



Flowers
FOODS

**FOURTH
QUARTER 2021
REVIEW**

February 10, 2022



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 the ultimate impact of the novel strain of coronavirus (“COVID-19”) on our business, results of operations and financial condition 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) 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) our ability to manage the demand, supply and operational challenges with the actual or perceived effects of the COVID-19 pandemic; (d) the loss or financial instability of any significant customer(s), including as a result of product recalls or safety concerns related to our products, (e) changes in consumer behavior, trends and preferences, including health and whole grain trends, and the movement toward more inexpensive store branded products, (f) the level of success we achieve in developing and introducing new products and entering new markets, (g) our ability to implement new technology and customer requirements as required, (h) our ability to operate existing, and any new, manufacturing lines according to schedule, (i) our ability to implement and achieve our environmental, social, and governance (“ESG”) goals in accordance with suppliers, regulations, and customers; (j) our ability to execute our business strategies which may involve, among other things, (1) the integration of acquisitions or the acquisition or disposition of assets at presently targeted values, (2) the deployment of new systems and technology, and (3) an enhanced organizational structure, (k) consolidation within the baking industry and related industries, (l) changes in pricing, customer and consumer reaction to pricing actions (including decreased volumes), and the pricing environment among competitors within the industry, (m) our ability to adjust pricing to offset, or partially offset, inflationary pressure on the cost of our products; (n) disruptions in our direct-store-delivery distribution model, including litigation or an adverse ruling by a court or regulatory or governmental body, or other regulatory developments, 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, (p) labor shortages and turnover or increases in employee and employee-related costs, (q) the credit, business, and legal risks associated with independent distributor partners and customers, which operate in the highly competitive retail food and foodservice industries, (r) any business disruptions due to political instability, pandemics, armed hostilities, 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, (s) the failure of our information technology systems to perform adequately, including any interruptions, intrusions or security breaches of such systems or risks associated with the planned implementation of a new enterprise resource planning (“ERP”) system; and (t) the potential impact of climate change on the company, including physical and transition risks, 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 and Part II, Item 1A., Risk Factors of the Form 10-Q for the quarter ended October 9, 2021 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

- Sales increased in 4Q'21 and FY'21, excluding the extra week in prior year period
- Investments in innovation and marketing driving market share gains for leading brands
- Implemented additional price increases in January to mitigate impact of inflation in 2022; consumer demand relatively inelastic so far in response to pricing initiatives
- Introduced 2022 sales and EPS guidance that implies performance above long-term growth targets¹



(1) Off 2019 base year.

Q4 2021 FINANCIAL HIGHLIGHTS

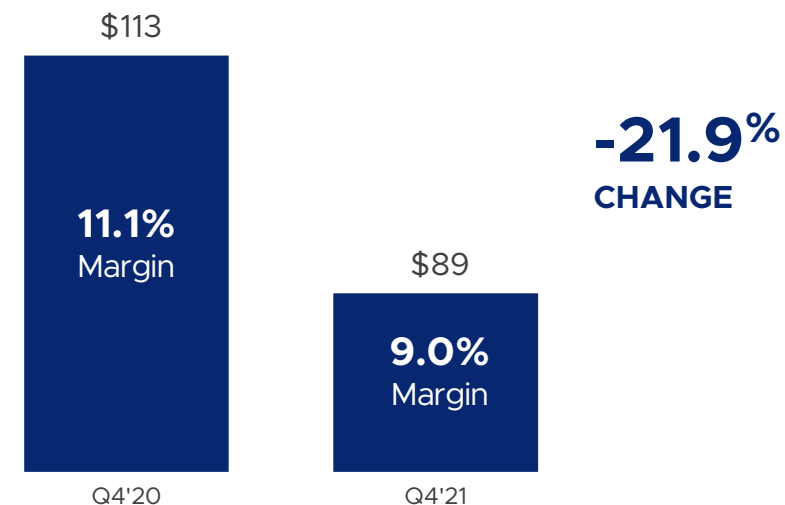
Sales decreased due to impact of 53rd week in prior year and lower volume; excluding 53rd week, sales increased 3.8% due to price increases to mitigate inflation, positive mix shift

Adjusted EBITDA decreased due to lower sales, cost inflation, prior year reimbursement for indirect losses associated with inferior ingredients, and marketing investments, net of lower incentive compensation

COMPONENTS OF Q4'21 SALES CHANGE (MILLIONS)



ADJUSTED EBITDA (MILLIONS)¹



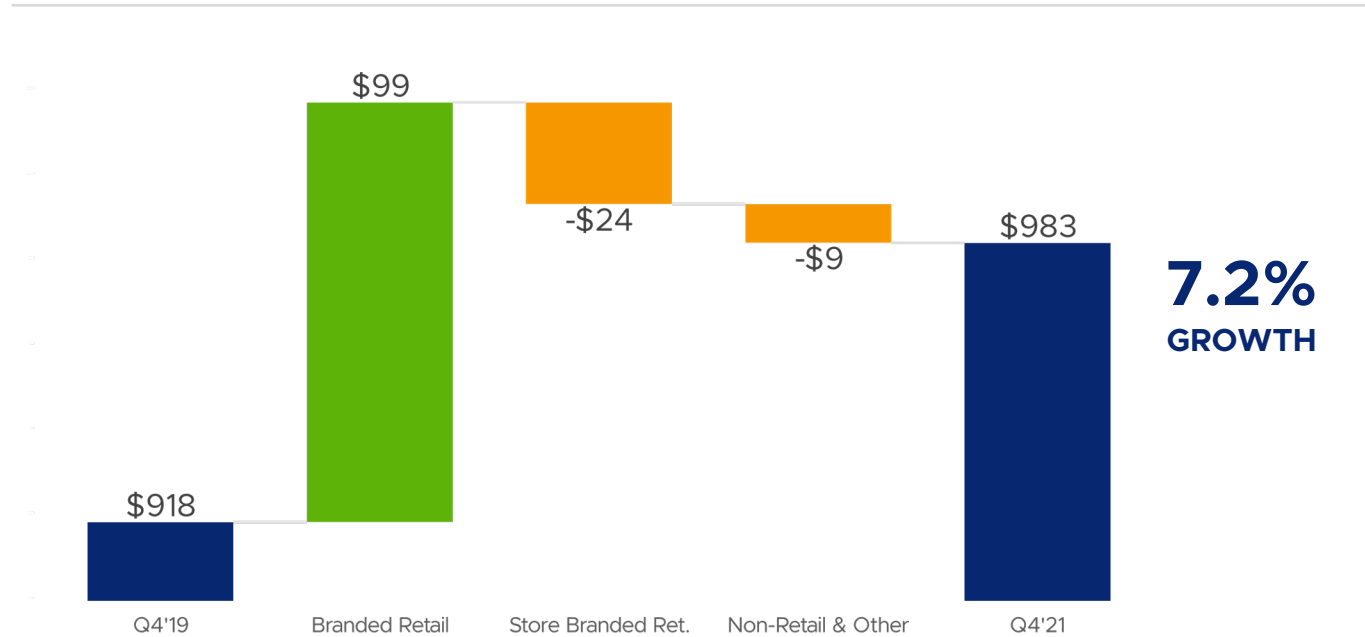
(1) Earnings before interest, taxes, depreciation & amortization, adjusted for matters affecting comparability. See non-GAAP reconciliations at the end of this slide presentation.

Q4 2021 COMPARISON TO PRE-PANDEMIC RESULTS

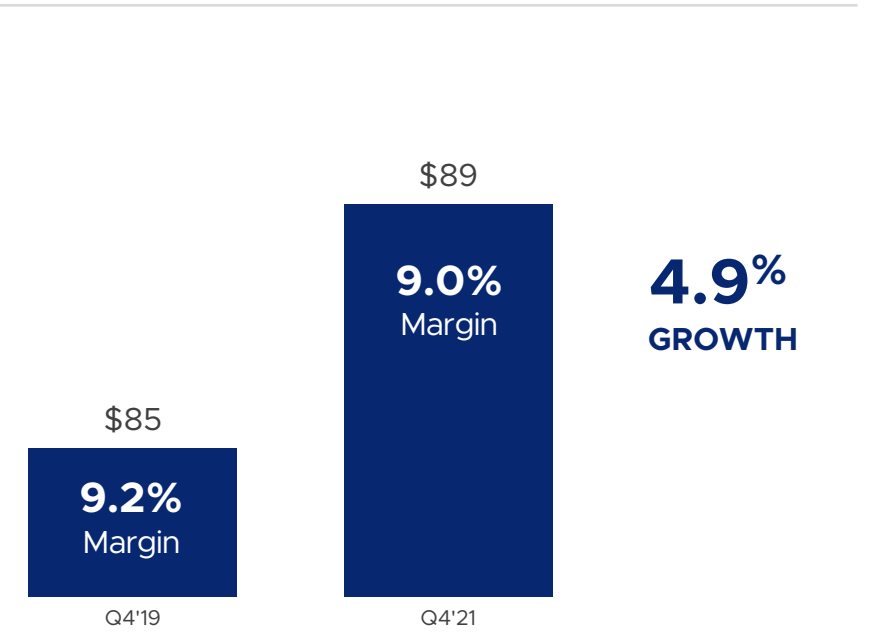
Sales increased due to higher demand for branded retail products caused by the pandemic and internal growth initiatives

Price increases to mitigate inflation and mix shift to branded retail products drove EBITDA increase

COMPONENTS OF Q4'21 SALES GROWTH VS Q4'19 (MILLIONS)



ADJUSTED EBITDA VS Q4'19 (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 2021 FINANCIAL REVIEW

NET SALES

\$983.5M -3.9% v PY

- Price/Mix +6.2%; Volume -2.4%; PY 53rd Week -7.7%
- Impact of extra week in prior year, and lower volume; excluding extra week, sales increased 3.8% due to price increases to mitigate inflation, positive mix shift

CASH FLOWS — FY'21

Cash from Ops
\$344.6M

Dividends
\$175.9M

Capex
\$136.0M

ADJ. EBITDA¹

\$88.7M -21.9% v PY

- 9.0% of sales, down 210 bps
- Lower sales, cost inflation, prior-year reimbursement for inferior ingredients, and marketing investments, net of lower incentive compensation

GAAP DILUTED EPS

\$0.18 -\$0.08 v PY

ADJ. DILUTED EPS²

\$0.20 -\$0.08 v PY

Lower EBITDA, partly offset by reduced interest and tax expense

Impact of extra week in prior year was \$0.02

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

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

FISCAL 2022 GUIDANCE

(Provided February 10, 2022)

SALES

**7.6% to
8.4%**

ADJ. EPS¹

**\$1.25 to
\$1.35**

OTHER

Depreciation & amortization

\$135 – \$145M

Effective tax rate

24.5% - 25.0%

Net interest expense

~\$7M

Diluted shares outstanding

~213.5M

Capital expenditures

\$175 – \$185M²

Fiscal 2022 Considerations

- Ability to mitigate inflation
- Demand elasticity
- Persistence of pandemic and impact on mix
- Promotional environment



(1) No reconciliation of the forecasted range for 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.

(2) \$65-75 million related to ERP upgrade

LONG-TERM GROWTH TARGET SCORECARD

Continuing to exceed financial targets

	LT Targets ¹	FY'20 ² (CAGR ¹)	FY'21 (CAGR ¹)	FY'22 ³ (CAGR ¹)
Sales	1-2%	6.4%	2.5%	4.1%
Adj EBITDA	4-6% ⁴	23.4%	7.8%	N/A
Adj EPS	7-9% ⁴	36.5%	13.7%	10.6%

(1) Off FY'19 base

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

(3) Implied return using FY'22 guidance midpoint

(4) 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.



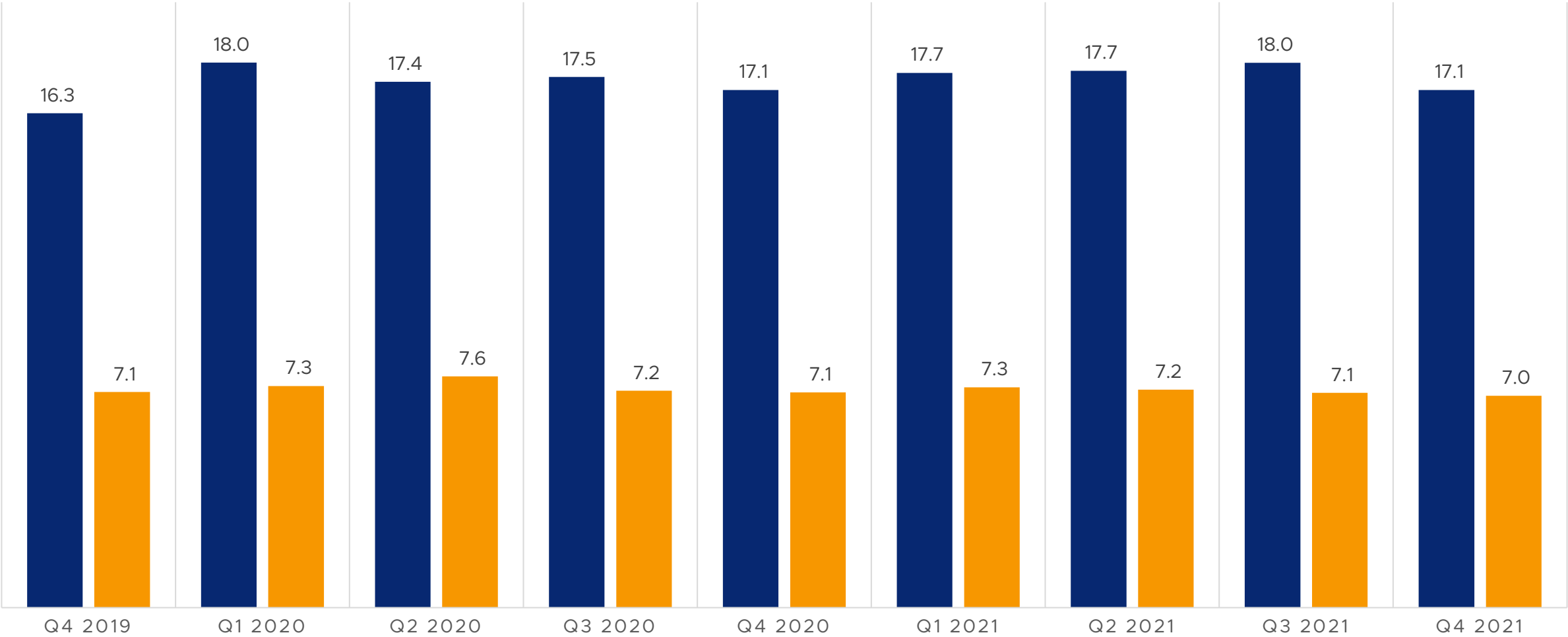
INNOVATION IN ACTION

Agile innovation team bringing new products to market



FLOWERS' MARKET SHARE

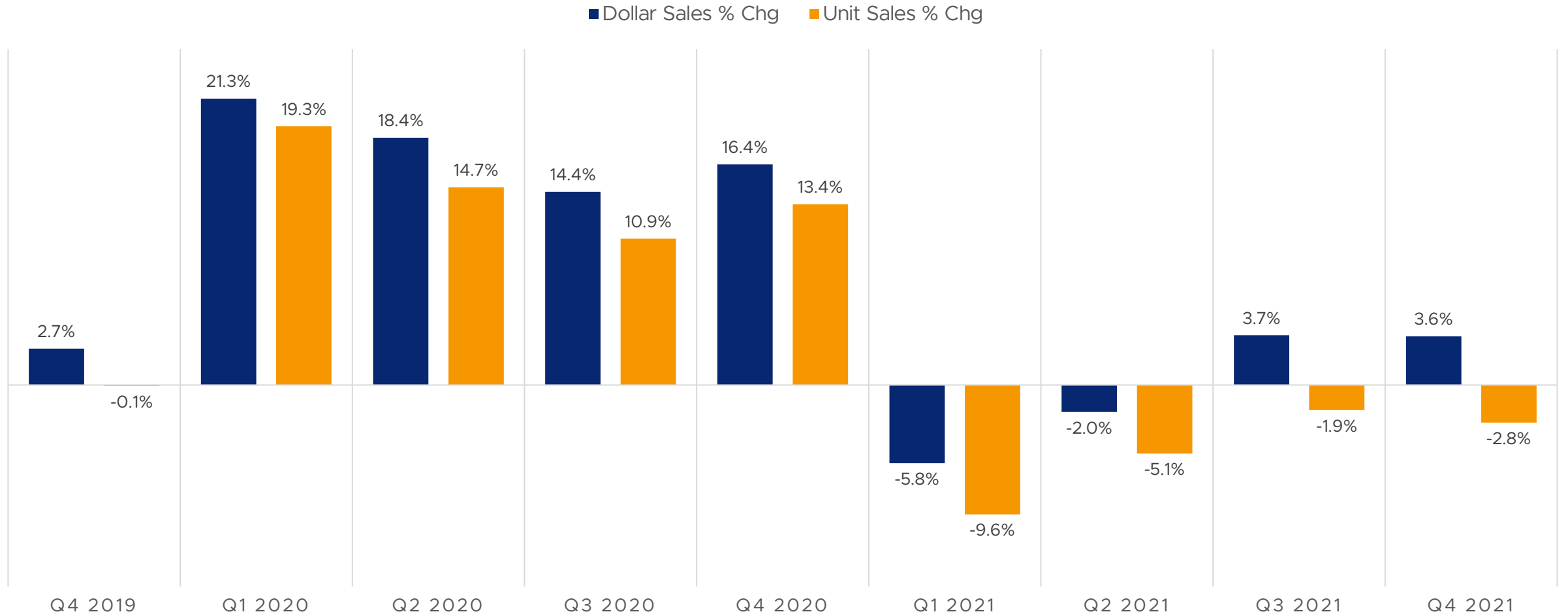
■ FLO Bread Share ■ FLO Cake Share



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

CATEGORY REVIEW

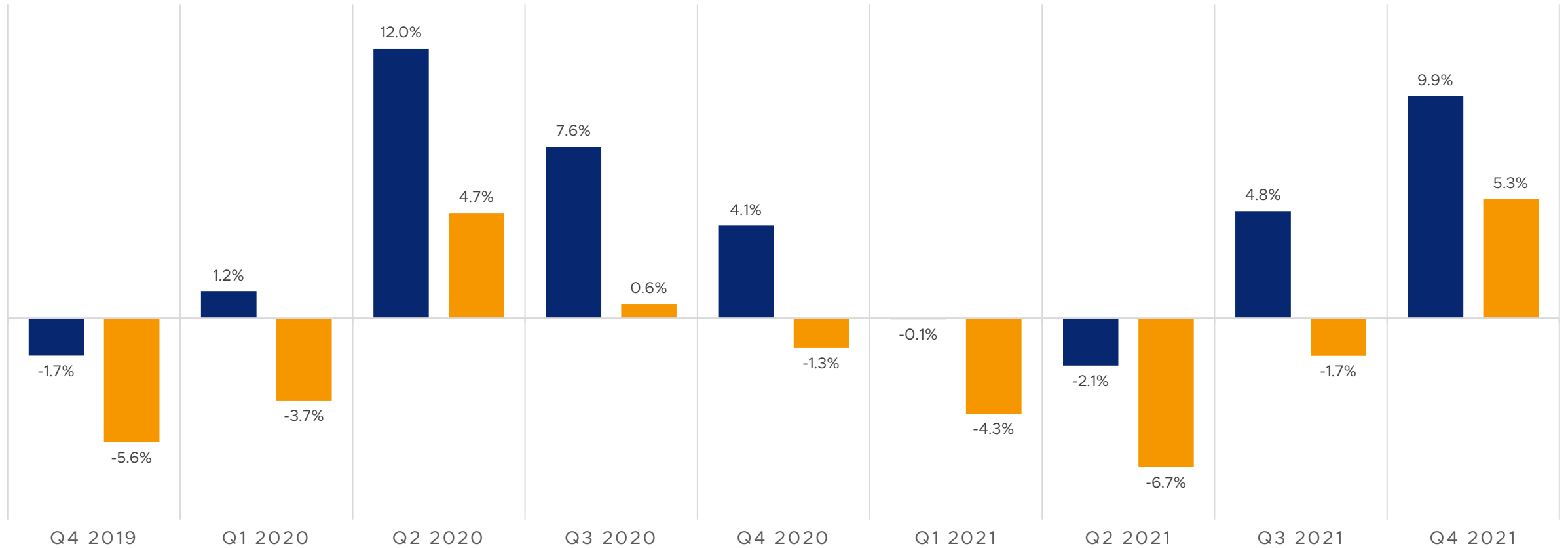
FLOWERS FRESH PACKAGED BREADS



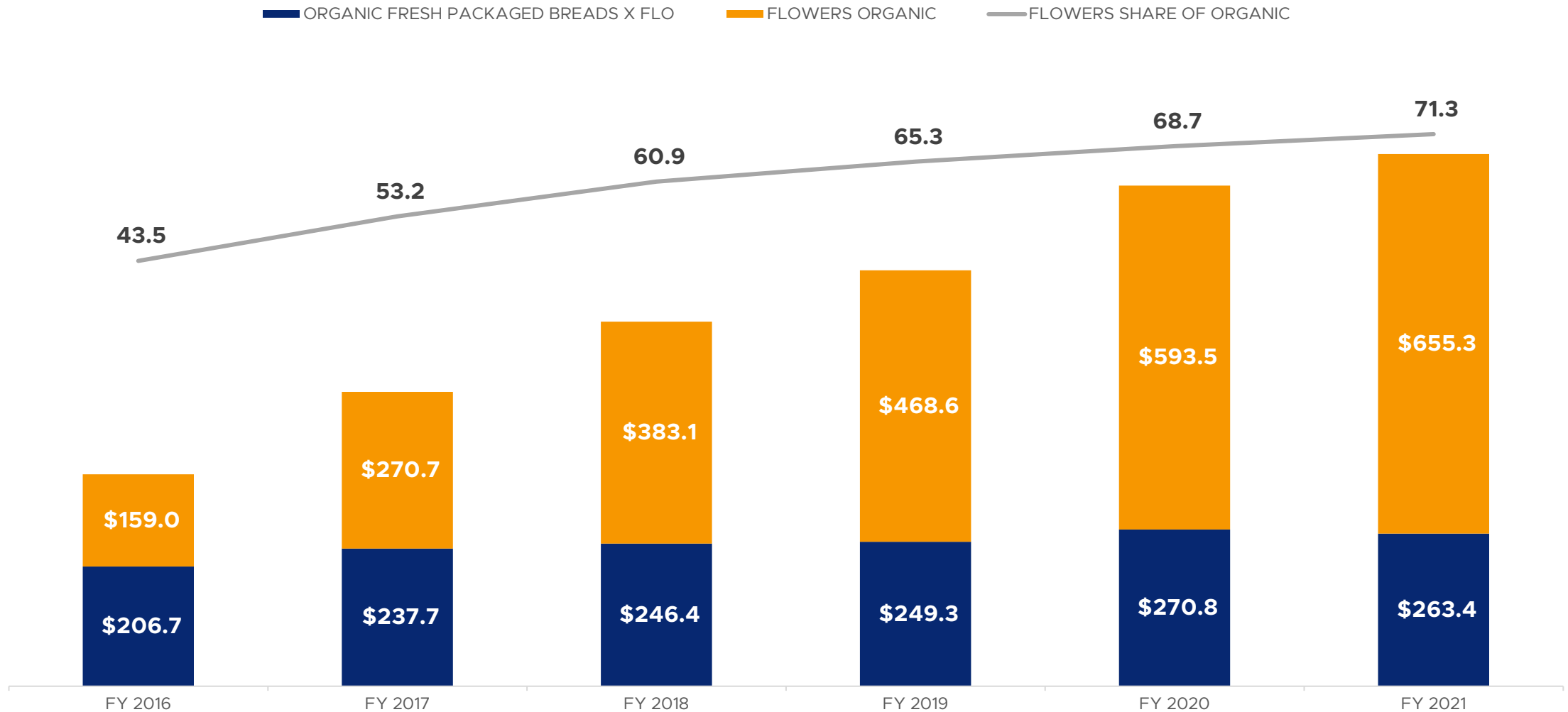
CATEGORY REVIEW

FLOWERS COMMERCIAL CAKE

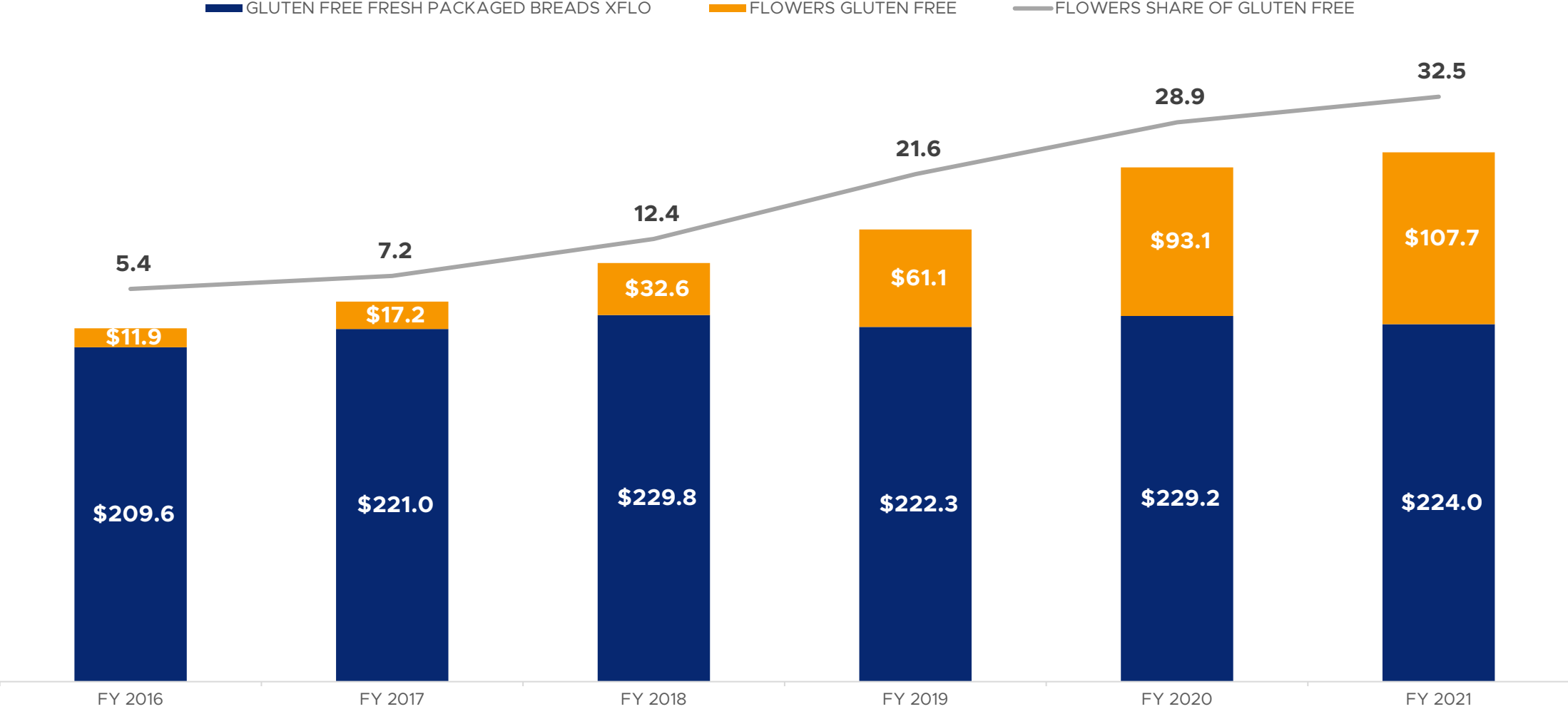
■ Dollar Sales % Chg ■ Unit Sales % Chg



ORGANIC CATEGORY SALES



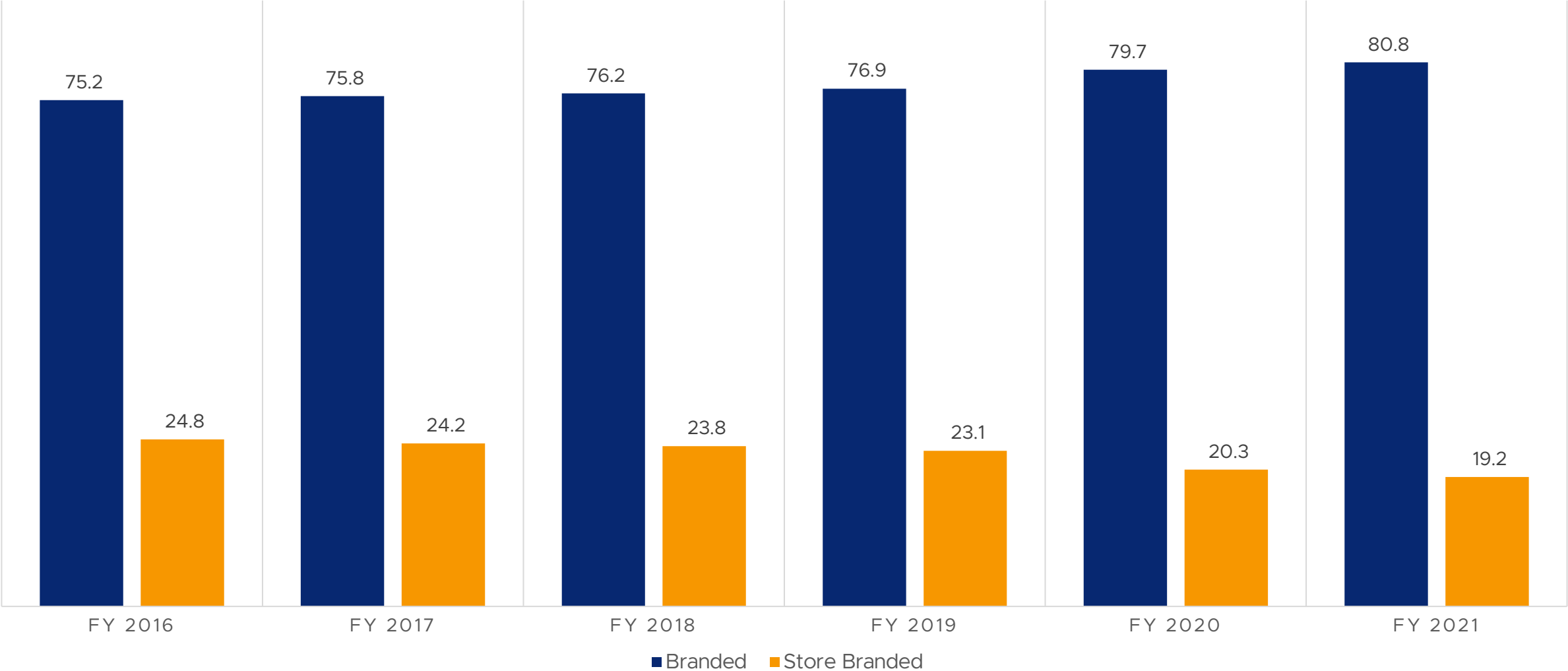
GLUTEN-FREE CATEGORY SALES



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

BRANDED PRODUCTS CONTINUE SHARE GAINS

FRESH PACKAGED BREAD BRANDED VS. STORE BRAND MARKET SHARE



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 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 and segment 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.



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

RECONCILIATION OF EARNINGS PER SHARE TO ADJUSTED EARNINGS PER SHARE

	For the 12 Week Period Ended January 1, 2022	For the 13 Week Period Ended January 2, 2021
Net income per diluted common share	\$ 0.18	\$ 0.26
Project Centennial consulting costs	—	0.01
Loss on inferior ingredients	0.01	NM
Business process improvement consulting costs	0.01	—
Legal settlements and related costs	—	NM
ERP Road Mapping consulting costs	—	NM
Other lease termination gain	(0.01)	(0.01)
Pension plan settlement loss (gain)	NM	NM
Restructuring and related impairment charges	—	0.02
Adjusted net income per diluted common share	<u>\$ 0.20</u>	<u>\$ 0.28</u>

NM - not meaningful.

Certain amounts may not add due to rounding.



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	For the 12 Week Period Ended January 1, 2022	For the 13 Week Period Ended January 2, 2021
Sales	\$ 983,490	\$ 1,023,036
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization)	<u>512,531</u>	<u>521,577</u>
Gross Margin excluding depreciation and amortization	470,959	501,459
Less depreciation and amortization for production activities	<u>17,917</u>	<u>17,427</u>
Gross Margin	<u>\$ 453,042</u>	<u>\$ 484,032</u>
Depreciation and amortization for production activities	\$ 17,917	\$ 17,427
Depreciation and amortization for selling, distribution and administrative activities	<u>13,957</u>	<u>13,952</u>
Total depreciation and amortization	<u>\$ 31,874</u>	<u>\$ 31,379</u>



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	For the 12 Week Period Ended <u>January 1, 2022</u>	For the 13 Week Period Ended <u>January 2, 2021</u>
Selling, distribution and administrative expenses	\$ 383,542	\$ 387,709
<i>Less:</i>		
Project Centennial consulting costs	-	1,504
ERP road mapping consulting costs	-	1,284
Legal settlements and related costs	-	1,019
Other lease termination gain	(2,644)	(4,066)
Business Process Improvement consulting costs	3,897	-
Adjusted selling, distribution and administrative expenses	<u>\$ 382,289</u>	<u>\$ 387,968</u>
Sales	\$ 983,490	\$ 1,023,036
Adjusted SD&A as a percent of sales	<u>38.9%</u>	<u>37.9%</u>



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	<u>For the 16 Week Period Ended April 24, 2021</u>	<u>For the 12 Week Period Ended July 17, 2021</u>	<u>For the 12 Week Period Ended October 9, 2021</u>	<u>For the 12 Week Period Ended January 1, 2022</u>	<u>Trailing 52 Week Period Ended January 1, 2022</u>
Net income	\$ 71,655	\$ 56,358	\$ 38,852	\$ 39,322	\$ 206,187
Income tax expense	23,231	16,586	12,048	12,720	64,585
Interest expense, net	4,201	1,070	1,311	1,419	8,001
Loss on extinguishment of debt	16,149	-	-	-	16,149
Depreciation and amortization	41,386	31,619	31,680	31,874	136,559
EBITDA	156,622	105,633	83,891	85,335	431,481
Other pension benefit	(125)	(93)	(94)	(93)	(405)
Pension plan settlement loss	-	-	-	403	403
Loss (recovery) on inferior ingredients	122	-	(950)	1,772	944
Legal settlements and related costs	-	-	23,089	-	23,089
Other lease termination gain	-	-	-	(2,644)	(2,644)
Business process improvement consulting costs	4,958	13,205	9,233	3,897	31,293
Acquisition consideration adjustment	-	3,400	-	-	3,400
MEPP withdrawal and related costs	-	-	3,300	-	3,300
Adjusted EBITDA	<u>\$ 161,577</u>	<u>\$ 122,145</u>	<u>\$ 118,469</u>	<u>\$ 88,670</u>	<u>\$ 490,861</u>



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	For the 12 Week Period Ended <u>January 1, 2022</u>	For the 13 Week Period Ended <u>January 2, 2021</u>
Income tax expense	\$ 12,720	\$ 18,806
Tax impact of:		
Project Centennial consulting costs	-	376
ERP road mapping consulting costs	-	321
Restructuring and related impairment charges	-	1,212
Pension plan settlement and curtailment loss (gain)	101	(75)
Legal settlements and related costs	-	255
Business process improvement consulting costs	974	-
Loss on inferior ingredients	443	27
Other lease termination gain	(661)	(1,017)
Adjusted income tax expense	<u>\$ 13,577</u>	<u>\$ 19,905</u>



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	<u>For the 12 Week Period Ended</u>	<u>For the 13 Week Period Ended</u>
	<u>January 1, 2022</u>	<u>January 2, 2021</u>
Net Income	\$ 39,322	\$ 55,824
Project Centennial consulting costs	-	1,128
ERP road mapping consulting costs	-	963
Restructuring and related impairment charges	-	3,636
Pension plan settlement and curtailment loss	302	(222)
Legal settlements and related costs	-	764
Business process improvement consulting costs	2,923	-
Loss on inferior ingredients	1,329	80
Other lease termination gain	(1,983)	(3,049)
Adjusted net income	<u>\$ 41,893</u>	<u>\$ 59,124</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)

	<u>As of</u>
	<u>January 1, 2022</u>
Current maturities of long-term debt	\$ -
Long-term debt	890,609
Total debt	890,609
Less: Cash and cash equivalents	185,871
Net Debt	\$ 704,738
Adjusted EBITDA for the Trailing Twelve Months Ended January 1, 2022	\$ 490,861
Ratio of Net Debt to Trailing Twelve Month Adjusted EBITDA	1.4



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)

	<u>As of</u>
	<u>October 9, 2021</u>
Current maturities of long-term debt	\$ -
Long-term debt	890,180
Total debt	890,180
Less: Cash and cash equivalents	307,523
Net Debt	\$ 582,657
Adjusted EBITDA for the Trailing Twelve Months Ended October 9, 2021	\$ 515,682
Ratio of Net Debt to Trailing Twelve Month Adjusted EBITDA	1.1



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	<u>For the 12 Week Period Ended January 1, 2022</u>	<u>For the 13 Week Period Ended January 2, 2021</u>
Net income	\$ 39,322	\$ 55,824
Income tax expense	12,720	18,806
Interest expense, net	1,419	3,156
Depreciation and amortization	31,874	31,379
EBITDA	85,335	109,165
Other pension benefit	(93)	(73)
Pension plan settlement and curtailment loss (gain)	403	(297)
Project Centennial consulting costs	-	1,504
ERP road mapping consulting costs	-	1,284
Restructuring and related impairment charges	-	4,848
Loss on inferior ingredients	1,772	107
Legal settlements	-	1,019
Other lease termination gain	(2,644)	(4,066)
Business process improvement consulting costs	3,897	-
Adjusted EBITDA	<u>\$ 88,670</u>	<u>\$ 113,491</u>
Sales	\$ 983,490	\$ 1,023,036
Adjusted SD&A as a percent of sales	9.0%	11.1%



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	For the 13 Week Period Ended	For the 12 Week Period Ended
	January 2, 2021	December 28, 2019
Net income	\$ 55,824	\$ 2,219
Income tax expense (benefit)	18,806	(1,047)
Interest expense, net	3,156	2,170
Depreciation and amortization	31,379	32,884
EBITDA	109,165	36,226
Other pension (benefit) cost	(73)	519
Pension plan settlement and curtailment (gain)	(297)	—
Loss on inferior ingredients	107	376
Restructuring and related impairment charges	4,848	17,482
Project Centennial consulting costs	1,504	784
ERP road mapping consulting costs	1,284	—
Legal settlements	1,019	29,150
Other lease termination gain	(4,066)	—
Adjusted EBITDA	\$ 113,491	\$ 84,537
Sales	\$ 1,023,036	\$ 917,759
Adjusted EBITDA margin	11.1%	9.2%

