

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

FLO.N - Q4 2024 Flowers Foods Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 07, 2025 / 1:30PM GMT

## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**J. Rieck** *Flowers Foods Inc - Vice President - Investor Relations, Treasurer*

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

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

## CONFERENCE CALL PARTICIPANTS

**Steve Powers** *Deutsche Bank - Analyst*

**Bill Chappell** *Truist Securities - Analyst*

**Robert Dickerson** *Jefferies LLC - Analyst*

**Jim Salera** *Stephens, Inc. - Analyst*

**Brian Holland** *D.A. Davidson & Co. - Analyst*

**Mitchell Pinheiro** *Sturdivant & Co., Inc. - Analyst*

**Max Gumpert** *BNP Paribas Exane - Analyst*

## PRESENTATION

### Operator

Standing by. Welcome to the Flower Foods fourth quarter and full-year 2024 results conference call. Please be advised that today's event is being recorded. I would now like to hand the conference over to your opening speaker today, JT Rieck, Executive Vice President of Finance and Investor relations. Please go ahead.

---

**J. Rieck** - *Flowers Foods Inc - Vice President - Investor Relations, Treasurer*

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

Please note that in this Q&A session, we may make forward-looking statements about the company's performance. Although we believe these statements to be reasonable, they are subject to risks and uncertainties that can cause actual results 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 Steve Kinsey, our CFO. Ryals, I'll turn it over to you.

---

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

Thanks, JT. Good morning, everybody. Welcome to our fourth quarter and full year call.

Our team accomplished a lot in 2024. We grew dollars and units in tracked channels across our branded retail portfolio, helped by innovation and strong market execution. And continued implementation of our portfolio strategy drove improved sales and margins in our away-from-home business, despite the impact of those deliberate business exits.

Offsetting that performance has been persistent category weakness, which led to lower than expected sales results. The biggest headwind from both a revenue and a volume growth standpoint is significant weakness in the sweet baked goods category. However, we're implementing concrete initiatives to offset that weakness and believe our portfolio is very well positioned to capitalize on current and long-term trends.

Looking forward into 2025, our financial guidance is cautious, given the volatile environment. The potential for tariffs, commodities volatility, higher promotional activity, and continued weak consumer demand influence that cautious outlook. However, we are very optimistic that the strength of our brands, our successful history of innovation, and the innovation of Simple Mills to our brand portfolio will enable a strong, longer term performance.

And with that opening Gigi, we'll open it up for questions.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Steve Powers, Deutsche Bank.

---

**Steve Powers** - *Deutsche Bank - Analyst*

Good morning. Hear me okay?

---

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

Yeah, loud and clear.

---

**Steve Powers** - *Deutsche Bank - Analyst*

Yeah, great. Okay. Sorry. So can I first ask about Dave's. It's been good, obviously, for a long time, but we've seen the core bread in that franchise start to run negative in consumption data for I guess, about the last 12 weeks, I think it was down about almost 3% in the last four weeks. I'm quoting Nielsen data. Can you talk about just kind of what you're seeing there and how you expect the DKB franchise to perform in 2025, both kind of core bread on the entire lineup. Thanks

---

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

Sure. Let me start with just the core bread, Steve, just so I'm clear on this. First of all, we've documented where our challenges are in the sweet baked goods category and a little bit in the soft variety, white bread areas. DKB is not one of those challenges. DKB is a strong brand, it will continue to be a strong brand. There is a bit of noise in those numbers. We had a SKU rat deletion of a couple of underperforming SKUs that affected it if you're looking at the fourth quarter, there's always some seasonal noise in there. The fourth quarter is typically fairly weak for sandwich bread. But nonetheless, we did still see very, very strong growth in some of our breakfast items, sandwich buns, and rolls.

And I'd add to that, we've got new products coming this year to replace those deleted SKUs. Plus, we're getting very significant space gains this year for Dave's, which is really important. One of those of note in the mass channel in over 2,000 stores where DKB has been underpenetrated. And I guess the final thing I would mention from a household penetration standpoint, DKB hit a record this year, even higher than the pandemic year of 2020.

So all that points to continued consumer interest in Dave's. We'll, of course, continue to innovate with Dave's and we're not worried about that at all. So hopefully, that helps give you some color. And then, of course, you add the snacks on top, the bars continue to do very well. We're really excited about the snack bite launch, which is underway as we speak. So as you think about it more as a mega brand, we're even more confident.

---

**Steve Powers** - *Deutsche Bank - Analyst*

Okay. That's very helpful. I appreciate it. And if I could, maybe a two-part follow-up and then I'll pass it on. The first part is for Steve. I wonder if you could better dissect the kind of the first half, second half dynamics that you called out in the prepared remarks. You cited some dynamics that will definitely help the early part of the year. At the same time, as you go forward, underlying comparisons ease, you've got Simple Mills rolling in, you've got the extra week. So I would have expected maybe a little bit different cadence maybe some color there.

And then Ryals, second part, you mentioned some external research on GLP-1 drugs and related consumer behavior. I'm just curious if you could elaborate on what that research is and kind of what you're seeing there, and how you're going to address it?

---

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

Sure. The first half, primarily what we're looking at in the first half is we'll begin to lap some of our new business and lap some of our pricing and some of our savings gains that we saw last year in the back half. There is some pricing that carries over in the back half primarily private label and foodservice, but a lot of the branded pricing we do lap in the first half. And then the other major item for the first half has to do with commodity costs and inputs. The way we take coverage, we are seeing some benefit in the first half of 2025. But given some of the firmness you've seen in the markets of late, right now, we're forecasting some continued inflation with regard to input costs in the back half.

---

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

Okay. Steve, to your question on GLP-1s. Yeah, I mean, it's a fascinating topic, right? And everybody's still trying to figure out what the impact is, what the magnitude of the impact is, what the magnitude will be, going forward and if you, we're scanning all the research like I'm sure many of you are, some of it's conflicting, so it's hard to get a firm handle on it, but we do want to be cognizant of it. Some of the work that we mentioned in the prepared remarks is from some work we did with [Circana].

So that's where that came from. But what I would say is that, if GLP-1s do become a major factor and affect overall food consumption, we think that we're very well positioned for that. You see where we're taking the portfolio, it's definitely, starting to skew much more better for you. Cleaning up labels, the dominance of DKB, having Canyon, and of course adding Simple Mills to that mix too, because a lot of these people that are on GLP-1s will be searching for items just like Simple Mills. So with all those factors in mind, we're shaping our portfolio to kind of meet that new consumer that that is taking those medications.

---

**Steve Powers** - *Deutsche Bank - Analyst*

Very good, thank you. I'll pass it on.

---

**Operator**

Bill Chappell, Truist Securities.

---

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

Hi. Good morning.

**Bill Chappell** - *Truist Securities - Analyst*

Hey. Just a little more color on your caution for the category and in terms of what you're seeing. And I guess it comes with, do you think there's -- do you have pricing power or is the consumer weakened, is it just behavioral change because obviously some more people are going back to work and maybe not having as much bread at home. Are there any macros that drive that caution? Or is this just trends you've been seeing, and we came into the fourth quarter and you expect them to continue as we move to early next year?

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

Yeah, no, it's mostly the latter, so sort of overall pressure on the demand environment. But what I would add to that, specifically to our category, it's that consumer shift away from soft variety and white breads, which I think we're very well prepared for. We talked about it in the prepared remarks. I mean, soft variety and white bread were weak. I'm talking in terms of the whole year now, not just the fourth quarter. However, the investments that we've made in innovation around keto, and gluten-free, and organics, and our sandwich bun and roll business, particularly under the national Wonder label, were more than enough to offset that.

So if you take the cake piece out of branded retail, we were positive in units and dollars for the year in branded retail. Cake is really where the weakness has been. So the outlook, we've seen some of those trends from last year spill over already into the little bit of this year that we've already experienced, though it's obviously very early. I do have some confidence that QSR will start to recover. We're starting to see more positive comments around that. So perhaps second half this year some of that, volume will come back to our food service business, helping overall volumes.

But from a branded retail standpoint, we feel very good about where we are, branded bun and roll wise, with the brands that we have, the innovation we have. And then with respect to the cake business, the introduction of the Wonder brand is -- I mean the intention of that is to help stabilize that business. It has been weak, the category has been weak overall as you all know. But the reception that we've gotten from our Wonder snack lineup has been tremendous, honestly. And if the retailers follow through with that, this will be more of a second quarter thing because it doesn't launch until week 17, so I mean it won't have any bearing on the first quarter.

But we're very optimistic that that will help stabilize that piece of the of the business. And obviously, that has a profound effect on just given the weakness on the cake side of things, that has a profound effect on our outlook for the year. So starting the year definitely taking a cautious outlook for all the reasons that that I just enumerated. The promotional environment has continued to be somewhat elevated. I wouldn't say it's ridiculous, but it is elevated.

Though what we're seeing in terms of lifts are not what, one would normally expect speaking, sort of total category. We've been much more nuanced in our promotional behavior, but the category overall has been somewhat elevated, so we're keeping our eye on that too. Really, honestly, a continuation of the trends that we talked about on last quarter's call. There hasn't really been any marked change to that yet. Certainly, looking to see if we see some improvement in consumer demand in the back half. So that overall is what's driving the cautious outlook, at least to start the year.

**Bill Chappell** - *Truist Securities - Analyst*

Got it. And just, I guess as a follow-up, I mean, it's what I'm trying to understand is why -- if you have ideas why there's a migration away from the white bread. It would seem that it's still a kind of a low-cost solution for lower income consumers. Not sure what they would be trading up from \$1 a loaf, private label white bread to Dave's Killer Bread at \$4. I mean, so I'm just trying to understand, if you think there's -- this is a temporary or this is part of a trend, if you know the kind of the factors that are really driving that.

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

Yes, we do, and that's what I'm trying to say. I think that it's more of a secular shift away from those categories. I think it's -- we've talked for several years now about the shift to more differentiated premium items. So some of that obviously is coming to us in the terms of perfectly crafted and Dave's Killer Bread. Other parts of it are going to the perimeter of the store, other parts are going to, tortillas and flatbreads. So consumers are looking for something different.

Yes, there's still value and there's still value consumers that buy private label or Wonder or Nature's Own butter bread, but they're -- It strikes me that there's definitely been a shift in tastes and preferences away from those main line items. So, we've been ahead of this, as I mentioned, and with our keto lineup and everything else that I've talked about, we're meeting that new consumer demand and so far offsetting the softness in those traditional categories.

---

**Bill Chappell** - *Truist Securities - Analyst*

Got it, great. Thanks for the color.

---

**Operator**

Robert Dickerson, Jefferies.

---

**Robert Dickerson** - *Jefferies LLC - Analyst*

Great, thanks so much. Couple of quick questions, I guess first question, as we think through the year kind of cadence of the year maybe this goes back to, Mr. Power's question as well, I mean, should we kind of be expecting some, let's say, more category softness right in the first half of the year maybe until you lap the category softness? So if we're thinking about top line and just organic volumes in general, I guess combined with maybe some of the innovation that comes later in the year, then maybe, we're a little softer top line first half and then hopefully, there's a little bit of momentum as we get through the back half? (multiple speakers)

---

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

Yeah, so from a top line standpoint, I think that's roughly correct. I don't really see any change in the consumer demand environment anytime soon overall, but we do have -- as we mentioned, the Wonder launch will be right at the beginning of the second quarter. We actually have a lot of new business wins, significant business wins. Most of those come in after the end of the first quarter. So I think as you, I think if you think about cadence through the year in terms of our efforts to win new business, geographic expansion, new items, innovation, that's mostly at least a post-first quarter item. And then, as I mentioned, QSR demand, that coming back would certainly be helpful for the foodservice side of things, but I'm not sure we see that until the second half of the year.

---

**Robert Dickerson** - *Jefferies LLC - Analyst*

Yeah, okay, fair enough. And then Ryals, maybe just on coming back to the conversation around traditional white loaf, etc. I do feel like, right, I mean if we go back like a decade, right, I don't know whether we think of some of your core competitors and bread and we think about kind of just like how the shelf looks, right, like if I personally walk into a grocery store. Now we have 18, 27, 32 grains, right? We have country white, hearty white, Hawaiian. I mean there's so many different options now in bread, right? I mean, we're kind of simplifying to an extent, right, like there's a little bit more premium, or let's say better for you.

I mean, I could argue that it depends on how you're defining better but whatever. Like is there, maybe just a part of the market where within bread, and let's ignore Dave for a second, where you clearly could or should or maybe you do right have an opportunity to kind of more effectively compete,

let's say, with the I guess we could call it more harder loaf, right? I mean, you're calling it soft loaf? Because it does feel like there's maybe a little bit more traction on that side and maybe that's just viewed as more premium even though maybe the health attributes aren't better. I don't know if that makes sense.

---

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

So Rob, are you talking about like more artisan crusty bread?

---

**Robert Dickerson** - *Jefferies LLC - Analyst*

No, I'm talking about like if I go to the grocery store and I look at Arnold and Pepperidge Farm, and they have like, harder, more, kind of more solid country white, hearty white. I'm seeing people maybe purchase that a little bit more frequently relative to the softer loaf dynamics. So I'm just bucketing the different subcategories differently.

---

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

Yeah, and I think that's a great example of where the market is shifting to. So if you think about white breads, for example, and what we've done with Perfectly Crafted. So while the traditional loaf under Nature's Own has been down, Perfectly Crafted was up 8.5% in units in the fourth quarter, which is typically, weak. So that, that's one example, and there we have a white bread under Dave's as well. So that's giving the consumer a place to go that's more premium and more differentiated than those main line items to your point.

---

**Robert Dickerson** - *Jefferies LLC - Analyst*

And then so like if we just think about the overall supply chain, like does it make sense to maybe just like gradually infill some of the shelf-on certain brands with maybe the examples you just gave, I don't know. I don't know if there's a cap on the TAM, but it would seem like market is going that way, maybe it takes you a little while to get there, but feels like you have the capability to kind of get there.

---

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

Yeah, no, I think that's right. I mean, it's -- as you say, it's an evolution over time. I mean, it's down, but make no mistake, there's still a lot of Nature's Own honey wheat sold. So it's still -- from a volume standpoint, it's still a huge piece, same for butter bread and the other main line Nature's Own items. But we're -- plants are pretty flexible, Rob. As you recall, so as we move forward and the consumer preferences shift, we can run these items on the same lines we already have for Nature's Own.

So you know there's a lot of perfectly made in the Miami bakery, for example, which, we've had for 50 years. And it makes Nature's Own butter bread, but it also pumps out the Perfectly Crafted as well. Dave's is a little different obviously with the organic and obviously gluten-free is even more different just given the segregation required, but yeah, we're -- our network is set up to be flexible in that regard as those preferences shift.

---

**Robert Dickerson** - *Jefferies LLC - Analyst*

Yeah, okay, perfect, makes sense. And then just maybe one question for me on the Wonder Snack launch. I mean, within the prepared remarks, right, like I guess kind of the term or terminology around healthy consumption, better for you, etc, does continue to pop up. Kind of we're all aware around, what's going on in the perimeter relative to the center of the store. I guess one could argue it either way maybe, a Wonder cream filled confetti cake is more premium or maybe for somebody it's classified as better for you.

But it seems like maybe it's just a good opportunity to kind of take some of the capacity you already have right within sweet baked snacks and just try to shake it up a little bit, right? I mean, clearly Wonder, it has very high consumer awareness it's probably one of the highest within all of baked goods.

So like is the idea as you speak with the retailers, hey, here's a category that's clearly under a bit of pressure, and it's been that way for some time. And there haven't really been a lot of new entrants, right? So maybe this is something that could actually you know work as consumers want something new and trial, not necessarily because it's premium or better for you.

That's all. Thank you.

---

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

Look, I think you said it very well. I mean, Wonder is an iconic brand. It's got 98% awareness, so it's among the highest in food. And we've talked a lot about the fact that one of our competitive issues in the cake business is just the lack of a brand to go up against the larger players with. We're a bit disadvantaged from that standpoint.

I mean, Tastykake is a great brand, if you're from Philadelphia or the surrounding area. But if you're from [Cairo], Georgia, maybe not so much. But Wonder definitely resonates. I would also say that the quality is also a factor and our -- we believe that our quality is superior and we've been told by our retail partners that our quality is superior. So we think that gives us a nice competitive advantage as well.

---

**Robert Dickerson** - *Jefferies LLC - Analyst*

And just quickly, could that product line be launched nationally kind of relative to Tasty, or is it probably more in a kind of a Tastykake regional play?

---

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

No, we can go national with Wonder. A, it's a national brand, and B, this is all warehouse distribution. So we're not limited by the [DSD] now.

---

**Robert Dickerson** - *Jefferies LLC - Analyst*

Super. Alright, awesome. Thank you, appreciate it.

---

**Operator**

Jim Celera, Stevens.

---

**Jim Salera** - *Stephens, Inc. - Analyst*

Yes, good morning. Thanks for taking my question. Well, I appreciate the some of the detail on 2025. I wanted to maybe parse out some of the legacy business. If my back of the envelope map is correct, if I take the midpoint, strip out the 53rd week and the simply good -- I'm sorry, Simple Mills acquisition. That gets just shy of like 1% growth for the 52-on-52 week legacy business. How can we think about the kind of expectations for the components there? It seems like maybe food service still down modestly, the core bread offering maybe up a little bit, and then sweet baked goods kind of a variable. So if you can just give us a sense for you know the components of the legacy business for '25?



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

Yeah, I mean, I think you're thinking about it right, number one. But secondly, I'd say, a lot of the 1% growth will be mix driven. And as Ryals pointed out, the performance of our premium brands continue to be really strong, so we're forecasting good performance for 2025 from that perspective as well.

We believe, as Ryals said Wonder cake, it should help from a cake perspective, but again, that doesn't really kick in until the second quarter. And here we are expecting some recovery from quick serve food service during the year as well. So when you look at kind of that 1% growth, a lot of that's going to be mix driven. From a pricing perspective, we've taken pretty substantial pricing over the past couple of years. And there might be a pocket here or there or something very selective, but for the most part, it will be mix driven.

---

**Jim Salera** - *Stephens, Inc. - Analyst*

Yeah, that's helpful. And then, maybe a second question on some of the innovation and formatting. Ryals, in your prepared remarks, you mentioned having the opportunity to offer consumers smaller loaves that that maybe make the product a little more accessible from an absolute price point perspective, and then also they don't have to worry about spoilage and maybe throwing away the couple extra slices. Can you just give us some details? Is that across the whole portfolio or is that just with certain brands? Is there an opportunity, especially thinking about, GLP-1 impact to kind of expand that across the portfolio to make it more accessible and --

---

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

I think it's a, we'll see, right now, Jim. We currently only have it under the Nature's Own brand for the small loaves, we are looking at it for Wonder as well. And then of course, this is not exactly analogous. But DKB has had for a long time the thin slice, which is a much smaller loaf in that big, super premium, wide pan bread. And, we do find that it's a lower price point, obviously, margins are still good for us and that's a consumer need that we're trying to meet.

There are others out there, we're not always the first to market. We weren't the first to market with keto, and yet we're number one in that sub-segment now. And there have been others that have been, earlier to market with the small loaf. And we've been watching it, it's done well. It's obviously a need for certain households and so we elected to meet that demand.

---

**Jim Salera** - *Stephens, Inc. - Analyst*

And then maybe if I could sneak in just one last. Ryals, you mentioned very briefly in the beginning of the Q&A just some uncertainty on tariff. Can you just give us maybe just high-level thoughts on what tariff exposure might be and just any impact that you might have?

---

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

Oh yeah, Jim, this is Steve. I mean, I'm sure you'll assume this, so basically, it's ingredient driven. We have taken into consideration, some estimates of the tariffs, and that does flow through our guidance. We looked at ways to mitigate that the best we can. But the reality is a lot of its ingredient-driven and as you would expect most of it's Canadian or Mexican driven. But there are some in China, but the majority of it would be from those two countries.

---

**Jim Salera** - *Stephens, Inc. - Analyst*

Okay, great. Perfect. Thanks. I'll pass it along.

---

**Operator**

Brian Holland, DA Davidson.

---

**Brian Holland** - D.A. Davidson & Co. - Analyst

Yeah, thanks. Good morning. Maybe just following up on some of the earlier lines of questioning. I think Jim's point implied '25 guidance top line excluding acquisitions excluding 53rd week, we're looking at like 80 bps of growth at the midpoint, which I think on its face looks modest. But for the last three quarters, your sales have declined, volumes have gotten worse, category trends are softening as we move further softening. I'm talking about all package bakery as we move through Q1.

So I guess may be to the extent that you could sort of parse out, because it strikes me that innovation is the incrementality of that and maybe some of the new business wins on the food service or non-retail business would be the primary drivers above and beyond maybe a down category and just some natural share growth on your part. So maybe more at its most simplistic, do we have a bigger innovation wave in 2025 than 2024? And where does that fall if you were to tier the drivers, bridging from where the category is to where you're guiding for '25?

---

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

Yeah, Brian, so lots to talk about there. So several things. One, I think I heard you say new business in the away-from-home, most of the new businesses on the retail side. So we are picking up some private label, but we're getting a lot of brand concession for that as well. I mentioned at the outset of the call, part of that is some significant new space for DKB which is going to be great for us. And there's a litany of others. Then you also have the Wonder launch, as I mentioned, that's going to be second quarter, it won't have any effect on the first quarter. So that's going to be a big part of it.

And then to answer your question on innovation, yes, we do have a higher innovation goal for this year than we did last year. So it's a combination of things. And all of that's intended, we're still saying, for the time being, we're not expecting any major positive changes in consumer demand. That's why we started the year cautious. But all this stuff is meant to offset that. Then of course, if consumer demand starts to improve, which we believe it eventually will, we're very well positioned to take advantage of that.

---

**Brian Holland** - D.A. Davidson & Co. - Analyst

Yeah, no, I appreciate that. That's all helpful. Thank you. And then just quickly on Simple Mills. I think you put 2024 net sales last month at \$240 million. Your guidance in '25 implies something a bit below that. I suppose that that's probably just less than full-year contribution explains the implied decline. But if I have that right, just a sense for kind of what you're assuming for that business on an apple-to-apple basis in 2025.

---

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

Yeah, I mean for 2025, obviously it's roughly 45 weeks that we stay on the closing schedule that we've assumed here. And then, from an overall growth perspective, we are assuming some modest growth for 2025.

---

**Brian Holland** - D.A. Davidson & Co. - Analyst

So is that if you say modest growth for 2025, I think that the business has grown at like a mid-teens CAGR or something like that. Is there anything with respect to just integration, etc, that you might explain why the implied guide for that business would look more conservative than what the historical trend has been or is that just conservatism, not dissimilar to the way you're trying to approach your core business?

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

Yeah, let me comment and Steve can add on to this. First of all, it's a little tricky for us because we haven't closed yet. So we're assuming a certain number of weeks in this contribution, so we've kind of given a range to give ourselves a little bit of breathing in there just cause we haven't closed yet. We do expect it to be soon. But as of today, we haven't closed.

The second thing I would say is that we're very bullish on this business. We wouldn't have pay the premium that we did if we weren't. But we do need to get them -- we need to get them integrated. And we can't do a lot of that, obviously, pre-closing, for regulatory reasons. But once we get in there and we decide how we're going to work together, and the things that we can bring to them to accelerate their distribution gains, their innovation pipeline, etc. It'll take a few months for us to get there. So I think it'll come into much clearer focus, though I know it's probably frustrating for your modeling efforts, it'll come into clearer focus after we get closed.

---

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

Yeah and Brian, I don't know if you had a chance. I don't know if you had a chance to look at the deck yet. But on slide 7, we do call out that we're assuming a full year pro forma contribution of roughly \$258 million to \$266 million from a top line perspective, so that should be able to help you from a modeling perspective.

---

**Brian Holland** - *D.A. Davidson & Co. - Analyst*

Okay, thank you. That is helpful. And then if I could speak of one more, just any thoughts about how the promotional landscape might evolve as commodities become a headwind for the category into 2025. I think historically an inflationary environment upstream has tended to be beneficial for Flowers just given kind of your hedging strategy vis a vis the balance of the category. So maybe just any thoughts there?

---

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

On the promotional environment you mean?

---

**Brian Holland** - *D.A. Davidson & Co. - Analyst*

Yeah, how you -- right, I mean, I think we're seeing an increasingly competitive -- we have seen an increasingly competitive environment. I know you've talked about that being below pre-COVID levels. But commodities have been a bit of a tailwind to help support that. If it goes the other way, if you assume that a lot of the smaller Independents don't have the same hedging or forward buying practices that somebody like Flowers might have, that they would have to correct more quickly to account for that. And again, historically, I think that's been a net benefit for Flowers. Just curious how you think about that.

---

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

Yeah, I would think about it exactly the same way though it. It'd be just pure speculation to figure out, exactly when, that might happen and what they might do and when. Yeah, you're right. Historically, it has, overall been a benefit. And I mentioned a while ago, we've been watching the promotional environment very carefully. No surprise. I mean -- for us, I mean, the base units have been a little bit weak.

But our promotional cadence has delivered, some pretty nice incremental units. On the other hand, we have seen more broadly across the category, deeper perhaps more aggressive promotions and our analysis shows that those are not delivering from an incremental standpoint. So certainly my hope is that stabilizes and pulls back. But in the meantime, we're going to continue with the same strategy we have. I mean, we're -- we have the number one brands, we don't have to promote as deeply because of the strength of those brands, and we'll continue utilizing that strategy.

---

**Brian Holland** - *D.A. Davidson & Co. - Analyst*

Great, thanks. We'll leave it there.

---

**Operator**

Mitchell Pinheiro, Sturdivant and Company

---

**Mitchell Pinheiro** - *Sturdivant & Co., Inc. - Analyst*

Hey, good morning. Most of my questions have been asked, but I do have just a couple of things. Regarding guidance as Flowers standalone, earnings per share is flat to down versus '24. But you have perhaps, a modest increase on the top line. So is that is that gross margin or is that SD&A decline or pressure on the on earnings?

---

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

I think you'll see more pressure within SD&A.

---

**Mitchell Pinheiro** - *Sturdivant & Co., Inc. - Analyst*

And is that workforce related? I mean, is that related to California transition or just general workforce related pressures?

---

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

I think you'll continue to see some of the pressures we talked about on Q4. You'll continue to see workforce, you'll continue to see an increase in overall lease or rent expense. It's really is related to the truck leases and rentals for California. And then you'll continue to see cold storage expense increase as well. So there's several factors within SD&A forecasted to be up here every year. I think from a growth margin perspective, we don't really only guide but I think overall we should be okay, '24 to '25.

---

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

Yeah, Mitch, as well just remember that as we move through the first quarter of this year, Steve already mentioned the lap of the pricing, but we will also start to lap the savings initiative that we launched last year, that \$46 million that we saved in '24.

---

**Mitchell Pinheiro** - *Sturdivant & Co., Inc. - Analyst*

Okay. And then, you had a comment, I guess, in the prepared remarks talking about the California transition going to drive some improved results. What are you trying to say there? Is that -- I mean, because that's going to be a company owned model versus your traditional independent model. Is that saying that you could be more efficient as a -- with a company-driven model?

---

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

Yeah, I think -- I would think of it in terms of control, obviously with our IDP model, we have very limited control there, because they're independent business owners, as you know. Whereas, with the transition in California, kind of taking back control over distribution, days of service, display execution, we have a lot more ability to drive our business ourselves with an employee model there.

Now, Mitch, as we were forced to do that in California. This wasn't necessarily by choice, so we'll see how it goes. On balance, as we've mentioned, it is a little bit more expensive to use a company owned model than it is IDPs primarily due to the truck expense, that's on our books. But our aim is to more than offset that via that control with enhanced sales growth, primarily, honestly, if nothing else, increased days of service. We all know how important Sunday service is and that can be somewhat uneven with an IDP model.

---

**Mitchell Pinheiro** - *Sturdivant & Co., Inc. - Analyst*

All right, thank you. And then just one other thing, and I maybe someone else asked this already, but the small loaves that you're putting out, you've always -- you've thought about it before, but it sort of didn't quite make sense in years past for a variety of reasons. Is it -- have you solved any of the small low margin issues or is that something that you got the right margin mix there or is it a -- could it be a margin drag for you?

---

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

It's not a major margin drag. Mitch, first of all, it's not big enough yet really to have that big of an effect. But to answer your question, it is a little bit lower than the main line items just due to the fact that we're not really set up to just produce a small loaf.

There's some, some complexities in the plants, however, we -- if we start to find success with this, we would go and make the necessary changes in the plants to fix that. And that would go a long way to helping the margin profile. I'm not really worried about it right now. This is really more of a test and learn circumstance for us. But if it -- it's doing well, if it continues to do well, we've got, more SKUs coming out to help support it. If it really takes off, then we'll make the necessary investments on the supply chain side.

---

**Mitchell Pinheiro** - *Sturdivant & Co., Inc. - Analyst*

Okay. All right, that's all I have. Thank you for your time.

---

**Operator**

Max Gumpert, BNP Paribas.

---

**Max Gumpert** - *BNP Paribas Exane - Analyst*

Hey, thanks for the question. Just turning back to the commentary on promotions that you're clearly of the mind that the promo intensity we're seeing is not the solution to volume pressure in the bread category, and that sounds like a prudent approach to be taking, given the lack of lifts that we're seeing. It's not clear though that your competitors are of the same mindset and in stepping away from promotion. So how would you think about navigating through an environment if you have large competitors that continue to promote through the year, even if a bit irrationally? Thanks.

---

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

Yeah, right, can't control what they do, understand that. But I think, simply put, if you look at our market share performance relative to, some of the competitors that you're talking about, I think you'll find your answer there. Our performance has been much better and we don't promote nearly as deeply. I think our overall price per unit was down maybe a penny in the fourth quarter -- one penny up 1 penny in the fourth quarter, sorry, in the fourth quarter. So that typically, tends to be a higher promotional quarter just given the seasonality, and yet our market share performance was better. So I would leave it at that.

**Max Gumpert** - BNP Paribas Exane - Analyst

Okay. And then turning back to the expansion of Wonder into sweet baked snacks. So I mean, clearly, you noted that one of the biggest headwinds you're facing right now is that weakness in the sweet baked goods category, and you're planning to address that head on with the introduction of Wonder Snack cakes.

I guess I'm just wondering why that's the right strategy. I mean, to me, it would seem you can choose the categories that you play in, and so I'm wondering why you're choosing to get bigger in a category that's one of the weakest in the US package right now, and potentially due to structural issues apply. :so just curious, why snack cakes and another category that that maybe has better growth tailwinds behind it.

---

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

You mean with the use of the of the Wonder brand?

---

**Max Gumpert** - BNP Paribas Exane - Analyst

Exactly, why expand Wonder into snack cakes now? Why is snack cakes the right category? Why not think about a different category that isn't under a whole lot of topline pressure?

---

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

Right. Well, I would put it this way. We're in the sweet baked goods business and it's a headwind, and it needs addressing. I think that's very clear. And we've documented it for a number of years that it's been a headwind from us first operationally and now from a top-line standpoint. And we think that Wonder translates much more easily into the -- and seamlessly into the sweet baked goods category than it might others.

---

**Max Gumpert** - BNP Paribas Exane - Analyst

Okay, and then I'll throw in a third question as well. Just could you provide a bit more color on the Circana research that you're citing, particularly with regards to the comment about how you're seeing or Circana is seeing households on GLP-1 drugs start to revert even more fully back to center store items. Curious, are there center store items in particular that they're reverting to? Did they give you any reasons for why that counterintuitive shift is occurring? Thanks very much.

---

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

Yeah, sure. I mean, and look, I mean, the research that we're citing is, as I said earlier, one of many. I think, some of these even tend to conflict with each other. But yes, we have seen some data that shows that people start that medication, and when they stop, they come back and they buy more than they did before.

But I think, it's one point in time, it's one data point. I would caution everyone on that. I don't think I've been very clear that I don't think anyone has gotten this completely figured out yet or knows what the long-term implications of it are. I think the important thing to note is that regardless of the outcome, we're positioning our portfolio to be successful in any environment.

---

**Max Gumpert** - BNP Paribas Exane - Analyst

Okay, thanks very much.

**Operator**

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

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

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

**Operator**

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

**DISCLAIMER**

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

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

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

©2025, Refinitiv. All Rights Reserved.