



Flowers
FOODS

FOURTH QUARTER 2022 REVIEW

February 9, 2023



REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this presentation 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 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 our Annual Report on Form 10-K (the “Form 10-K”) and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission (“SEC”) and may include, but are not limited to, (a) unexpected changes in any of the following: (1) general economic and business conditions; (2) the competitive setting in which we operate, including advertising or promotional strategies by us or our competitors, as well as changes in consumer demand; (3) interest rates and other terms available to us on our borrowings; (4) supply chain conditions and any related impact on energy and raw materials costs and availability and hedging counter-party risks; (5) relationships with or increased costs related to our employees and third-party service providers; (6) laws and regulations (including environmental and health-related issues); and (7) accounting standards or tax rates in the markets in which we operate, (b) the ultimate impact of the COVID-19 pandemic and future responses and/or measures taken in response thereto, including, but not limited to, new and emerging variants of the virus and the efficacy and distribution of vaccines, which are highly uncertain and are difficult to predict, (c) the loss or financial instability of any significant customer(s), including as a result of product recalls or safety concerns related to our products, (d) changes in consumer behavior, trends and preferences, including health and whole grain trends, and the movement toward less expensive store branded products, (e) the level of success we achieve in developing and introducing new products and entering new markets, (f) our ability to implement new technology and customer requirements as required, (g) our ability to operate existing, and any new, manufacturing lines according to schedule, (h) our ability to implement and achieve our environmental, social, and governance (“ESG”) goals in accordance with regulatory requirements and expectations of stakeholders, suppliers, and customers; (i) our ability to execute our business strategies which may involve, among other things, (1) the ability to realize the intended benefits of planned or contemplated acquisitions, dispositions or joint ventures, (2) the deployment of new systems (e.g., our enterprise resource planning (“ERP”) system), distribution channels and technology, and (3) an enhanced organizational structure, (j) consolidation within the baking industry and related industries, (k) changes in pricing, customer and consumer reaction to pricing actions (including decreased volumes), and the pricing environment among competitors within the industry, (l) our ability to adjust pricing to offset, or partially offset, inflationary pressure on the cost of our products, including ingredient and packaging costs; (m) 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, (n) increasing legal complexity and legal proceedings that we are or may become subject to, (o) labor shortages and turnover or increases in employee and employee-related costs, (p) the credit, business, and legal risks associated with independent distributor partners and customers, which operate in the highly competitive retail food and foodservice industries, (q) any business disruptions due to political instability, pandemics, armed hostilities (including the ongoing conflict between Russia and Ukraine), 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, (r) 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 planned implementation of the upgrade of our ERP system; and (s) 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 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 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 the Form 10-K, Part II, Item 1A., Risk Factors of the Form 10-Q for the quarter ended October 8, 2022 and subsequent filings with the SEC 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.



KEY MESSAGES

- Strong sales increase driven by pricing actions to offset inflationary pressures
- Leading brands continue to perform well, driven by investments in innovation and marketing
- Mitigating inflationary costs through operational efficiencies and pricing actions
- Planned acquisition of Papa Pita Bakery expected to drive manufacturing and distribution synergies
- Initiated 2023 guidance reflecting investment in future growth



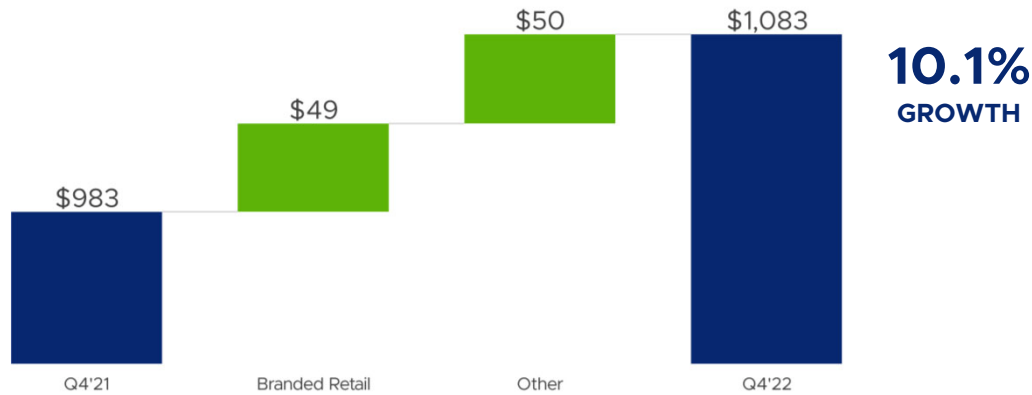
Q4 2022 FINANCIAL HIGHLIGHTS

Sales grew due to price increases to mitigate inflation, partly offset by lower volume

Net income increased 23.6% to \$48.6 million from \$39.3 million in the same quarter of 2021 due to higher EBITDA and lower interest expense

Adjusted EBITDA increased primarily due to higher sales, partly offset by inflationary pressures

COMPONENTS OF Q4'22 SALES CHANGE (MILLIONS)



ADJUSTED EBITDA (MILLIONS)¹



(1) Earnings before interest, taxes, depreciation & amortization, adjusted for matters affecting comparability. See non-GAAP reconciliations at the end of this slide presentation.



Q4 2022 FINANCIAL REVIEW

NET SALES

\$1.083B +10.1% v PY

- Price/Mix +16.7%¹
- Volume -6.6%²
- Price increases to mitigate inflation, partly offset by lower volume

NET INCOME

\$48.6M +23.6% v PY

ADJ. EBITDA³

\$96.2M +8.5% v PY

- 8.9% of sales, down 10 bps
- Increased prices, partly offset by inflationary pressures

CASH FLOWS — FY'22

Cash from Ops
\$360.9M

Dividends
\$186.5M

Capex
\$169.1M

GAAP DILUTED EPS

\$0.23 +\$0.05 v PY

ADJ. DILUTED EPS⁴

\$0.23 +\$0.03 v PY

- Increased EBITDA
- Lower interest expense

(1) Calculated as (current year period units X change in price per unit) / prior year period sales \$

(2) Calculated as (prior year period price per unit X change in units) / prior year period sales \$

(3) Earnings before interest, taxes, depreciation & amortization (EBITDA), adjusted for matters affecting comparability. See non-GAAP reconciliations at the end of this slide presentation.

(4) Earnings per share (EPS), adjusted for matters affecting comparability. See non-GAAP reconciliations at the end of this slide presentation.

FISCAL 2023 GUIDANCE

(Provided February 9, 2023)

SALES	ADJ. EBITDA ¹	ADJ. EPS ¹
\$5.176 to \$5.242B	\$513 to \$543M	\$1.20 to \$1.30

OTHER

Depreciation & amortization

\$160 – \$165M

Net interest expense

\$8 - 12M

Capital expenditures

\$140 – \$150M²

Effective tax rate

APPROX. 25.0%

Diluted shares outstanding

APPROX. 213M

Fiscal 2023 Considerations

- Ability to mitigate inflation
- Consumer resiliency
- Timing of cost savings initiatives
- Promotional environment
- Supply chain disruptions and availability of materials



(1) No reconciliation of the forecasted range for Adjusted EPS to Diluted EPS and adjusted EBITDA to net income for the 52-week Fiscal 2023 is included in this press release because the company is unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts. In addition, the company believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

(2) \$20-30 million related to ERP upgrade

LONG-TERM GROWTH TARGET SCORECARD

	LT Targets ¹	CAGR ¹			
		FY'20 ²	FY'21	FY'22	FY'23 ³
Sales	1-2%	6.4%	2.5%	5.2%	6.0%
Adj EBITDA	4-6% ⁴	23.4%	7.8%	5.9%	5.7%
Adj EPS	7-9% ⁴	36.5%	13.7%	9.8%	6.8%

(1) Off FY'19 base

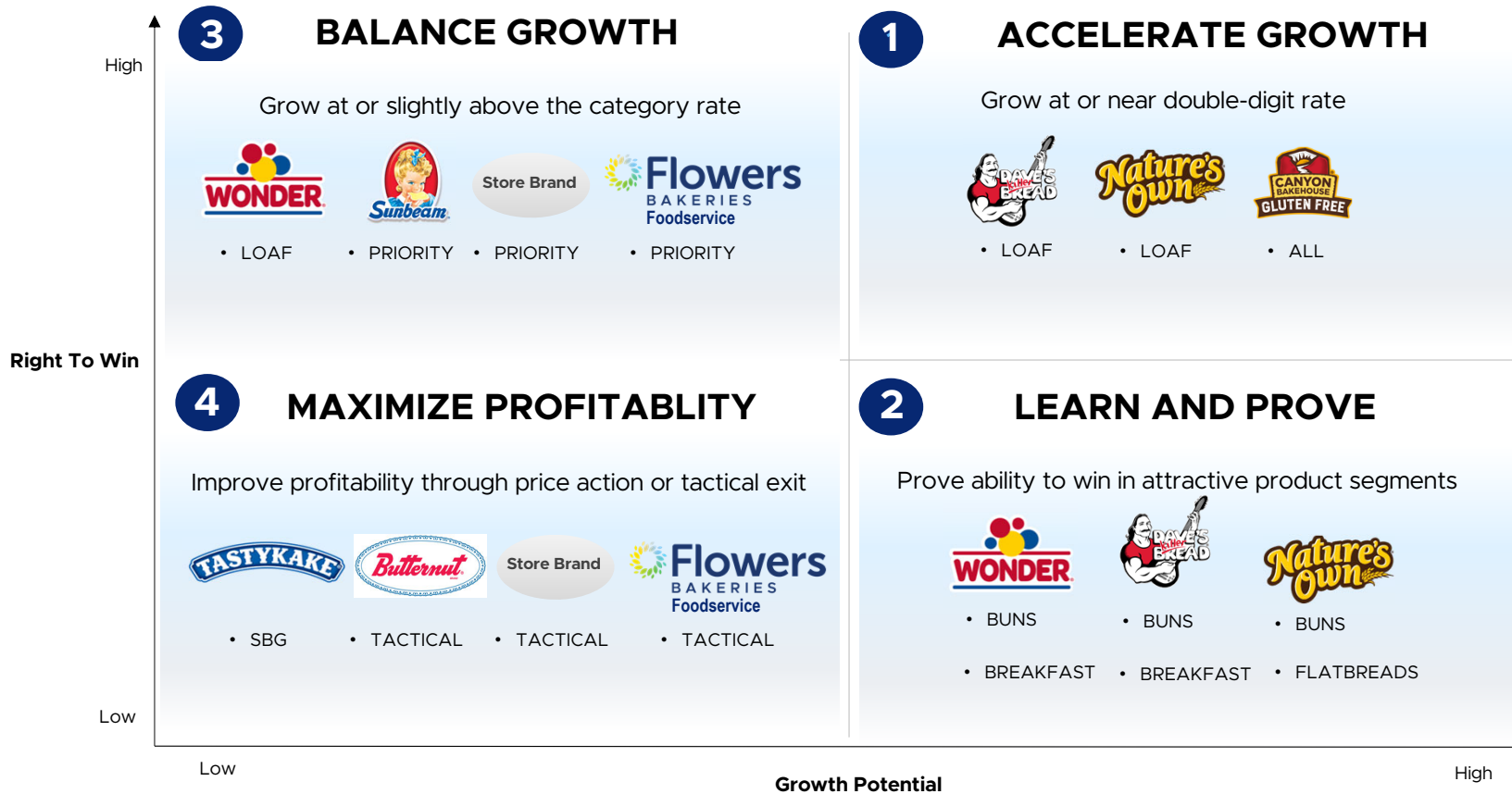
(2) FY'20 was a 53-week year

(3) Implied return using FY'23 guidance midpoint

(4) No reconciliation of the forecasted range for Adjusted EPS to Diluted EPS and adjusted EBITDA to net income for the 52-week Fiscal 2023 is included in this press release because the company is unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts. In addition, the company believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.



PORTFOLIO STRATEGY



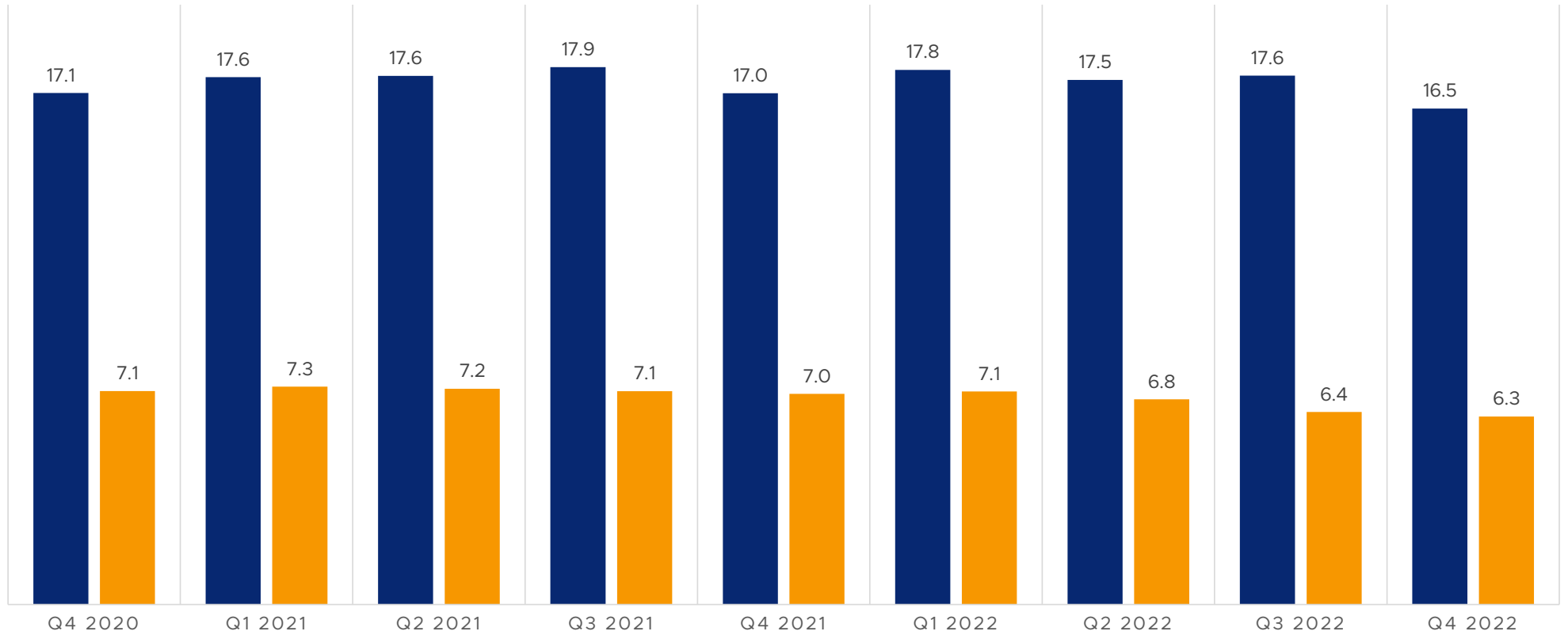
INNOVATION IN ACTION

Agile innovation team bringing new products to market—available on [Creationsbyflowersfoods.com](https://creationsbyflowersfoods.com)



FLOWERS' MARKET SHARE

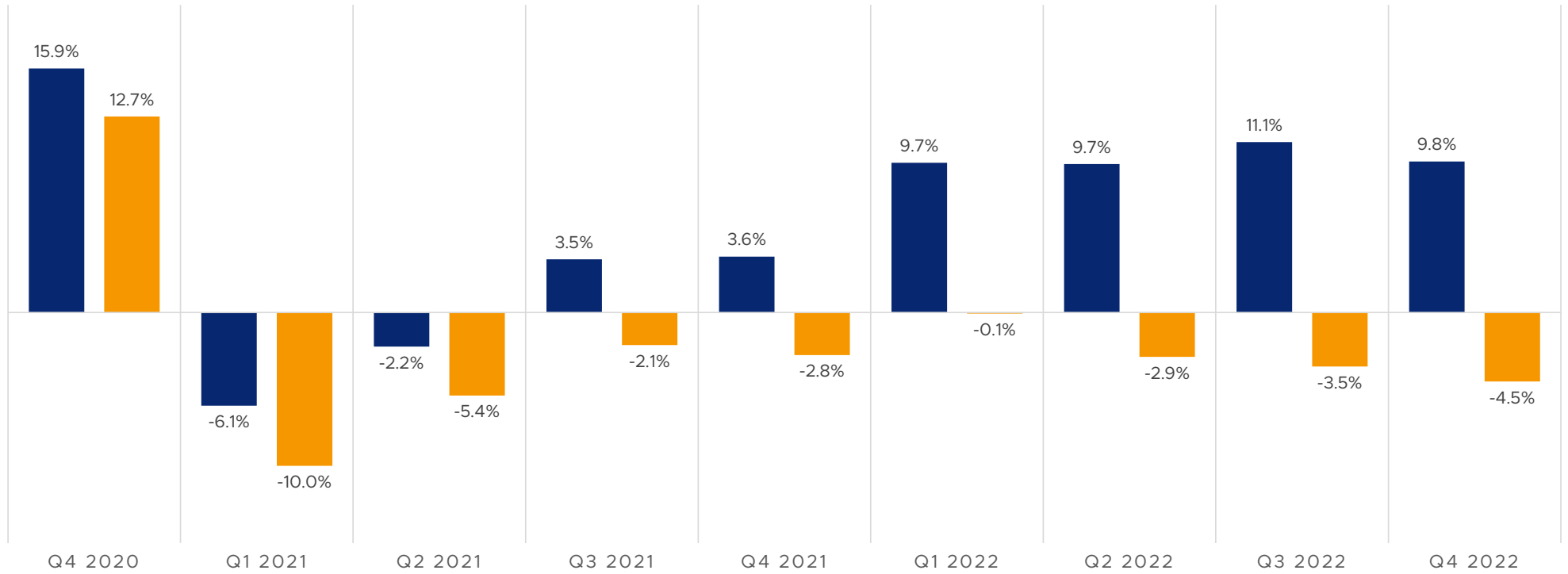
■ FLO Bread Share ■ FLO Cake Share



Source: Flowers Custom Database – IRI Total US Mulo + C Store

FLOWERS FRESH PACKAGED BREADS

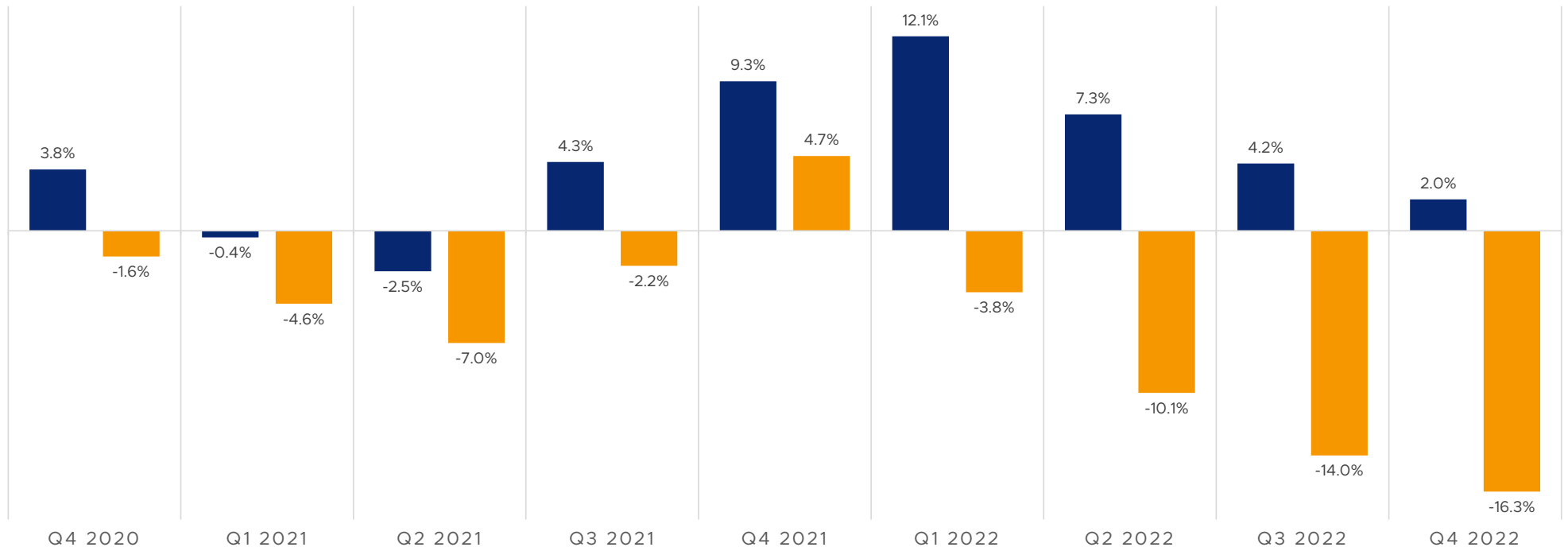
■ Dollar Sales % Chg ■ Unit Sales % Chg



Source: Flowers Custom Database – IRI Total US Mulo + C Store

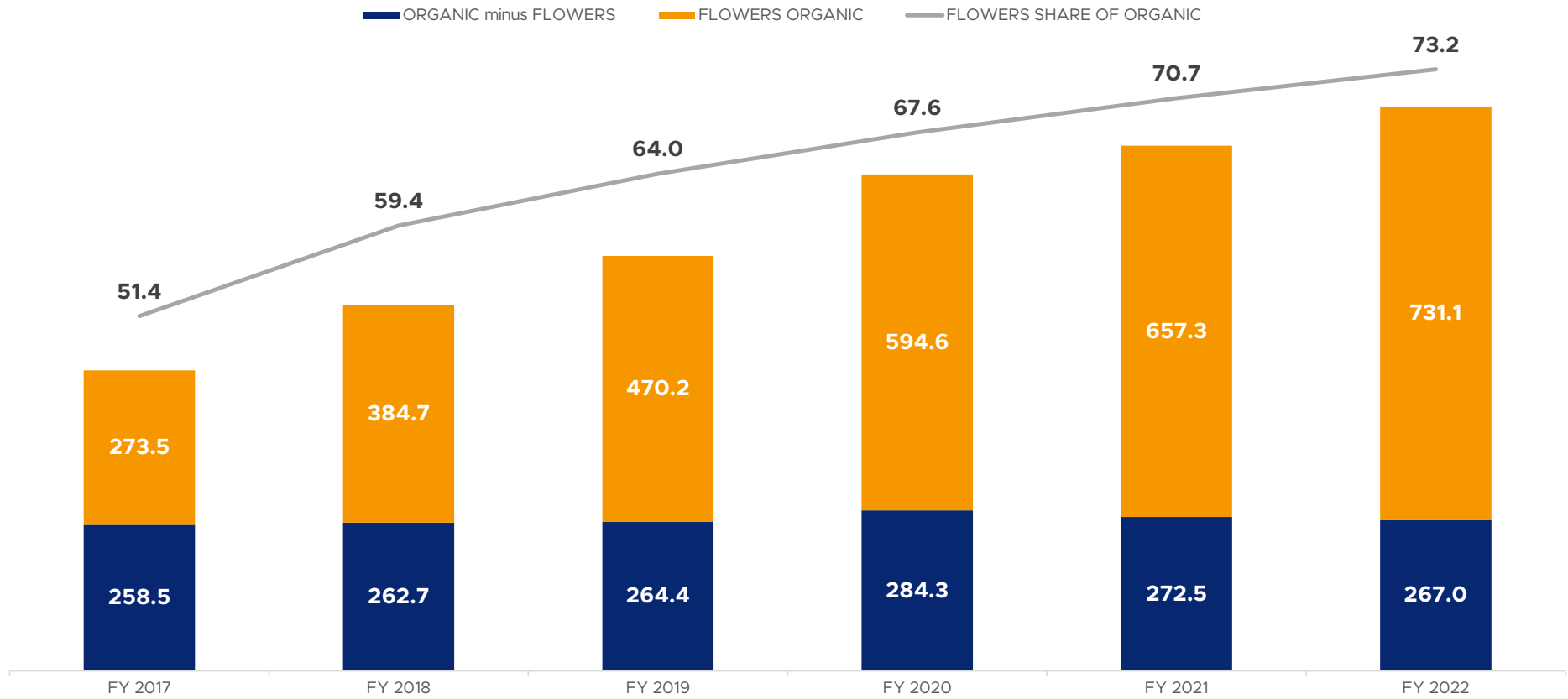
FLOWERS COMMERCIAL CAKE

■ Dollar Sales % Chg ■ Unit Sales % Chg



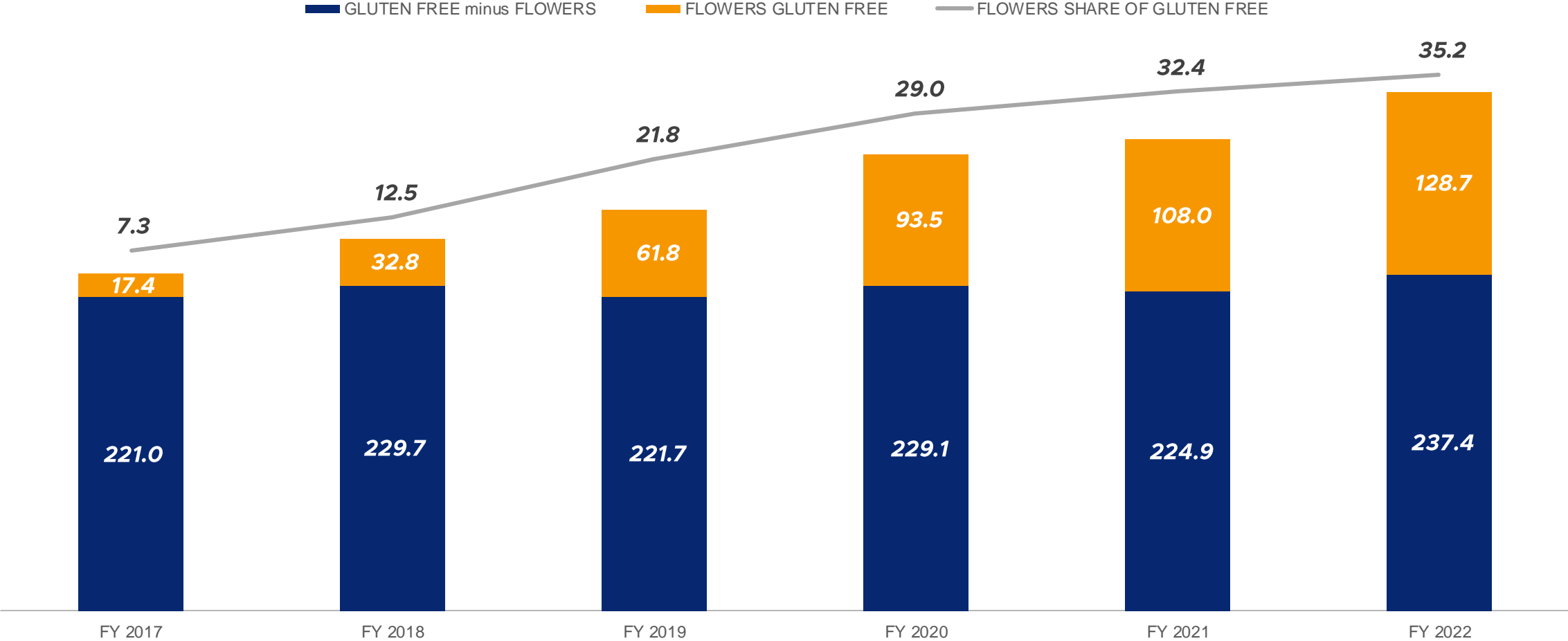
Source: Flowers Custom Database – IRI Total US Mulo + C Store

ORGANIC CATEGORY SALES



Source: Flowers Custom Database – IRI Total US Mulo + C Store

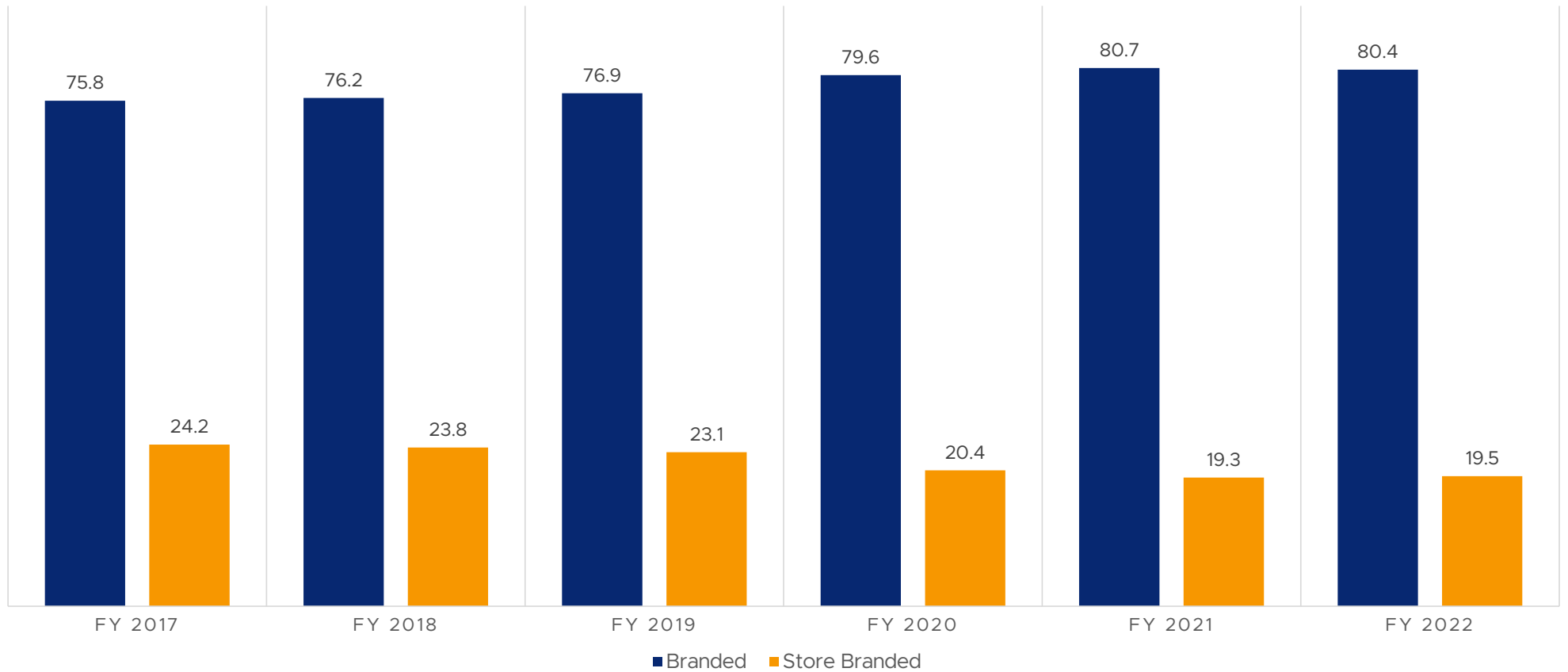
GLUTEN-FREE CATEGORY SALES



Source: Flowers Custom Database – Circana Total US Mulo + C Store

BRANDED VS STORE BRAND MARKET SHARE

FRESH PACKAGED BREAD CATEGORY



Source: Flowers Custom Database – IRI Total US Mulo + C Store

INFORMATION REGARDING NON-GAAP FINANCIAL MEASURES

Information Regarding Non-GAAP Financial Measures

The company prepares its consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP). However, from time to time, the company may present in its public statements, press releases and SEC filings, non-GAAP financial measures such as, EBITDA, adjusted EBITDA, EBITDA margin, adjusted EBITDA margin, adjusted net income, adjusted EPS, adjusted diluted EPS, adjusted income tax expense, adjusted selling, distribution and administrative expenses (SD&A), gross margin excluding depreciation and amortization, free cash flow, and the ratio of net debt to adjusted EBITDA. The reconciliations attached provide reconciliations of the non-GAAP measures used in this presentation or release to the most comparable GAAP financial measure. The company's definitions of these non-GAAP measures may differ from similarly titled measures used by others. These non-GAAP measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with GAAP.

The company defines EBITDA as earnings before interest, taxes, depreciation and amortization. Earnings are net income. The company believes that EBITDA is a useful tool for managing the operations of its business and is an indicator of the company's ability to incur and service indebtedness and generate free cash flow. EBITDA is used as the primary performance measure in the company's 2014 Omnibus Equity and Incentive Compensation Plan. Furthermore, pursuant to the terms of our credit facility, EBITDA is used to determine the company's compliance with certain financial covenants. The company also believes that EBITDA measures are commonly reported and widely used by investors and other interested parties as measures of a company's operating performance and debt servicing ability because EBITDA measures assist in comparing performance on a consistent basis without regard to depreciation or amortization, which can vary significantly depending upon accounting methods and non-operating factors (such as historical cost). EBITDA is also a widely-accepted financial indicator of a company's ability to incur and service indebtedness.

EBITDA should not be considered an alternative to (a) income from operations or net income (loss) as a measure of operating performance; (b) cash flows provided by operating, investing and financing activities (as determined in accordance with GAAP) as a measure of the company's ability to meet its cash needs; or (c) any other indicator of performance or liquidity that has been determined in accordance with GAAP.

The company defines adjusted EBITDA, EBITDA margin, adjusted EBITDA margin, adjusted net income, adjusted diluted EPS, adjusted income tax expense and adjusted SD&A, respectively, excluding the impact of asset impairment charges, Project Centennial consulting costs, business process improvement costs, lease terminations and legal settlements, acquisition-related costs, and pension plan settlements. Adjusted income tax expense also excludes the impact of tax reform. The company believes that these measures, when considered together with its GAAP financial results, provides management and investors with a more complete understanding of its business operating results, including underlying trends, by excluding the effects of certain charges.

The company defines free cash flow as operating cash flow minus capital expenditures. The company believes that free cash flow provides investors a better understanding of the company's liquidity position. The company defines net debt as total debt less cash and cash equivalents. Net debt to EBITDA is used as a measure of financial leverage employed by the company. Gross margin excluding depreciation and amortization is used as a performance measure to provide additional transparent information regarding our results of operations on a consolidated basis. Changes in depreciation and amortization are separately discussed and include depreciation and amortization for materials, supplies, labor and other production costs and operating activities.

Presentation of gross margin includes depreciation and amortization in the materials, supplies, labor and other production costs according to GAAP. Our method of presenting gross margin excludes the depreciation and amortization components, as discussed above.

The reconciliations attached provide reconciliations of the non-GAAP measures used in this presentation or release to the most comparable GAAP financial measure.

No reconciliation of the forecasted range for adjusted EBITDA or adjusted EPS is included in this presentation because we are unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts. In addition, the company believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

RECONCILIATION OF EARNINGS PER SHARE TO ADJUSTED EARNINGS PER SHARE

	<u>For the 12-Week Period Ended December 31, 2022</u>	<u>For the 12-Week Period Ended January 1, 2022</u>
Net income per diluted common share	0.23	\$ 0.18
Business process improvement consulting costs	0.02	0.01
Gain on sale and lease termination gain	(0.02)	(0.01)
FASTER Act and loss on inferior ingredients	NM	0.01
Acquisition-related costs	NM	—
Pension plan settlement loss	—	NM
Adjusted net income per diluted common share	<u>\$ 0.23</u>	<u>\$ 0.20</u>

*NM – Not meaningful.
Certain amounts may not add due to rounding.*



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

RECONCILIATION OF GROSS MARGIN EXCLUDING DEPRECIATION AND AMORTIZATION TO GROSS MARGIN (000S OMITTED)

	<u>For the 12 Week Period Ended December 31, 2022</u>	<u>For the 12 Week Period Ended January 1, 2022</u>
Sales	\$ 1,082,670	\$ 983,490
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization)	<u>575,698</u>	<u>512,531</u>
Gross Margin excluding depreciation and amortization	506,972	470,959
Less depreciation and amortization for production activities	<u>18,085</u>	<u>17,917</u>
Gross Margin	<u>\$ 488,887</u>	<u>\$ 453,042</u>
Depreciation and amortization for production activities	\$ 18,085	\$ 17,917
Depreciation and amortization for selling, distribution and administrative activities	<u>14,628</u>	<u>13,957</u>
Total depreciation and amortization	<u>\$ 32,713</u>	<u>\$ 31,874</u>



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

RECONCILIATION OF SELLING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES TO ADJUSTED SD&A (000S OMITTED)

	<u>For the 12 Week Period Ended December 31, 2022</u>	<u>For the 12 Week Period Ended January 1, 2022</u>
Selling, distribution and administrative expenses	\$ 409,929	\$ 383,542
Gain on sale and lease termination gain	6,107	2,644
Business process improvement consulting costs	(4,303)	(3,897)
Acquisition-related costs	(936)	-
Adjusted selling, distribution and administrative expenses	<u>\$ 410,797</u>	<u>\$ 382,289</u>
Sales	\$ 1,082,670	\$ 983,490
Adjusted SD&A as a percent of sales	<u>37.9%</u>	<u>38.9%</u>



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA (000S OMITTED)

	<u>For the 12 Week Period Ended December 31, 2022</u>	<u>For the 12 Week Period Ended January 1, 2022</u>
Net income	\$ 48,597	\$ 39,322
Income tax expense	15,346	12,720
Interest expense, net	330	1,419
Depreciation and amortization	32,713	31,874
EBITDA	96,986	85,335
Other pension benefit	(179)	(93)
FASTER Act and loss on inferior ingredients	236	1,772
Gain on sale and lease termination gain	(6,107)	(2,644)
Pension plan settlement loss	-	403
Business process improvement consulting costs	4,303	3,897
Acquisition-related costs	936	-
Adjusted EBITDA	<u>\$ 96,175</u>	<u>\$ 88,670</u>
Sales	\$ 1,082,670	\$ 983,490
Adjusted EBITDA as a percent of sales	8.9%	9.0%



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

RECONCILIATION OF INCOME TAX EXPENSE TO ADJUSTED INCOME TAX EXPENSE (000S OMITTED)

	<u>For the 12 Week Period Ended December 31, 2022</u>	<u>For the 12 Week Period Ended January 1, 2022</u>
Income tax expense	\$ 15,346	\$ 12,720
Tax impact of:		
Pension plan settlement loss	-	101
Gain on sale and lease termination gain	(1,527)	(661)
Business process improvement consulting costs	1,075	974
FASTER Act and loss on inferior ingredients	59	443
Acquisition-related costs	234	-
Adjusted income tax expense	<u>\$ 15,187</u>	<u>\$ 13,577</u>



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME (000S OMITTED)

	<u>For the 12 Week Period Ended December 31, 2022</u>	<u>For the 12 Week Period Ended January 1, 2022</u>
Net Income	\$ 48,597	\$ 39,322
Business process improvement consulting costs	3,228	2,923
Pension plan settlement loss	-	302
FASTER Act and loss on inferior ingredients	177	1,329
Gain on sale and lease termination gain	(4,580)	(1,983)
Acquisition-related costs	702	-
Adjusted net income	<u>\$ 48,124</u>	<u>\$ 41,893</u>



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA (000S OMITTED)

	For the 52 Week Period Ended December 31, 2022
Net income	\$ 228,394
Income tax expense	70,317
Interest expense, net	5,277
Depreciation and amortization	141,957
EBITDA	<u>445,945</u>
Other pension benefit	(773)
Plant closure costs and impairment of assets	7,825
FASTER Act and loss on inferior ingredients	236
Legal settlements	7,500
Business process improvement consulting costs	33,169
Gain on sale, severance costs, and lease termination (gain) loss	(4,390)
Acquisition-related costs	12,518
Adjusted EBITDA	<u>\$ 502,030</u>



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

RECONCILIATION OF DEBT TO NET DEBT AND CALCULATION OF NET DEBT TO TRAILING TWELVE MONTH ADJUSTED EBITDA RATIO (000S OMITTED)

	As of	
	December 31, 2022	
Current maturities of long-term debt	\$	-
Long-term debt		891,842
Total debt		891,842
Less: Cash and cash equivalents		165,134
Net Debt	\$	726,708
Adjusted EBITDA for the Trailing Twelve Months Ended December 31, 2022	\$	502,030
Ratio of Net Debt to Trailing Twelve Month Adjusted EBITDA		1.4

