



**THIRD QUARTER 2024
PREPARED REMARKS**

November 8, 2024

CORPORATE PARTICIPANTS

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

Ryals McMullian, *Chairman and CEO*

Steve Kinsey, *CFO*

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' 2024 third-quarter results. We will host a live Q&A session this morning 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.

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 Steve Kinsey, our CFO. Ryals, I'll turn it over to you.

Ryals McMullian, *Chairman and CEO*

Thanks J.T. It's a pleasure to welcome everyone to the call.

Our third quarter performance was highlighted by strong execution in a challenging environment. We achieved notable margin improvement and drove strong bottom-line growth despite top-line pressure that was largely due to external factors. Our leading brands continue to outperform the competition and we are making significant progress in improving profitability in our Other category.

Shifting consumer spending patterns have led to headwinds in fresh packaged breads. As a result, category sales declined in both units and dollars. The encouraging volume trends we noted last quarter did not persist, though results improved toward the end of the third quarter, partly due to the impact of Hurricane Helene.

In contrast to the category, Flowers grew both unit and dollar sales. That growth led to superior share performance, gaining 20 basis points of unit and dollar share, the largest increases in the category. We are investing in innovation and marketing to maintain that outperformance.

Our cake business has also been hampered by weak category trends. Although we maintained share in the quarter, unit sales in tracked channels declined 5%, in line with the category. We are taking action to overcome this pressure, including the extension of our Wonder brand into sweet baked goods, which I will cover in more detail later on the call.

Strong execution of our portfolio strategy drove improved performance in our Other category. Sales benefitted from pricing, which more than offset lower volumes across the business. The impact from business exits diminished in the quarter and is now largely complete. Headwinds in certain end markets, particularly QSR, are expected to continue as consumers shift more of their consumption to at-home occasions.

Now, I'll provide an overview of our third quarter performance in the context of our four strategic priorities: developing our team, focusing on our brands, prioritizing margins, and pursuing smart M&A. Following that, Steve will review our financial results and guidance, and then I'll close with a discussion of key themes moving forward.

For more than 100 years, the willingness and ability of our team to rise to the occasion when called has been a hallmark of Flowers. Those attributes are evident across our business, and I'd like to highlight two examples—the recent hurricanes and the transition of our distribution model in California.

I am grateful to inform you that no Flowers team members reported any serious injuries or loss of life from Hurricanes Helene or Milton. Though our bakeries emerged mostly unscathed, that was not the case for many of the communities we serve, some of which suffered unimaginable tragedies.

In keeping with our history and culture, we banded together to ensure that consumers were supplied with necessary products both in preparation for and following the storms. And we are partnering with non-profit organizations and customers to continue delivering food to those in need. As always, I am awed by our team's commitment.

The second example is shifting our business model in California from a partnership with independent distributors to an internal sales team, an undertaking that requires significant coordination and collaboration. Since last year, a large, cross-functional group of Flowers team members has worked together to plan and set the framework for our future in the state. Legal, Sales, Human Resources, Sales Enablement, IT, Procurement, Finance, and many others have been collaborating to make this transition as seamless as possible for our team members and our customers.

I am happy to report that we are making great progress, and have successfully reached a major milestone—completing more than half of our transition. That progress would not be possible without the dedication of our Flowers team, and I'd like to commend all those involved for their efforts.

Our second strategic priority is focusing on our brands, and they continue to perform well despite the challenging environment. In a category where units and dollars declined, each of our primary bread brands grew dollars and units in tracked channels. For example, Nature's Own units increased 2%, DKB 4%, Wonder 3%, and Canyon a stunning 11%.

That performance translated to market share gains, as each of these brands grew unit and dollar share. Canyon's performance was particularly noteworthy, expanding its leadership position in the gluten free category by 360 and 340 basis points of unit and dollar share, respectively.

A robust pipeline of innovative products is contributing to our strong performance. Nature's Own Keto loaf maintained its tremendous momentum, gaining 730 and 770 basis points of unit and dollar share respectively. Despite launching only last year, it is rapidly approaching number one market share in its subcategory. We are building on that momentum as we execute a national launch of keto hamburger buns and plan for the upcoming launch of keto hotdog buns next spring.

Capitalizing on our innovation capabilities and our lineup of strong brands, we are extending into adjacencies and even new categories. Our DKB snack products are one example of that strategy. Having moved DKB successfully into breakfast, buns, and rolls, we further expanded into snacking. Our snack bars are making good progress,

growing dollars and units as we apply best practices throughout our network. And we are ramping up distribution of our snack bites as we prepare for the national launch in 2025.

Similarly, we are capitalizing on Wonder’s extensive brand awareness among consumers by expanding into the sweet baked goods category. We are excited about the strong momentum building around the upcoming launch. Retailers are responding enthusiastically, and even voted Wonder a “top 10 cool new product” at the recent National Association of Convenience Stores trade show. These exciting new products will launch nationally in the spring of 2025.

Needless to say, we see tremendous potential for our innovation pipeline.

Our third strategic priority is margins, an area where we continue to make significant progress. Adjusted EBIDTA margins expanded 110 basis points compared to the year ago quarter, benefitting from the successful execution of our portfolio strategy and our savings initiatives.

We have made great strides in improving the profitability of our away-from-home and private label businesses by ensuring that each account meets our margin targets. That process has resulted in a temporary under absorption of overhead costs as we culled low margin business. However, we are beginning to see the benefit of this strategy with higher margins on existing business and new business wins.

We are also using innovation to shift more of our sales to higher margin products, as we grow premium brands like DKB and Canyon, and add innovative products like Keto in core brands like Nature’s Own.

Savings initiatives are also contributing to the improved margins as we execute on our \$40-50 million target for 2024. To enable the operating leverage implied by our long-term financial targets, we are undergoing a robust process focused on offsetting inflationary pressures in labor, shipping, commodities, and other areas.

Our fourth priority is smart M&A.

The deal market is active, and we are carefully evaluating potential acquisitions with the goal of strengthening our position in core categories and finding new revenue streams across the baked foods category. We seek compelling brands that complement our existing portfolio and that skew towards a “better for you” nutritional profile. Our strong balance sheet positions us well to act when we have financial, commercial, and operational conviction.

As always, we will remain disciplined in our approach and focused on growing shareholder value with an attractive risk/reward balance. Although we may consider acquisitions that require premium multiples, as we paid for DKB, such a premium would require greater conviction in our ability to generate strong growth and a compelling return on investment.

Now, I’ll turn it over to Steve to review the details of the quarter, and then I’ll close with our outlook for the current business environment. Steve?

Steve Kinsey, CFO

Thank you, Ryals – and hello everyone. I am pleased to present our third quarter results.

Net sales decreased 0.7% from the prior-year period. Price/mix improved 1.7%, helped by optimization of our non-retail business, most notably foodservice, but was more than offset by volume declines of 2.4%, largely in cake, foodservice, and institutional sales.

Gross margin as a percentage of sales, excluding depreciation and amortization, increased 130 basis points to 49.8% over the same quarter last year. Comparisons benefitted from improved sales price/mix, moderating ingredient and packaging costs, and decreased product returns. The impact of lower production volumes, higher workforce-related costs, and increased outside purchases of product partially offset the overall improvement.

Selling, distribution, and administrative expenses as a percentage of sales were 38.7%, a 1,170-basis point decrease over the prior year period. The decrease was due to significantly lower legal settlements and related costs, as well as lower distributor distribution fees, marketing expense, logistics and freight costs, and consulting costs. These items were partially offset by increased workforce-related costs, higher rent expense, and lower scrap dough income.

Excluding matters affecting comparability, adjusted SD&A expenses were 38.6% of sales, up 20 basis points compared to the prior period.

GAAP diluted EPS for the quarter was 31 cents per share, a 53-cent increase over the prior-year period. Excluding the items affecting comparability detailed in the release, adjusted diluted EPS in the quarter increased 4 cents over the prior-year period to 33 cents.

Turning now to our balance sheet, liquidity, and cash flow.

Year-to-date, through the third quarter of fiscal 2024, cash flow from operating activities increased by \$25 million to \$282 million. Capital expenditures decreased \$10 million to \$87 million and included \$5 million for the ongoing ERP upgrade. Dividends paid increased \$6 million to \$153 million.

We believe our financial position remains strong. At quarter end, net debt to trailing twelve month adjusted EBITDA stood at approximately 2.0-times. We held \$15.0 million in cash and cash equivalents and had \$531.6 million of remaining availability on our credit facilities.

Now, turning to our outlook for 2024.

We are narrowing the range of our previously issued financial guidance. Our forecast now calls for sales to be up 0.5% to 1.1%, adjusted EBITDA of \$530 to \$542 million, and adjusted EPS in the range of \$1.24 to \$1.28. We are reducing our expectation for capital expenditures to \$130 to \$140 million due to the timing of projects.

Key factors that could shift results within our guidance range include the consumer and promotional environment, the speed at which new business wins ramp up, the transition of our California distribution, and implementation of our savings initiatives.

As previously disclosed, in fiscal year 2023 we reached an agreement to settle distributor-related class action litigation in California. As Ryals noted, we are making progress with the process of repurchasing the distribution rights, which is expected to be completed in 2025 in accordance with the settlement agreement.

Approximately 100% of our key raw materials are covered in 2024. Based on that coverage, our guidance incorporates a moderation in ingredient costs in 2024 relative to the prior year. The year over year benefit from lower raw material costs is expected to moderate significantly as we progress through the fourth quarter. To minimize volatility and provide adequate visibility into costs, we have maintained our historical hedging strategy in which we attempt to increase the certainty of our key ingredient costs 6 to 12 months out.

Our ERP rollout, which is expected to improve data management and efficiencies while automating many of our processes, went live in the second quarter of 2023. We are proceeding deliberately in that implementation to

ensure we continue to effectively meet market demand with our traditional high service levels. As noted previously, we have paused the bakery rollout to concentrate resources on our California distribution transition.

In fiscal 2024, we expect costs for the upgrade of our ERP system to be \$25 to \$30 million, including \$5 to \$7 million expected to be capitalized. Costs related to the project year-to-date are \$18.1 million, of which \$4.9 million has been capitalized. Total costs for the project to date are \$232 million, of which \$117 million has been capitalized.

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

Ryals McMullian, *Chairman and CEO*

Thank you, Steve.

Now I'd like to discuss some of the trends impacting our current performance, and the steps we are taking to maximize present and future opportunities. I'll first touch on consumer trends and then address the competitive environment.

When we provided our initial 2024 financial outlook, it included a cautionary note regarding the uncertain consumer and promotional environment. While trends in those areas remain relatively consistent with the recent past, we have detected some shifts in consumer behavior, and year over year increases in promotional activity have continued.

As we discussed last quarter, to maximize the value of their spending, consumers have shifted more of their purchases to food at-home and specifically to value channels like mass and club stores. The at-home shift is particularly strong at the lower end of the income spectrum.

Despite that positive shift to at-home eating, the bread category as measured in tracked channels has been pressured as consumers gravitate more to the store perimeter. Meal preparation ingredients like proteins, spices, and oils have shown particular strength. Consistent with this theme, notable pockets of growth within bread include tortillas and buns and rolls. Since the pandemic, we have seen a slow reversion of share gains in perimeter bread, though not back to prior levels.

We expect this shift to meal preparation items to be temporary, but we are leveraging consumer trends to help grow the overall category through innovation—providing consumers appealing new options such as our Keto products. Those actions drove continued outperformance, growing bread unit and dollar sales in tracked channels for the third consecutive quarter, as shown on Slide 13.

Slide 9 shows that private label continued to lose unit share, down 40 basis points in the quarter. Sales were hurt by narrowing price gaps as branded retail products increased promotions and private label prices rose 2.7%. Private label sales in traditional grocery have been particularly pressured, perhaps as those consumers seeking value shift more of their spend to mass and club stores.

Turning now to the competitive environment, which remains rational with promotions below prepandemic levels. As I mentioned, in the second half of the year we have seen a notable increase in promotional activity. However, despite the greater promotional levels, the average category price was flat versus the year ago period. Part of the explanation for that trend is a mix shift to premium products, but some is also likely due to a greater percentage of products sold on promotion though with less promotional intensity.

Consumers are responding well to promotions and we continue to effectively leverage our enhanced trade promotion management capabilities. For example, rather than simply focus on price, we have been emphasizing display execution to better-highlight our brands for consumers. Similarly, because consumers are responding well to differentiation, we continue to invest in innovation to meet their evolving needs.

In closing, I am pleased with our strong relative performance in this challenging environment. We are maximizing our opportunities in areas that we control by targeting pockets of growth in branded retail, margining up our private label and away-from-home businesses, and executing on our cost savings plan. These initiatives give me great confidence that we are positioning Flowers for growth in line with our long-term financial targets.

Thank you very much for your time. That concludes our prepared remarks.

Flowers Foods reserves the right to make changes to documents, content, or other information on its website without obligation to notify any person of such changes.

The information contained in this transcript is a textual representative of Flowers Foods' conference call and although 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 call. In no way does Flowers Foods assume any responsibility for any investment or other decisions made based upon the information provided on this website or in any transcript. Users are advised to review the conference call itself and our SEC filings before making any investment decision.

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 December 30, 2023 (the "Form 10-K") and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission ("SEC") and may include, but are not limited to, (a) unexpected changes in any of the following: (1) general economic and business conditions; (2) the competitive setting in which we operate, including advertising or promotional strategies by us or our competitors, as well as changes in consumer demand; (3) interest rates and other terms available to us on our borrowings; (4) supply chain conditions and any related impact on energy and raw materials costs and availability and hedging counterparty 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 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 the movement toward less expensive store branded products, (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 expectations of 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, (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 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, 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 independent distributor partners and customers, which operate in the highly competitive retail food and foodservice industries, (p) any business disruptions due to political instability, pandemics, armed hostilities (including the ongoing conflict between Russia and Ukraine and the conflict in the Middle East), 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, availability or restriction of resources, higher regulatory and compliance costs, reputational risks, and availability of capital on attractive terms. The foregoing list of important factors does not include all such factors, nor 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 the Form 10-K, Part II, Item 1A., Risk Factors, of the Form 10-Q for the quarter ended October 5, 2024 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-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, provides 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 presentation or release to the most comparable GAAP financial measure.

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