EDITED TRANSCRIPT

FLO.N – Q3 2026 Flowers Foods Inc Earnings Call

EVENT DATE/TIME: November 13, 2026 / 8:30AM

OVERVIEW:
Company Summary

CORPORATE PARTICIPANTS

JT Rieck Flowers Foods Inc – Executive Vice President – FP&A and Investor Relations

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

D. Anthony Scaglione Flowers Foods Inc - Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Steve Powers Deutsche Bank AG - Analyst

Jim Salera Stephens Inc - Equity Analyst

Max Gumport BNP Paribas - Analyst

Mitchell Pinheiro Sturdivant & Co Inc - Equity Analyst

Scott Marks Jefferies LLC - Equity Analyst

PRESENTATION

Operator

Welcome to the Flowers Foods Third Quarter 2026 Results. At this time, all participants are in a listen-only mode. After the speakers' presentation, we'll open up for questions. [Operator Instructions] Please be advised that today's call is being recorded.

I would now like to hand it over to our first speaker, 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. I hope everyone had the opportunity to review our earnings release, listened 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 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. We also provide non-GAAP financial measures for which disclosure and reconciliations are provided in the earnings release and at the end of the slide presentation on our website.

Joining me today are Ryals McMullian, Chairman and CEO; and Anthony Scaglione, 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, everyone. As you heard in our prepared remarks, our results reflected many of the challenging conditions we discussed last quarter and highlighted areas where we need to move faster and with greater emphasis on focused execution. While we're seeing encouraging signs in the business, including improving sequential trends and growing awareness in the Nature's Own franchise, the pace of improvement was slower than we anticipated.

But we are not sitting still. We're accelerating initiatives already in flight to better align our value proposition where the market is going. This includes advancing innovation, pursuing new business, and investing behind our leading brands. We're excited about the progress we're making and what it means for the future of our business.

While it's taking some time for these initiatives to lift our results, they are putting us on a stronger path forward and increasing our confidence in the long-term potential of the business. The large attractive markets that we serve across fresh packaged bread, cake, better-for-you snacking, and foodservice offer compelling opportunities for future growth. And our strength, anchored by our leading brands, extensive network, and, most importantly, our people, provide a solid foundation to drive long-term shareholder value.

So, with that, Victor, we're ready to open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Operator: Our first question will come from the line of **Jim Salera from Stephens**. Your line is open.

Jim Salera – Stephens Inc. - Equity Analyst

Hey, guys. Good morning. Thanks for taking our question. Ryals, I wanted to ask you about the pricing strategy going forward, given in the prepared remarks you mentioned heightened promotional environment. Obviously, we can see kind of the divergence in the share trends. And I wonder if part of that just has to do with the net price you guys are still getting. Can you give us any thoughts on how we should think about the pricing lever the back half of this year, I guess 4Q this year, but then really more importantly into 2027 as we kind of fine-tune our models and think about how much you'll be able to offset some of the inflation headwinds we've seen?

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

Yeah. Sure, Jim. Thanks for the question. Yeah. Certainly, price is something that we're looking at. I think it's – I think it is only part of the story, though. We believe that the bigger issue is some of the shifts that we're experiencing in the category in terms of consumer preferences, price-pack architecture, which obviously has a price element to it, of course, meaningful differentiation.

Those are the items that are winning in the category right now and where we currently have gaps though we are filling those gaps as you know. In fact, as we speak, we're doing that. We just relaunched our Nature's Own small loaf, for example, and we have more of that coming in 2027.

So, yeah, I think – we are taking a hard look at price promotions, promotional effectiveness, leveraging the tools that we have to be sure that the promotions we do run are as effective as possible. That said, the promotional environment has been pretty intense. Particularly this last quarter, we saw pretty intense promotional activity. So, price sensitivity among consumers is certainly an issue, but it is not the only issue.

Jim Salera – Stephens Inc. - Equity Analyst

And so, if we try to put some guardrails around that, I mean, do you think it's possible that we could still see a low single-digit benefit from price/mix in 2027? Or should we be thinking about it as more flattish?

D. Anthony Scaglione - Flowers Foods Inc - Chief Financial Officer

Yeah. I think we're not in a position to talk about 2027 right now. I think all the dynamics that Ryals mentioned is obviously going to play a factor where we'll settle out, and it's going to be a tale of two stories, organic wheat versus traditional wheat. They're exhibiting different cost inputs. So that's going to have a factor on how we look at the overall portfolio, both on the traditional loaf, as well as on the organic side.

Jim Salera – Stephens Inc. - Equity Analyst

Okay. And then if I could just ask one other one on the input costs. We've talked to a lot of folks this earnings season about transportation cost increase. And so, we're just hoping you could help us size up what you guys are seeing in your freight contracts. Maybe help quantify how we should think about that as a percentage of sales, and kind of the magnitude of the increases as we move forward and look to 2027. Thank you.

D. Anthony Scaglione - Flowers Foods Inc - Chief Financial Officer

Yeah. So, maybe just talk about a little bit of inflation and commodities overall, just to give that context. So, for fiscal 2026, generally speaking, we benefited from our hedging programs. We saw rising commodity prices, specifically in the back half, year-on-year in Q3 for commodities, ingredients, packaging. They were relatively flat on a rate basis compared to a year ago. So, markets, while they were elevated during the quarter versus 2025, our coverage and inventory provided us protection.

In Q4 – and it was already in our guide, so there's nothing new. We already factored this in. We expected higher raw material inflation as coverage began to lapse, and that's clearly going to be an area that we are spending a lot of time on as we look at 2027, although it may be a – more of a first half versus the second half headwind.

As it relates to fuel, as we mentioned on the last call, our fuel costs, part of it is hedged, part of it we have contracted transportation costs. So, while year-on-year it has increased, we have been able to manage that either through the contracts or through the rates that we've had with our transportation providers.

Operator: Thank you. One moment for our next question. Next question will come from the line of **Scott Marks with Jefferies.** Your line is open.

Scott Marks Jefferies LLC - Equity Analyst

Hey. Good morning, all. Thanks very much for taking our questions. The first thing I wanted to ask about, you called out some of the continuing pressures in the space, and that it – the pace of improvement with Nature's Own has taken a little bit longer. Some of your innovation hasn't kept up with trends in the category, and understand those are a bit of a longer term benefit.

So, as we think about the here and now, how are you thinking about maybe stemming some of the pressures within your own business? I know you called out extensive cost controls. Just wondering if you can give us a sense of how you plan to approach that and how we should be thinking about those levers.

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

Yeah. Sure. So, we're already pulling some of those levers. We have – we're estimating roughly a $20 million cost takeout for this year to directly address that issue. There are opportunities for improvement in procurement. There are also opportunities for additional efficiencies in the bakeries. We're always working on that in terms of greater productivity out of the bakeries, controlling our stale.

I mean, these are the basic – Scott, these are the basic blocking and tackling everyday tactical items that the team works on to combat some of the headwinds we face. More importantly, though, is the focus on getting our branded volume stabilized.

So, again, back to those portfolio gaps that we're actively filling, the relaunch of the small loaves , which, by the way, also benefits from the halo, if you will, of the Nature's Own advertising campaign. They're the same formulation, clean label, non-GMO. We'll get the halo effect of that. Those have just relaunched. It's only been a few weeks. But we're already seeing some very promising returns on that, that give us confidence that we can recapture our fair share of that segment.

And then with regard to the broader Nature's Own franchise, since the relaunch, we have seen sequentially improving share trends across the Nature's Own franchise. The traditional loaf, which has been the weakest part of the overall segment of the category, continues to lag behind, but even it has shown some sequential improvement.

So, we're not getting the results as fast as we had hoped that we would, but nevertheless we are seeing those green shoots of improvement that give us confidence that this is the right strategy, the right path forward. Our customers are excited about it. They're telling us that when we joined them for meetings. And, of course, when you've got your customers behind something, that's a really good early sign that you're doing the right thing.

And in DKB, Jim asked the question a minute ago about price. I do think there's some price sensitivity with DKB, but it's a lot more than that too. I mean, as recently as Q1, DKB was up in units. This is a very recent phenomenon that has occurred. And frankly, our overall share has been very stable over the last few years until very recently. And I can draw a direct line between that, what's happened with share, and the changes in consumer preferences, which we're actively working to address.

Scott Marks Jefferies LLC - Equity Analyst

Understood. Appreciate all the color there. And then maybe secondly for me, there was a comment in the prepared remarks about working with bank partners to ensure financial flexibility for next year. So, wondering if you can just give us an update on your thinking around capital allocation, including the dividend, as well as capital expenditures going forward. Thanks.

D. Anthony Scaglione - Flowers Foods Inc - Chief Financial Officer

Yeah. No worries. So, first off, just wanted to reiterate, we remain in compliance with all covenants and have very strong relationships with our bank group. That being said, we want to provide the company with the most flexibility as we continue to face potentially challenging environment in the year ahead from a commodity standpoint, category standpoint, consumer standpoint.

So, while 2027 we continue to work on and shape up from a planning perspective, we're building in that flexibility ahead of any potential constraints that could arise. And we expect to have an update on that front before year end.

To answer your question on the dividend in particular, clearly, the dividend is an important topic and shareholder consideration, and our board reviews that policy each and every quarter. We share with them the relevant items across a number of dimensions, including cash generation, our leverage profile, capital investment. They take those elements into consideration when forming the basis of their actions. And we expect to announce any decision that the board takes in our normal cadence after next week's board meeting.

Scott Marks Jefferies LLC - Equity Analyst

Understood. Thanks for the color. I'll pass it on.

Operator: And our next question will come from the line of **Steve Powers from Deutsche Bank.** Your line is open

---

Steve Powers Deutsche Bank AG - Analyst

Hey, great. Thanks, and good morning.

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

Hi, Steve.

Steve Powers Deutsche Bank AG - Analyst

Hey. So, I guess you've emphasized the difficult category backdrop, but, obviously, there's a shared component too. I guess can you just – maybe just a little bit of more thought – or a little bit thoughts from you as to how you're thinking about that, that composition between the category itself and what Flowers specifically controls through better execution, better assortment, et cetera? Just trying to get a better sense of how you're seeing those two different drivers and how much control you really think you have over the trajectory of the business into 2027 just relative to category momentum.

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

Yeah. Good question, Steve. Thank you for that. So, obviously, the overall category remains weak. So, we start with that. Category is down almost – I think almost 3% in units in the quarter. And then, as you start to decompose that, as we have been saying, traditional loaf, 20-ounce traditional loaf remains the weakest part of the sector. And, obviously, we are very concentrated in traditional loaf.

So, getting that stabilized, as we've been saying for several quarters now, is priority number one. Hence, the Nature's Own relaunch, the move to cleaner label, the move to non-GMO. We believe these are the right things to do for the consumer, our customers, and our company. And we are beginning to see some results there.

As I said, DKB is a more recent phenomenon in terms of the unit pressure. Several reasons for that. Some of the price sensitivity. But there's also consumption issues there too. DKB indexes the highest among high-income consumers. They are also the ones that use GLP-1s the most. And so, not terribly surprising to see a bit of pressure there. DKB continues to hold up better with the lower-income consumers than it is with the high-income consumers. I attribute a lot of that to GLP-1 drugs.

But we have actions to address that, Steve, in terms of innovation, protein items. Filling the gap that we have in terms of sourdough has also been an issue for DKB. We have sourdough in DKB, only in California, and it's going very, very well in California. So, we have great confidence that that is going to be a very important addition to that part of the portfolio.

But back to the 20-ounce loaf, very important to get that stabilized. While we're working on that, the relaunch of the half loaves to pick up our fair share of that and to help stabilize the overall volumes is also an important part of the picture.

But also remember that we're not just a traditional loaf business. We have a very large billion-dollar foodservice business, and we also serve private label. And so, in the meantime, while we're working to rebuild this branded business, we are aggressively filling volumes with new wins in foodservice and private label, in addition to wins for our branded business, because that will help mitigate some of the operating deleverage that we've been experiencing.

Steve Powers Deutsche Bank AG - Analyst

Okay. Very good. Thank you. And then, Anthony, you talked about the difficult cost environment, particularly looking out to the first half of next year. And a lot of the initiatives that Ryals just spoke to are going to take some time to have some return in terms of volume impact. I guess, without asking for guidance, I'm just curious as to how you're seeing the first half relative to where you've positioned the fourth quarter. Is the fourth quarter a reasonable run rate to talk about the starting point of 2027? Or is the fourth quarter going to be a trough and we'll start to see improvement as the new year begins? Just a question of trajectory of improvement off what hopefully is the bottom here in the back half of 2026.

D. Anthony Scaglione - Flowers Foods Inc - Chief Financial Officer

Yeah. It's a great question, Steve. I think the – from an inflationary standpoint, many of the commodities that we're exposed to, we're seeing that increase in price right now in Q4. So, sequentially, assuming there's not a significant shift in geopolitical or something like that, we're expecting that pressure to continue as we think about the first half of next year and looking at it through the lens of first half versus second half.

Sitting here a couple weeks ago, couple months ago, it looked like wheat was really starting to rally. That has come down. As we look at all the data that's out there that we can take into consideration, it looks like there's more acreage. It looks like the geopolitical, there's softening there.

So, there's good indicators that there could be some relief from an inflationary standpoint. But I would say that's probably more of a second half, just given our hedging programs, given where pricing is, more of a second half versus the first half relief. So, we're expecting continued pressures in the first half of next year as it relates to the inflationary side.

Steve Powers Deutsche Bank AG - Analyst

Okay. Very good. I'll leave it there. Thanks so much.

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

Thanks, Steve.

Operator: Thank you. One moment for our next question. Our next question will come from the line of **Max Gumport from BNP Paribas**. Your line is open.

Max Gumport BNP Paribas - Analyst

Hey. Thanks for the question. Wanted to turn back to the balance sheet conversation, and really just trying to get a sense for how you're feeling about the health of your balance sheet. So, obviously, you took decisive action earlier this year by cutting the dividend, which I think was a good step.

But given your updated outlook for 2026 and the operating conditions that you expect to persist into 2027, it feels like you've found yourself a bit stretched again from a leverage perspective. I mean, your second half EBITDA this year would imply a very high leverage ratio, above your covenant. You included commentary in your remarks about proactively working with your bank partners to ensure you have ample financial flexibility. You also, in the 10-Q, had a comment about seeking an amendment on the covenants attached to your debt. So, just trying to get a sense for how comfortable do you feel with your balance sheet, and how do you think about getting yourself out of this leverage situation.

D. Anthony Scaglione - Flowers Foods Inc - Chief Financial Officer

Yeah. It's a great question. As I mentioned earlier, we're working with our lead banks, and, again, expect to have an update by year-end. And we're highly confident, based on the conversations and discussions to-date that we will be able to put in place additional relief, specifically addressing what we see as potentially a concern in 2027 as it relates to our covenants. And those conversations are progressing well.

We also have actions we can take. We're looking at our CapEx. We're looking at the investment in the business. You mentioned the dividend. We're looking at the dividend. These are all things that we take into consideration, recognizing the dividend is a board action with management input.

So, want to make sure that, as we look at 2027, and as you recognize some of the challenges from an inflationary standpoint, we're doing everything to try to look at it through the lens of how do we deleverage over time, how do we continue to have the capacity to invest in the business to support

our brands, recognizing that there's going to be some cost pressures that we're going to need to deal with, and we are addressing that proactive way through these conversations with our banks and proactively through some of the levers that we will pull in 2027 as it relates to investments and costs.

Max Gumport BNP Paribas - Analyst

Great. And as a follow-up on that, I mean, you did mention that you are still investing for growth. So, I guess, what's giving you the confidence that you can do both at once, that you can delever while also invest to try to drive the top line, whether it's advancing innovation or pursuing new business, or investing more in your leading brands? Why do you think you're capable of doing both at once? And why not just focus entirely on the balance sheet, given where you're at currently? Thank you very much.

D. Anthony Scaglione - Flowers Foods Inc - Chief Financial Officer

Yeah. I think, at the end of the day, we need to continue and invest in this business. Over time, that's going to provide the best opportunity from a top line perspective for us to recapture share, to recapture growth. And we have to balance that investment with the returns and with the cadence of the deleveraging.

So, it's a profile that we remain cognizant of, and we're balancing that across multiple dimensions. But to think that we would just pull back on those investments in the short term, we have to look at this as a multi-quarter, multiyear journey, and be balanced in the approach. And we feel confident that the way that we're going to approach it is a balanced approach.

Max Gumport BNP Paribas - Analyst

Okay. Thanks very much.

Operator: Thank you. One moment for our next question. Next question will come from the line of **Mitchell Pinheiro with Sturdivant.** Your line is open.

Mitchell Pinheiro Sturdivant & Co Inc - Equity Analyst

Yeah. Hey. Good morning.

D. Anthony Scaglione - Flowers Foods Inc - Chief Financial Officer

Good morning.

Mitchell Pinheiro Sturdivant & Co Inc - Equity Analyst

So, foodservice sales and volume, I guess, were up in the quarter, I think I read. So, how does that – how do you put that against a weak category growth that had trends like beyond just your traditional loaf weakness? And you have the GLP-1 pressure. So, what – is the foodservice business a function of having the right customers or – I would just love your comments around there.

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

Yeah. Mitch, a lot of the growth in foodservice is new business wins. We've reorganized our sales force with foodservice. We have mostly an internal sales force now, which has been a huge benefit for us. And so, the team has done a great job at securing new business. Expanding business with current customers as well has also been a part of that.

Mitchell Pinheiro Sturdivant & Co Inc - Equity Analyst

And then moving to just your promotional activity was up, it didn't really move the volumes. Is that because the promotional activity is on your newer and smaller product lines, I should say?

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

No. No. It's not so much that, Mitch. It's really – I mean, remember that the first of all, the base sales in this category are very, very high. So, getting lifts from promotional activity has always been a fairly difficult task.

I would describe the effectiveness of our promotions in the quarter as uneven. So, we had some that were more effective than others is the way that I would frame it. Some of our activity in the mass channel, for example, was not as successful as our activity with more traditional grocers. And some of that just has to do with the overall price point so that in mass, for example, the promoted price maybe is low enough to drive enough volume.

So, again, as I was addressing one of the first questions on the call, I said, we're taking a hard look at our promotional effectiveness. I think that we can do an even better job going forward.

And then, of course, when you look at DKB in the quarter, obviously, was a disappointment to us. But I would also call out that we were very heavy on promotion in the third quarter of last year and not as heavy this year. And so, that also contributed to some of the, what I would describe as unexpected unit declines in the quarter.

So, it's more uneven than across the board, promotions aren't working. That's not the case.

Operator: Thank you. And this concludes the question-and-answer session. I would now like to turn it back over to Ryals McMullian, Chairman and CEO, for closing remarks.

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

Hey, Victor, thanks. Just want to thank everybody for taking time today and joining us for questions. We very much appreciate your interest in our company. And as always, we look forward to speaking with you next quarter. Take care.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.

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 press release and certain other written or oral statements made from time to time by Flowers Foods, Inc. (the "company", "Flowers Foods", "Flowers", "us", "we", or "our") and its representatives that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to current expectations regarding our business and our future financial condition and results of operations and are often identified by the use of words and phrases such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "should," "will," "would," "is likely to," "is expected to" or "will continue," or the negative of these terms or other comparable terminology. These forward-looking statements are based upon assumptions we believe are reasonable. Forward-looking statements are based on current information and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected. Certain factors that may cause actual results, performance, liquidity, and achievements to differ materially from those projected are discussed in our Annual Report on Form 10-K for the year ended January 3, 2026 (the "Form 10-K") and our Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission ("SEC") and may include, but are not limited to, (a) unexpected changes in any of the following: (1) general economic and business conditions; (2) the competitive setting in which we operate, including advertising or promotional strategies by us or our competitors, as well as changes in consumer demand; (3) interest rates and other terms available to us on our borrowings; (4) supply chain conditions and any related impact on energy and raw materials costs and availability and hedging counter-party risks; (5) relationships with or increased costs related to our employees and third-party service providers; (6) laws and regulations (including environmental and health-related issues and the impacts of tariffs, including retaliatory tariffs); and (7) accounting standards or tax rates in the markets in which we operate, (b) the loss or financial instability of any significant customer(s), including as a result of product recalls or safety concerns related to our products, (c) changes in consumer behavior, trends and preferences, including health and whole grain trends and consumer buying habits, the movement toward less expensive store branded products, and the continued reduction of purchases in the fresh packaged bread category, (d) the level of success we achieve in developing and introducing new products and entering new markets, (e) our ability to implement new technology and customer requirements as required, (f) our ability to operate existing, and any new, manufacturing lines according to schedule, (g) our ability to implement and achieve our corporate responsibility goals in accordance with regulatory requirements and the expectations of our stakeholders, suppliers, and customers; (h) our ability to execute our business strategies which may involve, among other things, (1) the ability to realize the intended benefits of completed, planned or contemplated acquisitions, dispositions or joint ventures, such as the acquisition of Simple Mills, (2) the deployment of new systems (e.g., our enterprise resource planning ("ERP") system), distribution channels and technology, and (3) an enhanced organizational structure (e.g., our sales and supply chain reorganization), (i) consolidation within the baking industry and related industries, (j) changes in pricing, customer and consumer reaction to pricing actions (including decreased volumes), and the pricing environment among competitors within the industry, (k) our ability to adjust pricing to offset, or partially offset, inflationary pressure or tariffs (including retaliatory tariffs) on the cost of our products, including ingredient and packaging costs; (l) disruptions in our direct-store-delivery distribution model, including litigation or an adverse ruling by a court or regulatory or governmental body that could affect the independent contractor classifications of the independent distributor partners ("IDPs"), and changes to our direct-store-delivery distribution model in California, (m) increasing legal complexity and legal proceedings that we are or may become subject to, (n) labor shortages and turnover or increases in employee and employee-related costs, (o) impacts from credit rating agency downgrades and our ability to satisfy financial covenants in our credit facility and term loan facility, which could have an adverse effect on our costs and availability of capital; (p) risks related to our indebtedness and current leverage profile; (q) the credit, business, and legal risks associated with IDPs and customers, which operate in the highly competitive retail food and foodservice industries, (r) 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, (s) 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 (t) 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 10, 2026 and subsequent filings with the SEC for additional information regarding factors that could affect the company's results of operations, financial condition and liquidity. We caution you not to place undue reliance on forward-looking statements, as they speak only as of the date made and are inherently uncertain. The company undertakes no obligation to publicly revise or update such statements, except as required by law. You are advised, however, to consult any further public disclosures by the company (such as in our filings with the SEC or in company press releases) on related subjects.

Information Regarding Non-GAAP Financial Measures

The company prepares its consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP). However, from time to time, the company may present in its public statements, press releases and SEC filings, non-GAAP financial measures such as, EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted diluted EPS, adjusted income tax expense, adjusted selling, distribution and administrative expenses (SD&A), and gross margin excluding depreciation and amortization. The 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 a performance measure in the company's incentive compensation program.

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.