



THIRD QUARTER 2025 PREPARED REMARKS

November 6, 2025



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' 2025 third-quarter results. We will host a live Q&A session Friday, November 7, 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. And thanks everybody for joining our call.

I'm pleased to report our third quarter results, which reflect the continued strong relative performance of our leading brands. Our work to proactively transform our portfolio to better align with consumer preferences is showing promise, and gives me great confidence in our longer-term path forward. We continue to invest in innovation to further advance that transformation.

There's no doubt that macroeconomic uncertainty and shifting consumer demand are creating headwinds for food companies. These headwinds are evident in the bread category, which continues to underperform, with units declining 2.9% in the third quarter compared to a 1.8% decline for the overall food category. Within bread, traditional loaf, an area to which we are particularly exposed, is under even more pressure, with units declining 6.3%.

The generational shift I discussed last quarter referred to that pressure on traditional loaf. Although in its current form this segment may become a smaller portion of the category over time, we are actively working to mitigate that trend by redefining traditional loaf—incorporating more value and better-for-you attributes that align with shifting consumer preferences.

And our leading brands uniquely position us to capitalize on this opportunity and lead the category through this transition. Nature's Own is the original cleaner label mainstream bread brand, and we solidified our dominant position in better-for-you bread products with the acquisitions of DKB and Canyon Bakehouse. More recently, the introduction of keto, protein, and sourdough bread highlights our leadership in better-for-you products, while small loaves target the value opportunity. We intend to continue differentiating our brands to further solidify our competitive position in the category.

Despite category headwinds, I remain optimistic about our long-term prospects for several reasons. First, we expect category demand to normalize. As the economy strengthens, lower-end consumers may trade up from value-oriented products to more-differentiated branded products like Nature's Own and Wonder. Improved consumer confidence should also boost higher-margin premium products, which are outperforming even in the current environment.

Second, the initiatives we are taking to align our portfolio with changing consumer demand are gaining traction and driving improvement in key parts of our business. Notably, despite the overall underperformance of the bread category, sales of our differentiated products, particularly those with better-for-you attributes, are encouraging. I'll highlight some of those positive results shortly.

To mitigate the current headwinds, we remain focused on innovation to continue transforming our portfolio. This strategic approach allows us to target attractive opportunities within our existing categories while expanding into new adjacencies that promise exciting growth prospects.

We are confident that by concentrating on the factors within our control, we can maximize our near-term performance while supporting more-consistent long-term growth.

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.

As we reflect on our performance and the challenges we face, I want to take a moment to express my heartfelt gratitude to our employees. Their hard work, dedication, and unwavering commitment have been instrumental in driving our results. It is their passion and resilience that enable us to adapt and innovate, positioning us for future success.

On that note, I'd also like to recognize and celebrate Steve Kinsey, who will be retiring at the end of this year. Through many years of dedicated service to Flowers, Steve has brought a wealth of knowledge and expertise to our team, and truly embodied the core values of our culture—honesty, integrity, respect, and passion.

As the longest tenured CFO in the food industry, his leadership has been instrumental in guiding our company through various stages of growth and transformation. He has committed his career to Flowers and has been a valued partner and friend to me personally, as well as the broader leadership team. I am deeply grateful for the significant impact he has made on our organization and the strong foundation he leaves behind.

As we bid farewell to Steve, in January, we will be welcoming Anthony Scaglione as our new CFO. Anthony joins us with a remarkable track record of success, having led significant transformations at other companies, navigating challenging situations with skill and strategic insight.

In his role as CFO, Anthony will help guide our company's financial strategy and oversee critical functions as we navigate through today's complex and competitive landscape. His extensive experience across a broad range of

disciplines, coupled with a proven ability to lead high-performing teams with a solutions-oriented approach, positions him well to drive our next phase of growth.

Focusing on our brands is our second strategic priority and they have never been more important to the success of Flowers Foods. Each of our leading brands either gained or held unit share during the quarter. DKB and Canyon grew unit share by 30 and 10 basis points, respectively, while Nature's Own and Wonder maintained share. Despite the challenging environment, DKB and Canyon continue to thrive, with overall units increasing an astounding 10% and 6%, respectively, while the bread category declined 3%.

We are leveraging our leading brands to find pockets of growth in an otherwise soft category. And that investment is paying off, driving growth even in segments that are declining. Our strong performance in specialty/premium loaf, sandwich buns and rolls, breakfast, and cake highlight those gains.

In the third quarter, we grew specialty/premium loaf units 4%, achieving our highest share ever, while the subcategory declined 4%. DKB and Canyon drove that performance, growing 6% and 8% in this subcategory and gaining 180 and 30 basis points of unit share, respectively.

While sandwich buns and rolls category units declined 2%, Flowers grew 7%, gaining 80 basis points of unit share. With a combination of existing differentiated products and innovation, Wonder, Nature's Own, and DKB grew by 4%, 12%, and 60%, respectively. Particularly strong contributors include Nature's Own Perfectly Crafted Brioche, Nature's Own Keto, and DKB Sandwich Rolls.

DKB also helped produce strong results in the breakfast segment where Flowers achieved an all-time high in unit share, up 60 basis points to 6.9%. Units increased 6% while the overall segment declined 4%. Shelf space gains in DKB's premium offerings, particularly bagels, contributed the bulk of that growth.

Additionally, consistent with our strategy targeting value opportunities in the bread category, Wonder's recent entry into the breakfast space also contributed to our outstanding performance. After a successful 2024 west coast launch for Wonder English muffins and bagels, we are in the process of expanding distribution nationally and are excited about the possibilities as we leverage the brand's high awareness.

Wonder also continued to drive strong performance in the cake category, where we grew 1% despite category units declining 5%. That performance was led by Wonder, which gained 80 basis points of unit share, with TastyKake experiencing only minor cannibalization. The ability to increase sales in a declining cake category validates our decision to leverage Wonder's leading consumer awareness. Its success also highlights our ability to find unique ways to maximize our brands and assets to drive growth even in difficult environments.

Turning now to small loaves, demand is increasing rapidly, with category units up 85% in the third quarter. Our expanded selection of Nature's Own and Wonder brand small loaf offerings drove exponential growth and enabled us to quickly capture the number two market share position. We gained 15 points of unit share in the quarter and remain very optimistic about the potential for these products.

To continue our progress, we recently announced an exciting slate of on-trend innovation with an emphasis on better-for-you items that target the strongest pockets of growth in our category. Our newest products build on earlier launches of Nature's Own Keto offerings, an expanded selection of small loaves, Wonder snack cakes, and Canyon sourdough-style bread.

Among the new products are a higher-protein loaf from our Nature's Own Life lineup and DKB Supreme Sourdough. We have a robust pipeline of additional innovation and expect to continue to bring fresh, differentiated options that speak directly to today's consumers.

We are making steady progress in our better-for-you snacking portfolio. DKB Organic Snack Bars are performing well in the nutritional snack bar subcategory. And our Amped-up Protein Bars are perfect for consumers gravitating to products with protein attributes. The national launch of DKB Organic Snack Bites is progressing well. With a mix of six sweet and savory flavors, we are expanding distribution across the mass, grocery, and convenience channels.

Retailer response to the upcoming launch of additional better-for-you snacking innovation has been enthusiastic. Early next year, we are introducing 10 new SKUs featuring exciting new flavors of bars and bites, along with the launch of a new DKB Breakfast Bars platform.

Our third strategic priority is margins. Given the difficult industry volume trends, combined with additional pressure from tariffs, it is incumbent upon us to adjust our cost base. We are focused on aligning our supply chain with changing demand, and in recent years we have closed several bakeries while converting others to higher-margin organic production. We will continue to make adjustments when necessary to best adapt our supply chain to current and expected future demand.

Perhaps more important for long-term margin growth than cost savings initiatives is the successful execution of our portfolio strategy, whereby we work to increase the percentage of sales of higher margin branded retail products.

Our investments in innovation are crucial to that process and for achieving our longer-term financial goals, but new products generally offer lower margins than more-mature ones. The increased cadence of new product introductions will temporarily pressure our overall margins as we invest to generate consumer trial and ramp production volumes. Over the long term, we expect these investments to expand our category leadership and drive significant shareholder value.

Our fourth priority is smart M&A.

The integration of Simple Mills is progressing well. We are pleased with the brand's continued strong results as it continued to outperform many of its competitors in the overall and natural categories in which it competes. Simple Mills generated particular strength in its largest categories, crackers and cookies, where it grew units in tracked channels 14% and 23%, respectively. Overall growth moderated compared to first half results largely due to traffic declines at select retailers and softness in bar category performance. However, results remain on track with our original estimates, and we are excited about its potential to drive growth for many years.

Our capital allocation priority is to maintain an investment grade rating, while returning to a more-normalized leverage ratio, enabling us to explore further growth investments. As always, we will continue to evaluate our capital allocation strategies to ensure we maximize shareholder value while balancing risk and reward and an appropriate leverage ratio.

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 for your kind words, Ryals.

It has truly been an honor to work alongside such an exceptionally talented and passionate team. Together, we have navigated through a period of significant change for the bread category. I take great pride in all that we have accomplished as Flowers has evolved through innovation, transformation, and acquisition.

I am also deeply grateful for the support of the investment community and the relationships I have built with many of you. As I enter this next chapter, I am filled with confidence in our incredible team's ability to continue executing on our strategic priorities and driving shareholder value.

Turning to our third quarter 2025 results.

Net sales increased 3.0% from the prior-year period. Price/mix declined 2.3%, impacted by greater cake sales, lower foodservice sales as a percentage of total sales, and an increase in contract manufacturing.

Our performance was stronger in the early and middle-parts of the quarter, but weakened toward the end, as expected, due to difficult comparisons from hurricanes in the prior year.

Volume declined 0.6% largely due to continued weakness in the fresh packaged bread category, and, to a lesser extent, increased hurricane-driven demand in the prior year quarter. That softness was partially offset by growth in more-premium branded products, as well as contract manufacturing and vending. The Simple Mills acquisition added 5.9%.

Gross margin as a percentage of sales, excluding depreciation and amortization, decreased 190 basis points to 47.9% over the same quarter last year. Increased outside purchases of product (sales with no associated ingredient costs), due to the Simple Mills acquisition, and lower sales price/mix along with reduced production volumes drove the decline, partially offset by lower ingredient costs as a percentage of sales.

Selling, distribution, and administrative expenses as a percentage of sales were 38.8%, a 10-basis point increase over the prior year period. The increase was due to higher workforce-related costs as we converted to an employee-based model in California, wage inflation from lower sales price/mix, and the restructuring-related implementation costs, partially offset by lower distributor distribution fees.

Excluding matters affecting comparability, adjusted SD&A was 38.3% of net sales, a 30-basis point decrease.

GAAP diluted EPS for the quarter was 19 cents per share, a 12-cent decrease over the prior-year period. Excluding the items affecting comparability detailed in the release, adjusted diluted EPS in the quarter decreased 10 cents over the prior-year period to 23 cents.

The Simple Mills acquisition contributed \$70.7 million in net sales, \$11.1 million to adjusted EBITDA, and a one cent adjusted diluted loss per share.

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

We remain confident in our overall financial position. At quarter end, net debt to trailing twelve month adjusted EBITDA stood at approximately 3.4 times, increasing over the year-ago period due to the acquisition of Simple Mills.

Year-to-date, cash flow from operating activities increased \$38 million to \$321 million, benefitting from deferred tax benefits from recently passed legislation and improved working capital performance. Capital expenditures decreased \$6 million to \$80 million and dividends paid increased \$5 million to \$157 million.

With one quarter remaining in our fiscal year, we are narrowing the range of our 2025 financial outlook to net sales of \$5.254 to \$5.306 billion, adjusted EBITDA of \$515 to \$532 million, and adjusted EPS of \$1.02 to \$1.08. This guidance does not incorporate any impact from potential SNAP benefit disruptions.

As we focus on returning to a more-normalized leverage ratio, we are adjusting our expectations for capital expenditures to \$120 to \$130 million from our prior estimate of \$135 to \$145 million. Our estimate for the portion of capex related to our ERP initiative also decreased from \$4 to \$6 million to \$3 to \$5 million.

We are reducing our tariff impact expectations for 2025. Our current estimate of the in-year tariff impact is \$11 to \$14 million for our legacy business and \$2 to \$4 million for Simple Mills. That compares to prior guidance, which assumed an in-year tariff impact of \$15 to \$18 million for our legacy business and \$2 to \$4 million for Simple Mills.

Approximately 100% of our key raw materials are covered in 2025. Based on that coverage, our guidance incorporates inflationary headwinds for the remainder of the year. 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.

In the third quarter we continued the bakery rollout of our ERP system, with successful go-lives of three bakeries. We plan to complete an additional four bakeries in the fourth quarter bringing our total to 10. To minimize the risk of operational disruptions, we are proceeding prudently and are confident in our ability to execute the transition smoothly.

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 the key trends shaping our performance, and outline the proactive steps we are implementing to maximize present and future opportunities. I'll begin with an update on the competitive environment, followed by an overview of consumer trends.

The competitive environment remained consistent with the second quarter, as producers grapple with rising input costs due to tariffs. Traditional loaf has been one of the most pressured parts of the category, with units declining 6% compared to a 3% decline for bread overall. Low-priced branded offerings continued to capture unit share from private label and mid-priced branded products, highlighting the importance of our initiatives to introduce differentiation into the category.

We continued to increase promotional activity in the quarter. To better target areas of category strength, promotions focused on differentiated, better-for-you products with relatively low base sales. We are committed to driving trial and repeat purchases of our innovative new items that align well with consumer demand.

We expect our commitment to these areas will further solidify our leading market positions. Guided by enhanced trade promotion capabilities, we remain prudent in our use of promotional spending, carefully monitoring the return on investment to ensure sustainable growth.

Turning to consumer trends, as inflation has risen, consumer sentiment in the third quarter reached the lowest point this year, exacerbated by greater fears about the economy and the job market. That lack of confidence is pressuring consumer spending, with the largest impact on discretionary items. Lower-income consumers have cut back the most, though their food and beverage spending remains resilient—continuing to grow overall, though at lower rates, while volumes have turned negative. Unsurprisingly, foodservice traffic has remained negative in this environment.

Bread category sales declines stabilized for much of the third quarter, before softening in the final weeks due to difficult comparisons in the prior year. Sales were strongest in the mass and club channels.

We've observed a continued bifurcation of demand, with notable strength in premium and value products, both within food and beverage overall and bread specifically.

We are strategically adapting our portfolio to align with these consumer trends, focusing on better-for-you and value-oriented items to ensure we meet consumer preferences.

To accomplish this transition, we've identified five key areas of focus that align with evolving consumer demands and market dynamics.

1. Aggressively innovating unique, premium products, alongside value-oriented offerings, an area we are addressing with new products that feature differentiated attributes including protein, sourdough, and keto friendly, as well as small loaves.
2. Leveraging our top brands to move into faster growing segments, like snacking.
3. Enhancing our growth and margin profile with M&A once we return to a more-normalized leverage ratio, as we did with Simple Mills.
4. Stabilizing the cake business by leveraging the power of the Wonder brand, a process that is off to a great start; and
5. Optimizing our supply chain and path to market to deliver industry leading operations and service, including aligning our bakery network with demand.

As we look ahead, we remain steadfast in our commitment to navigating the challenges of today's market while positioning ourselves for future success. Our proactive approach to transforming our portfolio through innovation and strategic acquisitions is already yielding positive results. Despite the headwinds facing the bread category, we are focusing on growth opportunities that appeal to today's health-conscious and value-focused consumers.

While the economic landscape remains uncertain, we believe that as consumer confidence rebounds, we will be well-positioned to grow market share and enhance our profitability. Our dedicated team is committed to executing these initiatives with precision and passion, ensuring that we not only meet the current challenges head-on but also lay a strong foundation for sustainable growth.

Thank you for your continued support as we work diligently to drive long-term value for our shareholders. 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 28, 2024 (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 October 4, 2025 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.