

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

FLO.N - Q2 2025 Flowers Foods Inc Earnings Call

EVENT DATE/TIME: AUGUST 15, 2025 / 12:30PM GMT

## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**JT Rieck** *Flowers Foods Inc - Executive Vice President, Finance & Investor Relations*

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

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

## CONFERENCE CALL PARTICIPANTS

**Stephen Powers** *Deutsche Bank Securities Inc. - Analyst*

**Bill Chappell** *Truist Securities, Inc. - Analyst*

**Jim Salera** *Stephens Inc - Equity Analyst*

**Mitchell Pinheiro** *Sturdivant & Co Inc - Equity Analyst*

**Scott Marks** *Jefferies LLC - Equity Analyst*

## PRESENTATION

### Operator

Good day and thank you for standing by. Welcome to the Flowers Foods second-quarter 2025 results conference call.

Please be advised that today's event is being recorded.

I would now like to hand the conference over to your opening speaker today, JT Rieck, Executive Vice President of Finance and Investor Relations. Please go ahead.

---

**JT Rieck** - *Flowers Foods Inc - Executive Vice President, Finance & Investor Relations*

Thank you and good morning everyone. I hope you all had the opportunity to review our earnings release, listen to our prepared remarks, and view the slide presentation that were all posted earlier on our investor relations website. After today's Q&A session, we will also post an audio replay of this call.

Please note that in this Q&A session, we may make forward-looking statements about the company's performance. Although we believe these statements to be reasonable, they are subject to risk 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. We also provide non-GAAP financial measures for which disclosure and reconciliations are provided in the earnings release at the end of the slide presentation on our website.

Joining me today are Ryals McMullian, Chairman & CEO and Steve Kinsey, our CFO.

Ryals, I'll turn it over to you.

---

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

Okay, thanks, JT. Good morning, everybody, and welcome to the second-quarter call.

Before we move to questions, I would like to address one thing right out of the gate. We are in the midst of a transition. The category is transitioning. And by extension Flowers is transitioning. The continued challenging economic environment and shifting consumer trends have pressured end

markets and hampered our recent results. However, we are aggressively responding to that pressure, transitioning our portfolio to better align with current consumer demand.

Now, this transition is going to take time to fully implement and patience will be necessary, but we expect further benefits as we execute our portfolio strategy and continue to develop our deep pipeline of innovation. Our strategies are sound and the early progress we've made in repositioning our portfolio gives me great confidence that we're on the right path to drive consistent long-term growth.

I would like to thank the entire Flowers team for their tireless dedication in this process and our shareholders for their partnership and support.

So with that, Gigi, we'll take questions.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Steve Powers, Deutsche Bank.

---

### Stephen Powers - Deutsche Bank Securities Inc. - Analyst

Ryals, first for you. So on the branded side, you mentioned in the prepared remarks, greater competitive intensity, and also cited, new lower price bread products as creating challenges in the current environment, maybe just a little bit more detail there as to what you're seeing and what's incremental versus last quarter.

And then, also you for versus us and I think versus like sequential trends, maybe the bigger change in trend came on the other side, not in branded, so maybe also what you're seeing on that, and then if I could, I got a follow up for Steve.

---

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

Okay, sure. So in terms of the competitive environment, as we said, Steve, the promotional environment is elevated, but relatively stable, you've seen us promote a little bit more, particularly around our differentiated products continuing to drive trial awareness, household penetration, et cetera. And that's definitely paying some dividends as you can see with DKB's performance in the quarter.

Yes, there have been some lower priced entrants into the markets that is pressuring results somewhat and I would say that's particularly affecting the traditional loaf area, which we're, as you know particularly exposed to. We are addressing that, we have our own line of small loaves now, and we have more coming to address that value shopper, but I think Steve, it's a continuation of the trend that we've seen in the sense that the market remains bifurcated, certainly on the premium differentiated side of things, you see good performance, but you also see good performance on the value end, particularly in mass and club channels. So it's there, we're aware of it, and we're proactively addressing it.

In terms of the other category, there was -- yeah, a lot of the private label businesses is bid business, so it's not unusual for it to come and go and a lot of that on the private label side was driven by lost business that eventually gets replaced by something else. But we're also seeing continued weakness in the away-from-home food service business as well, so that's what's driving that.

---

### Stephen Powers - Deutsche Bank Securities Inc. - Analyst

Okay, very clear.

Steve, if I could on the -- I got two questions for you. One is just on the updated tariff outlook. I wasn't clear from your remarks if previous tariff costs have just been delayed because of -- just because of volume dynamics or if you've updated kind of structurally to a lower tariff cost run rate number one.

And then number two, from a -- I guess from a capital allocation standpoint with this reduction in EPS guidance, the gap between your dividend commitments and your current EPS run rate is increasingly narrow. So just how you're thinking about that, I know the board just raised the dividend, you say you feel you're kind of good about overall, kind of cash and capital positioning, but just how you're thinking about that and as you pay down debt, just the relative constraint that the dividend may place on M&A aspirations.

Thank you.

---

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

Thank you, sure.

With regard to the tariffs, actually it's just structurally it's an update with things becoming, I guess, maybe more final, for lack of a better term, we just continue to follow the various countries and the changes from an overall rate. And so it's not really a delay, it's actually -- we expect tariffs to pull back, quite a bit based on the -- based on what we're seeing currently.

Overall, with regards to kind of the capital allocation structure. I mean, we've always taken -- try to take a balanced approach. And you're right, I mean the board evaluates this, quarter to quarter. And they'll take into consideration performance, cash flow, liquidity, and this will be no different, you'll continue to have those conversations and we'll continue to make decisions as things progress.

---

**Stephen Powers** - *Deutsche Bank Securities Inc. - Analyst*

Okay, remind me, is there a target payout ratio? I mean, I'm assuming you're running now quite higher than ideal. Like what's the -- is there a stated long-term target?

---

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

No, we currently do not have a stated targeted payout ratio.

---

**Stephen Powers** - *Deutsche Bank Securities Inc. - Analyst*

Yeah.

---

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

Yeah.

---

**Stephen Powers** - *Deutsche Bank Securities Inc. - Analyst*

You can go ahead, sorry, Ryals. I didn't mean to cut you off (multiple speakers)--

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

Just yeah, in terms of the payout ratio, one thing that we like to remind people is that, if you look at that on a cash basis, it's quite different than it is on a GAAP basis just due to D&A being significantly above our CapEx so just wanted to remind you of that as well.

---

**Stephen Powers** - *Deutsche Bank Securities Inc. - Analyst*

Yeah. Understood. Thank you so much.

---

**Operator**

(Operator Instructions)

Bill Chappell, Truist Securities.

---

**Bill Chappell** - *Truist Securities, Inc. - Analyst*

So, I guess back to the competitive question, I guess 10 years ago, maybe not that long ago, it was supposed to be a duopoly between you and Bimbo and the thought would be (technical difficulty) everybody play well in the sandbox in the -- on the pricing, but instead, all the players kind of competed for market share, competed for capacity utilization, and gave that up for profits and so the gross margin never really improved. And we had a kind of a six-, seven-year period where it's been pretty benign. Are we going back to the five, six, seven, eight years ago where it's buy-one, get-one free and more competitive and figuring out more ways where it's kind of a race to the bottom on profitability or is it not that bad?

---

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

Yeah, I don't think it's that bad. I think that what you're seeing more than anything else, Bill, as I said at the opening is a pretty significant transition in the category, primarily driven by significantly shifting consumer trends and we can spread that over a lot of different things, right? We can spread it over health and wellness, MAHA movement, GLP-1s, whatever it is. Ultra-processed foods, all that sort of stuff. It is really changing the dynamics in food and particularly in baked foods. For whatever reason, they tend to get called out quite a bit when the ultra-processed argument comes up, and I think we're seeing a lot of that now.

We are committed to aggressively innovating to work our way through this transition. Most of -- we can have a conversation about food service, but that's more macroeconomic driven. But, on the retail side of things what is being most affected is traditional loaf. Those less-differentiated white and wheat breads are what are being affected the most. That is why we're innovating so aggressively to work our way through that. We've seen tremendous success with things like Dave's Killer Bread, Canyon Bakehouse, across different subsegments of the category too, not just breads, but sandwich, buns and rolls, breakfast, et cetera. And we're winning in those areas. Keto is another example that I would give you. Our keto products were up, I think, 37% in the quarter, and that segment of the category continues to grow. We have a wonderful slate of innovation coming out in Q3 to further address the softness in these categories.

That's really the solve for us, Bill, is just working our way through this de-emphasis by the consumer, if you will, on traditional loaf as it stands today. And towards more innovative and differentiated products in addition to value offerings.

Now, having said that, with regard to traditional loaf, we do have plans to address that even more directly. I'm not going to get into it today for competitive reasons, but we do have plans to address the relative weakness of large brands like Nature's Own.

**Bill Chappell** - *Truist Securities, Inc. - Analyst*

Got it. Well, just to follow up I mean. I don't doubt you have plans to improve profitability, but you obviously don't work in a vacuum. So how about your competitors? I mean, not just Bimbo, but think about the dozens of smaller regional competitors who are usually the bad guy when it comes to promotions and driving -- to try to drive volume. I mean, are you comfortable that everyone is working on the same goal or could it get worse from that standpoint in terms of the competitive pressures?

---

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

Well, look, I mean, this has always been a competitive category and you know our competitors are going to do what they're going to do, that's not within my control. What is within my control is what Flowers is going to do. And our strength is in our brands, our strength is in our innovation, and that's what we're going to continue to focus on.

---

**Operator**

(Operator Instructions)

Jim Salera, Stephens.

---

**Jim Salera** - *Stephens Inc - Equity Analyst*

I also wanted touch on something you'd mentioned in the [prepared] remarks about, Wonder obviously helping to contribute to share gain in cake and that they didn't see any cannibalization in Tastykake. Are you able to just give us some commentary around is that just due to the geographies where Wonder is rolling out or do you have retailers where you know in the regions that Tastykake's a little bit more formidable that you have Tasty and Wonder in the same set?

---

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

Yeah, maybe a little bit. I mean -- Tasty, as you know is, particularly strong in that mid-Atlantic region, whereas Wonder naturally is more of a natural -- national brand. I'll admit I'm a little bit surprised that there hasn't been more cannibalization, but I'm quite pleased that there has not been. But Wonder, the launch of that line of products has vastly exceeded our expectations.

And now even our forecast off of early results, it's running ahead of that. Retailers continue to be excited about it, the consumer has accepted it with enthusiasm, and we're going to continue to add to that. We've got more innovation coming from one or two. So we've been extremely pleased with the results there.

---

**Jim Salera** - *Stephens Inc - Equity Analyst*

Right, and then shifting gears a little bit on talk on Simple Mills. As you talk about innovation and I can appreciate, this kind of a broad range of stuff you guys can lean into. Should we expect to see Simple Mills as kind of an outsized contributor on the innovation side or you really speaking to the legacy portfolio brands?

And then as maybe a part two to that, I'm in the Midwest and I saw Simple Mills pretty prominently at a club retailer the last time I was shopping there that could have just been something that was there that I missed, but maybe any comments is that something you guys are seeing more engagement with club or you guys have a reputation in club. Any color that would be great.

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

Okay, on the innovation front.

As I was responding to to Bill's question, I was speaking more in terms of the core category, Jim. However, Simple Mills will also continue to aggressively innovate. I think I've mentioned on maybe the last call that they had kind of been on every other year innovation rotation. We're working with them to speed that up and we have aggressive plans for them for next year.

In terms of the club rotation, I'm not quite sure I understood the question, but if you were saying that you were in a club retailer and didn't see what you're used to seeing, that's probably due to rotations. (multiple speakers)

---

**Jim Salera** - *Stephens Inc - Equity Analyst*

I'm sorry, go ahead.

---

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

No, go ahead, Joe.

---

**Jim Salera** - *Stephens Inc - Equity Analyst*

I had seen Simple Mills more prominently than I had traditionally seen it, and so I wasn't sure if you guys were on a rotation, that I had -- that hadn't been the case before.

---

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

No, nothing's changed. They have rotations in club. I'll just add, they continue to grow their distribution points and had another nice quarter of that in Q2. So that business continues to perform very well, even though in the second quarter, they were somewhat affected by that cyberattack at UNFI. And even with that still performed in line with our already high expectations. We expect that to continue. They're doing great.

---

**Jim Salera** - *Stephens Inc - Equity Analyst*

Great, I'll pass it along. Thanks.

---

**Operator**

(Operator Instructions)

Mitchell Pinheiro, Sturdivant and Company.

---

**Mitchell Pinheiro** - *Sturdivant & Co Inc - Equity Analyst*

So we talk about like the transition, you're in the midst of a transition and it's going to take time. I mean, it's going to take -- how fast do you see your innovation and some of your other plans that you have to address this? I mean, this is a long time to turn around an aircraft carrier. Nature's Own is a huge brand and your other loaf products. I mean, it's the bulk of your business, so the transition, I mean, this is going to be, right, a five-year minimum time period to sort of get this turned around. Or are there I want say quicker fixes, but are there more near-term things that you see that can speed up this transition?

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

Yeah, fair question. I'm not going to put a time on it today, but I did note that some patience is going to be required. It's not an overnight fix. This is a -- as a generational shift in our category, perhaps a once in a lifetime shift that needs to be addressed. Mitch, I do think that the category and I'm speaking mostly about traditional loaf. I do think that the category will stabilize eventually.

Now, if that, I don't know if that's next quarter or this time next year, it's hard to say, but I do think that it will stabilize. I think that we're seeing a lot of things, primarily, the shift in consumer taste and behaviors.

I think part of this is kind of the final throws of the pandemic [reversion] that, you all were asking us about every quarter, when the worst of the pandemic was over, when was that going to happen? I think that's part of it too in addition to the health and wellness and GLP-1 issue. So I do think it's going to find its footing.

What's important for us is to make sure that, as it begins to stabilize that we're winning in that environment. I'm not saying that traditional loaf is going to go away. There are still tens of millions of loaves of traditional loaf sold, every day. But I do think, it's going to be smaller perhaps than it has been in the past and that needs to be replaced by something, hence the hyperfocus on innovation. And bringing, new exciting products to consumers that have the attributes that they want. That's going to be important.

But even in the traditional loaf area, I do think that there are opportunities for us to further separate ourselves. We do have the number one brand. We still have the number one SKU, there's a lot of things to like about being number one in a category, even though it's declining, but we will continue to invest behind brands like Nature's Own to ensure that it performs as well as it can given the environment.

But yeah, that is going to take some time and it's going to take some time for the innovative segments of the category to more than offset any declines in traditional loaf. But again, I do think that we have the ability to further mitigate any further losses even in that soft traditional loaf category.

**Mitchell Pinheiro** - *Sturdivant & Co Inc - Equity Analyst*

And then how are you looking at your gross margin as it relates to the lower volume and the negative fixed cost leverage? Do you have leverage there you can pull to maintain your gross margin despite the volumes being under pressure?

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

Yeah, we do, and we closed a bakery earlier this year, Mitch. We've closed several in the last few years. That's not the only lever we have to pull, but it's certainly one of them. There are path to market efficiencies as well that we can extract and we have plans in place to address all of that.

The other thing I would note is that via our portfolio strategy, the food service business that, we're a very scaled food service player, we have refilled that volume with much higher margin business and thus the profitability of that away from home business is up significantly. I've mentioned that a few times, but I think it bears repeating today in the context of what you just asked. So it's not just closing bakeries or lines or whatever, there's also optimization of the portfolio, if you will, to margin up to better business to help address that overhead leakage that you referenced.

**Mitchell Pinheiro** - *Sturdivant & Co Inc - Equity Analyst*

I guess this last question is on M&A. Obviously M&A is a quick way -- a quicker way to help transition to other products, other adjacencies, and I guess, having just acquired Simple Mills, I mean, is there an appetite for further M&A? I mean right now with the way you're -- the 3.2 levered or is this something that we'll see over time?

---

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

I would say, as of today, Mitch, probably a little bit more over time. I mean, obviously, we're focused on debt pay down right now, but as always, we continue to monitor the market. I guess I would also offer up that there are other ways to do M&A other than cash. So it's always -- it has been and will always be one of our big strategic priorities.

---

**Operator**

(Operator Instructions)

Scott Marks, Jefferies.

---

**Scott Marks** - *Jefferies LLC - Equity Analyst*

First thing I wanted to ask about is you just touched upon still putting investment dollars behind Nature's Own and some of the more mainstream loaf parts of the portfolio, but in the prepared remarks you talked about more of the, let's say promotional activity being in kind of the differentiated parts of the portfolio to drive trial and repeat purchase.

So maybe as we think about the investments in the more mainstream traditional loaf part of the category, how should we be thinking about those investments? Will that be behind marketing? Will that be promotional? Will that be packaging redesign? Just trying to understand how those investment dollars will be spent.

---

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

Yeah, it'll be a mix of promotional support but that's always been the case, that's not new, and like we always say we view promotions more as a tool to drive trial and awareness than necessarily unit share, and I think, if you look back at our market share performance even through this tough transition period, our market share performance, particularly on a relative basis, has been impressive. And I think that will continue and I think that's a testament to our overall strategies and our brand support and promotional strategies. But yeah, it'll be a mix of marketing, dollar support, and promotions but that's -- again, that's no big change there, we've been doing that.

---

**Scott Marks** - *Jefferies LLC - Equity Analyst*

Got it.

And then as we think about these differentiated better for you offerings that you're talking about maybe some of the small loaf products that you mentioned, just what part of the portfolio is that in terms of just overall mix right now and relative to where you want that to be three, five, seven years out.

---

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

Yeah, in terms of small loaf, it's pretty small right now, actually but growing, and I think that could ebb and flow a little bit with the economy, Scott, but from a more demographic perspective, we see a lot more smaller households now. So from that standpoint, I think it will continue to be a pretty big part of our portfolio and the category. In fact, some retailers are even resetting shelves with small loaf segments within the shelf. So I think that's an indication of how important it is to the retailers as well.

**Scott Marks** - Jefferies LLC - Equity Analyst

And then just maybe what you would consider, the more differentiated part of your portfolio, how should we think about the current mix versus where you want to get that to.

---

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

Well, that's a focus for us. And so over time, you'll see that continue to grow and be a bigger and bigger part of our portfolio, not only within the bread category, but within adjacent segments with our DKB bars and our Snack Bites and Simple Mills on top of that -- you can -- it's pretty obvious, you're seeing us really lean into that area. We like it because we think it's the right thing to do for the consumer and we also like it because it's premium and the profits are quite robust. That's also been a focus of our M&A efforts as well.

---

**Scott Marks** - Jefferies LLC - Equity Analyst

Got it.

And then maybe if I can just squeeze one more in. You mentioned retailers resetting some shelves focusing on smaller loaves, maybe what other changes have you seen from retailers recently to address some of the pressures and competitive intensity that you've spoken to.

---

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

Yeah, I think, other than the small loaves, obviously you've seen significant growth in organics and with the 75 share, we've been the primary beneficiary of that. So we've seen substantial space gains, particularly in mass for DKB which I think really highlights the bifurcation of the category. When you think about mass as a value shopper's paradise, the fact that they're also focusing on premium tells you a lot about the category. But other than the small loaf piece, not a whole lot more has happened yet from the retailer standpoint. But I do think that that is coming at some point. I think we'll see some amount of shelf reallocation that reflects these consumer trends as we go forward.

---

**Operator**

Thank you. At this time, I would not like to turn the conference back over to Ryals McMullian for closing remarks.

---

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

Okay, thank you, Gigi.

I want to thank everybody for taking time today and joining us for questions. We appreciate your interest in our company and as always, we look forward to talking with you again next quarter. Take care.

---

**Operator**

This concludes today's conference call. Thank you for participating. You may now disconnect.

**DISCLAIMER**

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.