

Flowers Foods (NYSE: FLO)

Company Overview (from Annual Report)



ANNUAL REPORT 2023

FELLOW SHAREHOLDERS:

The hard work of our team, combined with initiatives to drive growth, resulted in record sales in 2023 despite a challenging economic and inflationary environment. To continue this momentum, we remain focused on our four strategic priorities — developing our team, focusing on brands, prioritizing margins, and pursuing smart mergers and acquisitions (M&A).



DEVELOPING OUR TEAM

One of my most important jobs is ensuring we have the right team, with the necessary skills and structure, to achieve our long-term goals. In 2023, we announced several leadership changes: Heeth Varnedoe became president, in addition to continuing as chief operating officer, and Terry Thomas and Cindy Cox joined the leadership team as chief growth officer and chief human resources officer, respectively.

In addition, we shifted operational responsibilities at our bakeries from the sales to the supply chain function. This shift allows our sales team to focus solely on bringing our leading products to customers while our supply chain team drives operating efficiencies and network optimization. We are already seeing a renewed energy and execution of our sales strategy and increased focus and better performance from our bakeries.

We also added two new board members: Brigitte King, global chief digital officer at Colgate-Palmolive Company, and Joanne Smith, executive vice president and chief people officer at Delta Air Lines. Their knowledge and experience should benefit us as we look to expand more into digital commerce, and enhance our recruitment, retention, and talent development programs.



FOCUSING ON BRANDS

The strength of our leading brands has never been more apparent. Dave's Killer Bread outpaced the bread category and achieved a record \$1 billion in retail sales in 2023. The brand continued to prove that consumers are willing to pay premium prices for differentiation and superior quality and taste, even in the current economic environment.

And we are investing in innovation and marketing to further our competitive advantage. Our Nature's Own Keto Net One loaf was the number one new item in the category for 2023. We also continued the nationwide rollout of our DKB snack bars, which are performing well with distribution significantly exceeding our original goal.

The DKB snack bars are just the first item in a deep pipeline of innovation that we expect to expand our addressable market and meaningfully grow sales outside of the bread category.



PRIORITIZING MARGINS

Our team has done an admirable job of mitigating the effects of commodity inflation, improving our gross margins in 2023 versus the prior year. However, costs have been impacted by inflationary pressures in other areas, like labor, along with investments to drive future growth, such as marketing and our digital initiatives. Though these investments temper near-term results, they are crucial in enabling us to meet or exceed our long-term financial targets.

We are focused on offsetting those higher costs through efficiencies and cost savings initiatives, which we expect to save approximately \$30 to \$40 million in 2024. In addition, we continue to execute our portfolio strategy whereby we aim to transition a greater portion of our sales to higher-margin branded retail products. As part of that strategy, we have also improved margins significantly in our cake, foodservice, and private label businesses.



PURSUIING SMART M&A

M&A has been a key contributor to our growth for decades, expanding our geographic coverage and supplementing our brand lineup. In 2023, we completed the acquisition of the Papa Pita bakery business, an important co-manufacturer of Flowers products, to drive manufacturing and distribution synergies.

In addition to strengthening our position in core categories by expanding our geographic reach and gaining share in underdeveloped markets, we are also focused on finding new revenue streams across the baked foods category. We continue to monitor the deal market, proactively building relationships with owners and founders, and actively vetting potential acquisitions and investments that could add capabilities, brands, or products to our robust existing lineup.

In closing, we remain focused on the significant longer-term opportunities we see ahead of us, filling in white space in geographic and product adjacencies, while leveraging innovation to push into new categories. I have never been more confident in our long-term potential, and I look forward to building on our strong base throughout 2024.



A. Ryals McMullian

A. RYALS MCMULLIAN
Chairman and CEO

OUR MISSION

TO DELIGHT CONSUMERS WITH DELICIOUS BAKED FOODS.

OUR VISION

WE STRIVE TO BE A BOLD, VISIONARY BAKED FOODS COMPANY WITH THE CONSUMER AT THE CORE OF EVERYTHING WE DO.



OUR VALUES

HONESTY & INTEGRITY – We always do what's right, maintaining high standards of ethical conduct.

PASSION – We achieve our goals with energy and enthusiasm.

RESPECT & INCLUSION – We create an inclusive, diverse, and respectful culture.

HUMILITY – We strive to serve and learn from others as we pursue common goals.

SUSTAINABILITY – We are committed to building a sustainable future for our team, our company, and our communities.

COMPANY FACTS

BUSINESS: The second-largest producer and marketer of packaged bakery foods in the U.S.

BAKERIES: 46 bakeries in 19 states

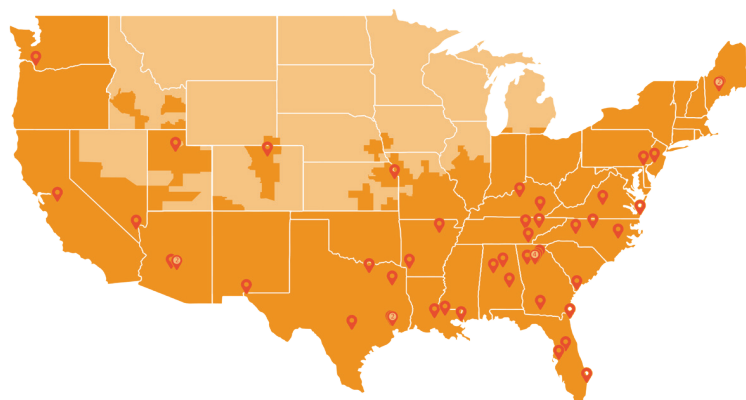
EMPLOYEES: Approximately 9,300

PRODUCTS: Bagels, breads, buns, English muffins, rolls, snack items, and tortillas

TOP BRANDS: Nature's Own, Dave's Killer Bread, Canyon Bakehouse, Tastykake, Wonder, Mrs. Freshley's

MARKET: Retail and foodservice. Fresh bakery foods to more than 85% of the U.S. population through a direct-store-delivery (DSD) network; frozen bakery items and snack cakes to customers' warehouses nationwide.

46 BAKERIES & FRESH/FROZEN DISTRIBUTION



FLOWERS BAKERIES FRESH/DSD FROZEN/WAREHOUSE AVAILABLE THROUGHOUT THE CONTINENTAL U.S.

FLOWERS STRENGTHS

- Leading brands in a large and stable consumer goods category
- Proven ability to grow share in underdeveloped product segments and geographic regions
- Executing initiatives to optimize portfolio and network profitability with a focus on managing costs, leveraging data-driven insights, and shifting mix to higher margin branded products
- Track record of disciplined M&A
- Consistent cash generation and track record of dividend growth
- Broad product range – bagels, breads, buns, English muffins, rolls, snack items, tortillas
- Dual distribution capability – fresh bakery foods distributed daily through a DSD network and fresh and frozen products delivered to customers' warehouses nationwide
- Conservative financial position with investment-grade debt rating

FINANCIAL HIGHLIGHTS (in thousands, except per share data)

	FY2023	FY2022	% CHANGE
Sales	\$5,090,830	\$4,805,822	5.9%
Net income	\$123,416	\$228,394	(46.0%)
Adjusted net income*	\$256,285	\$271,038	(5.4%)
Net income per diluted common share	\$0.58	\$1.07	(45.8%)
Adjusted net income per diluted common share*	\$1.20	\$1.27	(5.5%)
Cash dividends per common share	\$0.91	\$0.87	4.6%

* Excluding items affecting comparability. See reconciliations of these non-GAAP financial measures in the following pages.

FY2023 SNAPSHOT

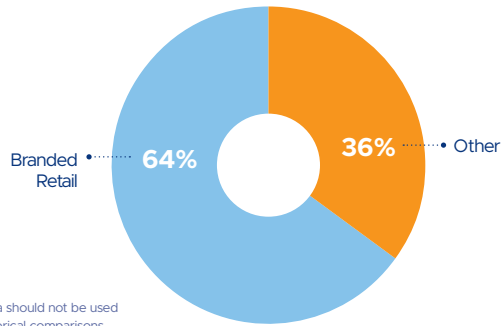
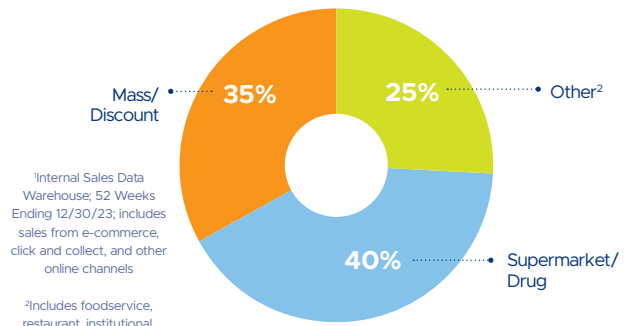


Chart data should not be used for historical comparisons because of changes in sales category definitions.

SALES BY CATEGORY



¹Internal Sales Data Warehouse; 52 Weeks Ending 12/30/23; includes sales from e-commerce, click and collect, and other online channels

²Includes foodservice, restaurant, institutional, vending, thrift stores, and contract manufacturing

SALES CHANNELS¹

BRAND STRENGTHS



America's best-selling loaf bread. **Nature's Own**® breads and buns have no artificial preservatives, colors, or flavors and no high fructose corn syrup. For an artisan experience, try Non-GMO Project Verified Perfectly Crafted® breads, buns, and rolls.



The #1 organic bread in the U.S., **Dave's Killer Bread** is Non-GMO and USDA organic, with killer taste and texture, whole grain nutrition and no artificial ingredients. It will rock your world!



The #1 gluten-free bread brand in the U.S., **Canyon Bakehouse**® is also free from dairy, nuts, and soy and made with 100% whole grains so everyone can Love Bread Again®.



Hot dog, hamburger, or sandwich, **Wonder**® is the way to go. A trusted brand for more than 100 years. Instill a little Wonder in what you're eating today!

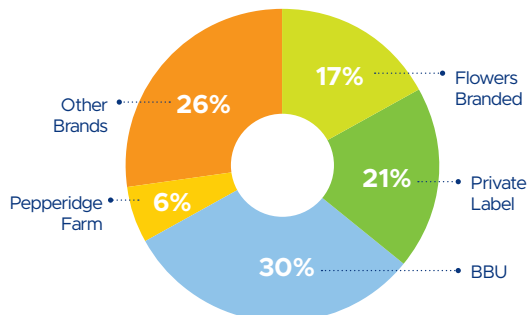


A snack favorite since 1914, **Tastykake**® is celebrated for its complete line of cakes, pies, and donuts. One taste, and you'll know why **Tastykake** has been a favorite for more than 100 years.



True to its name, **Mrs. Freshley's**® offers a wide variety of portioned and portable sweet baked snacks that are ready to go and perfect for busy, everyday lives.

BRAND SHARE, TOTAL U.S. Breads, Buns, Rolls



Circana Flowers Custom Database
52 weeks ending 12/31/23
(Chart data should not be used for historical comparison because of changes in product and geographic definitions.)

CATEGORY STRENGTHS

\$43.5 billion retail sales*
\$6.6 billion foodservice sales*

- Across the grocery store segment, fresh bread and rolls is the third-largest category, in dollars, behind salty snacks and carbonated beverages.**
- Highly profitable category for retailers
- 97.4% of households buy fresh packaged bread.***

*Flowers internal estimate, based on 2023 Circana data and Technomic Foodservice Industry Indicators

**Circana Syndicated Data TTL US MULTI-OUTLET

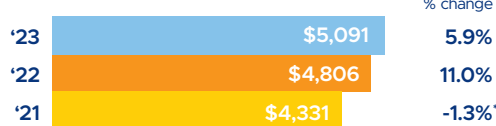
***Circana Panel Data 2023

(Numbers should not be used for historical comparison because of change in Circana data.)

3-YEAR PERFORMANCE

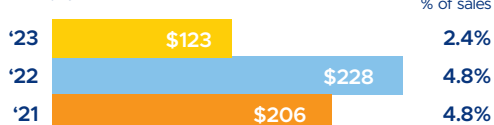
SALES

in millions



NET INCOME

in millions



ADJUSTED NET INCOME**

in millions



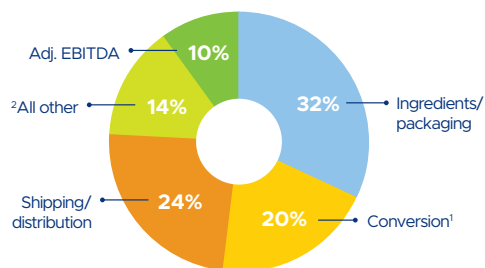
ADJUSTED EBITDA**

in millions



COMPONENTS OF ADJ. EBITDA

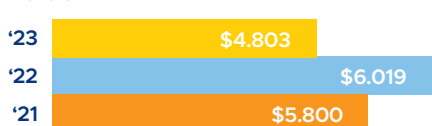
% of FY23 Sales



¹Includes direct labor & indirect manufacturing expenses
²Includes selling & administrative expenses

MARKET CAPITALIZATION AT FISCAL YEAR END

in billions



* FY20 was a 53-week year.

** See reconciliations of non-GAAP measures on the tables on the right that are also available at flowersfoods.com. Click on Investors and select Financial Data, then Reconciliation of Non-GAAP Financial Measures.

RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

(in thousands)

	FY2023	FY2022	FY2021
Net income	\$123,416	\$228,394	\$206,187
Pension plan settlement loss	—	—	\$302
Acquisition-related costs	\$2,784	\$9,388	—
Legal settlements and related costs	\$103,147	\$5,625	\$17,316
Restructuring charges	\$5,324	—	—
Multi-employer pension plan withdrawal costs	—	—	\$2,475
Plant closure costs and impairment of assets	\$5,473	\$5,869	—
FASTER Act and loss on inferior ingredients	—	\$177	\$708
Gain on sale, severance costs, and lease termination gain	—	\$(3,292)	\$(1,983)
Loss on extinguishment of debt	—	—	\$12,112
Business process improvement costs	\$16,141	\$24,877	\$23,470
Acquisition consideration adjustment	—	—	\$2,550
Adjusted net income	\$256,285	\$271,038	\$263,137

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

(in thousands)

	FY2023	FY2022	FY2021
Net income	\$123,416	\$228,394	\$206,187
Income tax expense	\$33,691	\$70,317	\$64,585
Interest expense, net	\$16,032	\$5,277	\$8,001
Loss on extinguishment of debt	—	—	\$16,149
Depreciation and amortization	\$151,709	\$141,957	\$136,559
EBITDA	\$324,848	\$445,945	\$431,481
Other pension (benefit)	\$(269)	\$(773)	\$(405)
Acquisition-related costs	\$3,712	\$12,518	—
Pension plan settlement loss	—	—	\$403
Legal settlements and related costs	\$137,529	\$7,500	\$23,089
Restructuring charges	7,099	—	—
Multi-employer pension plan withdrawal costs	—	—	\$3,300
Plant closure costs and impairment of assets	\$7,298	\$7,825	—
Gain on sale, severance costs, and lease termination gain	—	\$(4,390)	\$(2,644)
FASTER Act and loss on inferior ingredients	—	\$236	\$944
Business process improvement costs	\$21,521	\$33,169	\$31,293
Acquisition consideration adjustment	—	—	\$3,400
Adjusted EBITDA	\$501,738	\$502,030	\$490,861
Sales	\$5,090,830	\$4,805,822	\$4,330,767
Adjusted EBITDA margin	9.9%	10.4%	11.3%

RECONCILIATION OF INCOME TAX EXPENSE TO ADJUSTED INCOME TAX EXPENSE

(in thousands)

	FY2023	FY2022	FY2021
Income tax expense	\$33,691	\$70,317	\$64,585
Tax impact of:			
Pension plan settlement loss	—	—	\$101
Legal settlements and related costs	\$34,382	\$1,875	\$5,773
Acquisition-related costs	\$928	\$3,130	—
Restructuring charges	\$1,775	—	—
Multi-employer pension plan withdrawal costs	—	—	\$825
Gain on sale, severance costs, and lease termination gain	—	\$(1,098)	\$(661)
Plant closure costs and impairment of assets	\$1,825	\$1,956	—
FASTER Act and loss on inferior ingredients	—	\$59	\$236
Loss on extinguishment of debt	—	—	\$4,037
Business process improvement costs	\$5,380	\$8,292	\$7,823
Acquisition consideration adjustment	—	—	\$850
Adjusted income tax expense	\$77,981	\$84,531	\$83,569



CORPORATE RESPONSIBILITY

At Flowers Foods, we recognize our responsibility to uphold the company's founding values, which for more than 100 years have centered on working ethically, responsibly, and with integrity. We actively seek opportunities to make a positive difference for our environment, team, consumers, and the communities we serve.

CORPORATE RESPONSIBILITY



Environment

Climate/Energy, Logistics, Packaging, Water & Waste

We believe sustainability makes us stronger. We are committed to applying sustainability processes to all aspects of our business and to exploring ways to prevent waste of water, packaging, energy, and other resources.



Team

Worker Health & Safety

Our team is our top priority. We strive to provide a safe working environment and have policies, procedures, and training programs to ensure team members understand and meet safety guidelines.

Talent Acquisition & Management

We provide competitive pay and benefits and reward eligible employees with bonuses when the company succeeds. We support and develop our employees through training and development programs designed to build and strengthen leadership and professional skills.

Diversity, Equity & Inclusion

We believe in the power of people from diverse backgrounds and experiences coming together under a common set of values to achieve uncommon results. We aspire to be an inclusive workplace — where all perspectives are valued, all contributions are celebrated, and everyone has equal opportunity to learn, grow, and succeed.



Consumers

Food Safety & Quality

The safety and quality of our bakery foods are responsibilities we take very seriously. We provide regular food safety training for our team members and strive to operate clean and efficient bakeries that are regularly inspected by local, state, and industry agencies.

Health & Wellness

We aim to offer a selection of bakery foods to accommodate various dietary needs, preferences, and lifestyles.



Communities

Charitable Giving & Volunteerism

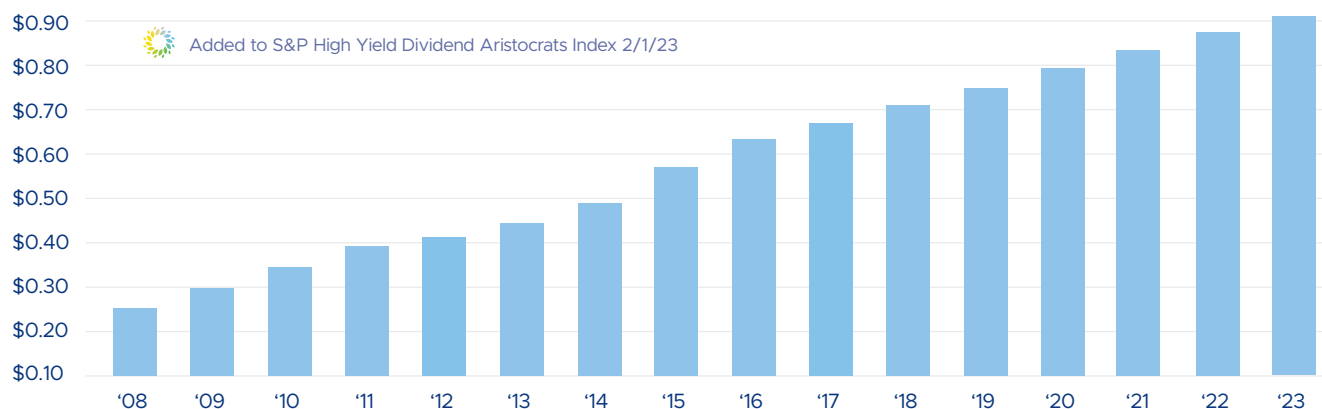
We serve our communities more than just delicious baked goods through our philanthropic efforts that focus on feeding families, helping children, and supporting active duty service members and veterans.

Governance

Our commitment to uphold the company's founding values - working ethically, responsibly, and with integrity – guides our efforts and is the foundation for all that we do.

Learn more about our efforts in our Corporate Responsibility Report: flowersfoods.com/corporateresponsibility.

DIVIDENDS PER SHARE 2008 - 2023



RECONCILIATION OF NET INCOME PER DILUTED COMMON SHARE TO ADJUSTED NET INCOME PER DILUTED COMMON SHARE

	FY2023	FY2022
Net income per diluted common share	\$0.58	\$1.07
Legal settlements and related costs	\$0.48	\$0.03
Gain on sale, severance costs, and lease termination gain	—	\$(0.02)
Business process improvement costs	\$0.08	\$0.12
FASTER Act, net of recovery on inferior ingredients	—	NM
Restructuring charges	\$0.02	—
Plant closure costs and impairment of assets	\$0.03	\$0.03
Acquisition-related costs	\$0.01	\$0.04
Adjusted net income per diluted common share	\$1.20	\$1.27

(Certain amounts may not compute due to rounding); NM - not meaningful

SHAREHOLDER INFORMATION

ANNUAL SHAREHOLDERS MEETING

Flowers Foods' Annual Shareholders Meeting will be held at 11:00 a.m. ET on Thursday, May 23, 2024, virtually, via the Internet at www.virtualshareholdermeeting.com/FLO2024. To participate in the Annual Shareholders Meeting, shareholders will need the 16-digit control number found on their proxy card, voting instructions form, or notice of internet availability of proxy materials.

FINANCIAL DOCUMENTS & WEBCASTS

Investors can find financial documents, notices of events, and archived webcasts on flowersfoods.com. To receive a printed copy of Flowers Foods' 2023 Form 10-K filed with the Securities and Exchange Commission, please send a written request to: Flowers Foods, Inc., 1919 Flowers Circle, Thomasville, Georgia 31757, Attention: Compliance Department.

SHAREHOLDER SERVICES

As the transfer agent for Flowers Foods, Computershare offers direct registration of securities, dividend reinvestment, direct stock purchase, ACH deposit of dividends, stock certificate replacement, address changes, and assistance with stock transfers. Contact Computershare by calling toll free 800.568.3476; by emailing web.queries@computershare.com; or by writing to P.O. Box 505005, Louisville, KY 40233-5005. Shareholders may register their accounts for online access by entering a login and password on Computershare's secure site at <https://www-us.computershare.com/investor>.



INVESTOR RELATIONS
Eric Jacobson
VP Investor Relations & ESG
investorrelations@flocorp.com

CORPORATE OFFICE
1919 Flowers Circle
Thomasville, GA 31757
229.227.9110
flowersfoods.com

MEDIA INQUIRIES
flowersfoods.com/contact