

FINANCIAL REVIEW

Steve Kinsey

Chief Financial Officer and Chief Accounting Officer

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, adjusted EBIT, EBITDA margin, adjusted EBITDA margin, adjusted net income, adjusted operating income, adjusted EPS, adjusted income tax expense, adjusted selling, distribution and administrative expenses (SD&A), gross margin excluding depreciation and amortization 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 earnings before interest, taxes, depreciation and amortization. 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, adjusted EBIT, EBITDA margin, adjusted EBITDA margin, adjusted net income, adjusted operating income, adjusted EPS, adjusted income tax expense, adjusted SD&A, respectively, excluding the impact of asset impairment charges, Project Centennial consulting 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. 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

Flowers Foods, Inc.

Reconciliation of GAAP to Non-GAAP Measures

(000's omitted, except per share data)

	Reconciliation of Net (Loss) Income to EBITDA and Adjusted EBITDA	
	For the 16 Week Period Ended	For the 16 Week Period Ended
	April 18, 2020	April 20, 2019
Net (loss) income	\$ (5,772)	\$ 65,866
Income tax (benefit) expense	(2,019)	20,199
Interest expense, net	3,314	3,824
Depreciation and amortization	44,663	44,819
EBITDA	40,186	134,708
Other pension cost	143	692
Pension plan settlement and curtailment loss	116,207	-
Other pension plan termination costs	133	-
Recovery on inferior ingredients	-	(413)
Restructuring and related impairment charges	-	718
Project Centennial consulting costs	3,392	-
Legal settlements	3,220	150
Executive retirement agreement	-	1,331
Canyon acquisition costs	-	22
Adjusted EBITDA	\$ 163,281	\$ 137,208
Sales	\$ 1,349,444	\$ 1,263,895
Adjusted EBITDA margin	12.1%	10.9%

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Flowers Foods, Inc.

Reconciliation of GAAP to Non-GAAP Measures

(000's omitted, except per share data)

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

	For the 12 Week Period Ended December 28, 2019
Net income	\$ 2,219
Income tax expense (benefit)	(1,047)
Interest expense, net	2,170
Depreciation and amortization	32,884
EBITDA	36,226
Other pension cost	519
Loss (recovery) on inferior ingredients	376
Restructuring and related impairment charges	17,482
Project Centennial consulting costs	784
Legal settlements (recovery)	29,150
Adjusted EBITDA	\$ 84,537
Sales	\$ 917,759
Adjusted EBITDA margin	9.2%

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Flowers Foods, Inc.

Reconciliation of GAAP to Non-GAAP Measures

(000's omitted, except per share data)

	Reconciliation of (Loss) Earnings per Share to Adjusted Earnings per Share	
	For the 16 Week Period Ended	For the 16 Week Period Ended
	April 18, 2020	April 20, 2019
Net (loss) income per diluted common share	\$ (0.03)	\$ 0.31
Recovery on inferior ingredients	-	NM
Restructuring and related impairment charges	-	NM
Project Centennial consulting costs	0.01	-
Legal settlements	0.01	NM
Executive retirement agreement	-	NM
Canyon acquisition costs	-	NM
Pension plan settlement and curtailment loss	0.41	-
Other pension plan termination costs	NM	-
Adjusted net income per diluted common share	\$ 0.41	\$ 0.32

NM - not meaningful.

Certain amounts may not add due to rounding.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Flowers Foods, Inc.
Reconciliation of GAAP to Non-GAAP Measures

(000's omitted, except per share data)

	Reconciliation of Earnings per Share - Full Year Fiscal 2020 Guidance	
	Range Estimate	
Net income per diluted common share	\$ 0.57	to \$ 0.65
Project Centennial consulting costs	0.01	0.01
Legal settlements	0.01	0.01
Pension plan settlement and curtailment loss	0.41	0.41
Other pension plan termination costs	NM	NM
Adjusted net income per diluted common share	<u>\$ 1.00</u>	to <u>\$ 1.08</u>

Certain amounts may not add due to rounding.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Flowers Foods, Inc.

Reconciliation of GAAP to Non-GAAP Measures

(000's omitted)

Reconciliation of Debt to Net Debt and Calculation of Net Debt to Trailing Twelve Month Adjusted EBITDA Ratio

	<u>As of</u> <u>April 18, 2020</u>
Current maturities of long-term debt	\$ 1,245
Long-term debt	1,069,352
Total debt	1,070,597
Less: Cash and cash equivalents	252,683
Net Debt	\$ 817,914
Adjusted EBITDA for the Trailing Twelve Months Ended April 18, 2020	\$ 448,799
Ratio of Net Debt to Trailing Twelve Month Adjusted EBITDA	1.8

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Reconciliation of GAAP to Non-GAAP Measures

(000's omitted)

Reconciliation of Debt to Net Debt and Calculation of Net Debt to Trailing Twelve Month Adjusted EBITDA Ratio

	<u>As of</u> <u>December 28, 2019</u>
Current maturities of long-term debt	\$ 3,730
Long-term debt	862,778
Total debt	866,508
Less: Cash and cash equivalents	11,044
Net Debt	\$ 855,464
Adjusted EBITDA for the Trailing Twelve Months Ended December 28, 2019	\$ 422,726
Ratio of Net Debt to Trailing Twelve Month Adjusted EBITDA	2.0

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Flowers Foods, Inc.
Reconciliation of GAAP to Non-GAAP Measures
(000's omitted)

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

	For the 12 Week Period Ended <u>July 13, 2019</u>	For the 12 Week Period Ended <u>October 5, 2019</u>	For the 12 Week Period Ended <u>December 28, 2019</u>	For the 16 Week Period Ended <u>April 18, 2020</u>	Trailing 52 Week Period Ended <u>April 18, 2020</u>
Net income (loss)	\$ 53,095	\$ 43,358	\$ 2,219	\$ (5,772)	\$ 92,900
Income tax expense (benefit)	15,951	12,442	(1,047)	(2,019)	25,327
Interest expense, net	2,769	2,334	2,170	3,314	10,587
Depreciation and amortization	33,329	33,196	32,884	44,663	144,072
EBITDA	<u>105,144</u>	<u>91,330</u>	<u>36,226</u>	<u>40,186</u>	<u>272,886</u>
Other pension cost	519	518	519	143	1,699
Project Centennial consulting costs	-	-	784	3,392	4,176
Restructuring and related impairment charges	2,047	3,277	17,482	-	22,806
Other pension plan termination costs	-	-	-	133	133
Pension plan settlement and curtailment loss	-	-	-	116,207	116,207
Legal settlements (recovery)	(1,286)	-	29,150	3,220	31,084
Executive retirement agreement	(568)	-	-	-	(568)
Loss on inferior ingredients	-	-	376	-	376
Adjusted EBITDA	<u>\$ 105,856</u>	<u>\$ 95,125</u>	<u>\$ 84,537</u>	<u>\$ 163,281</u>	<u>\$ 448,799</u>

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Reconciliation of GAAP to Non-GAAP Measures

(000's omitted)

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

	For the 52 Week Period Ended <u>December 28, 2019</u>
Net income	\$ 164,538
Income tax expense (benefit)	47,545
Interest expense, net	11,097
Depreciation and amortization	<u>144,228</u>
EBITDA	367,408
Other pension cost (benefit)	2,248
Project Centennial consulting costs	784
Acquisition-related costs	22
Restructuring and related impairment charges	23,524
Legal settlements (recovery)	28,014
Executive retirement agreement	763
Loss (recovery) on inferior ingredients	<u>(37)</u>
Adjusted EBITDA	<u>\$ 422,726</u>

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this presentation that are not historical facts are forward-looking statements. Forward-looking statements relate to current expectations regarding our future financial condition, performance and results of operations and the ultimate impact of the novel strain of coronavirus (COVID-19) pandemic on our business, results of operations and financial condition, planned capital expenditures, long-term objectives of management, supply and demand, pricing trends and market forces, and integration plans and expected benefits of transactions 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. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ from those projected. Other factors that may cause actual results to differ from the forward-looking statements contained in this release and that may affect the company's prospects in general include, but are not limited to, (a) the ultimate impact of the COVID-19 outbreak and measures taken in response thereto on our business, results of operations and financial condition, which are highly uncertain and are difficult to predict, (b) general economic and business conditions and the competitive conditions in the baked foods industry, including promotional and price competition, (c) changes in consumer demand for our products, including changes in consumer behavior, trends and preferences, including health and whole grain trends, and the movement toward more inexpensive store-branded products, (d) the success of productivity improvements and new product introductions, (e) a significant reduction in business with any of our major customers including a reduction from adverse developments in any of our customer's business, (f) fluctuations in commodity pricing, (g) energy and raw material costs and availability and hedging and counterparty risk, (h) our ability to fully integrate recent acquisitions into our business, (i) our ability to achieve cash flow from capital expenditures and acquisitions and the availability of new acquisitions that build shareholder value, (j) our ability to successfully implement our business strategies, including those strategies the company has initiated under Project Centennial, which may involve, among other things, the integration of recent acquisitions or the acquisition or disposition of assets at presently targeted values, the deployment of new systems and technology and an enhanced organizational structure, (k) consolidation within the baking industry and related industries, (l) disruptions in our direct-store delivery system, including litigation or an adverse ruling from a court or regulatory or government body that could affect the independent contractor classification of our independent distributors, (m) increasing legal complexity and legal proceedings that we are or may become subject to, (n) product recalls or safety concerns related to our products, and (o) the failure of our information technology systems to perform adequately, including any interruptions, intrusions or security breaches of such systems. 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 public disclosures made by the company, including the risk factors included in our most recently filed Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission ("SEC") and disclosures made in other filings with the SEC and company press releases, for other factors that may cause actual results to differ materially from those projected by the company. 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.