REFINITIV

DELTA REPORT

10-Q

IMKTA - INGLES MARKETS INC

10-Q - MARCH 30, 2024 COMPARED TO 10-Q - DECEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	461
CHANGES	164
DELETIONS	125
ADDITIONS	172

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark (Mark One)

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

For the quarterly period ended December 30, 2023 March 30, 2024

or

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

For the transition period from to

Commission File Number: 0-14706.

INGLES MARKETS, INCORPORATED

(Exact name of registrant as specified in its charter)

North Carolina	**56-0846267**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
P.O. Box 6676, Asheville NC	**28816**
(Address of principal executive offices)	**(Zip Code)**

(828) 669-2941

(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
Class A Common Stock, $0.05 par value per share	IMKTA	The 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 x 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 x No ¨.

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

Large accelerated filer Accelerated Filer ☐x	Accelerated filer Filer ¨
Non-accelerated filer Non-Accelerated Filer ¨☐	Smaller reporting company Reporting Company ¨
	Emerging growth company 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 x.

As of February 6, 2024 May 7, 2024, the registrant had 14,536,550 14,536,700 shares of Class A Common Stock, $0.05 parvalue per share, outstanding and 4,457,826 4,457,676 shares of Class B Common Stock, $0.05 par value per share, outstanding. outstanding.

INGLES MARKETS, INCORPORATED

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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	December 30, 2023	September 30, 2023	March 30, 2024	September 30, 2023
ASSETS				
Current Assets:				
Cash and cash equivalents	**$ 275,033,980**	$ 328,539,922	**$ 302,017,848**	$ 328,539,922
Receivables - net	**116,747,734**	107,570,690	**109,444,276**	107,570,690
Inventories	**501,046,713**	493,859,775	**479,129,835**	493,859,775
Other current assets	**18,162,808**	22,585,958	**26,530,028**	22,585,958
Total Current Assets	**910,991,235**	952,556,345	**917,121,987**	952,556,345
Property and Equipment - Net	**1,462,361,839**	1,431,872,289	**1,480,037,502**	1,431,872,289
Operating lease right of use assets	**37,355,830**	39,602,202	**37,738,468**	39,602,202
Other Assets	**48,147,967**	49,814,897	**51,409,736**	49,814,897
Total Assets	**$ 2,458,856,871**	$ 2,473,845,733	**$ 2,486,307,693**	$ 2,473,845,733
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Current portion of long-term debt	**$ 17,520,876**	$ 17,526,289	**$ 17,520,876**	$ 17,526,289
Current portion of operating lease liabilities	**6,844,279**	7,594,971	**6,748,263**	7,594,971
Current portion of finance lease liabilities	**645,140**	635,559	**654,866**	635,559

Accounts payable - trade	**180,509,905**	204,040,546	**181,624,886**	204,040,546
Accrued expenses and current portion of other long-term liabilities	**77,471,605**	100,735,784	**80,412,186**	100,735,784
Total Current Liabilities	**282,991,805**	330,533,149	**286,961,077**	330,533,149
Deferred Income Taxes	**64,570,000**	67,187,000	**63,561,000**	67,187,000
Long-Term Debt	**529,374,767**	532,631,960	**521,597,008**	532,631,960
Noncurrent operating lease liabilities	**32,522,372**	34,016,670	**32,999,189**	34,016,670
Noncurrent operating finance liabilities	**2,895,015**	3,059,938		
Noncurrent finance lease liabilities			**2,727,606**	3,059,938
Other Long-Term Liabilities	**51,033,340**	47,444,876	**53,019,344**	47,444,876
Total Liabilities	**963,387,299**	1,014,873,593	**960,865,224**	1,014,873,593
Stockholders’ Equity				
Preferred stock, $0.05 par value; 10,000,000 shares authorized; no shares issued	**—**	—	**—**	—
Common stocks:				
Class A, $0.05 par value; 150,000,000 shares authorized; 14,536,175 shares issued and outstanding December 30, 2023; 14,497,075 shares issued and outstanding at September 30, 2023	**726,809**	724,854		

Class B, convertible to Class A, $0.05 par value; 100,000,000 shares authorized; 4,458,201 shares issued and outstanding December 30, 2023; 4,497,301 shares issued and outstanding at September 30, 2023	**222,910**	224,865		
Class A, $0.05 par value; 150,000,000 shares authorized; 14,536,700 shares issued and outstanding March 30, 2024; 14,497,075 shares issued and outstanding at September 30, 2023			**726,835**	724,854

Class B, convertible to Class A, $0.05 par value; 100,000,000 shares authorized; 4,457,676 shares issued and outstanding March 30, 2024; 4,497,301 shares issued and outstanding at September 30, 2023			**222,884**	224,865
Paid-in capital in excess of par value	**—**	—	**—**	—
Accumulated other comprehensive income	**9,404,075**	13,233,631	**10,545,546**	13,233,631
Retained earnings	**1,485,115,778**	1,444,788,790	**1,513,947,204**	1,444,788,790
Total Stockholders' Equity	**1,495,469,572**	1,458,972,140	**1,525,442,469**	1,458,972,140
Total Liabilities and Stockholders' Equity	**$ 2,458,856,871**	$ 2,473,845,733	**$ 2,486,307,693**	$ 2,473,845,733

See notes to unaudited condensed consolidated financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended		Three Months Ended	
	December 30, 2023	December 24, 2022	March 30, 2024	March 25, 2023
Net sales	**$ 1,481,061,830**	$ 1,493,314,107	**$ 1,367,479,701**	$ 1,380,604,140
Cost of goods sold	**1,132,260,751**	1,122,159,216	**1,045,594,741**	1,054,664,179

Gross profit	**348,801,079**	371,154,891	**321,884,960**	325,939,961
Operating and administrative expenses	**289,826,530**	276,179,258	**284,762,087**	268,890,164
Gain from sale or disposal of assets	**652,860**	780,083	**7,686,184**	597,218
Income from operations	**59,627,409**	95,755,716	**44,809,057**	57,647,015
Other income, net	**3,606,549**	1,441,607	**3,381,398**	1,734,456
Interest expense	**5,706,357**	5,346,842	**5,587,829**	5,344,666
Income before income taxes	**57,527,601**	91,850,481	**42,602,626**	54,036,805
Income tax expense	**14,134,000**	22,479,000	**10,704,000**	13,497,000
Net income	**$ 43,393,601**	$ 69,371,481	**$ 31,898,626**	$ 40,539,805
Other comprehensive loss:				
Other comprehensive income (loss):				
Change in fair value of interest rate swap	**$ (5,067,556)**	$ (1,522,507)	**$ 1,510,471**	$ (2,671,226)
Income tax benefit	**1,238,000**	372,000		
Other comprehensive loss, net of tax	**(3,829,556)**	(1,150,507)		
Income tax (expense) benefit			**(369,000)**	652,000
Other comprehensive income (loss), net of tax			**1,141,471**	(2,019,226)
Comprehensive income	**$ 39,564,045**	$ 68,220,974	**$ 33,040,097**	$ 38,520,579
Per share amounts:				
Class A Common Stock				
Basic earnings per common share	**$ 2.33**	$ 3.73	**$ 1.72**	$ 2.18
Diluted earnings per common share	**$ 2.28**	$ 3.65	**$ 1.68**	$ 2.13
Class B Common Stock				
Basic earnings per common share	**$ 2.12**	$ 3.40	**$ 1.56**	$ 1.98
Diluted earnings per common share	**$ 2.12**	$ 3.40	**$ 1.56**	$ 1.98
Cash dividends per common share				
Class A Common Stock	**$ 0.165**	$ 0.165	**$ 0.165**	$ 0.165
Class B Common Stock	**$ 0.150**	$ 0.150	**$ 0.150**	$ 0.150

See notes to unaudited condensed consolidated financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

	Six Months Ended	
	March 30, 2024	**March 25, 2023**
Net sales	**$ 2,848,541,531**	$ 2,873,918,247
Cost of goods sold	**2,177,855,492**	2,176,823,396
Gross profit	**670,686,039**	697,094,851
Operating and administrative expenses	**574,588,617**	545,069,422
Gain from sale or disposal of assets	**8,339,044**	1,377,302
Income from operations	**104,436,466**	153,402,731
Other income, net	**6,987,947**	3,176,063
Interest expense	**11,294,186**	10,691,508
Income before income taxes	**100,130,227**	145,887,286
Income tax expense	**24,838,000**	35,976,000
Net income	**$ 75,292,227**	$ 109,911,286
Other comprehensive loss:		
Change in fair value of interest rate swap	**$ (3,557,085)**	$ (4,193,733)
Income tax benefit	**869,000**	1,024,000
Other comprehensive loss, net of tax	**(2,688,085)**	(3,169,733)
Comprehensive income	**$ 72,604,142**	$ 106,741,553
Per share amounts:		
Class A Common Stock		
Basic earnings per common share	**$ 4.05**	$ 5.92
Diluted earnings per common share	**$ 3.96**	$ 5.79
Class B Common Stock		
Basic earnings per common share	**$ 3.68**	$ 5.38
Diluted earnings per common share	**$ 3.68**	$ 5.38
Cash dividends per common share		
Class A Common Stock	**$ 0.33**	$ 0.33
Class B Common Stock	**$ 0.30**	$ 0.30

See notes to unaudited condensed consolidated financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

THREE AND SIX MONTHS ENDED DECEMBER MARCH 30, 2023 2024 AND DECEMBER 24, 2022 MARCH 25, 2023

	Class A Common Stock		Class B Common Stock		Paid-in Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance, September 24, 2022	14,377,575	$ 718,879	4,616,801	$ 230,840	$ —	$ 12,406,551	$ 1,246,238,155	$ 1,259,594,425
Net income	—	—	—	—	—	—	69,371,481	69,371,481
Other comprehensive income, net of income tax	—	—	—	—	—	(1,150,507)	—	(1,150,507)
Cash dividends	—	—	—	—	—	—	(3,064,821)	(3,064,821)
Common stock conversions	9,125	456	(9,125)	(456)	—	—	—	—
Balance, December 24, 2022	14,386,700	$ 719,335	4,607,676	$ 230,384	$ —	$ 11,256,044	$ 1,312,544,815	$ 1,324,750,578
Balance, September 30, 2023	14,497,075	$ 724,854	4,497,301	$ 224,865	$ —	$ 13,233,631	$ 1,444,788,790	$ 1,458,972,140
Net income	—	—	—	—	—	—	43,393,601	43,393,601
Other comprehensive income, net of income tax	—	—	—	—	—	(3,829,556)	—	(3,829,556)
Cash dividends	—	—	—	—	—	—	(3,066,613)	(3,066,613)
Common stock conversions	39,100	1,955	(39,100)	(1,955)	—	—	—	—
Balance, December 30, 2023	**14,536,175**	**$ 726,809**	**4,458,201**	**$ 222,910**	**$ —**	**$ 9,404,075**	**$ 1,485,115,778**	**$ 1,495,469,572**

See notes to unaudited condensed consolidated financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended	
	December 30, 2023	December 24, 2022
Cash Flows from Operating Activities:		
Net income	**$ 43,393,601**	$ 69,371,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	**28,774,484**	29,105,895
Non cash operating lease cost	**1,717,656**	2,630,759
Gain from sale or disposal of assets	**(652,860)**	(780,083)
Receipt of advance payments on purchases contracts	**250,000**	800,000
Recognition of advance payments on purchases contracts	**(816,137)**	(665,579)
Deferred income taxes	**(1,379,000)**	(1,421,000)
Changes in operating assets and liabilities:		
Receivables	**(9,177,044)**	(23,664,766)
Inventory	**(7,186,938)**	(6,881,940)
Other assets	**1,006,283**	(3,759,603)
Operating lease liabilities	**(1,716,273)**	(2,629,380)
Accounts payable and accrued expenses	**(38,672,293)**	(4,842,782)
Net Cash Provided by Operating Activities	**15,541,479**	57,263,002
Cash Flows from Investing Activities:		
Purchase of short term investments	**—**	—
Proceeds from sales of property and equipment	**812,578**	1,146,282
Capital expenditures	**(63,200,544)**	(59,336,642)
Net Cash Used by Investing Activities	**(62,387,966)**	(58,190,360)
Cash Flows from Financing Activities:		
Principal payments on long-term borrowings	**(3,437,500)**	(7,625,680)
Repayment of finance lease	**(155,342)**	—
Dividends paid	**(3,066,613)**	(3,064,821)

Net Cash Used by Financing Activities	**(6,659,455)**	(10,690,501)
Net Decrease in Cash and Cash Equivalents	**(53,505,942)**	(11,617,859)
Cash and cash equivalents at beginning of period	**328,539,922**	267,198,517
Cash and Cash Equivalents at End of Period	**$ 275,033,980**	$ 255,580,658

	Class A Common Stock		Class B Common Stock		Paid-in Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance, September 24, 2022	14,377,575	$ 718,879	4,616,801	$ 230,840	$ —	$ 12,406,551	$ 1,246,238,155	$ 1,259,594,425
Net income	—	—	—	—	—	—	69,371,481	69,371,481
Other comprehensive loss, net of income tax	—	—	—	—	—	(1,150,507)	—	(1,150,507)
Cash dividends	—	—	—	—	—	—	(3,064,821)	(3,064,821)
Common stock conversions	9,125	456	(9,125)	(456)	—	—	—	—
Balance, December 24, 2022	14,386,700	$ 719,335	4,607,676	$ 230,384	$ —	$ 11,256,044	$ 1,312,544,815	$ 1,324,750,578
Net income	—	—	—	—	—	—	40,539,805	40,539,805
Other comprehensive loss, net of income tax	—	—	—	—	—	(2,019,226)	—	(2,019,226)
Cash dividends	—	—	—	—	—	—	(3,064,960)	(3,064,960)
Common stock conversions	225	11	(225)	(11)	—	—	—	—
Balance, March 25, 2023	14,386,925	$ 719,346	4,607,451	$ 230,373	$ —	$ 9,236,818	$ 1,350,019,660	$ 1,360,206,197
Balance, September 30, 2023	14,497,075	$ 724,854	4,497,301	$ 224,865	$ —	$ 13,233,631	$ 1,444,788,790	$ 1,458,972,140
Net income	—	—	—	—	—	—	43,393,601	43,393,601
Other comprehensive loss, net of income tax	—	—	—	—	—	(3,829,556)	—	(3,829,556)
Cash dividends	—	—	—	—	—	—	(3,066,613)	(3,066,613)

Common stock conversions	39,100	1,955	(39,100)	(1,955)	—	—	—	—
Balance, December 30, 2023	14,536,175	$ 726,809	4,458,201	$ 222,910	$ —	$ 9,404,075	$ 1,485,115,778	$ 1,495,469,572
Net income	—	—	—	—	—	—	31,898,626	31,898,626
Other comprehensive income, net of income tax	—	—	—	—	—	1,141,471	—	1,141,471
Cash dividends	—	—	—	—	—	—	(3,067,200)	(3,067,200)
Common stock conversions	525	26	(525)	(26)	—	—	—	—
Balance, March 30, 2024	**14,536,700**	**$ 726,835**	**4,457,676**	**$ 222,884**	**$ —**	**$ 10,545,546**	**$ 1,513,947,204**	**$ 1,525,442,469**

See notes to unaudited condensed consolidated financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended	
	March 30, 2024	**March 25, 2023**
Cash Flows from Operating Activities:		
Net income	**$ 75,292,227**	$ 109,911,286
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	**58,022,599**	57,969,652
Non cash operating lease cost	**3,363,519**	3,841,608
Gain from sale or disposal of assets	**(8,339,044)**	(1,377,302)
Receipt of advance payments on purchases contracts	**1,150,677**	1,582,490
Recognition of advance payments on purchases contracts	**(1,529,141)**	(1,430,226)
Deferred income taxes	**(2,757,000)**	(2,842,000)
Changes in operating assets and liabilities:		
Receivables	**(1,837,366)**	312,669

Inventory	**14,729,941**	(16,302,309)
Other assets	**(9,112,237)**	(19,145,618)
Operating lease liabilities	**(3,363,973)**	(3,838,850)
Accounts payable and accrued expenses	**(39,646,215)**	(34,267,784)
Net Cash Provided by Operating Activities	**85,973,987**	94,413,616
Cash Flows from Investing Activities:		
Purchase of short term investments	**—**	—
Proceeds from sales of property and equipment	**3,711,585**	1,766,849
Capital expenditures	**(98,355,767)**	(91,352,345)
Net Cash Used by Investing Activities	**(94,644,183)**	(89,585,496)
Cash Flows from Financing Activities:		
Principal payments on long-term borrowings	**(11,405,040)**	(15,593,180)
Repayment of finance lease	**(313,025)**	
Dividends paid	**(6,133,813)**	(6,129,781)
Net Cash Used by Financing Activities	**(17,851,878)**	(21,722,961)
Net Decrease in Cash and Cash Equivalents	**(26,522,074)**	(16,894,841)
Cash and cash equivalents at beginning of period	**328,539,922**	267,198,517
Cash and Cash Equivalents at End of Period	**$ 302,017,848**	$ 250,303,676

See notes to unaudited condensed consolidated financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

Three Months and Six Months Ended December 30, 2023 March 30, 2024 and December 24, 2022 March 25, 2023

A. BASIS OF PREPARATION

In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments necessary to present fairly the financial position as of December 30, 2023, March 30, 2024 and the results of operations and changes in stockholders' equity for the three-month and six-month periods ended March 30, 2024 and March 25, 2023, and cash flows of Ingles Markets, Incorporated, a North Carolina corporation ("Ingles", the "Company", "we", "us", or "our"), for the three six months ended December 30, 2023 March 30, 2024 and December 24, 2022 March 25, 2023. The adjustments made are of a normal recurring nature. Certain information and footnote disclosures included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q. It is suggested that these unaudited interim financial statements be read in conjunction with the audited financial statements and the notes thereto included in the Annual Report on Form 10-K for the year ended September 30, 2023, filed by the Company under the Securities Exchange Act of 1934, on November 29, 2023.

The results of operations for the three months three-month and six-month periods ended December 30, 2023 March 30, 2024 are not necessarily indicative of the results to be expected for the full fiscal year.

B. NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued ASU 2020-04, "*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*." The ASU provides optional guidance to ease the potential burden in accounting for reference rate reform on financial reporting in response to the risk of cessation of the London Interbank Offered Rate ("LIBOR"). This amendment provides for optional expedients and exceptions for applying generally accepted accounting principles to contracts and hedging relationships that are affected by LIBOR and other reference rates. The ASU generally allows for hedge accounting to continue if the hedge was highly effective or met other standards prior to reference rate reform. Entities are permitted to apply the amendments to all contracts, cash flow and net investment hedge relationships that existed as of March 12, 2020. The relief provided in this ASU extends through December 31, 2024. The U.S. Dollar LIBOR panel ceased following June 30, 2023, and the Company's debt agreements and interest rate swaps that utilized LIBOR discontinued the use of LIBOR and adopted the Secured Overnight Financing Rate ("SOFR"), which did not materially impact our condensed consolidated unaudited interim financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Taxes Disclosures*, which requires greater disaggregation of income tax disclosures. The new standard requires additional information to be disclosed with respect to the income tax rate reconciliation and income taxes paid disaggregated by jurisdiction. This ASU should be applied prospectively for fiscal years beginning after December 15, 2024, with retrospective application permitted. The Company is currently evaluating the impacts of this guidance on the Company's Consolidated Financial Statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires companies to enhance the disclosures about segment expenses. The new standard requires the disclosure of the Company's Chief Operating Decision Maker ("CODM"), expanded incremental line-item disclosures of significant segment expenses used by the CODM for decision-making, and the inclusion of previous annual only segment disclosure requirements on a quarterly basis. This ASU should be applied retrospectively for fiscal years beginning after December 15, 2023, and early adoption is permitted. The Company is currently evaluating the impacts of this guidance on the Company's Consolidated Financial Statements.

C. SHORT TERM INVESTMENTS

From time to time, the Company purchases financial products that can be readily converted into cash, and the Company accounts for such financial products as short-term investments. The financial products may include money market funds, bonds and mutual funds. The carrying values of the Company's short-term investments approximate fair value because of their liquidity.

D. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables are presented net of an allowance for doubtful accounts of $143,739 $294,085 at December 30, 2023 March 30, 2024 and $143,753 at September 30, 2023.

E. INCOME TAXES

The Company's effective tax rate differs from the federal statutory rate primarily as a result of state income taxes and tax credits.

The Company has unrecognized tax benefits and could incur interest and penalties related to uncertain tax positions. These amounts are insignificant and are not expected to significantly increase or decrease within the next twelve months.

F. ACCRUED EXPENSES AND CURRENT PORTION OF OTHER LONG-TERM LIABILITIES

Accrued expenses and current portion of other long-term liabilities consist of the following:

	December 30, 2023	September 30, 2023	March 30, 2024	September 30, 2023
Property, payroll and other taxes payable	**$ 14,541,884**	$ 25,203,091	**$16,833,389**	$ 25,203,091
Salaries, wages and bonuses payable	**33,921,075**	50,836,143	**38,402,631**	50,836,143
Self-insurance liabilities	**15,159,445**	13,974,358	**15,064,285**	13,974,358
Interest payable	**1,611,244**	5,111,666	**5,077,451**	5,111,666
Income taxes payable	**7,007,426**	—		
Other	**5,230,531**	5,610,526	**5,034,430**	5,610,526
Total	**$ 77,471,605**	$ 100,735,784		
			$80,412,186	$100,735,784

Self-insurance liabilities are established for general liability claims, workers' compensation and employee group medical and dental benefits based on claims filed and estimates of claims incurred but not reported. The Company is currently insured for covered costs in excess of $1.0 million per occurrence for workers' compensation and for general liability and $500,000 per covered person for medical care benefits for a policy year. The Company's self-insurance reserves totaled $34.2 million $34.6 million at December 30, 2023 March 30, 2024. Of this amount, $15.2 million $15.1 million was accounted for as a current liability and $19.0 million $19.5 million as a long-term liability, which included $4.3 million $4.6 million of expected self-insurance recoveries from excess cost insurance or other sources that were recorded as a receivable. At September 30, 2023, the Company's self-insurance reserves totaled $32.9 million, of which $14.0 million was accounted for as a current liability and $18.9 million as a long-term liability, which included $4.3 million of expected self-insurance recoveries from excess cost insurance or other sources that were recorded as a receivable.

Employee insurance expense, including workers' compensation and medical care benefits, net of employee contributions, totaled $13.1 million $9.4 million and $10.8 million $8.1 million for the three months three-month periods ended December 30, 2023 March 30, 2024 and December 24, 2022 March 25, 2023, respectively. For the six-month periods ended March 30, 2024 and March 25, 2023, employee insurance expense, net of employee contributions totaled $22.4 million and $19.0 million, respectively.

The Company's fuel operations use underground tanks for the storage of gasoline and diesel fuel. The Company reviewed FASB Accounting Standards Codification Topic 410 ("FASB ASC 410") and determined that we have a legal obligation to remove tanks at various times in the future and accordingly determined that we have met the requirements for an asset retirement obligation. The Company followed the FASB ASC 410 model for determining the asset retirement cost and asset retirement obligation. The amounts recorded were immaterial for each fuel center as well as in the aggregate, at December 30, 2023 March 30, 2024 and September 30, 2023.

G. LONG-TERM DEBT

The U.S. Dollar LIBOR panel ceased following June 30, 2023, and the Company's debt agreements and interest rate swaps that utilized LIBOR discontinued the use of LIBOR and adopted SOFR, which did not materially impact our condensed consolidated unaudited interim financial statements.

In June 2021, the Company issued at par $350.0 million aggregate principal amount of 4.00% senior notes due 2031 (the "Notes"). The Company may redeem all or a portion of the Notes at any time at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning June 15 of the years indicated below:

Year	
2026	102.000%
2027	101.333%
2028	100.667%
2029 and thereafter	100.000%

The Company has a $150.0 million line of credit (the "Line") that matures in June 2026. The Line provides the Company with various interest rate options based on the prime rate, the Federal Funds Rate, or SOFR. The Line allows the Company to issue up to $10.0 million of letters of credit, of which none were issued at December 30, 2023 March 30, 2024. The Company is not required to maintain compensating balances in connection with the Line. At December 30, 2023 March 30, 2024, the Company had no borrowings outstanding under the Line.

In December 2010, the Company completed the funding of $99.7 million of bonds (the "Bonds") for construction of new warehouse and distribution space adjacent to its existing space in Buncombe County, North Carolina (the "Project"). The final maturity date of the Bonds is January 1, 2036.

Under a Continuing Covenant and Collateral Agency Agreement (the “Covenant Agreement”) between certain financial institutions and the Company, the financial institutions would hold the Bonds until December 2029, subject to certain events. Mandatory

redemption of the Bonds by the Company in the annual amount of $4.5 million began on January 1, 2014. The outstanding balance of the Bonds was $54.4 million $49.9 million as of December 30, 2023 March 30, 2024. The Company may redeem the Bonds without penalty or premium at any time prior to December 17, 2029.

Interest earned by bondholders on the Bonds is exempt from Federal and North Carolina income taxation. The interest rate on the Bonds is equal to one-month SOFR (adjusted monthly) plus a credit spread, adjusted to reflect the income tax exemption.

The Company’s obligation to repay the Bonds is collateralized by the Project. The Covenant Agreement incorporates substantially all financial covenants included in the Line.

In September 2017, the Company refinanced approximately $60 million $60 million of secured borrowing obligations with a SOFR-based amortizing floating rate loan secured by real estate, which matures in October 2027. 2027. The Company has an interest rate swap agreement for a current notional amount of $23.0 million $21.5 million at a fixed rate of 3.962%. Under this agreement, the Company pays monthly the fixed rate of 3.962% and receives the one-month SOFR plus 1.75%. The interest rate swap effectively hedges floating rate debt in the same amount as the current notional amount of the interest swap. Both the floating rate debt and the interest rate swap have monthly principal amortization of $0.5 million and mature October 1, 2027.

In December 2019, the Company closed a $155 million SOFR-based amortizing floating rate loan secured by real estate, which matures in January 2030. The Company has an interest rate swap agreement for a current notional amount of $122.7 million $120.8 million at a fixed rate of 2.998%. Under this agreement, the Company pays monthly the fixed rate of 2.998% and receives the one-month SOFR plus 1.60%. The interest rate swap effectively hedges floating rate debt in the same amount as the current notional amount of the interest swap. Both the floating rate debt and the interest rate swap have monthly principal amortization of $0.65 million and mature in fiscal year 2030.

The Company recognizes differences between the variable rate interest payments and the fixed interest rate settlements with the swap counterparties as an adjustment to interest expense each period over the life of the swaps. The Company has designated the swaps as cash flow hedges and records the changes in the estimated fair value of the swaps to other comprehensive income each period. For the three months ended December 30, 2023 March 30, 2024, the Company recorded $3.8 million $1.1 million of other comprehensive income and for the six months ended March 30, 2024, the Company recorded $2.7 million of other comprehensive loss, net of income taxes, in its Condensed

Consolidated Statements of Comprehensive Income. Unrealized gains of $12.4 million $14.0 million were included as an asset at fair value in the line "Other Assets" on the Condensed Consolidated Balance Sheet as of December 30, 2023 March 30, 2024. For the three and six months ended March 25, 2023, the Company recorded $2.0 million and $3.2 million of other comprehensive loss, respectively, net of income taxes, in its Condensed Consolidated Statements of Comprehensive Income. Unrealized gains of $12.2 million were included as an asset at fair value in the line "Other Assets" on the Condensed Consolidated Balance Sheet as of March 25, 2023.

The Company's long-term debt agreements generally contain provisions that under certain circumstances would permit lending institutions to terminate or withdraw their respective extensions of credit to the Company. Included among the triggering factors permitting the termination or withdrawal of the Line to the Company are certain events of default, including both monetary and non-monetary defaults, the initiation of bankruptcy or insolvency proceedings, and the failure of the Company to meet certain financial covenants designated in its respective loan documents. The Company was in compliance with all financial covenants at December 30, 2023 March 30, 2024.

The Company's long-term debt agreements generally have cross-default provisions which could result in the acceleration of payments due under all long-term debt agreements in the event of default under any one instrument.

At December 30, 2023 March 30, 2024, property and equipment with an undepreciated cost of approximately $254.8 million $252.2 million were pledged as collateral for long-term debt. Long-term debt and Line agreements contain various restrictive covenants requiring, among other things, minimum levels of net worth and maintenance of certain financial ratios. At December 30, 2023 March 30, 2024, the Company had excess net worth totaling $484.4 million $498.5 million calculated under covenants in the Bonds, various floating rate loans, (the "Loans"), and the Line. This amount is available to pay dividends; however, certain loan agreements containing provisions outlining minimum tangible net worth requirements restrict the ability of the Company to pay cash dividends in excess of the current annual per share dividends paid on the Company's Class A Common Stock and Class B Common Stock. Further, the Company is prevented from paying cash dividends at any time that it is in default under the indenture governing the Notes. In addition, the terms of the indenture may restrict the ability of the Company to pay additional cash dividends based on certain financial parameters.

H. DIVIDENDS

The Company paid cash dividends of $0.165 for each share of Class A Common Stock and $0.15 for each share of Class B Common Stock on October 19, 2023 to stockholders of record on October 12, 2023.

The Company paid cash dividends of $0.165 for each share of Class A Common Stock and $0.15 for each share of Class B Common Stock on January 19, 2024 to stockholders of record on January 12, 2024.

For additional information regarding the dividend rights of the Class A Common Stock and Class B Common Stock, please see Note 8, "Stockholders' Equity" to the Consolidated Financial Statements contained in the Company's Annual

Report on Form 10-K filed by the Company under the Securities Exchange Act of 1934, on November 29, 2023. , as well as Note I, “Earnings Per Common Share” below.

I. EARNINGS PER COMMON SHARE

The Company has two classes of common stock: Class A Common Stock, which is publicly traded, and Class B Common Stock, which has no public market. The Class B Common Stock has restrictions on transfer; however, each share is convertible into one share of Class A Common Stock at any time. time at the election of the holder. Each share of Class A Common Stock has one vote per share and each share of Class B

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Common Stock has ten votes per share. Each share of Class A Common Stock is entitled to receive cash dividends equal to 110% of any cash dividend paid on Class B Common Stock.

The Company calculates earnings per share using the two-class method in accordance with FASB ASC Topic 260.

The two-class method of computing basic earnings per share for each period reflects the cash dividends declared per share for each class of stock, plus allocated undistributed earnings per share computed using the participation percentage which reflects the dividend rights of each class of stock. Diluted earnings per share is calculated assuming the conversion of all shares of Class B Common Stock to shares of Class A Common Stock on a share-for-share basis. The tables below reconcile the numerators and denominators of basic and diluted earnings per share for current and prior periods.

	Three Months Ended December 30, 2023		**Three Months Ended December 24, 2022**		**Three Months Ended March 30, 2024**		**Six Months Ended March 30, 2024**	
	Class A	**Class B**	**Class A**	**Class B**	**Class A**	**Class B**	**Class A**	**Class B**
Numerator: Allocated net income								
Net income allocated, basic	**$33,889,419**	**$9,504,182**	$53,708,852	$15,662,629	**$24,944,280**	**$6,954,346**	**$58,839,087**	**$16,453,140**
Conversion of Class B to Class A shares	**9,504,182**	**—**	15,662,629	—	**6,954,346**	**—**	**16,453,140**	**—**
Net income allocated, diluted	**$43,393,601**	**$9,504,182**	$69,371,481	$15,662,629	**$31,898,626**	**$6,954,346**	**$75,292,227**	**$16,453,140**

Denominator: Weighted average shares outstanding								
Weighted average shares outstanding, basic	**14,517,696**	**4,476,680**	14,381,312	4,613,064	**14,536,449**	**4,457,927**	**14,527,072**	**4,467,304**
Conversion of Class B to Class A shares	**4,476,680**	**—**	4,613,064	—	**4,457,927**	**—**	**4,467,304**	**—**
Weighted average shares outstanding, diluted	**18,994,376**	**4,476,680**	18,994,376	4,613,064	**18,994,376**	**4,457,927**	**18,994,376**	**4,467,304**
Earnings per share								
Basic	**$ 2.33**	**$ 2.12**	$ 3.73	$ 3.40	**$ 1.72**	**$ 1.56**	**$ 4.05**	**$ 3.68**
Diluted	**$ 2.28**	**$ 2.12**	$ 3.65	$ 3.40	**$ 1.68**	**$ 1.56**	**$ 3.96**	**$ 3.68**

	Three Months Ended March 25, 2023		Six Months Ended March 25, 2023	
	Class A	Class B	Class A	Class B
Numerator: Allocated net income				
Net income allocated, basic	$ 31,398,357	$ 9,141,448	$ 85,111,213	$ 24,800,073
Conversion of Class B to Class A shares	9,141,448	—	24,800,073	—
Net income allocated, diluted	$ 40,539,805	$ 9,141,448	$ 109,911,286	$ 24,800,073
Denominator: Weighted average shares outstanding				
Weighted average shares outstanding, basic	14,386,862	4,607,514	14,384,087	4,610,289
Conversion of Class B to Class A shares	4,607,514	—	4,610,289	—
Weighted average shares outstanding, diluted	18,994,376	4,607,514	18,994,376	4,610,289
Earnings per share				

Basic	$ 2.18	$ 1.98	$ 5.92	$ 5.38
Diluted	$ 2.13	$ 1.98	$ 5.79	$ 5.38

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J. LEASES

Leases as Lessee

The Company conducts part of its retail operations from leased facilities. The initial terms of the leases are generally 20 years. The majority of the leases include one or more renewal options and require that the Company pay property taxes, utilities, repairs and certain other costs incidental to occupation of the premises. Several leases contain clauses that require rental payments based on a percentage of gross sales of the supermarket occupying the leased space. Step rent provisions, escalation clauses and lease incentives are taken into account in computing minimum lease payments.

Operating Leases – Rent expense for all operating leases totaled $2.4 million $2.7 million for the three months ended December 30, 2023 March 30, 2024 and $5.1 million for the six months ended March 30, 2024. This amount included short-term (less than one year) leases, common area expenses, and variable lease costs, all of which were are insignificant. Cash paid for lease liabilities in operating activities approximates operating lease cost.

Finance Leases – Finance lease cost of $210.0 $420.0 thousand included amortization expense of $178.5 $357.0 thousand, which was included in operating and administrative expense, and $54.7 $107.0 thousand of interest expense for the three six months ended December 30, 2023 March 30, 2024.

Future maturities of lease liabilities as of December 30, 2023 March 30, 2024 were as follows:

Fiscal Year	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Remainder of 2024	$ 6,370,366	$ 630,000	$ 4,161,938	$ 420,000
2025	7,744,643	840,000	8,238,176	840,000
2026	6,583,312	840,000	7,076,845	840,000
2027	5,823,729	840,000	6,317,262	840,000
2028	4,281,763	840,000	4,775,296	840,000
Thereafter	19,744,204	101,500	20,409,830	101,500
Total lease payments	$ 50,548,017	$ 4,091,500	$50,979,347	$3,881,500
Less amount representing interest	11,181,366	551,344	11,231,895	499,028
Present value of lease liabilities	$ 39,366,651	$ 3,540,156	$39,747,452	$3,382,472

There were no On the Condensed Consolidated Balance Sheets, lease extensions exercised to increase during the six months ended March 30, 2024 increased the line items “Operating lease right of use assets” and “Noncurrent operating lease liabilities” on the Condensed Consolidated Balance Sheets during the three months ended December 30, 2023. by $1.5 million each. At December 30, 2023 March 30, 2024, the weighted average remaining lease term for the Company’s operating leases was 13.0 12.5 years. The weighted average discount rate used to determine the operating lease liability balances as of December 30, 2023 March 30, 2024 was 5.6%, and was 6.0% for finance lease liability balances.

Leases as Lessor

At December 30, 2023 March 30, 2024, the Company owned and operated 96 shopping centers in conjunction with its supermarket operations. The Company leases to others a portion of its shopping center properties. The leases are non-cancelable operating lease agreements for terms ranging up to 20 years.

Rental income is included in the line item “Net sales” on the Consolidated Statements of Income. Depreciation on owned properties leased to others and other shopping center expenses are included in the line item “Cost of goods sold” on the Consolidated Statements of Income.

	Three Months Ended December 30, 2023	Three Months Ended March 30, 2024	Six Months Ended March 30, 2024
Rents earned on owned and subleased properties:			
Base rentals	$ 6,881,658	$ 6,821,138	$13,702,796
Variable rentals	50,956	50,956	101,912
Total	6,932,614	6,872,094	13,804,708
Depreciation on owned properties leased to others	(1,996,250)	(2,037,120)	(4,033,370)
Other shopping center expenses	(789,604)	(1,203,110)	(1,992,714)
Total	$ 4,146,760	$ 3,631,864	$ 7,778,624

Future minimum operating lease receipts at December 30, 2023 March 30, 2024 were as follows:

Fiscal Year		
Remainder of 2024	$ 14,872,994	$10,041,564
2025	18,259,167	18,463,750
2026	14,703,033	14,827,515
2027	11,473,245	11,596,313
2028	8,751,955	8,869,669
Thereafter	29,603,922	31,408,311
Total minimum future rental income	$ 97,664,316	$95,207,122

K. SEGMENT INFORMATION

The Company operates one primary business segment, retail grocery sales. “Other” includes our remaining operations – fluid dairy and shopping center rentals. Information about the Company’s operations by lines of business (amounts in thousands) is as follows:

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 30, 2023	**December 24, 2022**	**March 30, 2024**	**March 25, 2023**	**March 30, 2024**	**March 25, 2023**
Revenues from unaffiliated customers:						
Grocery	**$ 521,805**	$ 540,859	**$ 490,490**	$ 492,553	**$1,012,295**	$1,033,411
Non-foods	**358,098**	327,355	**305,921**	308,684	**664,018**	636,039
Perishables	**367,983**	374,188	**349,135**	348,204	**717,119**	722,392
Fuel	**177,887**	192,472	**169,742**	175,551	**347,629**	368,023
Total Retail	**$ 1,425,773**	$ 1,434,874	**$1,315,288**	$1,324,992	**$2,741,061**	$2,759,865
Other	**55,289**	58,440	**52,192**	55,612	**107,481**	114,053
Total revenues from unaffiliated customers	**$ 1,481,062**	$ 1,493,314	**$1,367,480**	$1,380,604	**$2,848,542**	$2,873,918
Income from operations:						
Retail	**$ 53,390**	$ 87,915	**$ 38,732**	$ 50,786	**$ 92,123**	$ 138,701
Other	**6,237**	7,841	**6,076**	6,861	**12,313**	14,702
Total income from operations	**$ 59,627**	$ 95,756	**$ 44,809**	$ 57,647	**$ 104,436**	$ 153,403

	December 30, 2023	**September 30, 2023**	**March 30, 2024**	**September 30, 2023**
Assets:				
Retail	**$ 2,136,466**	$ 2,159,883	**$2,142,529**	$2,159,883
Other	**324,290**	317,479	**345,442**	317,479
Elimination of intercompany receivable	**(1,899)**	(3,516)	**(1,664)**	(3,516)
Total assets	**$ 2,458,857**	$ 2,473,846	**$2,486,308**	$2,473,846

The “Grocery” category includes grocery, dairy, and frozen foods.

The “Non-foods” category includes alcoholic beverages, tobacco, pharmacy, and health/beauty/cosmetic products.

The “Perishables” category includes meat, produce, deli and bakery.

The fluid dairy operation sales to the grocery sales segment have been eliminated in consolidation and are excluded from the amounts in the table above.

L. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturity of these instruments.

The fair value of the Company's debt and interest rate swaps are estimated using valuation techniques under the accounting guidance related to fair value measurements based on observable and unobservable inputs. Observable inputs reflect readily available data from independent sources, while unobservable inputs reflect the Company's market assumptions. These inputs are classified into the following hierarchy:

Level 1 Inputs –Quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs –Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs –Pricing inputs are unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the assets or liabilities. The inputs into the determination of fair value require significant management judgment or estimation.

The carrying amount and fair value of the Company's debt, interest rate swaps, and non-qualified retirement plan assets at December 30, 2023 March 30, 2024 were as follows (in thousands):

	Carrying Amount	Fair Value	Fair Value Measurements	Carrying Amount	Fair Value	Fair Value Measurements
Senior Notes due 2031	$ 350,000	$ 308,875	Level 2	$350,000	$305,375	Level 2
Facility Bonds due 2036	54,440	54,440	Level 2	49,910	49,910	Level 2
Secured notes payable and other	142,456	142,456	Level 2	139,208	139,208	Level 2
Interest rate swaps derivative contract assets	12,447	12,447	Level 2			
Interest rate swap derivative contracts asset				13,958	13,958	Level 2
Non-qualified retirement plan assets	23,330	23,330	Level 2	24,780	24,780	Level 2

The carrying amount and fair value of the Company's debt, interest rate swaps, and non-qualified retirement plan assets at September 30, 2023 were as follows (in thousands):

	Carrying Amount	Fair Value	Fair Value Measurements
Senior Notes due 2031	$ 350,000	$ 287,875	Level 2
Facility Bonds due 2036	54,440	54,440	Level 2
Secured notes payable and other	145,718	145,718	Level 2
Interest rate swaps derivative contract assets	17,515	17,515	Level 2

Non-qualified retirement plan assets	20,074	20,074	Level 2

The fair values for Level 2 measurements were determined primarily using market yields and taking into consideration the underlying terms of the instrument.

M. COMMITMENTS AND CONTINGENCIES

Various legal proceedings and claims arising in the ordinary course of business are pending against the Company. In the opinion of management, the ultimate liability, if any, from all pending legal proceedings and claims is not expected to materially affect the Company's financial position, the results of its operations, or its cash flows.

N. RELATED PARTY TRANSACTIONS

The Company will from time to time make short-term non-interest bearing loans to the Company's Investment/Profit Sharing Plan to allow the plan to meet distribution obligations during a time when the plan was prohibited from selling shares of the Company's Class

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A Common Stock. During the three six months ended December 30, 2023 March 30, 2024, the outstanding loan of $330,000 as of September 30, 2023 was repaid to the Company. there were $500,000 loans issued and outstanding.

In January 2024, the Company and a limited liability company having Mr. Robert P. Ingle II, the Company's Chairman of the Board, as one of its principals swapped adjoining properties. In accordance with the Company's Related Party Transaction related party transaction policy, independent fair market value appraisals were obtained, and the transaction was approved by the Audit Committee. The Company received $2.3 million in addition to the swapped property based on these values.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Ingles, a leading supermarket chain in the Southeast, operates 198 supermarkets in North Carolina (75), Georgia (65), South Carolina (35), Tennessee (21), Virginia (1) and Alabama (1). Ingles supermarkets offer customers a wide variety of nationally advertised food products, including grocery, meat and dairy products, produce, frozen foods and other perishables and non-food products. Non-food products include fuel centers, pharmacies, health/beauty/cosmetic products and general merchandise, as well as quality private label items. In addition, the Company focuses on selling products to its customers through the development of certified organic products, bakery departments and prepared foods including delicatessen sections.

Critical Accounting Policies and Estimates

Critical accounting policies estimates are those accounting policies estimates that management believes are important to the presentation of the Company's financial condition and results of operations, and require management's most difficult, subjective or complex judgments, often as a result of the need to estimate the effect of matters that are inherently uncertain. Estimates are based on historical experience and other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying

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values of assets and liabilities that are not readily apparent from other sources. Management estimates, by their nature, involve judgments regarding future uncertainties, and actual results may therefore differ materially from these estimates. For the six months ended March 30, 2024, there were no material changes to our critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 that have had a material impact on our condensed consolidated financial statements and related notes.

Self-Insurance

The Company is self-insured for workers' compensation, general liability and group medical and dental benefits. Risks and uncertainties are associated with self-insurance; however, the Company has limited its exposure by maintaining excess liability coverage of $1.0 million per occurrence for workers' compensation and for general liability, and $500,000 per covered person for medical care benefits for a policy year. Self-insurance liabilities are established based on claims filed and estimates of claims incurred but not reported. The estimates are based on data provided by the respective claims administrators. The estimates are based on data provided by the respective claims administrators which is then applied to appropriate actuarial methods. These estimates can fluctuate if historical trends are not accurately predictive of the future. The majority of the Company's properties are self-insured for casualty losses and business interruption; however, the Company maintains liability coverage is maintained. coverage. At December 30, 2023, March 30, 2024 the Company's self-insurance reserves totaled $34.2 million $34.6 million. This amount was inclusive of $4.3 million included $4.6 million of expected self-insurance recoveries from excess cost insurance or other sources that are recorded as a receivable.

Asset Impairments

The Company accounts for the impairment of long-lived assets in accordance with FASB ASC Topic 360. Asset groups are primarily composed of our individual store stores and shopping center properties. For assets to be held and used, the Company tests for impairment using undiscounted cash flows and calculates the amount of impairment using discounted cash flows. For assets held for sale, impairment is recognized based on the excess of remaining book value over expected recovery value. The recovery value is the fair value as determined by independent quotes or expected sales prices developed by internal associates, net of costs to sell. Estimates of future cash flows and expected sales prices are judgments based upon the Company's experience and knowledge of local operations and cash flows that are projected for several years into the future. These estimates can fluctuate significantly due to changes in real estate market conditions, the economic environment, capital spending decisions and inflation. The Company monitors the carrying value of long-lived assets for potential impairment each quarter based on whether any indicators of impairment have occurred. There were no asset impairments during the three-month six-month period ended December 30, 2023 March 30, 2024.

Vendor Allowances

The Company receives funds for a variety of merchandising activities from the many vendors whose products the Company buys for resale in its stores. These incentives and allowances are primarily composed of volume or purchase based incentives, advertising allowances, slotting fees, and promotional discounts. The purpose of these incentives and allowances is generally to help defray the costs incurred by the Company for stocking, advertising, promoting and selling the applicable vendor's products. These allowances generally relate to short term arrangements with vendors, often relating to a period of one month or less, and are negotiated on a purchase-by-purchase or transaction-by-transaction basis. Whenever practical, vendor discounts and allowances that relate to buying and merchandising activities are recorded as a component of item cost in inventory and recognized in merchandise costs when the

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item is sold. Due to the use of the retail method of store inventory and the nature of certain allowances, it is sometimes not practicable to apply allowances to the item cost of inventory. In those instances, the allowances are applied as a reduction of merchandise costs using a rational and systematic methodology, which results in the recognition of these incentives when the inventory related to the vendor consideration received is sold. Vendor allowances applied as a reduction of merchandise costs totaled $36.8 million $35.8 million and $34.4 million $29.8 million for the fiscal quarters ended December 30, 2023 March 30, 2024 and December 24, 2022 March 25, 2023, respectively. For the six-month periods ended March 30, 2024 and March 25, 2023, vendor allowances applied as a reduction of merchandise costs totaled $72.6 million and $64.6 million, respectively. Vendor advertising allowances that represent a reimbursement of specific identifiable incremental costs of advertising the vendor's specific products are recorded as a reduction to the related expense in the period in which the related expense is incurred. Vendor advertising allowances recorded as a reduction of advertising expense totaled $1.9 million $2.3 million and $2.0 million $1.9 million for the fiscal quarters ended December 30, 2023 March 30, 2024 and December 24, 2022 March 25, 2023, respectively. For the six-month periods ended March 30, 2024 and March 25, 2023, vendor advertising allowances recorded as a reduction of advertising expense totaled $4.2 million and $3.9 million, respectively.

If vendor advertising allowances were substantially reduced or eliminated, the Company would likely consider other methods of advertising, as well as the volume and frequency of the Company's product advertising, which could increase or decrease the Company's expenditures.

Similarly, the Company is not able to assess the impact of vendor advertising allowances on creating additional revenue, as such allowances do not directly generate revenue for the Company's stores.

Results of Operations

Ingles operates on a 52 or 53-week fiscal year ending on the last Saturday in September. The Condensed Consolidated Statements of Income for the three-month three and six-month periods ended December 30, 2023 March 30, 2024 and December 24, 2022 March 25, 2023 both include 13 and 26 weeks of operations. operations, respectively. Comparable store sales are defined as sales by retail stores in operation for five full fiscal quarters. Sales from replacement stores, major remodels and the addition of fuel stations to existing stores are included in the comparable store sales calculation from the date thereof. A replacement store is a newly-opened store that replaces an existing nearby store that has closed. A major remodel entails substantial remodeling of an existing store and includes additional retail square footage. For both the three-month period three- and six-month periods ended December 30, 2023 March 30, 2024 and March 25, 2023, comparable store sales included 198 stores. For the three-month period ended December 24, 2022, comparable store sales included 197 stores.

The following table sets forth, for the periods indicated, selected financial information as a percentage of net sales. For information regarding the business' segments, see Note K "Segment Information" to the Condensed Consolidated Financial Statements.

	Three Months Ended		Three Months Ended		Six Months Ended	
	December 30, 2023	December 24, 2022	March 30, 2024	March 25, 2023	March 30, 2024	March 25, 2023
Net sales	**100.0 %**	100.0 %	**100.0 %**	100.0 %	**100.0 %**	100.0 %
Gross profit	**23.6 %**	24.9 %	**23.5 %**	23.6 %	**23.5 %**	24.3 %
Operating and administrative expenses	**19.6 %**	18.5 %	**20.8 %**	19.4 %	**20.1 %**	19.0 %
Gain from sale or disposal of assets			**0.6 %**	— %	**0.3 %**	— %
Income from operations	**4.0 %**	6.4 %	**3.3 %**	4.2 %	**3.7 %**	5.3 %
Other income, net	**0.3 %**	0.1 %	**0.2 %**	0.1 %	**0.2 %**	0.1 %
Interest expense	**0.4 %**	0.4 %	**0.4 %**	0.4 %	**0.4 %**	0.4 %
Income tax expense	**1.0 %**	1.5 %	**0.8 %**	1.0 %	**0.9 %**	1.2 %
Net income	**2.9 %**	4.6 %	**2.3 %**	2.9 %	**2.6 %**	3.8 %

Three Months Ended December 30, 2023 March 30, 2024 Compared to the Three Months Ended December 24, 2022 March 25, 2023

Net income for the first second quarter of fiscal 2024 totaled $43.4 million $31.9 million, compared with net income of $69.4 million $40.5 million for the first second quarter of fiscal 2023. Total sales, less fuel, The decrease related primarily to increased by 0.2%. As expenses, as described below, corresponding increases, as a percentage of sales, in costs of goods sold and operating expenses resulted in lower pre-tax income. below.

Net Sales. Net sales decreased by $12.3 million $13.1 million, or 0.82% 0.95%, to $1.48 billion $1.37 billion for the three months ended December 30, 2023 March 30, 2024 compared with $1.49 billion $1.38 billion for the three months ended

December 24, 2022 March 25, 2023. The three months ended December 24, 2022 included a record week of sales due to weather related events. Excluding fuel sales, total grocery comparable store sales increased 1.0% decreased 0.2% over the comparative fiscal quarter. Ingles operated 198 stores at both December 30, 2023 March 30, 2024 and December 24, 2022 March 25, 2023.

Sales by product category (in thousands) were as follows:

	Three Months Ended	
	March 30, 2024	**March 25, 2023**
Grocery	**$ 490,490**	$ 492,553
Non-foods	**305,921**	308,684
Perishables	**349,135**	348,204
Fuel	**169,742**	175,551
Total retail grocery	**$ 1,315,288**	$ 1,324,992

The “Grocery” category includes grocery, dairy, and frozen foods.

The “Non-foods” category includes alcoholic beverages, tobacco, pharmacy, and health/beauty/cosmetic products.

The “Perishables” category includes meat, produce, deli and bakery.

Changes in retail grocery sales for the quarter ended December 30, 2023 March 30, 2024 are summarized as follows (in thousands):

Total retail sales for the three months ended December 24, 2022	$ 1,434,874
Comparable store sales increase (including fuel)	3,169
Other	(12,270)
Total retail sales for the three months ended December 30, 2023	$ 1,425,773

Total retail sales for the three months ended March 25, 2023	$ 1,324,992
Comparable store sales decrease (including fuel)	(11,950)
Effect of Easter in second quarter of fiscal 2024	9,723
Other	(7,477)
Total retail sales for the three months ended March 30, 2024	$ 1,315,288

Gross Profit. Gross profit for the three-month period ended December 30, 2023 March 30, 2024 totaled $348.8 million $321.9 million, a decrease of $22.4 million $4.1 million, or 6.0% 1.2%, compared with gross profit of $371.2 million $325.9 million for the three-month period ended December 24, 2022 March 25, 2023. Gross profit as a percentage of sales was 23.5% and 23.6% for the three months ended December 30, 2023 as compared to 24.9% for the three months ended December 24, 14

2022. March 30, 2024 and March 25, 2023, respectively. The decrease in gross profit as a percentage of sales resulted primarily from inflation and raw material shortages, which have increased the cost of products. Retail segment gross profit, excluding fuel decreased 182 basis points for the quarter ended December 30, 2023, as compared with the quarter ended December 24, 2022.

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Operating and Administrative Expenses. Operating and administrative expenses increased $13.6 million $15.9 million, or 4.9% 5.9%, to $289.8 million $284.8 million for the three months ended December 30, 2023 March 30, 2024, as compared to $276.2 million from $268.9 million for the three months ended December 24, 2022 March 25, 2023. As a percentage of sales, operating and administrative expenses were 19.6% 20.8% and 18.5% 19.5% for the December March 2024 and March 2023 and December 2022 quarters, respectively. Excluding fuel sales and associated fuel operating expenses (primarily payroll), operating expenses were 22.0% of sales for the first fiscal quarter of 2024 compared with 21.0% for the first fiscal quarter of 2023.

A breakdown of the major changes in operating and administrative expenses is as follows:

		Increase in millions	Increase as a % of sales		Increase in millions	Increase as a % of sales
Salaries and wages	$	8.9	0.60 %	$	6.5	0.48 %
Insurance	$	2.5	0.17 %	$	6.0	0.44 %
Taxes and licenses	$	1.9	0.13 %			
Professional fees	$	1.1	0.08 %			
Repairs and maintenance				$	2.0	0.15 %

Salaries and wages increased in dollars due to increased labor market competition, which has increased the Company’s cost to attract and retain associates in the Company’s market area.

Insurance expense increased due to higher claims under the Company’s self-insurance medical programs. claim volume for our self-insured employee benefit plans.

Taxes Repairs and license expense maintenance increased in dollars due to higher taxable expenses refrigerant costs and timing the cost of payment. other supply items, as well as increased wear and tear on equipment to accommodate sales volume.

Professional fees increased in dollars due to investments *Gain from Sale or Disposal of Assets.* Gain from the Company has made in its information technology services and in technology transformation projects.

Other Income. Other income sale or disposal of assets totaled $3.6 million $7.7 million for the three months ended December 30, 2023 compared with $1.4 million March 30, 2024, primarily from the exchange of adjacent property. Gain from the sale or disposal of assets totaled $0.6 million for the three months ended December 24, 2022 March 25, 2023. The increase was primarily due to increased interest income on cash balance.

Interest Expense. Interest expense totaled $5.7 million $5.6 million for the three-month period ended December 30, 2023 March 30, 2024 compared with $5.3 million for the three-month period ended December 24, 2022 March 25, 2023. The increase related primarily to higher interest rates applicable to our variable rate indebtedness. Total debt at December 30, 2023 March 2024 was $546.9 million $539.1 million compared with $564.5 million $556.7 million at December 24, 2022. March 2023.

Income Taxes. Income tax expense totaled $14.1 million $10.7 million for the three months ended December 30, 2023 March 30, 2024, reflecting an effective tax rate of 24.6% 25.1% of pretax income. Income tax expense totaled $22.5 million $13.5 million for the three months ended December 24, 2022 March 25, 2023, reflecting an effective tax rate of 24.5% 25.0% of pretax income.

Net Income. Net income totaled $43.4 million $31.9 million for the three-month period ended December 30, 2023 March 30, 2024 compared with $69.4 million $40.5 million for the three-month period ended December 24, 2022 March 25, 2023. Basic and diluted earnings per share for Class A Common Stock were $2.33 $1.72 and $2.28, $1.68, respectively, for the December 2023 March 2024 quarter, compared to $3.73 $2.18 and $3.65, $2.13, respectively, for the December 2022 March 2023 quarter. Basic and diluted earnings per share for Class B Common Stock were each $2.12 $1.56 for the December 2023 March 2024 quarter compared with $3.40 $1.98 for the December 2022 March 2023 quarter.

Six Months Ended March 30, 2024 Compared to the Six Months Ended March 25, 2023

Net income for the first half of fiscal 2024 totaled $75.3 million, compared with net income of $109.9 million for the first half of fiscal 2023. The decrease related primarily to increased expenses, as described below.

Net Sales. Net sales decreased by $25.4 million, or 0.88%, to $2.85 billion for the six months ended March 30, 2024 compared with $2.87 billion for the six months ended March 25, 2023. Excluding fuel sales, total grocery comparable store sales increased 0.43% over the comparative six-month period.

Sales by product category (in thousands) were as follows:

	Six Months Ended	
	March 30, 2024	**March 25, 2023**
Grocery	**$ 1,012,295**	$ 1,033,411
Non-foods	**664,019**	636,039
Perishables	**717,119**	722,392
Fuel	**347,629**	368,023
Total retail grocery	**$ 2,741,061**	$ 2,759,865

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Changes in retail grocery sales for the quarter ended March 30, 2024 are summarized as follows (in thousands):

Total retail sales for the six months ended March 25, 2023	$2,759,865
Comparable store sales increase (including fuel)	(8,782)
Effect of Easter in second quarter of fiscal 2024	9,723
Other	(19,745)
Total retail sales for the six months ended March 30, 2024	$2,741,061

The “Grocery” category includes grocery, dairy, and frozen foods.

The “Non-foods” category includes alcoholic beverages, tobacco, pharmacy, and health/beauty/cosmetic products.

The “Perishables” category includes meat, produce, deli and bakery.

Gross Profit. Gross profit for the six-month period ended March 30, 2024 totaled $670.7 million, a decrease of $26.4 million, or 3.79%, compared with gross profit of $697.1 million for the six-month period ended March 25, 2023. Gross profit as a percentage of sales was 23.5% and 24.3% for the six months ended March 30, 2024 and March 25, 2023, respectively.

Operating and Administrative Expenses. Operating and administrative expenses increased $29.5 million, or 5.4%, to $574.6 million for the six months ended March 30, 2024, from $545.1 million for the six months ended March 25, 2023. As a percentage of sales, operating and administrative expenses were 20.2% and 19.0% for the March 2024 and March 2023 six-month periods, respectively.

A breakdown of the major changes in operating and administrative expenses is as follows:

	Increase in millions	Increase as a % of sales
Salaries and wages	$ 15.4	0.54 %
Insurance	$ 8.4	0.30 %
Repairs and maintenance	$ 2.4	0.08 %

Salaries and wages increased due to increased labor market competition, which has increased the Company’s cost to attract and retain associates in the Company’s market area.

Insurance expense increased due to higher claim volume and costs related to the self-insured employee benefits.

Repairs and maintenance expense increased due to higher refrigerant costs and the cost of other supply items, as well as increased wear and tear on equipment to accommodate sales volume.

Gain from Sale or Disposal of Assets. Gain from the sale or disposal of assets totaled $8.3 million for the six months ended March 30, 2024, as compared to $1.4 million for the six months ended March 25, 2023.

Interest Expense. Interest expense totaled $11.3 million for the six-month period ended March 30, 2024 compared with $10.7 million for the six-month period ended March 25, 2023. The increase related primarily to higher interest rates applicable to our variable rate indebtedness. Total debt at March 2024 was $539.1 million compared with $556.7 million at March 2023.

Income Taxes. Income tax expense totaled $24.8 million for the six months ended March 30, 2024, reflecting an effective tax rate of 24.8% of pretax income. Income tax expense totaled $36.0 million for the six months ended March 25, 2023, reflecting an effective tax rate of 24.7% of pretax income.

Net Income. Net income totaled $75.3 million for the six-month period ended March 30, 2024 compared with $109.9 million for the six-month period ended March 25, 2023. Basic and diluted earnings per share for Class A Common Stock were $4.05 and $3.96, respectively, for the six months ended March 30, 2024, compared to $5.92 and $5.79, respectively, for the six months ended March 25, 2023. Basic and diluted earnings per share for Class B Common Stock were each $3.68 for the six months ended March 30, 2024 compared with $5.38 for the six months ended March 25, 2023.

Liquidity and Capital Resources

Capital Expenditures

Capital expenditures totaled $63.2 million $98.4 million for the three-month six-month period ended December 30, 2023 March 30, 2024. The Company's capital expenditures included include the construction of new stores, the expansion and remodeling of existing stores, the acquisition of sites, new technology, and upgrades of the Company's transportation fleet and facilities.

The Company's capital expenditure plans for fiscal 2024 currently include investments of approximately $160 to $200 million. The Company currently plans to dedicate the majority of its fiscal 2024 capital expenditures to continued improvement of its store base,

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including remodeling and continued investment in one store expected to open in fiscal 2024, as well as technology improvements, upgrading and replacing existing store, warehouse and transportation equipment and improvements to the Company's milk processing plant.

Notwithstanding higher anticipated capital expenditures for fiscal 2024, the The Company currently expects that its annual capital expenditures will be in the range of approximately $120 to $160 million going forward in order to maintain a modern store base. Among other things, planned expenditures for any given future fiscal year will be affected by the availability of financing, which can affect both the number of projects pursued at any given time and the cost of those projects. The number of projects may also fluctuate

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due to the varying costs of the types of projects pursued including new stores and major remodel/expansions. The Company makes decisions on the allocation of capital expenditure dollars based on many factors including the competitive environment, other Company capital initiatives and its financial condition.

The Company does not generally enter into commitments for capital expenditures other than on a store-by-store basis at the time it begins construction on a new store or begins a major or minor remodeling project.

Liquidity

The Company generated $15.5 million $85.9 million net cash from operations for the December 2023 three-month March 2024 six-month period compared with $57.3 million $94.4 million for the December 2022 three-month March 2023 six-month period. The decrease was primarily attributable Cash from operations decreased by $8.5 million due to higher working capital needs and lower net income. income for the March 2024 six-month period compared with the March 2023 six-month period.

Cash used by investing activities for the three-month six-month periods ended December 30, 2023 March 30, 2024 and December 24, 2022 March 25, 2023 totaled $62.4 million $94.6 million and $58.2 million $89.6 million, respectively. respectively, consisting primarily of capital expenditures and purchases of short term investments.

Cash used by financing activities totaled $6.7 million $17.9 million for the three-month six-month period ended December 30, 2023 March 30, 2024, compared with $10.7 million of cash used by financing activities $21.7 million for the three-month six-month period ended December 24, 2022 March 25, 2023. During the quarter ended December 24, 2022, the Company repaid $4.2 million of mortgage debt whereas the Company made no comparable payment in the December 30, 2023 quarter. The increase was primarily related to principal payments on long-term debt.

The U.S. Dollar LIBOR panel ceased following June 30, 2023, and the Company's debt agreements and interest rate swaps that utilized LIBOR discontinued the use of LIBOR and adopted SOFR, which did not materially impact our condensed consolidated unaudited interim financial statements.

In June 2021, the Company issued $350.0 million aggregate principal amount of senior notes due 2031 (the "Notes"). The Notes bear an interest rate of 4.00% per annum and were issued at par.

The Company has a $150.0 million line of credit (the "Line") that matures in June 2026. The Line provides the Company with various interest rate options based on the prime rate, the Federal Funds Rate, or SOFR. The Line allows the Company to issue up to $10.0 million in letters of credit, of which none were issued at December 30, 2023 March 30, 2024. The Company is not required to maintain compensating balances in connection with the Line. At December 30, 2023 March 30, 2024, the Company had no borrowings outstanding under the Line.

In December 2010, the Company completed the funding of $99.7 million of Bonds (the "Bonds") for the construction of new warehouse and distribution space adjacent to its existing space in Buncombe County, North Carolina (the "Project"). The final maturity date of the Bonds is January 1, 2036.

Under a Continuing Covenant and Collateral Agency Agreement (the “Covenant Agreement”) between certain financial institutions and the Company, the financial institutions would hold the Bonds until December 17, 2029, subject to certain events. Mandatory redemption of the Bonds by the Company in the annual amount of $4.5 million began on January 1, 2014. The outstanding balance of the Bonds is $54.4 million was $44.9 million as of December 30, 2023 March 30, 2024. The Company may redeem the Bonds without penalty or premium at any time prior to December 17, 2029.

In September 2017, the Company refinanced approximately $60 million $60 million secured borrowing obligations with a SOFR-based amortizing floating rate loan secured by real estate maturing in October 2027. The Company has an interest rate swap agreement for a current notional amount of $23.0 million $21.5 million at a fixed rate of 3.962%. Under this agreement, the Company pays monthly the fixed rate of 3.962% and receives the one-month SOFR plus 1.75%. The interest rate swap effectively hedges floating rate debt in the same amount as the current notional amount of the interest rate swap. Both the floating rate debt and the interest rate swap have monthly principal amortization of $0.5 million and mature October 1, 2027.

In December 2019, the Company closed a $155 million SOFR-based amortizing floating rate loan secured by real estate maturing in January 2030. The Company has an interest rate swap agreement for a current notional amount of $122.7 million $120.8 million at a fixed rate of 2.998%. Under this agreement, the Company pays monthly the fixed rate of 2.998% and receives the one-month SOFR plus 1.60%. The interest rate swap effectively hedges floating rate debt in the same amount as the current notional amount of the interest swap. Both the floating rate debt and the interest rate swap have monthly principal amortization of $0.65 million and mature in fiscal year 2030.

The fair market value of the interest rate swaps are measured quarterly with adjustments recorded in other comprehensive income.

The Company’s long-term debt agreements generally have cross-default provisions which could result in the acceleration of payments due under the Company’s Line, Bonds and Notes indenture in the event of default under any one instrument.

The Company’s long-term debt agreements generally contain provisions that under certain circumstances would permit lending institutions to terminate or withdraw their respective extensions of credit to the Company. Included among the triggering factors

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permitting the termination or withdrawal of the Line to the Company are certain events of default, including both monetary and non-monetary defaults, the initiation of bankruptcy or insolvency proceedings, and the failure of the Company to meet certain financial covenants designated in its respective loan documents. As of December 30, 2023 March 30, 2024, the Company was in compliance with these covenants. Under the most restrictive of these covenants, the Company would have been permitted to incur approximately $1.7 billion of additional borrowings (including borrowings under the Line) as of December 30, 2023 March 30, 2024.

The Company's principal sources of liquidity are expected to be cash flow from operations, borrowings under the Line and long-term debt financing. The Company believes, based on its current results of operations and financial condition, that its financial resources, including the Line, short- and long-term financing expected to be available to it and internally generated funds, will be sufficient to meet planned capital expenditures and working capital requirements for the foreseeable future, including any debt service requirements of additional borrowings. However, there is no assurance that any such sources of financing will be available to the Company when needed on acceptable terms, or at all.

It is possible that, in the future, the Company's results of operations and financial condition will be different from that described in this Quarterly Report on Form 10-Q based on a number of factors. These factors may include, among others, increased competition, changing regional and national economic conditions, adverse climatic conditions affecting food production and delivery, changing demographics, and a resurgence of the COVID-19 pandemic or variants of the virus, as well as the additional factors discussed below under "Forward Looking Statements." It is also possible, for such reasons, that the results of operations from the new, expanded, remodeled and/or replacement stores will not meet or exceed the results of operations from existing stores that are described in this Quarterly Report on Form 10-Q.

Quarterly Cash Dividends

Since December 27, 1993, the Company has paid regular quarterly cash dividends of $0.165 per share on its Class A Common Stock and $0.15 per share on its Class B Common Stock for an annual rate of $0.66 and $0.60 per share, respectively.

The Company expects to continue paying regular cash dividends on a quarterly basis. However, the Board of Directors periodically reconsiders the declaration of dividends. The Company pays these dividends at the discretion of the Board of Directors and the continuation of these payments, the amount of such dividends, and the form in which the dividends are paid (cash or stock) depends upon the results of operations, the financial condition of the Company and other factors which the Board of Directors deems relevant. In addition, the Notes, the Bonds, the Line, and other debt agreements contain provisions that, based on certain financial parameters, restrict the ability of the Company to pay additional cash dividends in excess of current quarterly per share amounts. Further, the Company is prevented from declaring dividends at any time that it is in default under the indenture governing the Notes.

Seasonality

Grocery sales are subject to a slight seasonal variance due to both holiday related sales and sales in areas where seasonal homes are located. Sales are traditionally higher in the Company's first fiscal quarter due to the inclusion of sales related to Thanksgiving and Christmas. Unless Easter falls within the quarter, the Company's second fiscal quarter traditionally has the lowest sales of the year predominantly due to lower occupancy of seasonal homes. In the third and fourth quarters, sales are usually positively affected by the return of customers to seasonal homes in our market area.

Impact of Inflation

The following table from the United States Bureau of Labor Statistics lists annualized changes in the Consumer Price Index that could have an effect on the Company's operations. One of the Company's significant costs is labor, which increases with general inflation. Inflation or deflation in energy costs affects the Company's fuel sales, distribution expenses and plastic supply costs. During the past twelve months, inflation has declined from recent highs, impacting food costs, transportation costs, and labor costs.

	Twelve Months Ended	
	December 2023	**March 2024**
All items	3.4	3.5 %
Food at home	1.3	1.2 %
Energy	(2.0)	2.1 %

Forward Looking Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The words "expect", "anticipate", "intend", "plan", "likely", "goal", "believe"

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"believe", "seek", "will", "may", "would", "should" and similar expressions are intended to identify forward-looking statements. While these forward-looking statements and the related assumptions are made in good faith and reflect the Company's current judgment regarding the direction of the Company's business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested or described by such forward-looking

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statements. Such statements are based upon a number of assumptions and estimates which are inherently subject to significant risks and uncertainties many of which are beyond the Company's control. Some of these assumptions inevitably will not materialize, and unanticipated events will occur which will affect the Company's results. Some important factors (but not necessarily all factors) that affect the Company's revenues, financial position, growth strategies, profitability and operating results, or that otherwise could cause actual results to differ materially from those expressed in or implied by any forward-looking statement, include the resurgence of the COVID-19 pandemic or variants of the virus on our business and economic conditions generally in the Company's operating area; the Company's ability to successfully implement its expansion and operating strategies and to manage rapid expansion; pricing pressures and other competitive factors; reduction in per gallon retail fuel prices; the maturation of new and expanded stores; the Company's ability to reduce costs and achieve improvements in operating results; the availability and terms of financing;

increases in labor and utility costs; success or failure in the ownership and development of real estate; changes in the laws and government regulations applicable to the Company; disruptions in the efficient distribution of food products; changes in accounting policies, standards, guidelines or principles as may be adopted by regulatory agencies as well as the Financial Accounting Standards Board; and those factors contained under the heading "Risk Factors" in Item 1A of Part I of our most recent Annual Report on Form 10-K for the year ended September 30, 2023, filed by the Company under the Exchange Act, on November 29, 2023.

Consequently, actual events affecting the Company and the impact of such events on the Company's operations may vary significantly from those described in this Quarterly Report on Form 10-Q or contemplated or implied by statements in this Quarterly Report on Form 10-Q. The Company does not undertake and specifically denies any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments, except to the extent required by applicable law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As disclosed under "Liquidity" in Part I Item 2 of this Quarterly Report on Form 10-Q, the Company is a party to interest rate swap agreements for a current aggregate notional amount of $145.7 million $142.3 million. Otherwise, the The Company does not typically utilize financial instruments for trading or other speculative purposes, nor does it typically utilize highly leveraged financial instruments. There have been no other material changes in the market risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended September 30, 2023, filed by the Company under the Exchange Act, on November 29, 2023.

Item 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to provide reasonable assurance of achieving the objective that information in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified and pursuant to the regulations of the Securities and Exchange Commission (the "SEC"). Disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, include controls and procedures designed to ensure the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. It should be noted that the Company's system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of December 30, 2023 March 30, 2024, the end of the period covered by this Quarterly Report on Form 10-Q. In making this evaluation, it considered matters previously identified and disclosed in connection with the filing of its Annual Report on Form 10-K for fiscal 2023. After consideration of the matters discussed above and the changes in internal control over financial reporting discussed below, Following such evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 30, 2023 March 30, 2024.

(b) Changes in Internal Control over Financial Reporting

The Company is currently planning and performing tests of internal controls over financial reporting for fiscal year 2024. No changes in internal control over financial reporting occurred during the Company's last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 5. OTHER INFORMATION

During the three six months ended December 30, 2023 March 30, 2024, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our sercurities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any "non-Rule 10b5-1 trading arrangement", as defined in Item 408 or Regulation S-K.

Item 6. EXHIBITS

(a) Exhibits.

31.1*	Rule 13a-14(a) Certification
31.2*	Rule 13a-14(a) Certification
32.1**	Certification Pursuant to 18 U.S.C. Section 1350
32.2**	Certification Pursuant to 18 U.S.C. Section 1350
101*	The following financial information from the Quarterly Report on Form 10-Q for the fiscal quarter ended December 30, 2023 March 30, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Statements of Earnings; (ii) the Consolidated Balance Sheets; (iii) the Consolidated Statements of Cash Flows; (iv) the Consolidated Statements of Comprehensive Income; and (v) the Notes to the Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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.

INGLES MARKETS, INCORPORATED

Date: February 8, 2024 May 9, 2024

/s/ James W. Lanning

James W. Lanning

Chief Executive Officer and President

(principal executive officer)

Date: February 8, 2024 May 9, 2024

/s/ Patricia E. Jackson

Patricia E. Jackson, CPA

Vice President-Finance and Chief Financial Officer

(principal financial and accounting officer)

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Exhibit 31.1 CERTIFICATION PURSUANT TO 17 CFR 240.13a-14PROMULGATED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 I, James W. Lanning, certify that:

1.I have reviewed this quarterly report on Form 10-Q of Ingles Markets, Incorporated;

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 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 quarterly 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 first fiscal quarter) 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 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.

Date: February 8, 2024 May 9, 2024

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/s/ James W. Lanning

James W. Lanning

Chief Executive Officer and President

Exhibit 31.2 CERTIFICATION PURSUANT TO 17 CFR 240.13a-14PROMULGATED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 I, Patricia E. Jackson, certify that:

1.I have reviewed this quarterly report on Form 10-Q of Ingles Markets, Incorporated;

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 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 first fiscal quarter) 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 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.

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Date: February 8, 2024 May 9, 2024

/s/ Patricia E. Jackson

Patricia E. Jackson
Vice President - Finance and
Chief Financial Officer

Exhibit 32.1 CERTIFICATION PURSUANT TO18 U.S.C. SECTION 1350AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 In connection with the Quarterly Report of Ingles Markets, Incorporated (the "Company") on Form 10-Q for the period ended December 30, 2023 March 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James W. Lanning, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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 result of operations of the Company.

/s/ James W. Lanning

James W. Lanning

Chief Executive Officer and President

February 8, May 9, 2024

The foregoing certification is being furnished as an exhibit of the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Exhibit 32.2 CERTIFICATION PURSUANT TO18 U.S.C. SECTION 1350AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 In connection with the Quarterly Report of Ingles Markets, Incorporated (the "Company") on Form 10-Q for the period ended December 30, 2023 March 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patricia E. Jackson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: 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 result of operations of the Company.

/s/ Patricia E. Jackson

Patricia E. Jackson

Vice President - Finance and

Chief Financial Officer

February 8, May 9, 2024

The foregoing certification is being furnished as an exhibit of the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

DISCLAIMER

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