



# Flowers FOODS

## FIRST QUARTER 2026 REVIEW

May 21, 2026

# NEW LOOK. SIMPLER INGREDIENTS. SAME GREAT TASTE.



## CORPORATE PARTICIPANTS

**J.T. Rieck**, *EVP of Finance and Investor Relations*

**Ryals McMullian**, *Chairman and CEO*

**Anthony Scaglione**, *CFO*

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## PRESENTATION

**J.T. Rieck**, *EVP of Finance and Investor Relations*

Hello everyone. This is J.T. Rieck, EVP of finance and investor relations. Welcome to the pre-recorded discussion of Flowers Foods' first-quarter 2026 results. We will host a live Q&A session Friday, May 22, at 8:30 a.m. Eastern. Further details about the live call, along with our earnings release, a transcript of these recorded remarks, and a related slide presentation, are posted on the investors section of [flowersfoods.com](https://flowersfoods.com).

Before we get started, keep in mind that the information presented here may include forward-looking statements about the company's performance. Although we believe these statements to be reasonable, they are subject to risks and uncertainties that could cause actual results to differ materially. In addition to what you hear in these remarks, important factors relating to Flowers Foods' business are fully detailed in our SEC filings.

Providing remarks today are Ryals McMullian, chairman and CEO, and Anthony Scaglione, our CFO. Ryals, I'll turn it over to you.

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**Ryals McMullian**, *Chairman and CEO*

Thanks, J.T. And thanks to everyone for joining us today.

In the first quarter, with disciplined cost management, the team executed well to offset softer top-line trends and navigate challenging market dynamics to deliver bottom line results ahead of market expectations.

Reported sales growth included an incremental contribution from Simple Mills. On a comparable basis, sales declined 1.2% versus prior year. While near-term conditions remain pressured, we are confident in our ability to navigate the current environment given the strength of our brand portfolio, our expanding presence in better-for-you categories, our scaled supply chain and DSD network, and a balance sheet that we are actively strengthening.

The comprehensive review of our brand portfolio, supply chain, and financial strategy announced last quarter continues to gain momentum. This work has sharpened our focus on a set of clear strategic imperatives. These are prioritizing our strongest brands, making targeted investments to reignite growth, and realigning capital allocation to strengthen our balance sheet while increasing flexibility to pursue future growth opportunities.

A key proof point of this progress is the relaunch of Nature's Own, now featuring fewer, simpler ingredients. This milestone represents a significant achievement for both our team and our customers. With this relaunch, Nature's Own becomes the largest Non-GMO Project Verified loaf product in the market—a first at national scale—and reinforces our leadership in the better-for-you segment.

In addition, we've identified and are advancing targeted initiatives to drive efficiencies across our supply chain operations, while taking actions to further strengthen our balance sheet. Collectively, these efforts are positioning the business to deliver more consistent, sustainable growth and improved profitability over the long term.

Now, let me provide more details of our performance in our brand categories in the quarter.

A key strategic priority is sharpening our focus on our portfolio of leading, differentiated brands to unlock growth opportunities in an otherwise soft category. This focus is delivering encouraging results, particularly in premium loaf, buns and rolls, breakfast, cake, and snacks, which are helping to offset continued softness in the traditional loaf category where we underperformed in both dollars and units.

Shifts in marketing investment, ongoing macroeconomic pressure on consumers, and an intensely promotional pricing environment, impacted our market share in the traditional loaf segment in the quarter. Elevated consumer costs, combined with heightened promotional activity, have driven increased trade-down behavior toward lower-priced offerings and value brands.

While the category remains pressured, we don't view the current promotional environment as sustainable over the long term. In fact, in select markets, we are beginning to see early signs of improvement as pricing gaps have narrowed and our relative competitiveness has strengthened.

Importantly, we're acting through several initiatives that we believe will strengthen our competitive position and improve performance over time.

First, we are excited about the relaunch of Nature's Own, supported by a broad, integrated marketing campaign designed to reinforce the brand's differentiated value proposition and deepen consumer engagement. The relaunch also includes half loaves, aligning more closely with evolving consumer preferences around fewer and simpler ingredients, freshness, portion size, and affordability.

In addition, we sharpened price points within our Wonder Bread portfolio to help narrow pricing gaps in key areas of the category. While near-term pressures remain, we believe these actions position us to improve our trajectory over time.

So let me provide additional context on the Nature's Own relaunch. This marks the first major relaunch of our flagship brand in well over a decade and represents the next step in its long history of innovation since its introduction in 1977. Grounded in extensive consumer insights, the relaunch further strengthens Nature's Own's position in the better-for-you segment with simpler ingredients and Non-GMO Project Verified products. These enhancements better align the brand with the evolving needs of today's consumers while further differentiating us from the competition.

Supporting the relaunch, this week we announced a nationwide, 360-degree marketing campaign featuring actor and former WWE star John Cena as the brand's "Breaducator." The campaign highlights the brand's refreshed positioning around simpler ingredients, Non-GMO Project Verified products, and other better-for-you attributes that increasingly resonate with health-conscious consumers.

John's broad appeal, and strong favorability make him a highly effective ambassador to communicate these benefits in a compelling and accessible way, while naturally reinforcing themes of strength, wellness, and healthier living. His longstanding relationship with the Make-A-Wish Foundation also aligns closely with Flowers' values and our own commitment to supporting that organization, further enhancing the authenticity and purpose behind the partnership.

We designed this campaign to engage consumers across the entire path to purchase and clearly communicate the product's key attributes at shelf. The early response from our retail customers and DSD partners is encouraging. We believe these efforts will further reinforce Nature's Own's leadership position in the category.

We also continue to strengthen our position in the category with leading brands in the organic, gluten-free, and keto segments. In organics, Dave's Killer Bread remains the #1 brand and sustained market share with strong momentum in the breakfast segment driven by our recent DKB mini bagels launch.

Canyon Bakehouse also maintained its share position in the category and continues to be the number 1 choice for consumers looking for great taste and a gluten-free option.

Nature's Own Keto remains the leading brand in this growing segment and delivered strong growth this quarter, gaining 180 basis points of unit share and 250 basis points of dollar share. As consumers look to supplement their consumption with keto or protein options, we are strategically positioned to meet those needs with our offerings.

Our comprehensive review affirms our opportunity within snacks, where building out our better-for-you snacking platform—anchored by Simple Mills and Dave's Killer Bread—remains a strategic priority.

Simple Mills delivered growth ahead of our expectations in the quarter, supported by broad-based momentum across the portfolio, strong underlying consumer demand, and positive initial response to this year's innovation launches. Retail sales increased 9%, driven by strength in the Cookies and Crackers categories, reinforcing the resilience and appeal of the brand.

Cookies grew 43% and Crackers grew 3% in the quarter, both outpacing their respective categories and maintaining the #2 position. This performance was driven by a combination of distribution expansion and velocity gains across both food and mass channels. Importantly, our recent innovation launches are performing at or above expectations, providing additional confidence in the sustainability of Simple Mills' growth trajectory, which we are forecasting to accelerate in the balance of 2026 as the innovation items gain momentum.

Suffice to say, we're pleased with the strong momentum at Simple Mills and confident in the brand's long-term growth opportunity.

Our Dave's Killer Bread organic snack bars continue to perform well in the nutritional snack bar subcategory, driving increases in both units and dollars versus last year and holding share. Additionally, DKB's Amped-Up Protein Bars are resonating with consumers seeking higher-protein options and functional benefits.

In the breakfast segment, we continued to build momentum in the quarter, delivering 20 basis points of unit share gains and 40 basis points of dollar share gains. This performance extends the strong track record of both Wonder and Dave's Killer Bread and reinforces our confidence in our ability to drive continued share gains over time.

In sandwich buns and rolls, Wonder experienced a modest decline in unit share, down approximately 30 basis points versus last year. However, this was largely offset by strong performance from Nature's Own and Dave's Killer Bread, both of which delivered gains in unit and dollar share during the quarter.

Strengthening our connection with both customers and consumers is key to sustaining the relevance of our brands. One way we are doing this is through purpose-driven, community-focused partnerships.

We're proud to support the U.S. military, and through our "Deploy the Joy" shopper campaign, we expect to contribute more than \$3 million dollars to the USO by the end of this year since launching the partnership in 2018. This demonstrates our strong commitment to the communities we serve while deepening emotional engagement with our brands.

Turning now to our cake business, which is showing improved performance driven by the launch of our Wonder cake products last year. With incredibly strong brand recognition, Wonder's line of cake products has continued to revitalize performance in the category.

In the first quarter, while cake category sales declined 1.4%, Flowers cake sales grew 6%, driven by Wonder cake unit share increasing 120 basis points.

Additionally, profitability in our cake business improved meaningfully year-to-date, driven by disciplined pricing, mix shifts toward higher-margin branded items, and ongoing operational efficiencies in our bakeries.

While we remain optimistic in the power of our brands and the innovative products we are bringing to market, the overall demand environment for the traditional loaf segment, which is approximately 38% of our branded portfolio – remains soft. Therefore, cost control is a top priority. The team made measurable progress in the first quarter and reduced SD&A as a percentage of sales. This improvement was driven by enterprise-wide cost actions, including effective management of input costs, optimization of marketing expenses, and a good overall expense management across corporate departments.

As I have emphasized, in addition to our cost savings efforts, we are continuing to invest in the business and in the successful execution of our portfolio strategy. Increasing the mix of higher-margin branded retail products is a critical driver of long-term growth and margin expansion. Our portfolio review reaffirmed the strength of our brand leadership and reinforced our confidence in our strategy to extend that leadership over time.

At the same time, we recognize the continued challenges in the consumer environment and remain disciplined in how we prioritize and deploy investments.

This brings me to capital allocation. As we noted on our previous call, a key component of our comprehensive review was an evaluation of our capital structure, balance sheet, and financial flexibility through the lens of our growth agenda and long-term shareholder value creation.

To execute our strategy from a position of strength, we are resetting our dividend to an annual rate of \$0.50 per share. This action allows us to reduce leverage and interest expense, enhance financial flexibility, and create capacity to invest behind our leading brands and capabilities to drive above-category growth.

As we increase available capital to reinvest in the business, we will take a disciplined and balanced approach to capital allocation—prioritizing high-return investments while continuing to return capital to shareholders. Importantly, we remain committed to maintaining a sustainable dividend as a core component of our overall shareholder value proposition.

Now, Anthony will cover the details of the quarter and then I'll close with comments on how we're thinking about our long-term strategy and our outlook for the current business environment. Anthony?

**Anthony Scaglione, CFO**

Thank you, Ryals.

As Ryals discussed earlier, our comprehensive review of our brand portfolio, operations, and financial strategy is sharpening our focus on where and how we compete, how we serve our customers, and how we allocate capital to maximize our long-term potential. While it's still early in this process, we are encouraged by the progress we are making.

Last quarter we made the decision to de-prioritize two regional brands to focus on higher-value opportunities, and our review is ongoing as we continue to actively evaluate and optimize our portfolio to support long-term value creation.

Operationally, we have realigned our DSD reporting structure and are continuing to review additional opportunities to strengthen P&L alignment across the business. At the same time, we are exploring targeted applications of AI tools to enhance decision-making, drive productivity, and unlock deeper, more actionable insights into our performance.

Another key component of our comprehensive review is ensuring we have the financial flexibility to adequately fund our most promising growth initiatives, while allocating capital in a disciplined manner to enhance long-term shareholder value. With that in mind, I'd like to provide additional context around the dividend decision and how it supports our balance sheet objectives and near-term capital priorities.

As Ryals mentioned, we are resetting the dividend to an annualized rate of \$0.50 cents per share. This action is expected to free up meaningful cash flow, which we intend to primarily direct toward debt reduction in the near term as we continue to manage our investment-grade profile. At quarter end, net leverage was 3.2 times adjusted EBITDA. Our objective is to reduce leverage to below 3.0 times on a sustainable basis, and we expect the dividend reset to be an important lever in achieving that goal.

Importantly, this action goes beyond improving leverage metrics. It creates incremental capacity to invest behind our most promising brands and growth initiatives, while enhancing overall financial flexibility. At the same time, it allows us to maintain an attractive current yield for shareholders during this period of strategic transformation.

Our capital allocation framework remains anchored in a few key priorities: reducing debt, investing in our core brands, modernizing our supply chain, and supporting our longer-term portfolio transformation. As we move forward, we will continue to concentrate resources on the brands and categories with the strongest potential to drive growth and share gains, while ensuring we effectively meet consumer needs across a range of price points and value tiers.

Now, turning to our first quarter 2026 results.

Net sales increased 1.1% from the prior-year period. Price/mix increased 210 basis points, benefiting from pricing taken at the end of last year.

Volume declined 3.3% largely due to pressures in branded traditional loaf and store branded cake and loaf. That softness was partially offset by growth in snacking, branded keto, and vending.

Breaking this down further, branded retail sales rose 3.4% driven by positive price/mix and the contribution from the Simple Mills acquisition, partially offset by lower volume. Other net sales decreased 3.1% on lower volume in store-branded retail sales, partially offset by improved non-retail sales.

Gross margin as a percentage of sales, excluding depreciation and amortization, was 49.4%, a 50-basis point decrease to last year. This decrease was driven by reduced operating leverage due to lower volumes, and

increased outside purchases of products related to Simple Mills, partially offset by lower ingredient costs also associated with Simple Mills.

On a GAAP basis, SD&A expenses as a percentage of sales were 40.9%, a 10-basis point decrease over the prior year period. The slight decrease was due to lower distributor fees as we converted to an employee-based model in California and the addition of Simple Mills, partially offset by higher workforce-related costs from the California transition as well as the impact of overall incentive compensation compared to prior year. Greater legal settlements and restructuring-related implementation costs were also a factor, partially offset by prior year acquisition costs.

On an adjusted basis, SD&A was 39.3% of net sales, a 20-basis point decrease. The reduction was driven by lower marketing and lower distributor fees as a percentage of sales from the addition of Simple Mills, given its warehouse distribution model. The organization has also stayed vigilant on costs, and this remains a key focus area as we navigate the balance of the year.

GAAP diluted EPS for the quarter was 20 cents, a 5-cent decrease over the prior year period. Excluding the items affecting comparability detailed in the release, adjusted diluted EPS in the quarter was 29 cents, compared to 35 cents in the prior-year period.

Turning now to our balance sheet and cash flow.

As I discussed earlier, we are committed to maintaining a strong balance sheet as we continue to navigate a challenging macro environment. This financial strength remains a priority, and we have taken recent steps to improve our balance sheet, securing a new \$400 million dollar delayed-draw facility to fund the maturity of our bonds coming due in October of 2026 – completely de-risking that maturity.

Turning to cash flow. We generated cash flow from operating activities of \$108 million in the first quarter, a decrease of \$28 million over the prior year period. Capital expenditures were \$21 million in the quarter, a decrease of \$5 million, and dividends paid were \$54 million in the quarter. Having spent time reviewing the maintenance and growth initiatives, we expect total capital expenditures in 2026 in the range of \$115 to \$125 million dollars.

For the balance of 2026, we are reiterating our guidance. Our team remains focused on disciplined execution—controlling what is within our control—and delivering against our strategic and financial objectives, while maintaining an appropriate level of caution given the external environment.

From a macro perspective, we continue to closely monitor the impact of inflation on consumer behavior, as well as cost-related pressures across the business. This includes potential impacts to import costs from tariffs, where we are collaborating with suppliers to mitigate increases. We are also monitoring key input costs such as diesel fuel, edible oils, and packaging resin, and we are actively offsetting some of these pressures through productivity and other cost management initiatives.

That said, we are pleased by the continued evolution of our product portfolio, which is increasingly positioned to deliver value across a broader range of price points and consumer needs. We remain committed to investing behind our brands to enhance value and relevance, highlighted by the recent relaunch and reformulation of Nature's Own.

Overall, while we are encouraged by the progress we are making against our comprehensive review, we remain cautious on the near-term top-line outlook given category trends and ongoing pressure on the consumer. At the same time, we are confident in our ability to remain disciplined on costs and to take the necessary actions to further evolve our operating model, strengthen execution, and position the business to deliver improved performance over time.

Thank you. And now I'll turn it back to Ryals.

**Ryals McMullian**, *Chairman and CEO*

Thank you, Anthony.

Now, I'd like to provide some perspective on our long-term strategic direction and how we are positioning the business to navigate the current environment and drive sustainable value.

A key insight from our comprehensive review is the need to further sharpen our focus: strengthening our core brands, enhancing demand generation and supply chain capabilities required to outperform in the market, and maintaining discipline in how and where we allocate capital.

Our commitment to investing behind our strongest brands is already evident in the relaunch of Nature's Own. At the same time, we are working to reshape the bread, buns, and rolls category by leaning into faster-growing, better-for-you segments. We continue to build on our leadership in specialty offerings, including our position as the number one keto bread brand nationally, while expanding our presence in functional innovation through the national launch of protein breads and buns. These products align with evolving consumer preferences and represent important drivers of future growth.

To further strengthen demand generation, we are advancing our revenue growth management capabilities and leveraging the scale and reach of our DSD and IDP networks in close partnership with our customers. At the same time, we remain focused on disciplined cost management and operational efficiency to deliver consistent performance in a challenging environment.

Finally, our disciplined approach to capital allocation and cost management is enhancing financial flexibility and enabling us to invest in the highest return opportunities. To drive productivity, we will continue to evaluate and optimize our cost structure and organizational alignment considering current category dynamics, particularly in light of the rapidly developing capabilities enabled by AI.

Before I close, I'd like to provide perspective on the current operating environment.

While we are pleased with our execution across the P&L this quarter, top-line trends remain under pressure, and we are approaching the near term with an appropriate level of caution.

That said, we continue to see areas of resilience and growth within our portfolio. Performance remains relatively strong in snacking and other adjacent categories, as well as in products with clear points of differentiation. These trends reinforce our strategy to pivot toward faster-growing segments while continuing to support our core business.

From a consumer standpoint, many of the dynamics we highlighted last quarter persist. Inflationary pressures continue to impact household budgets, driving increased price sensitivity and more selective purchasing behavior. We are seeing ongoing trade-offs across price tiers, as well as channel shifts toward club and other value-oriented outlets.

At the same time, health and wellness trends continue to shape demand. Consumers are gravitating toward products with simpler ingredients and perceived functional benefits, while moderating consumption in certain traditional center-store categories. This reinforces our focus on innovation and renovation, including the transformation of Nature's Own with fewer, simpler ingredients and our continued expansion into better-for-you offerings.

In response, we are maintaining a balanced and disciplined approach. We are actively managing pricing and promotional spending with a clear focus on return on investment, while optimizing our marketing investments to prioritize the highest impact opportunities. At the same time, we're maintaining tight control over costs, including commodities and overhead, to help mitigate top-line pressure.

Looking ahead, we will continue to make progress on the comprehensive review. While we expect the environment to remain challenging in the near term, we are confident in our ability to navigate these dynamics. Our strategic priorities, combined with disciplined cost management, position us to offset category pressures and drive sustainable, profitable growth over the long term.

Finally, I want to thank our team for their continued focus and execution. Their commitment is critical as we navigate the current environment and build a stronger foundation for future growth.

That concludes our prepared remarks.

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### **Forward-Looking Statements**

Statements contained in this transcript and certain other written or oral statements made from time to time by Flowers Foods, Inc. (the "company", "Flowers Foods", "Flowers", "us", "we", or "our") and its representatives that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to current expectations regarding our business and our future financial condition and results of operations and are often identified by the use of words and phrases such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "should," "will," "would," "is likely to," "is expected to" or "will continue," or the negative of these terms or other comparable terminology. These forward-looking statements are based upon assumptions we believe are reasonable. Forward-looking statements are based on current information and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected. Certain factors that may cause actual results, performance, liquidity, and achievements to differ materially from those projected are discussed in our Annual Report on Form 10-K for the year ended January 3, 2026 (the "Form 10-K") and our 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 the impacts of tariffs, including retaliatory tariffs); and (7) accounting standards or tax rates in the markets in which we operate, (b) the loss or financial instability of any significant customer(s), including as a result of product recalls or safety concerns related to our products, (c) changes in consumer behavior, trends and preferences, including health and whole grain trends and consumer buying habits, the movement toward less expensive store branded products, and the continued reduction of purchases in the fresh packaged bread category, (d) the level of success we achieve in developing and introducing new products and entering new markets, (e) our ability to implement new technology and customer requirements as required, (f) our ability to operate existing, and any new, manufacturing lines according to schedule, (g) our ability to implement and achieve our corporate responsibility goals in accordance with regulatory requirements and the expectations of our stakeholders, suppliers, and customers; (h) our ability to execute our business strategies which may involve, among other things, (1) the ability to realize the intended benefits of completed, planned or contemplated acquisitions, dispositions or joint ventures, such as the acquisition of Simple Mills, (2) the deployment of new systems (e.g., our enterprise resource planning ("ERP") system), distribution channels and technology, and (3) an enhanced organizational structure (e.g., our sales and supply chain reorganization), (i) consolidation within the baking industry and related industries, (j) changes in pricing, customer and consumer reaction to pricing actions (including decreased volumes), and the pricing environment among competitors within the industry, (k) our ability to adjust pricing to offset, or partially offset, inflationary pressure or tariffs (including retaliatory tariffs) on the cost of our products, including ingredient and packaging costs; (l) 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 (“IDPs”), and changes to our direct-store-delivery distribution model in California, (m) increasing legal complexity and legal proceedings that we are or may become subject to, (n) labor shortages and turnover or increases in employee and employee-related costs, (o) the credit, business, and legal risks associated with IDPs and customers, which operate in the highly competitive retail food and foodservice industries, (p) 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, (q) the failure of our information technology systems to perform adequately, including any interruptions, intrusions, cyber-attacks or security breaches of such systems or risks associated with the implementation of the upgrade of our ERP system; and (r) the potential impact of climate change on the company, including physical and transition risks, our availability or restriction of resources, higher regulatory and compliance costs, reputational risks, and our availability of capital on attractive terms. The foregoing list of important factors does not include all such factors, nor does it necessarily present them in order of importance. In addition, you should consult other disclosures made by the company (such as in our other filings with the 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 our Form 10-K, Part II, Item 1A., Risk Factors, of the Form 10-Q for the quarter ended April 25, 2026 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.

#### **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 EBITDA margin, adjusted net income, adjusted diluted EPS, adjusted income tax expense, adjusted selling, distribution and administrative expenses (SD&A), and gross margin excluding depreciation and amortization. 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. 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 EBITDA margin, adjusted net income, adjusted diluted EPS, adjusted income tax expense and adjusted SD&A, respectively, to exclude additional costs that the company considers important to present to investors to increase the investors' insights about the company's core operations. These costs include, but are not limited to, the costs of closing a plant or costs associated with acquisition and integration-related activities, restructuring activities, certain impairment charges, legal settlements, costs to implement an enterprise resource planning system and enhance bakery digital capabilities (business process improvement costs) to provide investors direct insight into these costs, and other costs impacting past and future comparability. The company believes that these measures, when considered together with its GAAP financial results, provide management and investors with a more complete understanding of its business operating results, including underlying trends, by excluding the effects of certain charges. Adjusted EBITDA is used as the primary performance measure in the company's 2014 Omnibus Equity and Incentive Compensation Plan (Amended and Restated Effective May 25, 2023).

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 release to the most comparable GAAP financial measure.