expand margins by executing on our portfolio strategy.

One of the great characteristics of our business is the consistent cash flow it generates. We continue to see strong, consistent cash generation which has not only supported a growing dividend but also generated discretionary free cash flow that we've invested strategically to expand in new markets and growing product segments. We expect continued strong free cash flow generation, and our capital allocation priorities and philosophy remains consistent with our focus on maintaining -- with our focus on maximizing return on invested capital and growing value for our stakeholders.

Historically, we prioritized capital allocation as follows: First, we direct capital expenditures to support our core business growth; second, we manage our debt levels so that we can maintain our investment-grade credit rating and conservative financial position; third, we view the dividend as a key component to the total return for shareholders. As you heard, we aim to proactively identify acquisition opportunities in the grain-based food space to add faster-growing brands to our portfolio. Finally, we consider making share repurchases on an opportunistic basis with excess cash.

A lot of those priorities and the closing of the Simple Mills acquisition, our near-term capital allocation priority will be debt pay down, something we've done successfully with past acquisitions like DKB and Canyon. Our strong results and ample free cash flow have allowed us to maintain a strong balance sheet over time, and we are committed to the same playbook with the Simple Mills transaction. We view our M&A capability as a key driver of future growth by shifting more of our business towards a growthier, better-for-you nutritional profile, quickly returning to a more normalized leverage ratio will enable us to explore further opportunities. As always, we will remain disciplined in our approach and focused on growing shareholder value with an attractive risk-reward balance.

Our strong investment-grade credit profile is reinforced by long-standing conservative financial policies. We have a history of disciplined capital allocation, moderate net debt to adjusted EBITDA levels, and maintaining adequate liquidity. Our debt maturity schedule is balanced and well-laddered and, with our recent bond issuance, extends out as far as 2055.

Now with that, I'll turn it back to Ryals.

A.Ryals McMullian - *Flowers Foods Inc - Chairman of the Board, Chief Executive Officer*

Okay. Before we wrap up, I do want to highlight the key messages that we want you to walk away from the session with. So guided by the four strategic priorities we discussed, we're committed to generating increased shareholder value over the time. To further the same, we've cultivated our most valuable asset, which is our passionate team, which we have supplemented through an enhanced structure and fresh talent.

Second, we're leveraging our leading brands to drive growth by investing in innovation and extending into adjacencies and even new categories. Third, we're executing on our portfolio strategy to increase the percentage of branded retail sales and expanding the profitability of our away-from-home and private label businesses. And finally, we're carefully allocating our ample free cash flow in a shareholder-friendly manner to generate strong long-term returns.

In summary, we've got great confidence in our plans. I hope you can see that we're truly passionate about improving the business and building long-term shareholder value. So that concludes our presentation. Brian, I don't know if we've got time left. If we do, we can take a few questions here.

We have a breakout. So we'll -- hopefully, we'll see many of you down there. Thank you very much.
