UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 28, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 0-19681

JOHN B. SANFILIPPO & SON, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**36-2419677** **(I.R.S. Employer Identification No.)**
1703 North Randall Road Elgin, Illinois (Address of principal executive offices)	**60123-7820** **(Zip Code)**

(847) 289-1800
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, $.01 par value per share	JBSS	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 25, 2024, 9,006,038 shares of the Registrant's Common Stock, $0.01 par value per share and 2,597,426 shares of the Registrant's Class A Common Stock, $0.01 par value per share, were outstanding.

JOHN B. SANFILIPPO & SON, INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 28, 2024
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

JOHN B. SANFILIPPO & SON, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands, except share and per share amounts)

	For the Quarter Ended		For the Thirty-Nine Weeks Ended	
	March 28, 2024	March 30, 2023	March 28, 2024	March 30, 2023
Net sales	$ 271,884	$ 238,535	$ 797,211	$ 765,464
Cost of sales	222,707	188,767	633,073	608,551
Gross profit	49,177	49,768	164,138	156,913
Operating expenses:				
Selling expenses	18,654	18,109	61,647	57,921
Administrative expenses	12,171	9,841	34,187	30,296
Bargain purchase gain, net	—	—	(2,226)	—
Total operating expenses	30,825	27,950	93,608	88,217
Income from operations	18,352	21,818	70,530	68,696
Other expense:				
Interest expense including $171, $186, $524 and $568 to related parties	785	552	2,067	1,828
Rental and miscellaneous expense, net	324	371	940	1,084
Pension expense (excluding service costs)	350	349	1,050	1,046
Total other expense, net	1,459	1,272	4,057	3,958
Income before income taxes	16,893	20,546	66,473	64,738
Income tax expense	3,416	4,814	16,237	16,554
Net income	$ 13,477	$ 15,732	$ 50,236	$ 48,184
Other comprehensive income:				
Amortization of actuarial loss included in net periodic pension cost	—	7	—	21
Income tax expense related to pension adjustments	—	(2)	—	(5)
Other comprehensive income, net of tax	—	5	—	16
Comprehensive income	$ 13,477	$ 15,737	$ 50,236	$ 48,200
Net income per common share-basic	$ 1.16	$ 1.36	$ 4.33	$ 4.16
Net income per common share-diluted	$ 1.15	$ 1.35	$ 4.30	$ 4.14

The accompanying unaudited notes are an integral part of these consolidated financial statements.

JOHN B. SANFILIPPO & SON, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands, except share and per share amounts)

	March 28, 2024	June 29, 2023	March 30, 2023
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 377	$ 1,948	$ 365
Accounts receivable, less allowance for doubtful accounts of $367, $283 and $305	75,638	72,734	74,534
Inventories	210,672	172,936	190,351
Prepaid expenses and other current assets	9,636	6,812	9,325
TOTAL CURRENT ASSETS	296,323	254,430	274,575
PROPERTY, PLANT AND EQUIPMENT:			
Land	13,365	9,150	9,150
Buildings	115,084	104,150	102,840
Machinery and equipment	287,363	261,706	259,289
Furniture and leasehold improvements	5,310	5,275	5,275
Vehicles	790	729	719
Construction in progress	8,271	7,123	8,210
	430,183	388,133	385,483
Less: Accumulated depreciation	281,869	267,336	263,718
	148,314	120,797	121,765
Rental investment property, less accumulated depreciation of $15,044, $14,439 and $14,238	14,079	14,684	14,885
TOTAL PROPERTY, PLANT AND EQUIPMENT	162,393	135,481	136,650
Intangible assets, net	6,203	6,658	7,100
Deferred income taxes	651	3,592	2,374
Goodwill	11,750	11,750	11,750
Operating lease right-of-use assets	7,409	6,427	6,582
Other assets	7,199	6,949	6,029
TOTAL ASSETS	$ 491,928	$ 425,287	$ 445,060

The accompanying unaudited notes are an integral part of these consolidated financial statements.

JOHN B. SANFILIPPO & SON, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands, except share and per share amounts)

	March 28, 2024	June 29, 2023	March 30, 2023
LIABILITIES & STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Revolving credit facility borrowings	$ 32,093	$ —	$ 27,825
Current maturities of related party long-term debt, net	721	672	657
Accounts payable	51,458	42,680	42,264
Bank overdraft	1,351	285	458
Accrued payroll and related benefits	21,712	27,572	17,061
Other accrued expenses	13,055	14,479	14,493
TOTAL CURRENT LIABILITIES	120,390	85,688	102,758
LONG-TERM LIABILITIES:			
Long-term related party debt, less current maturities, net	6,555	7,102	7,276
Retirement plan	27,570	26,653	29,471
Long-term operating lease liabilities, net of current portion	5,553	4,771	4,905
Long-term workers' compensation liabilities	7,383	7,321	7,490
Other	2,665	1,545	842
TOTAL LONG-TERM LIABILITIES	49,726	47,392	49,984
TOTAL LIABILITIES	170,116	133,080	152,742
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Class A Common Stock, convertible to Common Stock on a per share basis, cumulative voting rights of ten votes per share, $.01 par value; 10,000,000 shares authorized, 2,597,426 shares issued and outstanding	26	26	26
Common Stock, non-cumulative voting rights of one vote per share, $.01 par value; 17,000,000 shares authorized, 9,123,938, 9,076,326 and 9,076,326 shares issued	91	91	91
Capital in excess of par value	134,530	131,986	131,649
Retained earnings	188,573	161,512	164,220
Accumulated other comprehensive loss	(204)	(204)	(2,464)
Treasury stock, at cost; 117,900 shares of Common Stock	(1,204)	(1,204)	(1,204)
TOTAL STOCKHOLDERS' EQUITY	321,812	292,207	292,318
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 491,928	$ 425,287	$ 445,060

The accompanying unaudited notes are an integral part of these consolidated financial statements.

JOHN B. SANFILIPPO & SON, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands, except share and per share amounts)

	Class A Common Stock Shares	Class A Common Stock Amount	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, June 29, 2023	2,597,426	$ 26	9,076,326	$ 91	$ 131,986	$ 161,512	$ (204)	$ (1,204)	$ 292,207
Net income						17,588			17,588
Cash dividends ($2.00 per share)						(23,175)			(23,175)
Equity award exercises			14,605	—	—				—
Stock-based compensation expense					747				747
Balance, September 28, 2023	2,597,426	$ 26	9,090,931	$ 91	$ 132,733	$ 155,925	$ (204)	$ (1,204)	$ 287,367
Net income						19,171			19,171
Equity award exercises, net of shares withheld for employee taxes			29,629	—	(684)				(684)
Stock-based compensation expense					1,383				1,383
Balance, December 28, 2023	2,597,426	$ 26	9,120,560	$ 91	$ 133,432	$ 175,096	$ (204)	$ (1,204)	$ 307,237
Net income						13,477			13,477
Equity award exercises, net of shares withheld for employee taxes			3,378	—	—				—
Stock-based compensation expense					1,098				1,098
Balance, March 28, 2024	2,597,426	$ 26	9,123,938	$ 91	$ 134,530	$ 188,573	$ (204)	$ (1,204)	$ 321,812

	Class A Common Stock Shares	Class A Common Stock Amount	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, June 30, 2022	2,597,426	$ 26	9,047,359	$ 90	$ 128,800	$ 153,589	$ (2,480)	$ (1,204)	$ 278,821
Net income						15,545			15,545
Cash dividends ($2.25 per share)						(25,981)			(25,981)
Pension liability amortization, net of income tax expense of $1							6		6
Stock-based compensation expense					772				772
Balance, September 29, 2022	2,597,426	$ 26	9,047,359	$ 90	$ 129,572	$ 143,153	$ (2,474)	$ (1,204)	$ 269,163
Net income						16,907			16,907
Cash dividends ($1.00 per share)						(11,572)			(11,572)
Pension liability amortization, net of income tax expense of $2							5		5
Equity award exercises, net of shares withheld for employee taxes			24,709	1	(356)				(355)
Stock-based compensation expense					1,515				1,515
Balance, December 29, 2022	2,597,426	$ 26	9,072,068	$ 91	$ 130,731	$ 148,488	$ (2,469)	$ (1,204)	$ 275,663
Net income						15,732			15,732
Pension liability amortization, net of income tax expense of $2							5		5
Equity award exercises, net of shares withheld for employee taxes			4,258	—	(23)				(23)
Stock-based compensation expense					941				941
Balance, March 30, 2023	2,597,426	$ 26	9,076,326	$ 91	$ 131,649	$ 164,220	$ (2,464)	$ (1,204)	$ 292,318

The accompanying unaudited notes are an integral part of these consolidated financial statements.

JOHN B. SANFILIPPO & SON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	For the Thirty-Nine Weeks Ended	
	March 28, 2024	March 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 50,236	$ 48,184
Depreciation and amortization	18,053	15,323
Loss on disposition of assets, net	287	47
Deferred income tax expense	2,191	862
Stock-based compensation expense	3,228	3,228
Bargain purchase gain, net	(2,226)	—
Change in assets and liabilities, net of Acquisition:		
Accounts receivable, net	(2,829)	(4,923)
Inventories	(2,236)	14,744
Prepaid expenses and other current assets	(1,125)	535
Accounts payable	8,892	(5,285)
Accrued expenses	(6,390)	1,312
Income taxes receivable	(2,593)	(2,575)
Other long-term assets and liabilities	268	335
Other, net	682	602
Net cash provided by operating activities	66,438	72,389
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(17,468)	(15,586)
Business acquisitions, net	(58,974)	(3,500)
Other, net	(53)	(56)
Net cash used in investing activities	(76,495)	(19,142)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net short-term borrowings (repayments)	32,093	(12,614)
Debt issue costs	(316)	—
Principal payments on long-term debt	(498)	(2,995)
Increase in bank overdraft	1,066	244
Dividends paid	(23,175)	(37,553)
Taxes paid related to net share settlement of equity awards	(684)	(379)
Net cash provided by (used in) financing activities	8,486	(53,297)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,571)	(50)
Cash and cash equivalents, beginning of period	1,948	415
Cash, end of period	$ 377	$ 365

The accompanying unaudited notes are an integral part of these consolidated financial statements.

JOHN B. SANFILIPPO & SON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands, except where noted and per share data)

Note 1 – Basis of Presentation and Description of Business

As used herein, unless the context otherwise indicates, the terms “we”, “us”, “our” or “Company” collectively refer to John B. Sanfilippo & Son, Inc. and our wholly-owned subsidiary, JBSS Ventures, LLC. Our fiscal year ends on the final Thursday of June each year, and typically consists of fifty-two weeks (four thirteen-week quarters). Additional information on the comparability of the periods presented is as follows:

- References herein to fiscal 2024 and fiscal 2023 are to the fiscal year ending June 27, 2024 and the fiscal year ended June 29, 2023, respectively.
- References herein to the third quarter of fiscal 2024 and fiscal 2023 are to the quarters ended March 28, 2024 and March 30, 2023, respectively.
- References herein to the first three quarters or first thirty-nine weeks of fiscal 2024 and fiscal 2023 are to the thirty-nine weeks ended March 28, 2024 and March 30, 2023, respectively.

We are one of the leading processors and distributors of peanuts, pecans, cashews, walnuts, almonds and other nuts in the United States. These nuts are sold under our *Fisher*, *Orchard Valley Harvest*, *Squirrel Brand* and *Southern Style Nuts* brand names and under a variety of private brands. We also market and distribute, and in most cases, manufacture or process, a diverse product line of food and snack products, including peanut butter, almond butter, cashew butter, candy and confections, snack and trail mixes, nutrition bars, snack bars, snack bites, sunflower kernels, dried fruit, corn snacks, chickpea snacks, sesame sticks, other sesame snack products and baked cheese snack products under our brand names, including *Just the Cheese*, and under private brands. Finally, with our recent acquisition of assets relating to the snack bars business from TreeHouse Foods, Inc., which was completed in the second quarter of fiscal 2024, we are able to offer our private brand customers a complete portfolio of snack bars. Our products are sold through three primary distribution channels, including food retailers in the consumer channel, commercial ingredient users and contract packaging customers.

The accompanying unaudited financial statements fairly present the consolidated statements of comprehensive income, consolidated balance sheets, consolidated statements of stockholders’ equity and consolidated statements of cash flows, and reflect all adjustments, consisting only of normal recurring adjustments which are necessary for the fair statement of the results of the interim periods. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

The interim results of operations are not necessarily indicative of the results to be expected for a full year. The balance sheet data as of June 29, 2023 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, these unaudited financial statements and related notes should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2023 Annual Report on Form 10-K for the fiscal year ended June 29, 2023.

Note 2 – Lakeville Acquisition

On September 29, 2023, we completed the acquisition of certain assets from TreeHouse Foods, Inc. (the “Seller”) relating to its snack bars business. The acquired assets include inventory, a manufacturing facility and related equipment located in Lakeville, Minnesota, and product formulas (the “Lakeville Acquisition”). The initial purchase price was approximately $61,546 in cash, subject to certain post-closing adjustments. Following the closing, we received payments from the Seller of $2,572 for purchase price adjustments related to the actual inventory and fixed assets acquired, for a revised purchase price of $58,974, net. The purchase price for the Lakeville Acquisition was primarily funded from borrowings under the Credit Facility as amended by the Second Amendment (defined below).

The Lakeville Acquisition accelerates our strategy within the growing snack bar category and diversifies our product offerings. It also allows us to offer private brand customers a complete portfolio of snack bars, including fruit and grain, crunchy, protein, sweet and salty and chewy bars that complement internally developed nutrition bars. The Lakeville Acquisition has been accounted for as a business combination in accordance with ASC Topic 805, “Business Combinations”.

The following table summarizes the preliminary amounts allocated to the fair values of certain assets acquired at the acquisition date:

Inventories	$	35,500
Property, plant and equipment		25,600
Identifiable intangible assets:		
Product formulas		850
Total assets acquired	$	61,950

Property, plant and equipment represent a manufacturing facility and related equipment located in Lakeville, Minnesota. The fair value for the property was primarily determined using a market approach. The fair values for the machinery and equipment were determined using a combination of the direct and indirect cost approaches, along with the market approach. All assets will be depreciated on a straight-line basis over their estimated remaining useful lives as determined in accordance with our accounting policies.

The product formulas asset represents the value of these formulas designed to replicate the taste, texture and appearance of branded snack bars. The fair value of the product formulas was determined using the income approach through a relief from royalty method analysis. We are amortizing formulas over a weighted average life of 5.4 years.

There were no recognized or unrecognized material contingencies associated with the acquired business.

The $61,950 fair value of the identifiable assets acquired exceeded the total purchase price of $58,974. Accordingly, this acquisition resulted in a bargain purchase and we recognized a gain of $2,226, net of taxes, which is reported in the caption “Bargain purchase gain, net” in our consolidated financial results for the thirty-nine weeks ended March 28, 2024. We believe the Lakeville Acquisition resulted in a bargain purchase gain because the Seller was motivated to divest such snack bars business, as its performance no longer supported the Seller's long-term growth targets.

Net sales of $75,606 from the closing date of the Lakeville Acquisition on September 29, 2023 are included in our consolidated financial results for the thirty-nine weeks ended March 28, 2024. The closing date of the Lakeville Acquisition was on the first day of our second fiscal quarter. The Company also incurred acquisition-related costs of $142 and $811 for the quarter and thirty-nine weeks ended March 28, 2024, respectively. These costs are included in Administrative expenses.

The following reflects the unaudited pro forma results of operations of the Company as if the Lakeville Acquisition had taken place at the beginning of fiscal 2023. This pro forma information does not purport to represent what the Company’s actual results would have been if the Lakeville Acquisition had occurred as of the date indicated or what such results would be for any future periods.

	For the Quarter Ended		For the Thirty-Nine Weeks Ended	
	March 28, 2024	March 30, 2023	March 28, 2024	March 30, 2023
Pro forma net sales	$ 271,884	$ 279,339	$ 837,524	$ 888,092
Pro forma net income	14,255	14,237	47,716	43,747
Pro forma diluted earnings per share	$ 1.22	$ 1.22	$ 4.08	$ 3.76

These unaudited pro forma results have been calculated after applying our accounting policies and adjusting the results of the Lakeville Acquisition to reflect elimination of transaction costs and the bargain purchase gain and to record additional interest expense and cost of sales that would have been incurred, assuming the fair value adjustment to inventory had been applied from July 1, 2022, net of related income taxes in respect of pro forma net income and diluted earnings per share performance. The impact to the above pro forma information of incremental depreciation and amortization expense is insignificant and therefore excluded from the calculation of pro forma results.

Since the Lakeville Acquisition, we continue to operate in a single reportable operating segment that consists of selling various nut and nut-related products and snacks through three sales distribution channels. Revenues from the Lakeville Acquisition are primarily in our consumer distribution channel.

Note 3 – Revenue Recognition

We recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. For each customer contract, a five-step process is followed in which we identify the contract, identify performance obligations, determine the transaction price, allocate the contract transaction price to the performance obligations, and recognize the revenue when (or as) the performance obligation is transferred to the customer.

When Performance Obligations Are Satisfied

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company's performance obligations are primarily for the delivery of raw and processed recipe and snack nuts, nut butters and trail mixes.

Our customer contracts do not include more than one performance obligation. If a contract were to contain more than one performance obligation, we are required to allocate the contract's transaction price to each performance obligation based on its relative standalone selling price. The standalone selling price for each distinct good is generally determined by directly observable data.

Revenue recognition is generally completed at a point in time when product control is transferred to the customer. For virtually all of our revenues, control transfers to the customer when the product is shipped or delivered to the customer based upon applicable shipping terms. This allows the customer to then direct the use and obtain substantially all of the remaining benefits from the asset at that point in time. Therefore, the timing of our revenue recognition requires little judgment.

Variable Consideration

Some of our products are sold through specific incentive programs including, but not limited to, promotional allowances, volume and customer rebates, in-store display incentives and marketing allowances to consumer and some commercial ingredient customers. The ultimate cost of these programs is dependent on certain factors such as actual purchase volumes or customer activities. It is also dependent on significant management judgment when determining estimates. The Company accounts for these programs as variable consideration and recognizes a reduction in revenue (and a corresponding reduction in the transaction price) in the same period as the underlying program based upon the terms of the specific arrangements.

Trade promotions, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons, are also offered through various programs to customers and consumers. A provision for estimated trade promotions is recorded as a reduction of revenue (and a reduction in the transaction price) in the same period when the sale is recognized. Revenues are also recorded net of expected customer deductions which are provided for based upon past experiences. Evaluating these estimates requires management judgment.

We generally use the most likely amount method to determine the variable consideration. We believe there will not be significant changes to our estimates of variable consideration when any related uncertainties are resolved with our customers. The Company reviews and updates its estimates and related accruals of variable consideration and trade promotions at least quarterly based on the terms of the agreements and historical experience. Any uncertainties in the ultimate resolution of variable consideration due to factors outside of the Company's influence are typically resolved within a short timeframe. Therefore, no additional constraint on the variable consideration is required.

Contract Balances

Contract assets or liabilities result from transactions with revenue recorded over time. If the measure of remaining rights exceeds the measure of the remaining performance obligations, the Company records a contract asset. Conversely, if the measure of the remaining performance obligations exceeds the measure of the remaining rights, the Company records a contract liability. There was no contract asset balance for any periods presented. The Company generally does not have material deferred revenue or contract liability balances arising from transactions with customers.

Disaggregation of Revenue

Revenue disaggregated by sales channel is as follows:

Distribution Channel	For the Quarter Ended March 28, 2024	For the Quarter Ended March 30, 2023	For the Thirty-Nine Weeks Ended March 28, 2024	For the Thirty-Nine Weeks Ended March 30, 2023
Consumer	$ 225,994	$ 185,128	$ 651,690	$ 606,188
Commercial Ingredients	26,955	30,901	82,802	90,827
Contract Packaging	18,935	22,506	62,719	68,449
Total	$ 271,884	$ 238,535	$ 797,211	$ 765,464

Note 4 – Leases

Description of Leases

We lease equipment used in the transportation of goods in our warehouses, as well as a limited number of automobiles and a small warehouse near our Bainbridge, Georgia facility. Our leases generally do not contain non-lease components and do not contain any explicit guarantees of residual value. Our leases for warehouse transportation equipment generally require the equipment to be returned to the lessor in good working order.

Through a review of our contracts, we determine if an arrangement is a lease at inception and analyze the lease to determine if it is operating or finance. Operating lease right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental collateralized borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Implicit rates are used when readily determinable. None of our leases currently contain options to extend the term. In the event of an option to extend the term of a lease, the lease term used in measuring the liability would include options to extend or terminate the lease if it is reasonably certain that the Company will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the respective lease term. Our leases have remaining terms of up to 5.3 years.

It is our accounting policy not to apply lease recognition requirements to short term leases, defined as leases with an initial term of 12 months or less. As such, leases with an initial term of 12 months or less are not recorded in the Consolidated Balance Sheets. We have also made the policy election to not separate lease and non-lease components for all leases.

The following table provides supplemental information related to operating lease right-of-use assets and liabilities:

	March 28, 2024	June 29, 2023	March 30, 2023	Affected Line Item in Consolidated Balance Sheets
Assets				
Operating lease right-of-use assets	$ 7,409	$ 6,427	$ 6,582	*Operating lease right-of-use assets*
Total lease right-of-use assets	$ 7,409	$ 6,427	$ 6,582	
Liabilities				
Current:				
Operating leases	$ 1,872	$ 1,729	$ 1,752	*Other accrued expenses*
Noncurrent:				
Operating leases	5,553	4,771	4,905	*Long-term operating lease liabilities*
Total lease liabilities	$ 7,425	$ 6,500	$ 6,657	

The following tables summarize the Company's total lease costs and other information arising from operating lease transactions:

	For the Quarter Ended		For the Thirty-Nine Weeks Ended	
	March 28, 2024	March 30, 2023	March 28, 2024	March 30, 2023
Operating lease costs [(a)]	$ 847	$ 529	$ 2,236	$ 1,544
Variable lease costs [(b)]	34	74	(107)	189
Total lease cost	$ 881	$ 603	$ 2,129	$ 1,733

(a) Includes short-term leases which are immaterial.

(b) Variable lease costs consist of sales tax and lease overtime charges.

	For the Thirty-Nine Weeks Ended	
	March 28, 2024	March 30, 2023
Operating cash flows information:		
Cash paid for amounts included in measurements for lease liabilities	$ 1,827	$ 1,249
Non-cash activity:		
Right-of-use assets obtained in exchange for new operating lease obligations	$ 2,350	$ 5,458

	March 28, 2024	June 29, 2023	March 30, 2023
Weighted average remaining lease term (in years)	4.2	4.4	4.6
Weighted average discount rate	6.9%	6.7%	6.6%

Maturities of operating lease liabilities as of March 28, 2024 are as follows:

Fiscal Year Ending	
June 27, 2024 (excluding the thirty-nine weeks ended March 28, 2024)	$ 640
June 26, 2025	2,199
June 25, 2026	1,988
June 24, 2027	1,695
June 29, 2028	1,512
June 28, 2029	496
Thereafter	—
Total lease payment	8,530
Less imputed interest	(1,105)
Present value of operating lease liabilities	$ 7,425

At March 28, 2024, the Company has additional operating leases of approximately $19,576 that have not yet commenced and therefore are not reflected in the Consolidated Balance Sheet and tables above. The leases are scheduled to commence in the next two fiscal quarters with initial lease terms ranging from 5 to 7.5 years. On April 23, 2024, the Company entered into a 7.5 year lease for a warehouse of approximately 444,600 square feet. The warehouse is located in Huntley, IL near our largest facility in Elgin, IL. The warehouse will be utilized to store finished goods inventory and as a distribution center.

Lessor Accounting

We lease office space in our four-story office building located in Elgin, Illinois. As a lessor, we retain substantially all of the risks and benefits of ownership of the investment property and under Topic 842: *Leases* we continue to account for all of our leases as operating leases. Lease agreements may include options to renew. We accrue fixed lease income on a straight-line basis over the terms of the leases. There is generally no variable lease consideration and an immaterial amount of non-lease components such as recurring utility and storage fees. Leases between related parties are immaterial.

Leasing revenue is as follows:

	For the Quarter Ended		For the Thirty-Nine Weeks Ended	
	March 28, 2024	March 30, 2023	March 28, 2024	March 30, 2023
Lease income related to lease payments	$ 490	$ 419	$ 1,467	$ 1,224

The future minimum, undiscounted fixed cash flows under non-cancelable tenant operating leases for each of the next five years and thereafter are as follows:

Fiscal Year Ending	
June 27, 2024 (excluding the thirty-nine weeks ended March 28, 2024)	$ 511
June 26, 2025	1,477
June 25, 2026	972
June 24, 2027	930
June 29, 2028	328
June 28, 2029	336
Thereafter	1,478
	$ 6,032

Note 5 – Inventories

Inventories consist of the following:

	March 28, 2024	June 29, 2023	March 30, 2023
Raw material and supplies	$ 100,067	$ 65,430	$ 90,110
Work-in-process and finished goods	110,605	107,506	100,241
Total	$ 210,672	$ 172,936	$ 190,351

Note 6 – Goodwill and Intangible Assets

Identifiable intangible assets that are subject to amortization consist of the following:

	March 28, 2024	June 29, 2023	March 30, 2023
Customer relationships	$ 21,350	$ 21,350	$ 21,350
Brand names	17,070	17,070	17,070
Product formulas	850	-	-
Non-compete agreement	300	300	300
	39,570	38,720	38,720
Less accumulated amortization:			
Customer relationships	(20,518)	(19,834)	(19,572)
Brand names	(12,491)	(11,955)	(11,776)
Product formulas	(81)	-	-
Non-compete agreement	(277)	(273)	(272)
	(33,367)	(32,062)	(31,620)
Net intangible assets	$ 6,203	$ 6,658	$ 7,100

Customer relationships are being amortized on an accelerated basis. The brand names remaining to be amortized consist of the *Squirrel Brand, Southern Style Nuts* and *Just the Cheese* brand names.

Total amortization expense related to intangible assets, which is classified in administrative expense in the Consolidated Statement of Comprehensive Income, was $381 and $1,305 for the quarter and thirty-nine weeks ended March 28, 2024, respectively. Amortization expense for the remainder of fiscal 2024 is expected to be approximately $381 and expected amortization expense the next five fiscal years is as follows:

Fiscal Year Ending	
June 26, 2025	$ 1,374
June 25, 2026	1,038
June 24, 2027	863
June 29, 2028	685
June 28, 2029	496

Our net goodwill at March 28, 2024 was comprised of $9,650 from the Squirrel Brand acquisition completed in fiscal 2018 and $2,100 from the *Just the Cheese* brand acquisition completed in fiscal 2023. The changes in the carrying amount of goodwill since June 30, 2022 are as follows:

Gross goodwill balance at June 30, 2022	$ 18,416
Accumulated impairment losses	(8,766)
Net goodwill balance at June 30, 2022	9,650
Goodwill acquired during fiscal 2023	2,100
Net balance at June 29, 2023	11,750
Goodwill acquired during fiscal 2024	-
Net balance at March 28, 2024	$ 11,750

Note 7 – Credit Facility

Our Second Amendment to the Amended and Restated Credit Agreement (the “Second Amendment”) dated September 29, 2023 provides for a $150,000 senior secured revolving credit facility (the “Credit Facility”), which was increased from $117,500, to provide extra available capacity for our short-term working capital requirements due to the Lakeville Acquisition. The Second Amendment also extends the maturity of the Credit Facility to September 29, 2028 and allows the Company to pay up to $100,000 in dividends per year, subject to meeting availability tests. The Credit Facility is secured by substantially all our assets other than machinery and equipment, real property and fixtures.

At March 28, 2024, we had $114,114 of available credit under the Credit Facility which reflects borrowings of $32,093 and reduced availability as a result of $3,793 in outstanding letters of credit. As of March 28, 2024, we were in compliance with all financial covenants under the Credit Facility.

Note 8 – Earnings Per Common Share

The following table presents the reconciliation of the weighted average shares outstanding used in computing basic and diluted earnings per share:

	For the Quarter Ended		For the Thirty-Nine Weeks Ended	
	March 28, 2024	March 30, 2023	March 28, 2024	March 30, 2023
Weighted average number of shares outstanding – basic	11,626,886	11,592,362	11,614,388	11,570,954
Effect of dilutive securities:				
Restricted stock units	71,645	63,832	69,191	61,702
Weighted average number of shares outstanding – diluted	11,698,531	11,656,194	11,683,579	11,632,656

There were no anti-dilutive awards excluded from the computation of diluted earnings per share for any periods presented.

Note 9 – Stock-Based Compensation Plans

At our annual meeting of stockholders on November 2, 2023, our stockholders approved a new equity incentive plan (the “2023 Omnibus Plan”) under which awards of options and stock-based awards may be made to employees, officers or non-employee directors of our Company. A total of 747,065 shares of Common Stock are authorized for grants of awards thereunder, which may be in the form of options, restricted stock, restricted stock units (“RSUs”), stock appreciation rights (SARs”), performance shares, performance units, Common Stock or dividends and dividend equivalents.

The total number of shares of Common Stock with respect to which options or SARs may be granted in any calendar year to any participant may not exceed 500,000 shares (this limit applies separately with respect to each type of award). Additionally, for awards of restricted stock, RSUs, performance shares or other stock-based awards that are intended to qualify as performance-based compensation: (i) the total number of shares of Common Stock that may be granted in any calendar year to any participant may not exceed 250,000 shares (this limit applies separately to each type of award) and (ii) the maximum amount that may be paid to any participant for awards that are payable in cash or property other than Common Stock in any calendar year is $5,000.

The following is a summary of RSU activity for the first thirty-nine weeks of fiscal 2024:

Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Outstanding at June 29, 2023	155,012	$ 67.87
Granted [(a)]	56,168	$ 85.55
Vested [(b)]	(55,085)	$ 69.68
Forfeited	(621)	$ 72.58
Outstanding at March 28, 2024	155,474	$ 73.60

[(a)] The number of RSUs granted includes 8,031 RSUs with performance conditions for which the performance criteria had yet to be achieved. The final number of shares that will eventually be earned and vest (if any) has not yet been determined.

[(b)] The number of RSUs vested includes shares that were withheld on behalf of employees to satisfy statutory tax withholding requirements.

At March 28, 2024, there were 23,588 RSUs outstanding that were vested but deferred.

The following table summarizes compensation expense charged to earnings for all equity compensation plans for the periods presented:

	For the Quarter Ended		For the Thirty-Nine Weeks Ended	
	March 28, 2024	March 30, 2023	March 28, 2024	March 30, 2023
Stock-based compensation expense	$ 1,098	$ 941	$ 3,228	$ 3,228

As of March 28, 2024, there was $5,665 of total unrecognized compensation expense related to non-vested RSUs granted under our stock-based compensation plans. We expect to recognize that cost over a weighted average period of 1.5 years.

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Note 10 – Retirement Plan

The Supplemental Employee Retirement Plan ("Retirement Plan") is an unfunded, non-qualified deferred compensation plan that will provide eligible participants with monthly benefits upon retirement, disability or death, subject to certain conditions. The monthly benefit is based upon each participant's earnings and his or her number of years of service. The components of net periodic benefit cost are as follows:

	For the Quarter Ended		For the Thirty-Nine Weeks Ended	
	March 28, 2024	March 30, 2023	March 28, 2024	March 30, 2023
Service cost	$ 63	$ 200	$ 189	$ 601
Interest cost	350	342	1,050	1,025
Amortization of loss	—	7	—	21
Net periodic benefit cost	$ 413	$ 549	$ 1,239	$ 1,647

The components of net periodic benefit cost other than the service cost component are included in the line item "Pension expense (excluding service costs)" in the Consolidated Statements of Comprehensive Income.

Note 11 – Accumulated Other Comprehensive Loss

The table below sets forth the changes to accumulated other comprehensive loss ("AOCL") for the thirty-nine weeks ended March 28, 2024 and March 30, 2023. These changes are all related to our defined benefit pension plan.

	For the Thirty-Nine Weeks Ended	
Changes to AOCL [(a)]	March 28, 2024	March 30, 2023
Balance at beginning of period	$ (204)	$ (2,480)
Other comprehensive income before reclassifications	—	—
Amounts reclassified from accumulated other comprehensive loss	—	21
Tax effect	—	(5)
Net current-period other comprehensive income	—	16
Balance at end of period	$ (204)	$ (2,464)

(a) Amounts in parenthesis indicate debits/expense.

The reclassifications out of AOCL for the quarter and thirty-nine weeks ended March 28, 2024 and March 30, 2023 were as follows:

	For the Quarter Ended		For the Thirty-Nine Weeks Ended		Affected Line Item
Reclassifications from AOCL to Earnings [(b)]	March 28, 2024	March 30, 2023	March 28, 2024	March 30, 2023	Consolidated Statements of Comprehensive Income
Amortization of defined benefit pension items:					
Unrecognized net loss	$ —	$ (7)	$ —	$ (21)	Pension expense (excluding service costs)
Tax effect	—	2	—	5	Income tax expense
Amortization of defined pension items, net of tax	$ —	$ (5)	$ —	$ (16)	

(b) Amounts in parenthesis indicate debits to expense. See Note 10 – "Retirement Plan" above for additional details.

Note 12 – Commitments and Contingent Liabilities

We are currently a party to various legal proceedings in the ordinary course of business. While management presently believes that the ultimate outcomes of these proceedings, individually and in the aggregate, will not materially affect our Company's financial position, results of operations or cash flows, legal proceedings are subject to inherent uncertainties, and unfavorable outcomes could occur. Unfavorable outcomes could include substantial monetary damages in excess of any applicable accruals. Were such unfavorable final outcomes to occur, there exists the possibility of a material adverse effect on our financial position, results of operations and cash flows.

Note 13 – Fair Value of Financial Instruments

The Financial Accounting Standards Board defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

Level 1	–	Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
Level 2	–	Observable inputs other than quoted prices in active markets. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
Level 3	–	Unobservable inputs for which there is little or no market data available.

The carrying values of cash, trade accounts receivable and accounts payable approximate their fair values at each balance sheet date because of the short-term maturities and nature of these balances.

The carrying value of our revolving credit facility borrowings approximates fair value at each balance sheet date because interest rates on this instrument approximate current market rates (Level 2 criteria) and because of the short-term maturity and nature of this balance. In addition, there has been no significant change in our inherent credit risk.

The following table summarizes the carrying value and fair value estimate of our current and long-term debt, excluding unamortized debt issuance costs:

	March 28, 2024	June 29, 2023	March 30, 2023
Carrying value of current and long-term debt:	$ 7,276	$ 7,774	$ 7,933
Fair value of current and long-term debt:	6,638	7,421	6,865

The estimated fair value of our long-term debt was determined using a market approach based upon Level 2 observable inputs, which estimates fair value based on interest rates currently offered on loans with similar terms to borrowers of similar credit quality or broker quotes. In addition, there have been no significant changes in the underlying assets securing our long-term debt.

Note 14 – Recent Accounting Pronouncements

There were no recent accounting pronouncements adopted in the current fiscal year.

There are no recent accounting pronouncements that have been issued and not yet adopted that are expected to have a material impact on our Consolidated Financial Statements.

Note 15 – Subsequent Event

On May 1, 2024, our Board of Directors declared a special cash dividend of $1.00 per share on all issued and outstanding shares of Common Stock and Class A Stock of the Company (the “May 2024 Dividends”). The May 2024 Dividends will be paid on June 20, 2024 to stockholders of record as of the close of business on May 31, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

The following discussion and analysis should be read in conjunction with the unaudited Consolidated Financial Statements and the Notes to Consolidated Financial Statements.

Our fiscal year ends on the final Thursday of June each year, and typically consists of fifty-two weeks (four thirteen-week quarters). Additional information on the comparability of the periods presented is as follows:

- References herein to fiscal 2024 and fiscal 2023 are to the fiscal year ending June 27, 2024 and the fiscal year ended June 29, 2023, respectively.
- References herein to the third quarter of fiscal 2024 and fiscal 2023 are to the quarters ended March 28, 2024 and March 30, 2023, respectively.
- References herein to the first three quarters or first thirty-nine weeks of fiscal 2024 and fiscal 2023 are to the thirty-nine weeks ended March 28, 2024 and March 30, 2023, respectively.

As used herein, unless the context otherwise indicates, the terms “we”, “us”, “our” or “Company” collectively refer to John B. Sanfilippo & Son, Inc. and our wholly-owned subsidiary, JBSS Ventures, LLC.

We are one of the leading processors and distributors of peanuts, pecans, cashews, walnuts, almonds and other nuts in the United States. These nuts are sold under our *Fisher*, *Orchard Valley Harvest*, *Squirrel Brand* and *Southern Style Nuts* brand names and under a variety of private brands. We also market and distribute, and in most cases, manufacture or process, a diverse product line of food and snack products, including peanut butter, almond butter, cashew butter, candy and confections, snack and trail mixes, nutrition bars, snack bars, snack bites, sunflower kernels, dried fruit, corn snacks, chickpea snacks, sesame sticks, other sesame snack products and baked cheese snack products under our brand names, including *Just the Cheese*, and under private brands. We distribute our products in the consumer, commercial ingredients and contract packaging distribution channels.

Our Long-Range Plan defines our future growth priorities and focuses on growing our private brand business across key customers, as well as transforming *Fisher, Orchard Valley Harvest* and *Squirrel Brand* into leading brands while increasing distribution and diversifying our portfolio into high growth snacking segments. We will execute on our Long-Range Plan by providing private brand customer value-added solutions based on our extensive industry and consumer expertise with innovative products such as our newly developed product line of private brand nutrition bars which we introduced during fiscal 2023. We will grow our branded business by reaching new consumers via product expansion and packaging innovation, expanding distribution across current and alternative channels, diversifying our product offerings and focusing on new ways for consumers to buy our products, including sales via e-commerce platforms. Our Long-Range Plan also contemplates increasing our sales through product innovation and targeted, opportunistic acquisitions, such as the acquisition of the *Just the Cheese* brand completed during fiscal 2023 and the recent Lakeville Acquisition completed during the second quarter of fiscal 2024, which expanded our ability to produce private brand snack bars and allows us to provide our private brand customers with a complete snack bar portfolio.

We will continue to focus our promotional and advertising activity to invest in our brands to achieve growth. We intend to execute on an omnichannel approach to win in key categories including recipe nuts, snack nuts, trail mix and other snacking categories. We continue to see e-commerce growth across our branded portfolio and anticipate taking various actions with the goal of maintaining that growth across a variety of established and emerging e-commerce platforms. We continue to face the ongoing challenges and/or regulations specific to our business, such as food safety and regulatory matters, the maintenance and growth of our customer base for branded and private brand products and consumer demand for nut and nut-related products in a challenging snack food environment. See the information referenced in Part II, Item 1A — “Risk Factors” of this report for additional information about our risks, challenges and uncertainties.

We face a number of challenges in the future, which include integrating the recent Lakeville Acquisition into our existing business, the impacts of ongoing inflation in food prices, elevated interest rates that negatively impact economic growth, consumers reducing their purchases in the snack and nut category, including branded nut products, potential for economic downturn in the markets in which we operate and continued supply chain challenges. We continue to experience a tight labor market which has led to elevated labor costs.

Inflation and Consumer Trends

We face changing industry trends as consumers' purchasing preferences evolve. Due to the continued inflationary environment, we have seen higher selling prices at retail. These higher prices across our categories and the broader food market, coupled with an actual or potential economic downturn and tightening of consumer finances due to inflation, reduced government support through programs such as SNAP or a variety of other reasons, are causing consumers to purchase fewer snack products. We have seen this through the decline in the recipe and snack nut categories since fiscal 2023 and during fiscal 2024, as consumers shift their preferences to private brands or lower priced nuts or purchase snack products outside the snack and nut and trail mix category. With the inflationary environment, we are also seeing signs of consumers shifting to more value-focused retailers, such as mass merchandising retailers, club stores and dollar stores, not all of which we distribute or sell to.

Supply Chain and Transportation

In recent quarters, we have faced supply chain challenges related to certain raw material shortages, extended lead-times, supplier capacity constraints and inflationary pressures. While we do not have direct exposure to suppliers in Russia, Ukraine or Israel, the conflicts in these regions could continue to result in volatile commodity markets, supply chain disruptions and increased costs. Global supply chain pressures have eased, but we continue to see negative impacts related to macro-economics, geo-political unrest, growing political instability and climate-related events. We experienced minimal disruption from the Baltimore bridge collapse that occurred in March 2024 as ships were diverted to alternative east coast ports. Overall packaging and ingredient inflation appears to be leveling off but is expected to remain above historical levels.

While we have seen stabilization in truckload capacity and volume at U.S. ports and improvements with driver hiring, there are still warehouse and dock staff shortages and fuel and energy concerns due to continued unrest abroad coupled with persistent inflation. We have seen continued trucking company bankruptcies which may cause instability in the transportation industry, however, we expect to be able to hold freight rates flat for the remainder of fiscal 2024. While there are indicators of transportation cost improvement, and despite our mitigation of some of the transportation shortages, we may continue to face an unpredictable transportation environment. There is no guarantee that our mitigation strategies will continue to be effective, that any transportation capacity easing will continue or that transportation prices will return to more normalized levels.

We have remained agile by proactively identifying risks, modifying inventory plans and diversifying our supplier base to mitigate risk of customer order shortages and maintain our supply chain. We continue to proactively manage our business in response to the evolving global economic environment and related uncertainty and intend to take steps to mitigate impacts to our supply chain. If these supply chain pressures continue, or we cannot obtain the transportation and labor services needed to fulfill customer orders, such shortages and supply chain issues could have an unfavorable impact on net sales and our operations in the remaining quarter of fiscal 2024. Furthermore, the cocoa market has seen a significant increase in price fueled by speculation of a short crop and shortages may begin in the marketplace in the near term. Additionally, as costs increase due to these issues or due to overall inflationary pressures, there is an additional risk of not being able to pass (in part or in full) such potential cost increases onto our customers or in a timely manner. If we cannot align costs with prices for our products, our operating performance could be adversely impacted.

QUARTERLY HIGHLIGHTS

Our net sales of $271.9 million for the third quarter of fiscal 2024 increased $33.3 million, or 14.0%, from our net sales of $238.5 million for the third quarter of fiscal 2023. Net sales for the first thirty-nine weeks of fiscal 2024 increased by $31.7 million, or 4.1%, to $797.2 million compared to the first thirty-nine weeks of fiscal 2023.

Sales volume, measured as pounds sold to customers, increased 22.6% compared to the third quarter of fiscal 2023. Sales volume for the first thirty-nine weeks of fiscal 2024 increased 8.8% compared to the first thirty-nine weeks of fiscal 2023.

Gross profit decreased $0.6 million, and our gross profit margin, as a percentage of net sales, decreased to 18.1% for the third quarter of fiscal 2024 compared to 20.9% for the third quarter of fiscal 2023. Gross profit increased $7.2 million, and our gross profit margin increased to 20.6% from 20.5% for the first thirty-nine weeks of fiscal 2024 compared to the first thirty-nine weeks of fiscal 2023.

Total operating expenses for the third quarter of fiscal 2024 increased by $2.9 million, or 10.3%, compared to the third quarter of fiscal 2023. As a percentage of net sales, total operating expenses in the third quarter of fiscal 2024 decreased to 11.3% from 11.7% for the third quarter of fiscal 2023. Total operating expenses for the first thirty-nine weeks of fiscal 2024 increased by $5.4 million, or 6.1%, compared to the first thirty-nine weeks of fiscal 2023. As a percentage of net sales, total operating expenses for the first thirty-nine weeks of fiscal 2024 increased to 11.7% from 11.5% for the first thirty-nine weeks of fiscal 2023.

The total value of inventories on hand at the end of the third quarter of fiscal 2024 increased $20.3 million, or 10.7%, in comparison to the total value of inventories on hand at the end of the third quarter of fiscal 2023.

We have seen acquisition costs for all major tree nuts, other than walnuts, remain flat or decrease, and we have seen acquisition costs for peanuts increase modestly in the 2023 crop year (which falls into our current 2024 fiscal year). We completed procurement of inshell walnuts during the first half of fiscal 2024 and the final total payments due to our walnut growers were determined in the current quarter. The final prices paid, and remaining to be paid to the walnut growers, were based upon current market prices and other factors, such as crop size and export demand. A large majority of payments to walnut growers were completed in the third quarter of fiscal 2024. Remaining amounts to be paid to walnut growers as of March 28, 2024 are final and are not subject to revision. We decreased our walnut grower liability by approximately $0.3 million during the third quarter of fiscal 2024, as the final payments due to walnut growers are slightly less than the amounts estimated at the end of the second quarter. This decrease is insignificant compared to our total inshell walnut procurement costs for the year, and the portion of the adjustment to cost of sales was immaterial to our results of operations.

RESULTS OF OPERATIONS

Net Sales

In the third quarter of fiscal 2024, our net sales increased 14.0% to $271.9 million compared to net sales of $238.5 million for the third quarter of fiscal 2023, primarily due to the Lakeville Acquisition, which closed on the first day of our second quarter and increased quarterly net sales by approximately $46.9 million. Sales volume, which is defined as pounds sold to customers, increased 22.6%, also due to the Lakeville Acquisition. The Lakeville Acquisition increased our quarterly sales volume by 18.1 million pounds, or 24.1%, over the third quarter of fiscal 2023. Sales volume for the third quarter, excluding the impact of the Lakeville Acquisition, decreased 1.4%, from softness in consumer demand, and the weighted average sales price per pound decreased 4.3% primarily from lower commodity acquisition costs for all major nut types except walnuts and peanuts.

For the first thirty-nine weeks of fiscal 2024 our net sales were $797.2 million, an increase of $31.7 million, or 4.1%, compared to the same period of fiscal 2023. Excluding the impact of the Lakeville Acquisition, net sales decreased 5.7% to $721.6 million, which was primarily attributable to a 3.8% decline in sales volume. In addition to the decline in sales volume, a 2.0% decrease in weighted average selling price per pound also contributed to the decline in net sales.

The following table summarizes sales by product type as a percentage of total gross sales. The information is based upon gross sales, rather than net sales, because certain adjustments, such as promotional discounts, are not allocable to product type.

	For the Quarter Ended		For the Thirty-Nine Weeks Ended	
Product Type	**March 28, 2024**	**March 30, 2023**	**March 28, 2024**	**March 30, 2023**
Peanuts & Peanut Butter	18.0%	20.1%	18.0%	18.5%
Pecans	6.2	8.0	10.1	12.2
Cashews & Mixed Nuts	17.3	22.0	18.5	20.9
Walnuts	3.7	4.8	4.6	5.8
Almonds	7.7	9.3	8.0	8.9
Trail & Snack Mixes	23.5	28.2	24.8	27.0
Snack Bars	17.6	0.2	9.7	0.1
Other	6.0	7.4	6.3	6.6
Total	100.0%	100.0%	100.0%	100.0%

The following table shows a comparison of net sales by distribution channel (dollars in thousands):

	For the Quarter Ended					
Distribution Channel	**March 28, 2024**	**Percentage of Total**	**March 30, 2023**	**Percentage of Total**	**$ Change**	**% Change**
Consumer [(1)]	$ 225,994	83.1%	$ 185,128	77.6%	$ 40,866	22.1%
Commercial Ingredients	26,955	9.9	30,901	13.0	(3,946)	(12.8)
Contract Packaging	18,935	7.0	22,506	9.4	(3,571)	(15.9)
Total	$ 271,884	100.0%	$ 238,535	100.0%	$ 33,349	14.0%

(1) Sales of branded products were approximately 14% and 18% of total consumer sales during the third quarter of fiscal 2024 and fiscal 2023, respectively. *Fisher* branded products were approximately 54% and 52% of branded sales during the third quarter of fiscal 2024 and fiscal 2023, respectively, with *Orchard Valley Harvest* branded products accounting for the majority of the remaining branded product sales.

The following table shows a comparison of net sales by distribution channel (dollars in thousands):

Distribution Channel	March 28, 2024	Percentage of Total	March 30, 2023	Percentage of Total	$ Change	% Change
	For the Thirty-Nine Weeks Ended					
Consumer [1]	$ 651,690	81.7%	$ 606,188	79.2%	$ 45,502	7.5%
Commercial Ingredients	82,802	10.4	90,827	11.9	(8,025)	(8.8)
Contract Packaging	62,719	7.9	68,449	8.9	(5,730)	(8.4)
Total	$ 797,211	100.0%	$ 765,464	100.0%	$ 31,747	4.1%

(1)Sales of branded products were approximately 19% and 22% of total consumer sales during the first thirty-nine weeks of fiscal 2024 and fiscal 2023, respectively. *Fisher* branded products were approximately 65% and 66% of branded sales during the first thirty-nine weeks of fiscal 2024 and fiscal 2023, respectively, with *Orchard Valley Harvest* branded products accounting for the majority of the remaining branded product sales.

Net sales in the consumer distribution channel increased $40.9 million, or 22.1%, and sales volume increased 33.1% in the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023 due to the Lakeville Acquisition. Excluding the Lakeville Acquisition, net sales in the consumer distribution channel decreased $6.0 million, or 3.2%, and sales volume increased 0.3%. Private brand sales volume increased 38.6% driven by the Lakeville Acquisition, whose sales volume is almost exclusively private brand bars. Excluding the Lakeville Acquisition, private brand sales volume increased approximately 0.5%. Sales volume of *Fisher* snack nuts decreased 15.8% due to lost distribution as a mass merchandising retailer and decreased sales volume at several grocery store retailers which was partially offset by an increase in e-commerce sales volume.

In the first thirty-nine weeks of fiscal 2024, net sales in the consumer distribution channel increased $45.5 million, or 7.5%, and sales volume increased 13.9% compared to the same period of fiscal 2023 due to the Lakeville Acquisition. Excluding the Lakeville Acquisition, net sales in the consumer distribution channel decreased $29.5 million, or 4.9%, and sales volume decreased 2.8%. Private brand sales volume increased 17.7% driven by the Lakeville Acquisition. Excluding the Lakeville Acquisition, private brand sales volume decreased 2.3% due to softness in consumer spending at two mass merchandising retailers. These sales volume decreases were partially offset by increased distribution of seasonal items at a grocery store retailer. Sales volume of *Fisher* recipe nuts decreased 9.5% due to soft customer demand across mass merchandising and grocery store retailers and less merchandising activity at several grocery store retailers. Sales volume of *Fisher* snack nuts decreased 16.4% for the reasons already cited in the quarterly comparison. Sales volume of *Southern Style Nuts* decreased 27.5% due to reduced distribution and fewer promotional programs at a club store customer. The above decreases in sales volume were partially offset by a 4.3% increase in sales volume for *Orchard Valley Harvest* primarily due to increased distribution at a major customer in the non-food sector.

Net sales in the commercial ingredients distribution channel decreased $3.9 million, or 12.8%, and sales volume decreased 2.4% in the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023. The sales volume decrease was due to competitive pricing pressure coupled with non-recurring peanut butter sales at a foodservice distributor that occurred in fiscal 2023. This decrease was partially offset by new peanut butter business at two other food service distributors and new sales volume of loose granola associated with the Lakeville Acquisition. Excluding the Lakeville Acquisition, sales volume decreased 3.0%.

In the first thirty-nine weeks of fiscal 2024, net sales in the commercial ingredients distribution channel decreased $8.0 million, or 8.8%, and sales volume decreased 0.7% compared to the same period of fiscal 2023. Excluding the Lakeville Acquisition, sales volume decreased 2.1% due to the reason cited in the quarterly comparison and an 11.4% decrease in sales volume of peanut crushing stock to peanut oil processors due to reduced peanut shelling.

Net sales in the contract packaging distribution channel decreased $3.6 million, or 15.9%, and sales volume decreased 11.3% in the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023. The decrease in sales volume was due to decreased cashew and mixed nuts distribution by a major customer due to soft consumer demand.

In the first thirty-nine weeks of fiscal 2024, net sales in the contract packaging distribution channel decreased $5.7 million, or 8.4%, and sales volume decreased 13.4% compared to the same period of fiscal 2023. The sales volume decrease was attributable to the reason cited in the quarterly comparison.

Gross Profit

Gross profit decreased by $0.6 million, or 1.2%, to $49.2 million for the third quarter of fiscal 2024 compared to $49.8 million for the third quarter of fiscal 2023. Excluding the Lakeville Acquisition, gross profit decreased approximately 7.2%, or $3.6 million. The decrease in gross profit was due to higher commodity acquisition costs for peanuts and walnuts, reduced production volume and increased expenditures relating to facility repairs and maintenance, noncompliant inventory and incentive compensation. Our gross profit margin, as a percentage of net sales, decreased to 18.1% for the third quarter of fiscal 2024 compared to 20.9% for the third quarter of fiscal 2023 mainly related to the higher sales base due to the Lakeville Acquisition.

Gross profit was $164.1 million for the first thirty-nine weeks of fiscal 2024 compared to $156.9 million for the first thirty-nine weeks of fiscal 2023. Our gross profit margin, as a percentage of net sales, increased slightly to 20.6% for the first thirty-nine weeks of fiscal 2024 compared to 20.5% for the first thirty-nine weeks of fiscal 2023.

Operating Expenses

Total operating expenses for the third quarter of fiscal 2024 increased by $2.9 million, or 10.3%, to $30.8 million. Operating expenses decreased to 11.3% of net sales for the third quarter of fiscal 2024 compared to 11.7% of net sales for the third quarter of fiscal 2023.

Selling expenses for the third quarter of fiscal 2024 were $18.7 million, an increase of $0.5 million, or 3.0%, from the third quarter of fiscal 2023. The increase was driven by a $0.8 million increase in incentive compensation expense, a $0.6 million increase in outside distribution expense, primarily related to the Lakeville Acquisition. These increases were partially offset by a $0.6 million decrease in advertising and consumer insight research expense.

Administrative expenses for the third quarter of fiscal 2024 increased $2.3 million, or 23.7%, to $12.2 million compared to $9.8 million for the third quarter of fiscal 2023. The increase was due to a $2.3 million increase in compensation-related expenses.

Total operating expenses for the first thirty-nine weeks of fiscal 2024 increased by $5.4 million, or 6.1%, to $93.6 million. Operating expenses increased to 11.7% of net sales for the first thirty-nine weeks of fiscal 2024 compared to 11.5% of net sales for the first thirty-nine weeks of fiscal 2023. The increase is net of the $2.2 million net gain on bargain purchase that occurred in the second quarter of fiscal 2024 due to the Lakeville Acquisition.

Selling expenses for the first thirty-nine weeks of fiscal 2024 were $61.6 million, an increase of $3.7 million, or 6.4%, from the first thirty-nine weeks of fiscal 2023. The increase was driven primarily by a $2.8 million increase in advertising and consumer insight research expense, a $1.2 million increase in compensation-related expenses, a $1.1 million increase in outside distribution expense, which was primarily due to the Lakeville Acquisition, an increase in consulting expenses of $0.4 million. These increases were offset by a $1.6 million decrease in freight expense due to lower freight rates and fewer delivered sales pounds.

Administrative expenses for the first thirty-nine weeks of fiscal 2024 increased $3.9 million, or 12.8%, to $34.2 million compared the first thirty-nine weeks of fiscal 2023. The increase was due to a $3.1 million increase in compensation-related expenses and an increase in charitable food donations of $0.8 million.

Income from Operations

Due to the factors discussed above, income from operations was $18.4 million, or 6.7% of net sales, for the third quarter of fiscal 2024 compared to $21.8 million, or 9.1% of net sales, for the third quarter of fiscal 2023.

Due to the factors discussed above, income from operations was $70.5 million, or 8.8% of net sales, for the first thirty-nine weeks of fiscal 2024 compared to $68.7 million, or 9.0% of net sales, for the first thirty-nine weeks of fiscal 2023.

Interest Expense

Interest expense was $0.8 million for the third quarter of fiscal 2024 compared to $0.6 million for the third quarter of fiscal 2023. Interest expense was $2.1 million for the first thirty-nine weeks of fiscal 2024 and $1.8 million for the first thirty-nine weeks of fiscal 2023. The increase in interest expense for both periods was due to higher average debt levels, primarily due to the Lakeville Acquisition.

Rental and Miscellaneous Expense, Net

Net rental and miscellaneous expense was $0.3 million for the third quarter of fiscal 2024 and $0.4 million for the third quarter of fiscal 2023.

Net rental and miscellaneous expense was $0.9 million for the first thirty-nine weeks of fiscal 2024 and $1.1 million for the first thirty-nine weeks of fiscal 2023.

Pension Expense (Excluding Service Costs)

Pension expense (excluding service costs) was $0.4 million for the third quarter of fiscal 2024 compared to $0.3 million for the third quarter of fiscal 2023.

Pension expense (excluding service costs) was $1.1 million for the first thirty-nine weeks of fiscal 2024 and $1.0 million for the first thirty-nine weeks of fiscal 2023.

Income Tax Expense

Income tax expense was $3.4 million, or 20.2% of income before income taxes ("effective tax rate"), for the third quarter of fiscal 2024 compared to $4.8 million, or 23.4% of income before income taxes, for the third quarter of fiscal 2023. The effective tax rate decreased in the current third quarter primarily due to an increase in our estimated research and development tax credit.

Income tax expense was $16.2 million, or 24.4% of income before income taxes, for the first thirty-nine weeks of fiscal 2024 compared to $16.6 million, or 25.6% of income before income taxes, for the first thirty-nine weeks of fiscal 2023.

Net Income

Net income was $13.5 million, or $1.16 per common share basic and $1.15 per common share diluted, for the third quarter of fiscal 2024, compared to $15.7 million, or $1.36 per common share basic and $1.35 per common share diluted, for the third quarter of fiscal 2023.

Net income was $50.2 million, or $4.33 per common share basic and $4.30 per common share diluted, for the first thirty-nine weeks of fiscal 2024, compared to $48.2 million, or $4.16 per common share basic and $4.14 per common share diluted, for the first thirty-nine weeks of fiscal 2023.

LIQUIDITY AND CAPITAL RESOURCES

General

The primary uses of cash are to fund our current operations, fulfill contractual obligations, pursue our Long-Range Plan through growing our branded and private brand programs, consummate and integrate business acquisitions, return cash to our stockholders through dividends, repay indebtedness and pay amounts owed under the Retirement Plan. Also, various uncertainties, including cost uncertainties, could result in additional uses of cash. The primary sources of cash are results of operations and availability under our Credit Facility. We anticipate that expected net cash flow generated from operations and amounts available pursuant to the Credit Facility will be sufficient to fund our operations for the next twelve months. Our available credit under our Credit Facility has allowed us to devote more funds to promote our products, increase consumer insight capabilities and promotional efforts, reinvest in the Company through capital expenditures, develop new products, pay cash dividends, consummate strategic investments and business acquisitions, such as the recent Lakeville Acquisition and the acquisition of the *Just the Cheese* brand in fiscal 2023, and explore other growth strategies outlined in our Long-Range Plan.

Cash flows from operating activities have historically been driven by net income but are also significantly influenced by inventory requirements, which can change based upon fluctuations in both quantities and market prices of the various nuts and nut products we buy and sell. Current market trends in nut prices and crop estimates also impact nut procurement.

The following table sets forth certain cash flow information for the first half of fiscal 2024 and 2023, respectively (dollars in thousands):

	March 28, 2024	March 30, 2023	$ Change
Operating activities	$ 66,438	$ 72,389	$ (5,951)
Investing activities	(76,495)	(19,142)	(57,353)
Financing activities	8,486	(53,297)	61,783
Total change in cash	$ (1,571)	$ (50)	$ (1,521)

Operating Activities Net cash provided by operating activities was $66.4 million for the first thirty-nine weeks of fiscal 2024 compared to net cash provided by operating activities of $72.4 million for the comparative period of fiscal 2023. The decrease in operating cash flow was primarily due to changes in working capital.

Total inventories were $210.7 million at March 28, 2024, an increase of $37.7 million, or 21.8%, from the inventory balance at June 29, 2023, and an increase of $20.3 million, or 10.7%, from the inventory balance at March 30, 2023. The increase in inventories at March 28, 2024 compared to March 30, 2023 was primarily due to the Lakeville Acquisition and higher quantities of pecans and walnuts on hand, higher commodity acquisition costs for walnuts, partially offset by lower quantities of work-in-process and finished goods inventory on hand.

Raw nut and dried fruit input stocks, some of which are classified as work-in-process, increased by 13.9 million pounds, or 22.4%, at March 28, 2024 compared to March 30, 2023 due to higher quantities of walnuts and pecans on hand due to increased procurement from a larger crop combined with softness in demand. The weighted average cost per pound of raw nut input stocks on hand at the end of the third quarter of fiscal 2024 decreased 11.7% compared to the end of the third quarter of fiscal 2023 primarily due to higher quantities of peanuts, inshell walnuts and pecans.

Investing Activities Cash used in investing activities was $76.5 million during the first thirty-nine weeks of fiscal 2024 compared to $19.1 million for the same period last year. The increase in cash used in investing activities was primarily due to the $59.0 million net purchase price for the Lakeville Acquisition. This was partially offset by the $3.5 million purchase price for the acquisition of the *Just the Cheese* brand in the second quarter of fiscal 2023. Capital asset purchases were $17.5 million during the first thirty-nine weeks of fiscal 2024 compared to $15.6 million for the first thirty-nine weeks of fiscal 2023. We expect total capital expenditures for new equipment, facility upgrades, and food safety enhancements, including for our newly acquired bar business in Lakeville, Minnesota, to be approximately $28.0 million for fiscal 2024. Absent any additional material acquisitions or other significant investments, we believe that cash on hand, combined with cash provided by operations and borrowings available under the Credit Facility, will be sufficient to meet the cash requirements for planned capital expenditures.

Financing Activities Cash provided by financing activities was $8.5 million during the first thirty-nine weeks of fiscal 2024 compared to cash used of $53.3 million for the same period last year. Net borrowings under our Credit Facility were $32.1 million during the first thirty-nine weeks of fiscal 2024 compared to net repayments of $12.6 million for the first thirty-nine weeks of fiscal 2023. The increase in credit facility borrowings was primarily due to funding the Lakeville Acquisition in the second quarter of fiscal 2024. Dividends paid in the first three quarters of fiscal 2024 were approximately $14.4 million lower than dividends paid in the same period last year. Long-term debt payments in the first three quarters of fiscal 2024 were approximately $2.5 million lower than payments in the same period last year due to the mortgage that was repaid in full in the third quarter of the fiscal 2023.

Real Estate Matters

In August 2008, we completed the consolidation of our Chicago-based facilities into our Elgin headquarters (“Elgin Site”). The Elgin Site includes both an office building and a warehouse. We are currently attempting to find additional tenants for the available space in the office building at the Elgin Site. Until additional tenant(s) are found, we will not receive the benefit of rental income associated with such space. Approximately 65% of the rentable area in the office building is currently vacant. Approximately 29% of the rentable area has not been built-out. There can be no assurance that we will be able to lease the unoccupied space and further capital expenditures will likely be necessary to lease the remaining space.

On April 23, 2024, the Company entered into a 7.5 year lease for a warehouse of approximately 444,600 square feet. The warehouse is located in Huntley, IL near the Elgin Site and will be utilized to store finished goods inventory and as a distribution center. We leased the warehouse in Huntley, IL as a result of our current and expanded operations occupying existing warehouse and finished goods space at our Elgin Site.

Financing Arrangements

On February 7, 2008, we entered into the Former Credit Agreement (as defined below) with a bank group (the "Bank Lenders") providing a $117.5 million revolving loan commitment and letter of credit subfacility.

On March 5, 2020, we entered into an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement") which amended and restated our Credit Agreement (the "Former Credit Agreement"). The Amended and Restated Credit Agreement provided for a $117.5 million senior secured revolving credit facility with the same borrowing capacity, interest rates and applicable margin as the Former Credit Agreement and extended the term of the Former Credit Agreement from July 7, 2021 to March 5, 2025.

The Amended and Restated Credit Facility is secured by substantially all of our assets other than machinery and equipment, real property.

On May 8, 2023, we entered into the First Amendment to our Amended and Restated Credit Facility (the "First Amendment") which replaced the London interbank offered rate (LIBOR) interest rate option with the Secured Overnight Financing Rate ("SOFR"). The First Amendment updated the accrued interest rate to a rate based on SOFR plus an applicable margin based upon the borrowing base calculation, ranging from 1.35% to 1.85%.

On September 29, 2023, we entered into the Second Amendment to our Amended and Restated Credit Facility, which (among other things) increased the amount available to borrow under the Credit Facility to $150.0 million, increased from $117.5 million, extended the maturity date to September 29, 2028 (from March 5, 2025) and allows the Company to pay up to $100 million in dividends per year, subject to meeting availability tests.

Credit Facility

At our election, borrowings under the Credit Facility currently accrue interest at either (i) a rate determined pursuant to the administrative agent's prime rate plus an applicable margin determined by reference to the amount of loans which may be advanced under the borrowing base calculation, ranging from 0.25% to 0.75% or (ii) a rate based on SOFR plus an applicable margin as noted above.

At March 28, 2024, the weighted average interest rate for the Credit Facility was 8.1%. The terms of the Credit Facility contain covenants that, among other things, require us to restrict investments, indebtedness, acquisitions and certain sales of assets and limit annual cash dividends or distributions, transactions with affiliates, redemptions of capital stock and prepayment of indebtedness (if such prepayment, among other things, is of a subordinate debt). If loan availability under the borrowing base calculation falls below $25.0 million, we will be required to maintain a specified fixed charge coverage ratio, tested on a monthly basis, until loan availability equals or exceeds $25.0 million for three consecutive months. All cash received from customers is required to be applied against the Credit Facility. The Bank Lenders have the option to accelerate and demand immediate repayment of our obligations under the Credit Facility in the event of default on the payments required under the Credit Facility, a change in control in the ownership of the Company, non-compliance with the financial covenant or upon the occurrence of other defaults by us under the Credit Facility. As of March 28, 2024, we were in compliance with all covenants under the Credit Facility and we currently expect to be in compliance with the financial covenant in the Credit Facility for the foreseeable future. At March 28, 2024, we had $114.1 million of available credit under the Credit Facility. If this entire amount were borrowed at March 28, 2024, we would still be in compliance with all restrictive covenants under the Credit Facility.

Selma Property

In September 2006, we sold our Selma, Texas properties (the "Selma Properties") to two related party partnerships for $14.3 million and are leasing them back. The selling price was determined by an independent appraiser to be the fair market value which also approximated our carrying value. The lease for the Selma Properties has a ten-year term at a fair market value rent with three five-year renewal options. In September 2015, we exercised two of the five-year renewal options which extended the lease term to September 2026. The lease extension also reduced the monthly lease payment on the Selma Properties, beginning in September 2016, to reflect then current market conditions. At the end of each five-year renewal option, the base monthly lease amounts are reassessed, and the monthly payments increased to $114 beginning in September 2021. One five-year renewal option remains. Also, we have an option to purchase the Selma Properties from the owner at 95% (100% in certain circumstances) of the then fair market value, but not less than the original $14.3 million purchase price. The provisions of the arrangement are not eligible for sale-leaseback accounting and the $14.3 million was recorded as a debt obligation. No gain or loss was recorded on the Selma Properties transaction. As of March 28, 2024, $7.3 million of the debt obligation was outstanding.

Critical Accounting Policies and Estimates

For information regarding our Critical Accounting Policies and Estimates, see the “Critical Accounting Policies and Estimates” section of “Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Form 10-K for the fiscal year ended June 29, 2023.

Recent Accounting Pronouncements

Refer to Note 14 – “Recent Accounting Pronouncements” of the Notes to Consolidated Financial Statements, contained in Part I, Item 1 of this form 10-Q, for a discussion of recently issued and adopted accounting pronouncements.

FORWARD LOOKING STATEMENTS

Some of the statements in this release are forward-looking. These forward-looking statements may be generally identified by the use of forward-looking words and phrases such as “will”, “intends”, “may”, “believes”, “anticipates”, “should” and “expects” and are based on the Company’s current expectations or beliefs concerning future events and involve risks and uncertainties. Consequently, the Company’s actual results could differ materially. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other factors that affect the subject of these statements, except where expressly required to do so by law. Among the factors that could cause results to differ materially from current expectations are: (i) sales activity for the Company’s products, such as a decline in sales to one or more key customers, or to customers or in the nut category generally, in some or all channels, a change in product mix to lower price products, a decline in sales of private brand products or changing consumer preferences, including a shift from higher margin products to lower margin products; (ii) changes in the availability and costs of raw materials and ingredients and the impact of fixed price commitments with customers; (iii) the ability to pass on price increases to customers if commodity costs rise and the potential for a negative impact on demand for, and sales of, our products from price increases; (iv) the ability to measure and estimate bulk inventory, fluctuations in the value and quantity of the Company’s nut inventories due to fluctuations in the market prices of nuts and bulk inventory estimation adjustments, respectively; (v) the Company’s ability to appropriately respond to, or lessen the negative impact of, competitive and pricing pressures; (vi) losses associated with product recalls, product contamination, food labeling or other food safety issues, or the potential for lost sales or product liability if customers lose confidence in the safety of the Company’s products or in nuts or nut products in general, or are harmed as a result of using the Company’s products; (vii) the ability of the Company to control costs (including inflationary costs) and manage shortages in areas such as inputs, transportation and labor; (viii) uncertainty in economic conditions, including the potential for inflation or economic downturn leading to decreased consumer demand; (ix) the timing and occurrence (or nonoccurrence) of other transactions and events which may be subject to circumstances beyond the Company’s control; (x) the adverse effect of labor unrest or disputes, litigation and/or legal settlements, including potential unfavorable outcomes exceeding any amounts accrued; (xi) losses due to significant disruptions at any of our production or processing facilities or employee unavailability due to labor shortages; (xii) the ability to implement our Long-Range Plan, including growing our branded and private brand product sales, diversifying our product offerings (including by the launch of new products) and expanding into alternative sales channels; (xiii) technology disruptions or failures or the occurrence of cybersecurity incidents or breaches; (xiv) the inability to protect the Company’s brand value, intellectual property or avoid intellectual property disputes; (xv) our ability to manage the impacts of changing weather patterns on raw material availability due to climate change; and (xvi) our ability to operate and integrate the acquired snack bar related assets of TreeHouse and realize efficiencies and synergies from such acquisition.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in our assessment of our sensitivity to market risk since our presentation set forth in Part I - Item 7A "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the fiscal year ended June 29, 2023.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of March 28, 2024. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 28, 2024, the Company's disclosure controls and procedures were effective.

In connection with the evaluation by our management, including our Chief Executive Officer and Chief Financial Officer, there were no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the quarter ended March 28, 2024 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, see Note 12 – "Commitments and Contingent Liabilities" in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this report on Form 10-Q, you should also consider the factors, risks and uncertainties which could materially affect our Company's business, financial condition or future results as discussed in Part I, Item 1A – "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 29, 2023. There were no significant changes to the risk factors identified on the Form 10-K for the fiscal year ended June 29, 2023 during the third quarter of fiscal 2024.

See Part I, Item 2 — "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" in this Form 10-Q, and see Part II, Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2023.

Item 5. Other Information

Rule 10b5-1 Trading Arrangement

The following table shows our directors and officers that adopted a trading plan intended to satisfy the conditions under Rule 10b5-1(c) of the Exchange Act:

Name & Position	Adoption Date	Shares of the Company's Common Stock	Expiration Date[(1)]
Frank S. Pellegrino, Chief Financial Officer	March 5, 2024	2,000	December 2, 2024

(1) The plan expires on the date in this column, or upon the earlier completion of all authorized transactions under the Rule 10b5-1 plan.

During the quarter ended March 28, 2024, other than noted above, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

Item 6. Exhibits

The exhibits filed herewith are listed in the exhibit index below.

EXHIBIT INDEX
(Pursuant to Item 601 of Regulation S-K)

Exhibit No.	Description
2.1	Asset Purchase Agreement, dated as of September 5, 2023, by and among John B. Sanfilippo & Son, Inc. and TreeHouse Foods, Inc., Bay Valley Foods, LLC and TreeHouse Private Brands, Inc. (incorporated by reference from Exhibit 2.1 to the Form 8-K filed on September 8, 2023)
3.1	Restated Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 to the Form 10-Q for the quarter ended March 24, 2005)
3.2	Amended and Restated Bylaws of the Company (incorporated by reference from Exhibit 3.2 to the Form 10-K for the fiscal year ended June 25, 2015)
*10.1	Amended and Restated John B. Sanfilippo & Son, Inc. Split-Dollar Insurance Agreement Number Two among Michael J. Valentine, as trustee of the Valentine Life Insurance Trust, Mathias Valentine, Mary Valentine and the Company, dated December 31, 2003 (incorporated by reference from Exhibit 10.35 to the Form 10-Q for the quarter ended December 25, 2003)
*10.2	Amendment, dated February 12, 2004, to Amended and Restated John B. Sanfilippo & Son, Inc. Split-Dollar Insurance Agreement Number Two among Michael J. Valentine, as trustee of the Valentine Life Insurance Trust, Mathias Valentine, Mary Valentine and the Company, dated December 31, 2003 (incorporated by reference from Exhibit 10.47 to the Form 10-Q for the quarter ended March 25, 2004)
*10.3	Restated Supplemental Retirement Plan (incorporated by reference from Exhibit 10.16 to the Form 10-K for the fiscal year ended June 28, 2007)
*10.4	Form of Indemnification Agreement (incorporated by reference from Exhibit 10.01 to the Form 8-K filed on May 5, 2009)
*10.5	2014 Omnibus Incentive Plan (incorporated by reference from Exhibit 4.1 to the Registration Statement on Form S-8 filed on October 28, 2014)
*10.6	Amendment No. 1 to the 2014 Omnibus Incentive Plan (incorporated by reference from Exhibit 10.12 to the Form 10-K for the year ended June 30, 2016)
*10.7	Form of Non-Employee Director Restricted Stock Unit Award Agreement (non-deferral) under 2014 Omnibus Plan (fiscal 2021, 2022 and 2023 awards cycle) (incorporated by reference from Exhibit 10.38 to the Form 10-Q for the quarter ended December 24, 2015)
*10.8	Form of Non-Employee Director Restricted Stock Unit Award Agreement (deferral) under 2014 Omnibus Plan (fiscal 2021 and 2022 awards cycle) (incorporated by reference from Exhibit 10.39 to the Form 10-Q for the quarter ended December 24, 2015)
*10.9	Form of Employee Restricted Stock Unit Award Agreement under 2014 Omnibus Plan (fiscal 2021 and 2022 awards cycle) (incorporated by reference from Exhibit 10.10 to the Form 10-Q for the quarter ended December 24, 2020)
*10.10	Form of Employee Restricted Stock Unit Award Agreement under 2014 Omnibus Plan (fiscal 2023 awards cycle) (incorporated by reference from Exhibit 10.10 to the Form 10-Q for the quarter ended December 29, 2022)
*10.11	2023 Omnibus Incentive Plan (incorporated by reference from Annex A to the form DEF 14A filed on September 12, 2023)
*10.12	Amended and Restated Sanfilippo Value Added Plan, dated August 23, 2023 (incorporated by reference from Exhibit 10.12 to the Form 10-Q for the quarter ended September 28, 2023)
*10.13	Form of Non-Employee Director Restricted Stock Unit Award Agreement under 2023 Omnibus Plan (fiscal 2024 awards cycle) (incorporated by reference from Exhibit 10.13 to the Form 10-Q for the quarter ended December 28, 2023)
*10.14	Form of Employee Restricted Stock Unit Award Agreement under 2023 Omnibus Plan (fiscal 2024 awards cycle) (incorporated by reference from Exhibit 10.14 to the Form 10-Q for the quarter ended December 28, 2023)
*10.15	Form of Employee Performance Restricted Stock Unit Award Agreement under 2023 Omnibus Plan (fiscal 2024 awards cycle) (incorporated by reference from Exhibit 10.15 to the Form 10-Q for the quarter ended December 28, 2023)

Exhibit No.	Description
10.16	Amended and restated Credit Agreement dated as of March 5, 2020, by and among John B. Sanfilippo & Son, Inc., Wells Fargo Capital Finance, LLC (f/k/a WFF), as a lender and the administrative agent, and Southwest Georgia Farm Credit, ACA, as a lender. (incorporated by reference from Exhibit 10.1 to the Form 8-K filed on March 11, 2020)
10.17	First Amendment to Amended and Restated Credit Agreement dated as of May 8, 2023 (incorporated by reference from Exhibit 10.13 to the Form 10-K filed on August 23, 2023)
10.18	Second Amendment to Amended and Restated Credit Agreement dated as of September 29, 2023 (incorporated by reference from Exhibit 10.1 to the Form 8-K filed on October 2, 2023)
*10.19	Amended and Restated John B. Sanfilippo & Son, Inc. Split-Dollar Insurance Agreement Number One among John E. Sanfilippo, as trustee of the Jasper and Marian Sanfilippo Irrevocable Trust, dated September 23, 1990, Jasper B. Sanfilippo, Marian R. Sanfilippo and Registrant, dated December 31, 2003 (incorporated by reference from Exhibit 10.34 to the Form 10-Q for the quarter ended December 25, 2003)
*10.20	Amendment, dated February 12, 2004, to Amended and Restated John B. Sanfilippo & Son, Inc. Split-Dollar Insurance Agreement Number One among John E. Sanfilippo, as trustee of the Jasper and Marian Sanfilippo Irrevocable Trust, dated September 23, 1990, Jasper B. Sanfilippo, Marian R. Sanfilippo and Registrant, dated December 31, 2003 (incorporated by reference from Exhibit 10.46 to the Form 10-Q for the quarter ended March 25, 2004)
*10.21	Split-Dollar Insurance Agreement Notice of Termination and Purchase Agreement, by and among John B. Sanfilippo & Son, Inc., John E. Sanfilippo, on behalf of and as sole trustee of the Jasper and Marian Sanfilippo Irrevocable Trust, dated September 23, 1990 and Marian R. Sanfilippo, dated December 24, 2021. (incorporated by reference from Exhibit 10.15 to the Form 10-Q for the quarter ended March 24, 2022)
*10.22	Amendment No. 1 to the Split-Dollar Insurance Agreement Notice of Termination and Purchase Agreement, by and among John B. Sanfilippo & Son, Inc., John E. Sanfilippo, on behalf of and as sole trustee of the Jasper and Marian Sanfilippo Irrevocable Trust, dated September 23, 1990 and Marian R. Sanfilippo, dated February 21, 2022. (incorporated by reference from Exhibit 10.16 to the Form 10-Q for the quarter ended March 24, 2022)
*10.23	Separation Benefits & General Release Agreement, effective June 29, 2023, between John B. Sanfilippo & Son, Inc. and Shayn E. Wallace (incorporated by reference from Exhibit 10.1 to the Form 8-K filed on June 30, 2023)
*10.24	Retirement Agreement and General Release, dated January 23, 2023 by and between John B. Sanfilippo & Son, Inc. and Michael Valentine (incorporated by reference from Exhibit 10.20 to the Form 10-Q for the quarter ended March 30, 2023)
*10.25	Nonqualified Deferred Compensation Plan Adoption Agreement of the Company dated as of November 22, 2022 (incorporated by reference from Exhibit 10.18 to the Form 10-Q for the quarter ended December 29, 2022)
*10.26	John B. Sanfilippo & Son, Inc. Nonqualified Deferred Compensation Plan dated as of November 22, 2022 (incorporated by reference from Exhibit 10.19 to the Form 10-Q for the quarter ended December 29, 2022)
31.1	Certification of Jeffrey T. Sanfilippo pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
31.2	Certification of Frank S. Pellegrino pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
32.1	Certification of Jeffrey T. Sanfilippo pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended
32.2	Certification of Frank S. Pellegrino pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended
101.INS	Inline eXtensible Business Reporting Language (XBRL) Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Link Base Documents
104	Cover Page Interactive Data File (embedded within the Inline XBL document)

* Indicates a management contract or compensatory plan or arrangement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on May 1, 2024.

JOHN B. SANFILIPPO & SON, INC.

By

/s/ FRANK S. PELLEGRINO

Frank S. Pellegrino
Chief Financial Officer, Executive
Vice President, Finance and Administration

Exhibit 31.1

CERTIFICATION

I, Jeffrey T. Sanfilippo, certify that:

1. I have reviewed this Report on Form 10-Q of John B. Sanfilippo & Son, Inc. for the quarter ended March 28, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 1, 2024

/s/ Jeffrey T. Sanfilippo
Jeffrey T. Sanfilippo
Chairman of the Board and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Frank S. Pellegrino, certify that:

1. I have reviewed this Report on Form 10-Q of John B. Sanfilippo & Son, Inc. for the quarter ended March 28, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

May 1, 2024

/s/ Frank S. Pellegrino
Frank S. Pellegrino
Chief Financial Officer, Executive Vice President, Finance and Administration

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of John B. Sanfilippo & Son, Inc. (the "Company") on Form 10-Q for the quarter ended March 28, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey T. Sanfilippo, Chief Executive Officer and Chairman of the Board, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 1, 2024

/s/ Jeffrey T. Sanfilippo
Jeffrey T. Sanfilippo
Chief Executive Officer and Chairman of the Board

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of John B. Sanfilippo & Son, Inc. (the “Company”) on Form 10-Q for the quarter ended March 28, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Frank S. Pellegrino, Chief Financial Officer, Executive Vice President, Finance and Administration, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 1, 2024

/s/ Frank S. Pellegrino
Frank S. Pellegrino
Chief Financial Officer, Executive Vice President, Finance and Administration