Flowers FOODS

FOURTH QUARTER AND FULL YEAR 2025 PREPARED REMARKS

February 12, 2026

CORPORATE PARTICIPANTS

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

Ryals McMullian, *Chairman and CEO*

Anthony Scaglione, *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' fourth-quarter and full year 2025 results. We will host a live Q&A session Friday, February 13, 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 Anthony Scaglione, our CFO. Ryals, I'll turn it over to you….

Ryals McMullian, *Chairman and CEO*

Thanks, J.T. And thank you everyone for joining our call.

We concluded 2025 on a strong note, achieving results at the high end of our guidance range. Our initiatives to enhance efficiency and proactively transform our portfolio to align more closely with consumer preferences are yielding promising results. This progress affirms my confidence in our longer-term path forward.

Our leading brands continued to perform well even in a challenging demand environment. Flowers maintained unit share in the fresh packaged bread category for the year led by robust performance from Dave's Killer Bread, which gained 20 basis points, while Nature's Own, Canyon Bakehouse, and Wonder all held share.

Traditional loaf remained challenging, with unit sales declining 4% in the fourth quarter, one of the weaker areas in fresh packaged bread. That performance compares to a 2% decline for the bread category overall and a modest increase in overall food category units.

Looking ahead, we anticipate ongoing category headwinds to pressure results in 2026. In response, we are proactively conducting a comprehensive review of our operations aimed at positioning us to reignite top-line growth and expand margins. This review is focused on evaluating and optimizing our brand portfolio while targeting investments in the most promising areas. Additionally, we are evaluating supply chain enhancements and reassessing our capital allocation to ensure we can fund promising growth initiatives that drive long-term shareholder value.

By strategically investing in key brands and segments, and enhancing our supply chain and advanced commercial capabilities, we are confident in our ability to drive above-category performance and deliver sustained value creation for our shareholders. We expect 2026 to be an investment and transition year as we work to enhance our brands with increased marketing and innovation. We will share updates on these initiatives and their anticipated benefits as the year progresses. While these investments may create near-term margin pressure, they are essential for unlocking the full potential of our business.

Now, I'll provide an overview of our fourth 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, Anthony will review our financial results and guidance, and then I'll close with a discussion of key themes moving forward.

I'm very excited to welcome Anthony Scaglione as our new CFO. Anthony brings a fresh perspective to our company as we navigate today's challenges. Throughout his career, he has consistently demonstrated the ability to drive change and achieve strong results. Since officially joining Flowers in January, he has already made a positive impact across the organization with his energy and his vision. I'm confident he'll be a valuable partner to me and the entire management team as we work to reignite sales and expand margins.

I'm pleased to announce that David Roach, formerly our chief strategic projects officer, has been named chief DSD operations officer. In this newly created role, David will focus on strengthening execution and increasing accountability across our direct-store-delivery operations. With full profit-and-loss responsibility for Flowers' DSD business, I expect David's leadership to sharpen our focus on DSD sales performance, ultimately driving improved execution, enhanced profitability, and consistent value for our stakeholders.

To support David in his new role, we are implementing a new structure for our DSD team, placing full P&L responsibility at the regional level. By providing those leaders with greater visibility, influence, and alignment across the value chain, we expect to improve execution, increase accountability, and ensure strong results aligned with company goals.

I am enthusiastic about these changes and I look forward to the improved operating results we expect them to deliver.

Our second strategic priority is focusing on our brands, which continue to perform well in a challenging environment. We are leveraging our leading brands to uncover growth opportunities in an otherwise soft category. And that investment is yielding positive results, particularly in specialty premium loaf, sandwich buns and rolls, breakfast, and cake.

Looking at fourth quarter results, DKB was a standout, growing unit sales 3% overall and increasing dollar sales at each of its top 10 customers. The brand's commitment to uncompromising taste and texture, along with its unique better-for-you attributes, has driven significant distribution gains in underpenetrated segments like sandwich buns and rolls and breakfast. And customers are proactively asking for more innovation from this leading brand.

In specialty premium loaf, we gained 60 basis points of unit share—largely driven by DKB, which added 50 basis points. Canyon and Nature's Own each contributed 10 basis points of unit share, helped by increased distribution.

Breakfast was also an area of strength as we gained unit and dollar share in the quarter, up 40 basis points and 50 basis points, respectively. Results benefited from the strong performance of Wonder and DKB. Notably, DKB has consistently grown dollar share in breakfast every year since 2021. We remain optimistic about our potential to drive continued share gains in this segment.

In the sandwich buns and rolls segment, strong results from Nature's Own, Wonder, and DKB, drove a 50 basis points increase in unit share. Units grew 3%, outpacing the overall category by approximately 600 basis points. Nature's Own played a crucial role in this success, with the addition of new keto buns, and particularly its Perfectly Crafted Brioche buns, which are among the fastest growing products in the bun subcategory.

The success of Nature's Own Life keto buns is just one example of how our investments in innovation are bearing fruit. By focusing on better-for-you items that target the most promising pockets of growth in the category, our recently introduced slate of on-trend innovation is off to a great start. Looking ahead, we anticipate even more exciting innovations in 2026.

Turning now to our cake business, where targeted actions to mitigate category weakness have improved revenues dramatically. Leveraging Wonder's tremendous brand recognition, our line of cake products launched in 2025 has revitalized our performance. In the fourth quarter, while category unit sales declined 3%, Flowers' cake unit sales grew 5% led by strength in Wonder. Importantly, TastyKake sales have remained solid with only minimal cannibalization.

Our third strategic priority is margins, an area where we made significant progress in the fourth quarter. Through diligent efforts to enhance efficiencies, we reduced SD&A as a percentage of sales an impressive 60 basis points in the fourth quarter. The improvement was driven by initiatives throughout the company, as we work to align our cost base with changing demand. We will remain vigilant about managing costs as part of our comprehensive review.

As I have emphasized, while cost savings initiatives are important, the successful execution of our portfolio strategy, whereby we work to increase the percentage of sales of higher margin branded retail products, is critical for long-term margin growth. We anticipate that our brand portfolio review will further that objective by enhancing our ability to identify and target growth opportunities and ensure that our offerings meet customer needs across a range of price points.

Our fourth priority is smart M&A.

The integration of Simple Mills is progressing well, and the brand continues to resonate with today's health-conscious consumers. Its emphasis on better-for-you products enhances our portfolio's alignment with current market trends and provides a robust growth platform in categories with significant white space opportunities.

Fourth quarter sales growth remained consistent with recent results as Simple Mills outpaced both total and natural category growth while maintaining strong market share positions in key snacking categories like crackers and cookies. We anticipate continued progress into 2026 fueled by what is set to be the largest innovation year in Simple Mills' history. We remain excited about the brand's potential to drive substantial growth for many years to come.

Our capital allocation priority is to maintain a strong balance sheet, providing us the flexibility to execute our strategy. We will continue to invest in our business, with a focus on delivering strong returns for our shareholders. As part of our four strategic pillars, we will intensify our focus on internal operations—optimizing our portfolio, driving growth, and seeking out efficiencies in the coming year.

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

Anthony Scaglione, *CFO*

Thank you, Ryals, and good morning, everyone. I am excited to be here today as part of the Flowers team. Before reviewing the fourth quarter results, I'd like to take a few moments to share why I joined the company.

Flowers has a very long history and one that has evolved along with changing market conditions. Over more than 100 years, the company has developed a national platform that, when combined with its leading brands, presents a significant opportunity to deliver a broad and evolving product suite to our customers, helping to drive long-term value.

Another deciding factor was the company's culture and purpose. In my short time at Flowers, I have had the opportunity to meet with countless employees, visit numerous bakeries, and even performed a ride along with one of our DSD network partners. Through that process, the passion and commitment of our team members to the business was abundantly clear.

I recognize we are facing some challenging and somewhat unprecedented times in our category. However, I am confident we have the right team, strategy, and structure to execute, and I'm excited to leverage those strengths to drive growth in excess of the category over time.

As Ryals mentioned, to reignite growth, we are conducting a comprehensive review of our brands, operations, and financial strategy. Key to this process is ensuring we adequately fund promising growth initiatives and allocate capital opportunistically to drive long-term shareholder value.

An early part of our review was the evaluation of our brands, which when combined with our typical process around goodwill and intangibles, led to a non cash write down of certain assets. Overall, our evaluation process is in its early stages, and I would say we are in the top of the first inning, for you baseball fans. We will share more around our review in the upcoming quarters.

Turning to our fourth quarter 2025 results.

Net sales increased 11.0% from the prior-year period. Price/mix increased 70 basis points, benefitting from pricing taken toward the end of the fourth quarter to offset input cost inflation.

Volume declined 2.2% largely due to pressures in branded traditional loaf, food service, and store brand cake. That softness was partially offset by growth in branded cake, organics, and keto. The Simple Mills acquisition and the extra week added 4.7% and 7.8%, respectively.

Gross margin as a percentage of sales, excluding depreciation and amortization, decreased 30 basis points to 48.5% over the same quarter last year. Increased outside purchases of product related to the Simple Mills business model were partially offset by lower labor and ingredient costs associated with the addition of Simple Mills and higher sell-through of finished goods.

Selling, distribution, and administrative expenses as a percentage of sales were 39.9%, a 10-basis point decrease over the prior year period. The decrease was due to lower distributor distribution fees as we converted to an employee-based model in California and the addition of Simple Mills, partially offset by higher workforce-related costs from the California transition as well as the impact of overall wage increases.

Excluding matters affecting comparability, adjusted SD&A was 39.0% of net sales, a 60-basis point decrease. The reduction was driven by efficiency efforts and lower distributor distribution fees as a percentage of sales from the addition of Simple Mills, given its co-manufacturing structure.

GAAP diluted EPS for the quarter was a loss of 32 cents, a 52-cent decrease over the prior-year period. Significant items include a $136 million non-cash impairment of intangible assets, $9 million in restructuring-related implementation costs, and a $3 million loss related to inferior ingredients from suppliers that also impacted sales. Excluding the items affecting comparability detailed in the release, adjusted diluted EPS in the quarter was 22 cents, consistent with the prior-year period.

Taking a moment to discuss the impairment charge, as I previously mentioned, during the quarter we began a review of our brand portfolio as well as current and future investments. As part of this review, we recognized that the long-term outlook for certain brands, while still part of our portfolio and supported, is lower than previously forecasted, resulting in an impairment.

In the short term, we do not expect any further impairments based on our outlook for the remaining portfolio. That being said, to Ryals's earlier point, we will continue to focus our efforts on brands with the greatest opportunity to grow and gain share, while ensuring we satisfy our customers across various price points and needs.

The Simple Mills acquisition contributed $57.5 million in net sales, $6.3 million to adjusted EBITDA, and a three-cent adjusted diluted loss per share, inclusive of 4 cents of related financing costs.

Turning now to our balance sheet and cash flow.

We are committed to maintaining a strong balance sheet as we continue to navigate a challenging macro environment. This financial strength remains a priority, particularly ahead of our upcoming bond maturity.

At year end, net debt to trailing twelve month adjusted EBITDA stood at approximately 3.3 times, increasing over year over year due to the acquisition of Simple Mills. While leverage remains elevated, we remain focused on prudently managing our capital structure, being mindful of the long-term needs to support our business and strategies. I look forward to working with Ryals and the Board on managing this process as we continue with our broad review across multiple levers.

Turning to cash flow. We generated cash flow from operating activities of $446 million in 2025, an increase of $34 million over the prior year. Capital expenditures decreased $5 million to $127 million and dividends paid increased $6 million to $209 million.

Now, turning to our outlook for 2026. We are cautiously optimistic about our initiatives to enhance performance, though we expect a continued challenging category backdrop, specifically in traditional loaf where we over index. Guidance also reflects one fewer week and inflationary pressures related to inputs, including labor.

From a top line perspective, we expect total sales to be down 180 basis points to up 20 basis points. The impact of one fewer week is anticipated to be a headwind of approximately 1.5% to annual net sales growth. We are assuming category headwinds across our portfolio of approximately 4% in 2026, a bit higher than what we would have expected having navigated a difficult 2025.

We are also targeting several growth levers to counter the macro backdrop. First, we're looking forward to continued growth from Simple Mills. And, as Ryals mentioned, to grow share we will continue to invest in our leading brands. Those investments, which include innovation and marketing, are expected to enable share gains and temper some of the overall category headwinds. We are balancing optimism for our exciting new product launches with the backdrop for continued macro and category challenges.

Moving to the expense side, we continue to see inflationary pressure across our labor, logistics, and inputs. Investments to drive longer-term growth in our brands are also expected to hamper margins in the near term. In addition, our 2026 plan assumes a normalization of corporate bonus compensation, which benefited 2025 results by approximately eight cents. We will remain vigilant and focused on disciplined cost actions and efficiencies—a muscle I am pleased to say is a company strength.

Rounding out the guidance is an increase in net interest expense from the bond issuance that occurred partway through the first quarter of 2025 and a full year tax rate of approximately 26%. The higher tax rate is driven by a reduction in excess tax benefits associated with compensation expense on stock award vesting. This discrete item will result in a first quarter tax rate of approximately 30%. For the remainder of the year, we expect the tax rate to be approximately 25%.

With respect to overall cadence through the year, results will reflect a full first quarter of Simple Mills, continued benefits from savings initiatives implemented in the second half of the prior year, and the recently implemented pricing actions. As we progress through the year, we anticipate growing headwinds from commodity inflation, as well as the impact of the normalized bonus expense.

As Ryals mentioned earlier, Simple Mills continues to perform well, and we expect double-digit sales growth driven by expanded distribution, innovation, and positive velocity trends. However, we anticipate that higher costs associated with tariffs and inputs will continue to impact margins. Our focus remains on the long-term growth of the brand and we will continue to invest with the goal of maximizing its substantial market potential and its growing consumer appeal.

Based on all these assumptions, we expect fiscal 2026 net sales of $5.163 to $5.267 billion, adjusted EBITDA of $465 to $495 million, and adjusted diluted EPS of $0.80 to $0.90 cents.

As part of our overall capital allocation and planning, I am working closely with Ryals and the executive management team on finalizing the capital expenditures we expect to incur this fiscal year, but expect to manage those investments prudently as we have in the past.

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

Ryals McMullian, *Chairman and CEO*

Thank you, Anthony.

Now, I'd like to discuss the key trends shaping our performance and outline the proactive steps we are taking 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 rational but challenging in the fourth quarter. We did not observe any significant changes in promotional intensity. In fact, the average price per unit in the bread category rose 1.1%, boosted by higher private label prices, even as low-priced branded offerings continued to capture unit share from both private label and mid-priced branded products.

This shift underscores the importance of our initiatives to differentiate our offerings in the category. We continue to use promotion selectively to encourage trial and repurchase, with a focus on differentiated, better-for-you products with relatively low base sales. Due to the typically low return on investment at year end, we strategically pulled back on promotions in the fourth quarter. 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.

In response to input costs and tariffs, we implemented price increases on most of our branded retail products late in the fourth quarter. We are closely monitoring category data to ensure that we effectively balance market share with profitability, while providing value and on-trend attributes to consumers across a variety of price points.

Turning to consumer trends, the macroeconomic environment continues to influence consumer behavior. Factors such as inflation, high consumer debt levels, a slowing job market, and an uncertain economy are affecting consumer confidence and prompting tighter spending.

The weakening consumer environment has manifested itself in lower food and beverage volumes, although dollar sales growth remains positive due to price increases. Value-seeking behavior has pushed a greater percentage of bread sales to club stores, one of the few channels where bread sales are increasing.

Consumers are also shifting more of their food and beverage spending to the store perimeter, where volumes grew 0.4% in the last four weeks of the year, while center store volumes declined 0.6%. This trend was evident in the bread category, where perimeter breads and rolls continued to gain unit share relative to center store offerings.

Additionally, the trend away from foods perceived as less healthy continued, with candy, alcohol, and bakery items declining 3.5%, 3.2%, and 1.5%, respectively, during the same period. With increased GLP-1 adoption, changes to the food pyramid, and the rise of online influencers and health apps, we expect this trend to continue.

In response, we are strategically adapting our portfolio to align with consumer trends by prioritizing better-for-you and value-oriented products, ensuring we meet consumer preferences for the long term. To facilitate this transition, we are aggressively innovating unique, premium products with attributes such as protein, sourdough, and keto friendly options, alongside value-oriented offerings like small loaves.

We aim to drive further growth by leveraging our top brands to enter faster-growing segments like better-for-you snacking, and stabilizing and growing the cake business by harnessing the power of the Wonder brand. Additionally, we seek to enhance margins by optimizing our supply chain and path to market to deliver industry leading operations and service, including aligning our bakery network with demand.

The review process I discussed earlier is a crucial part of this adaptation. We remain committed to navigating the challenges of today's market while positioning ourselves for future success. Our efficiency initiatives have helped maintain margins during this challenging period. And our proactive approach to transforming our portfolio through innovation and strategic acquisitions is already yielding positive results.

While the economic landscape remains uncertain, we believe that as consumer confidence rebounds, we will be well-positioned to grow market share and enhance profitability over time. Our dedicated team is committed to executing these initiatives with precision and passion, ensuring that we not only meet the current challenges 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.