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Â UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 Â FORM 10-Q Â (Mark One) â˜’ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended October 5, 2024 OR â˜ 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 1-16247 Â FLOWERS FOODS, INC. (Exact name of registrant as specified in its charter) Â Â Georgia Â 58-2582379 (State or other jurisdiction ofincorporation or organization) Â (I.R.S. EmployerIdentification Number) 1919 FLOWERS CIRCLE, THOMASVILLE, Georgia (Address of principal executive offices) 31757 (Zip Code) (229)-226-9110 (Registrantâ€™s telephone number, including area code) N/A (Former name, former address and former fiscal year, if changed since last report) Â Securities registered pursuant to Section 12(b) of the Act: Â Title of each class Â TradingSymbol(s) Â Name of each exchange on which registered Common Stock, $0.01 par value Â FLO Â NYSE Â 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 â˜’ No â˜ 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 (Â§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 â˜' No â˜ 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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act. Â Large accelerated filer â˜' Accelerated filer â˜ Non-accelerated filer â˜ Smaller reporting company â˜ Â Â Â Â Emerging growth company â˜ Â Â 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. â˜ Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes â˜ No â˜' As of November 1, 2024, the registrant had 210,597,558 shares of common stock, $0.01 par value per share, outstanding. Â Â Â FLOWERS FOODS, INC. INDEX Â Â PAGENUMBER PART I. Financial Information 4 Item 1. Financial Statements (Unaudited) 4 Condensed Consolidated Balance Sheets as of October 5, 2024 and December 30, 2023 4 Condensed Consolidated Statements of Income (Loss) for the Twelve and Forty Weeks Ended October 5, 2024 and October 7, 2023 5 Condensed Consolidated Statements of Comprehensive Income (Loss) for the Twelve and Forty Weeks Ended October 5, 2024 and October 7, 2023 6 Â Â Condensed Consolidated Statements of Changes in Stockholdersâ€™ Equity for the Twelve and Forty Weeks Ended October 5, 2024 and October 7, 2023 7 Condensed Consolidated Statements of Cash Flows for the Forty Weeks Ended October 5, 2024 and October 7, 2023 9 Notes to Condensed Consolidated Financial Statements (unaudited) 10 Item 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations 37 Item 3. Quantitative and Qualitative Disclosures About Market Risk 52 Item 4. Controls and Procedures 53 PART II. Other Information 54 Item 1. Legal Proceedings 54 Item 1A. Risk Factors 54 Â Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 54 Â Item 3. Defaults Upon Senior Securities 54 Â Item 4. Mine Safety Disclosures 54 Â Item 5. Other Information 54 Item 6. Exhibits 55 Signatures 56 Â Â Forward-Looking Statements Statements contained in this filing and certain other written or oral statements made from time to time by Flowers Foods, Inc. (the â€œcompanyâ€, â€œFlowers Foodsâ€, â€œFlowersâ€, â€œusâ€, â€œweâ€, or â€œourâ€) and its representatives that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to current expectations regarding our business and our future financial condition and results of operations and are often identified by the use of words and phrases such as â€œanticipate,â€ â€œbelieve,â€ â€œcontinue,â€ â€œcould,â€ â€œestimate,â€ â€œexpect,â€ â€œintend,â€ â€œmay,â€ â€œplan,â€ â€œpredict,â€ â€œproject,â€ â€œshould,â€ â€œwill,â€ â€œwould,â€ â€œis likely to,â€ â€œis expected toâ€ or â€œwill continue,â€ or the negative of these terms or other comparable terminology. These forward-looking statements are based upon assumptions we believe are reasonable. Forward-looking statements are based on current information and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected. Certain factors that may cause actual results, performance, liquidity, and achievements to differ materially from those projected are discussed in this Quarterly Report on Form 10-Q (this â€œForm 10-Qâ€) and may include, but are not limited to: â€¢unexpected changes in any of the following: (i) general economic and business conditions; (ii) the competitive setting in which we operate, including advertising or promotional strategies by us or our competitors, as well as changes in consumer demand; (iii) interest rates and other terms available to us on our borrowings; (iv) supply chain conditions and any related impact on energy and raw materials costs and availability and hedging counter-party risks; (v) relationships with or increased costs related to our employees and third-party service providers; (vi) laws and regulations (including environmental and health-related issues); and (vii) accounting standards or tax rates in the markets in which we operate; â€¢the loss or financial instability of any significant customer(s), including as a result of product recalls or safety concerns related to our products; â€¢changes in consumer behavior, trends and preferences, including health and whole grain trends, and the movement toward less expensive store branded products; â€¢the level of success we achieve in developing and introducing new products and entering new markets; â€¢our ability to implement new technology and customer requirements as required; â€¢our ability to operate existing, and any new, manufacturing lines according to schedule; â€¢our ability to implement and achieve our corporate responsibility goals in accordance with regulatory requirements and expectations of stakeholders, suppliers, and customers; â€¢our ability to execute our business strategies which may involve, among other things, (i) the ability to realize the intended benefits of completed, planned or contemplated acquisitions, dispositions or joint ventures, (ii) the deployment of new systems (e.g., our enterprise resource planning ("ERP") system), distribution channels and technology, and (iii) an enhanced organizational structure (e.g., our sales and supply chain reorganization); â€¢consolidation within the baking industry and related industries; â€¢changes in pricing, customer and consumer reaction to pricing actions (including decreased volumes), and the pricing environment among competitors within the industry; â€¢our ability to adjust pricing to offset, or partially offset, inflationary pressure on the cost of our products, including ingredient and packaging costs; â€¢disruptions in our direct-store-delivery distribution model, including litigation or an adverse ruling by a court or regulatory or governmental body that could affect the independent contractor classifications of the independent distributor partners, and changes to our direct-store-delivery distribution model in California; â€¢increasing legal complexity and legal proceedings that we are or may become subject to; â€¢labor shortages and turnover or increases in employee and employee-related costs; â€¢the credit, business, and legal risks associated with independent distributor partners and customers, which operate in the highly competitive retail food and foodservice industries; â€¢any business disruptions due to political instability, pandemics, armed hostilities (including the ongoing conflict between Russia and Ukraine and the conflict in the Middle East), incidents of terrorism, natural disasters, labor strikes or work stoppages, technological breakdowns, product contamination, product recalls or safety concerns related to our products, or the responses to or repercussions from any of these or similar events or conditions and our ability to insure against such events; 2 â€¢the failure of our information technology (â€œITâ€) systems to perform adequately, including any interruptions, intrusions, cyber-attacks or security breaches of such systems or risks associated with the implementation of the upgrade of our ERP system; and â€¢the potential impact of climate change on the company, including physical and transition risks, availability or restriction of resources, higher regulatory and compliance costs, reputational risks, and availability of capital on attractive terms. The foregoing list of important factors does not include all such factors, nor does it necessarily present them in order of importance. In addition, you should consult other disclosures made by the company (such as in our other filings with the Securities and Exchange Commission (â€œSECâ€) or in company press releases) for other factors that may cause actual results to differ materially from those projected by the company. Refer to Part I, Item 1A., Risk Factors, of our Annual Report on Form 10-K for the year ended December 30, 2023 (the â€œForm 10-Kâ€) for additional information regarding factors that could affect the companyâ€™s results of operations, financial condition and liquidity. We caution you not to place undue reliance on forward-looking statements, as they speak only as of the date made and are inherently uncertain. The company undertakes no obligation to publicly revise or update such statements, except as required by law. You are advised, however, to consult any further public disclosures by the company (such as in our filings with the SEC or in company press releases) on related subjects. We own or have rights to trademarks or trade names that we use in connection with the operation of our business, including our corporate names, logos and website names. In addition, we own or have the rights to copyrights, trade secrets and other proprietary rights that protect the content of our products and the formulations for such products. Solely for convenience, some of the trademarks, trade names and copyrights referred to in this Form 10-Q are listed without the Â© , Â® and â„¢ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, trade names and copyrights. Â 3 PART 1. FINANCIAL INFORMATION ITEM 1. FINANCIAL STATEMENTS (UNAUDITED) FLOWERS FOODS, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (Amounts in thousands, except share data) (Unaudited) Â Â Â October 5, 2024 Â Â December 30, 2023 Â ASSETS Â Â Â Â Â Â Current assets: Â Â Â Â Â Â Cash and cash equivalents Â $ 14,975 Â Â $ 22,527 Â Accounts and notes receivable, net of allowances of $25,656Â and $33,386, respectively Â Â 387,356 Â Â Â 328,246 Â Inventories, net: Â Â Â Â Â Â Raw materials Â Â 62,169 Â Â Â 72,941 Â Packaging materials Â Â 26,991 Â Â Â 28,743 Â Finished goods Â Â 80,552 Â Â Â 82,813 Â Inventories, net Â Â 169,712 Â Â Â 184,497 Â Spare parts and supplies Â Â 89,236 Â Â Â 86,386 Â Other Â Â 46,445 Â Â Â 66,057 Â Total current assets Â Â 707,724 Â Â Â 687,713 Â Property, plant and equipment: Â Â Â Â Â Â Property, plant and equipment Â Â 2,547,879 Â Â Â 2,500,531 Â Less: accumulated depreciation Â Â (1,600,177) Â Â (1,537,550) Property, plant and equipment, net Â Â 947,702 Â Â Â 962,981 Â Financing lease right-of-use assets Â Â 213 Â Â Â 130 Â Operating lease right-of-use assets Â Â 308,782 Â Â Â 276,734 Â Notes receivable from independent distributor partners Â Â 112,333 Â Â Â 123,571 Â Assets held for sale Â Â 25,198 Â Â Â 21,799 Â Other assets Â Â 14,567 Â Â Â 18,487 Â Goodwill Â Â 679,896 Â Â Â 677,796 Â Other intangible assets, net Â Â 633,544 Â Â Â 657,742 Â Total assets Â $ 3,429,959 Â Â $ 3,426,953 Â LIABILITIES AND STOCKHOLDERSâ€™ EQUITY Â Â Â Â Â Â Current liabilities: Â Â Â Â Â Â Current maturities of long-term debt Â $ â€” Â Â $ â€” Â Current maturities of financing leases Â Â 107 Â Â Â 99 Â Current maturities of operating leases Â Â 64,566 Â Â Â 47,507 Â Accounts payable Â Â 286,919 Â Â Â 318,600 Â Other accrued liabilities Â Â 217,469 Â Â Â 292,946 Â Total current liabilities Â Â 569,061 Â Â Â 659,152 Â Â Â Â Â Â Â Noncurrent long-term debt Â Â 1,054,143 Â Â Â 1,048,144 Â Noncurrent financing lease obligations Â Â 10 Â Â Â 23 Â Noncurrent operating lease obligations Â Â 251,120 Â Â Â 236,872 Â Total long-term debt and right-of-use lease liabilities Â Â 1,305,273 Â Â Â 1,285,039 Â Other liabilities: Â Â Â Â Â Â Postretirement/post-employment obligations Â Â 5,315 Â Â Â 5,798 Â Deferred taxes Â Â 107,863 Â Â Â 91,245 Â Other long-term liabilities Â Â 35,921 Â Â Â 33,937 Â Total other long-term liabilities Â Â 149,099 Â Â Â 130,980 Â CommitmentsÂ and Contingencies Â Â Â Â Â Â Stockholdersâ€™ equity: Â Â Â Â Â Â Preferred stock â€" $100Â stated par value, 200,000Â authorized shares and noneÂ issued Â Â â€" Â Â Â â€" Â Preferred stock â€" $.01Â stated par value, 800,000Â authorized shares and noneÂ issued Â Â â€" Â Â Â â€" Â Common stock â€" $.01Â stated par value and $.001Â current par value, 500,000,000Â Â authorized shares and 228,729,585Â shares issued Â Â 199 Â Â Â 199 Â Treasury stock â€" 18,130,532Â shares and 18,309,359Â shares, respectively Â Â (285,985) Â Â (281,318) Capital in excess of par value Â Â 705,096 Â Â Â 699,808 Â Retained earnings Â Â 984,977 Â Â Â 932,472 Â Accumulated other comprehensive income Â Â 2,239 Â Â Â 621 Â Total stockholdersâ€™ equity Â Â 1,406,526 Â Â Â 1,351,782 Â Total liabilities and stockholdersâ€™ equity Â $ 3,429,959 Â Â $ 3,426,953 Â Â (See Accompanying Notes to Condensed Consolidated Financial Statements) 4 FLOWERS FOODS, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (Amounts in thousands, except per share data) (Unaudited) Â Â For the Twelve Weeks Ended Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Net sales Â $ 1,190,561 Â Â $ 1,199,260 Â Â $ 3,992,362 Â Â $ 3,961,803 Â Materials, supplies, labor and other production costs (exclusiveÂ Â Â of depreciation and amortization shown separately below) Â Â 598,209 Â Â Â 617,468 Â Â Â 2,008,757 Â Â Â 2,044,417 Â Selling, distribution and administrative expenses Â Â 460,359 Â Â Â 603,954 Â Â Â 1,557,010 Â Â Â 1,671,813 Â Depreciation and amortization Â Â 37,331 Â Â Â 35,974 Â Â Â 122,393 Â Â Â 114,693 Â Plant closure costs and impairment of assets Â Â 4,483 Â Â Â 1,034 Â Â Â 9,860 Â Â Â 1,034 Â Restructuring charges Â Â â€" Â Â Â 179 Â Â Â 7,403 Â Â Â 6,873 Â Income (loss) from operations Â Â 90,179 Â Â Â (59,349) Â Â 286,939 Â Â Â 122,973 Â Interest expense Â Â 8,688 Â Â Â 8,552 Â Â Â 28,967 Â Â Â 28,398 Â Interest income Â Â (3,910) Â Â (4,542) Â Â (13,670) Â Â (16,251) Other components of net periodic pension and postretirementÂ Â Â benefit plans credit Â Â (119) Â Â (62) Â Â (395) Â Â (207) Income (loss) before income taxes Â Â 85,520 Â Â Â (63,297) Â Â 272,037 Â Â Â 111,033 Â Income tax expense (benefit) Â Â 20,536 Â Â Â (16,567) Â Â 67,043 Â Â Â 23,293 Â Net income (loss) Â $ 64,984 Â Â $ (46,730) Â $ 204,994 Â Â $ 87,740 Â Net income (loss) per common share: Â Â Â Â Â Â Â Â Â Â Â Â Basic: Â Â Â Â Â Â Â Â Â Â Â Â Net income (loss) per common share Â $ 0.31 Â Â $ (0.22) Â $ 0.97 Â Â $ 0.41 Â Weighted average shares outstanding Â Â 210,820 Â Â Â 211,522 Â Â Â 211,084 Â Â Â 211,773 Â Diluted: Â Â Â Â Â Â Â Â Â Â Â Â Net income (loss) per common share Â $ 0.31 Â Â $ (0.22) Â $ 0.97 Â Â $ 0.41 Â Weighted average shares outstanding Â Â 211,975 Â Â Â 211,522 Â Â Â 212,123 Â Â Â 213,455 Â Cash dividends paid per common share Â $ 0.2400 Â Â $ 0.2300 Â Â $ 0.7100 Â Â $ 0.6800 Â Â (See Accompanying Notes to Condensed Consolidated Financial Statements) Â 5 FLOWERS FOODS, INC. CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Amounts in thousands) (Unaudited) Â Â For the Twelve Weeks Ended Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Net income (loss) Â $ 64,984 Â Â $ (46,730) Â $ 204,994 Â Â $ 87,740 Â Other comprehensive income (loss), net of tax: Â Â Â Â Â Â Â Â Â Â Â Â Pension and postretirement plans: Â Â Â Â Â Â Â Â Â Â Â Â Amortization of prior service credit included in net income (loss) Â Â (30) Â Â (30) Â Â (102) Â Â (102) Amortization of actuarial gain included in net income (loss) Â Â (25) Â Â (14) Â Â (80) Â Â (43) Pension and postretirement plans, net of tax Â Â (55) Â Â (44) Â Â (182) Â Â (145) Derivative instruments: Â Â Â Â Â Â Â Â Â Â Â Â Net change in fair value of derivatives Â Â 1,223 Â Â Â (1,579) Â Â 1,101 Â Â Â (1,531) Loss reclassified to net income (loss) Â Â 128 Â Â Â 297 Â Â Â 699 Â Â Â 1,532 Â Derivative instruments, net of tax Â Â 1,351 Â Â Â (1,282) Â Â 1,800 Â Â Â 1 Â Other comprehensive income (loss), net of tax Â Â 1,296 Â Â Â (1,326) Â Â 1,618 Â Â Â (144) Comprehensive income (loss) Â $ 66,280 Â Â $ (48,056) Â $ 206,612 Â Â $ 87,596 Â Â (See Accompanying Notes to Condensed Consolidated Financial Statements) 6 FLOWERS FOODS, INC. CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERSâ€™ EQUITY (Amounts in thousands, except share data) (Unaudited) Â Â For the Twelve Weeks Ended October 5, 2024 Â Â Â Common Stock Â Â Capital in Â Â Â Â Â Accumulated Â Â Â Â Â Â Â Â Â Â Â Â Â Â Number of Â Â Â Â Â Excess Â Â Â Â Â Other Â Â Treasury Stock Â Â Â Â Â Â SharesIssued Â Â ParValue Â Â of ParValue Â Â RetainedEarnings Â Â ComprehensiveIncome (Loss) Â Â Number ofShares Â Â Cost Â Â Total Â Balances at July 13, 2024 Â Â 228,729,585 Â Â $ 199 Â Â $ 698,722 Â Â $ 970,536 Â Â $ 943 Â Â (18,130,952) Â $ (285,992) Â $ 1,384,408 Â Net income Â Â Â Â Â Â Â Â Â Â Â 64,984 Â Â Â Â Â Â Â Â Â Â Â Â Â Â 64,984 Â Derivative instruments, net of tax Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 1,351 Â Â Â Â Â Â Â Â Â Â 1,351 Â Pension and postretirement Â Â Â plans, net of tax Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (55) Â Â Â Â Â Â Â Â Â (55) Amortization of stock-basedÂ Â Â compensation awards Â Â Â Â Â Â Â Â 6,381 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 6,381 Â Issuance of deferredÂ Â Â compensation Â Â Â Â Â Â Â (7) Â Â Â Â Â Â Â 420 Â Â 7 Â Â â€" Â Dividends paid â€" $0.2400Â per Â Â Â common share Â Â Â Â Â Â Â Â Â Â (50,543) Â Â Â Â Â Â Â Â Â Â (50,543) Balances at October 5, 2024 Â Â 228,729,585 Â Â $ 199 Â Â $ 705,096 Â Â $ 984,977 Â Â $ 2,239 Â Â Â (18,130,532) Â $ (285,985) Â $ 1,406,526 Â Â Â Â Â For the Forty Weeks Ended October 5, 2024 Â Â Â Common Stock Â Â Capital in Â Â Â Â Â Accumulated Â Â Â Â Â Â Â Â Â Â Â Â Number of Â Â Â Â Â Excess Â Â Â Â Â Other Â Â Treasury Stock Â Â Â Â Â Â SharesIssued Â Â ParValue Â Â of ParValue Â Â RetainedEarnings Â Â ComprehensiveIncome Â Â Number ofShares Â Â Cost Â Â Total Â Balances at December 30, 2023 Â Â 228,729,585 Â Â $ 199 Â Â $ 699,808 Â Â $ 932,472 Â Â $ 621 Â Â (18,309,359) Â $ (281,318) Â $ 1,351,782 Â Net income Â Â Â Â Â Â Â Â Â Â Â 204,994 Â Â Â Â Â Â Â Â Â Â Â Â Â Â 204,994 Â Derivative instruments, net of tax Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 1,800 Â Â Â Â Â Â Â Â Â Â 1,800 Â Pension and postretirement Â Â Â plans, net of tax Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (182) Â Â Â Â Â Â Â Â (182) Amortization of stock-basedÂ Â Â compensation awards Â Â Â Â Â Â Â Â 23,324 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 23,324 Â

Issuance of deferred compensation Â Â Â Â Â Â Â Â (26) Â Â Â Â Â Â Â Â 1,679 Â Â Â 26 Â Â Â â€" Â Time-based restricted stock units issuedÂ Â Â (Note 17) Â Â Â Â Â Â Â Â (3,922) Â Â Â Â Â Â Â Â 255,161 Â Â Â 3,922 Â Â Â â€" Â Performance-contingent restricted stockÂ Â Â awards issued (Note 17) Â Â Â Â Â Â Â Â (13,060) Â Â Â Â Â Â Â Â 847,977 Â Â Â 13,060 Â Â Â â€" Â Issuance of deferred stock awards Â Â Â Â Â Â Â Â (1,028) Â Â Â Â Â Â Â Â 66,243 Â Â Â 1,028 Â Â Â â€" Â Share repurchases Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (992,233) Â Â (22,703) Â Â (22,703) Dividends paid on vestedÂ Â Â stock-based payment awards Â Â Â Â Â Â (2,699) Â Â Â Â Â Â Â Â Â Â Â Â (2,699) Dividends paid â€" $0.7100Â per Â Â Â common share Â Â Â Â Â Â Â Â Â Â Â Â (149,790) Â Â Â Â Â Â Â Â Â Â Â (149,790) Balances at October 5, 2024 Â Â 228,729,585 Â Â $ 199 Â Â $ 705,096 Â Â $ 984,977 Â Â $ 2,239 Â Â Â (18,130,532) Â $ (285,985) Â $ 1,406,526 Â Â (See Accompanying Notes to Condensed Consolidated Financial Statements) Â Â 7 FLOWERS FOODS, INC. CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERSâ€™ EQUITY (Amounts in thousands, except share data) (Unaudited) Â Â For the Twelve Weeks Ended October 7, 2023 Â Â Â Common Stock Â Â Capital in Â Â Â Â Â Accumulated Â Â Â Â Â Â Â Â Â Â Â Â Number of Â Â Â Â Â Excess Â Â Â Â Other Â Â Treasury Stock Â Â Â Â Â Â SharesIssued Â Â ParValue Â Â of ParValue Â Â RetainedEarnings Â Â ComprehensiveIncome (Loss) Â Â Number ofShares Â Â Cost Â Â Total Â Balances at July 15, 2023 Â Â 228,729,585 Â Â $ 199 Â Â $ 688,281 Â Â $ 1,040,618 Â Â $ 2,656 Â Â Â (17,409,777) Â $ (261,680) Â $ 1,470,074 Â Net loss Â Â Â Â Â Â Â Â Â Â Â Â (46,730) Â Â Â Â Â Â Â Â Â Â Â Â (46,730) Derivative instruments, net of tax Â Â Â Â Â Â Â Â Â Â Â Â Â Â (1,282) Â Â Â Â Â Â Â Â Â Â (1,282) Pension and postretirement Â Â Â plans, net of tax Â Â Â Â Â Â Â Â Â Â Â Â Â Â (44) Â Â Â Â Â Â Â Â (44) Amortization of stock-basedÂ Â Â compensation awards Â Â Â Â Â Â Â Â 5,883 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 5,883 Â Issuance of deferred compensation Â Â Â Â Â Â Â Â (6) Â Â Â Â Â Â Â Â 418 Â Â Â 6 Â Â Â â€" Â Issuance of deferred stock awards Â Â Â Â Â Â Â Â 87 Â Â Â â€" Â Â Â Â Â Â â€" Â Â (87) Â Â â€" Â Share repurchases Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (200,000) Â Â (4,647) Â Â (4,647) Dividends paid â€" $0.2300Â per Â Â Â common share Â Â Â Â Â Â Â Â Â Â Â Â (48,603) Â Â Â Â Â Â Â Â Â Â Â Â (48,603) Balances at October 7, 2023 Â Â 228,729,585 Â Â $ 199 Â Â $ 694,245 Â Â $ 945,285 Â Â $ 1,330 Â Â Â (17,609,359) Â $ (266,408) Â $ 1,374,651 Â Â Â Â Â For the Forty Weeks Ended October 7, 2023 Â Â Â Common Stock Â Â Capital in Â Â Â Â Â Accumulated Â Â Â Â Â Â Â Â Â Â Â Â Number of Â Â Â Â Â Excess Â Â Â Â Â Other Â Â Treasury Stock Â Â Â Â Â Â SharesIssued Â Â ParValue Â Â of ParValue Â Â RetainedEarnings Â Â ComprehensiveIncome (Loss) Â Â Number ofShares Â Â Cost Â Â Total Â Balances at December 31, 2022 Â Â 228,729,585 Â Â $ 199 Â Â $ 689,959 Â Â $ 1,004,271 Â Â $ 1,474 Â Â Â (17,595,619) Â $ (252,613) Â $ 1,443,290 Â Net income Â Â Â Â Â Â Â Â Â Â Â Â 87,740 Â Â Â Â Â Â Â Â Â Â Â Â Â Â 87,740 Â Derivative instruments, net of tax Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 1 Â Â Â Â Â Â Â Â Â Â 1 Â Pension and postretirement Â Â Â plans, net of tax Â Â Â Â Â Â Â Â Â Â Â Â Â Â (145) Â Â Â Â Â Â Â Â Â Â (145) Amortization of stock-basedÂ Â Â compensation awards Â Â Â Â Â Â Â Â 21,382 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 21,382 Â Issuance of deferred compensation Â Â Â Â Â Â Â Â (38) Â Â Â Â Â Â Â Â 2,557 Â Â Â 38 Â Â Â â€" Â Time-based restrictedÂ Â Â stock units issued (Note 17) Â Â Â Â Â Â Â Â (3,623) Â Â Â Â Â Â Â Â 251,222 Â Â Â 3,623 Â Â Â â€" Â Performance-contingent restricted stockÂ Â Â awards issued (Note 17) Â Â Â Â Â Â Â Â (12,508) Â Â Â Â Â Â Â Â 867,944 Â Â Â 12,508 Â Â Â â€" Â Issuance of deferred stock awards Â Â Â Â Â Â Â Â (927) Â Â Â Â Â Â Â Â 63,266 Â Â Â 927 Â Â Â â€" Â Share repurchases Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (1,198,729) Â Â (30,891) Â Â (30,891) Dividends paid on vested stock-basedÂ Â Â payment awards Â Â Â Â Â Â Â Â Â Â Â Â (2,780) Â Â Â Â Â Â Â Â Â Â Â Â (2,780) Dividends paid â€" $.6800Â per Â Â Â common share Â Â Â Â Â Â Â Â Â Â Â Â (143,946) Â Â Â Â Â Â Â Â Â Â Â Â (143,946) Balances at October 7, 2023 Â Â 228,729,585 Â Â $ 199 Â Â $ 694,245 Â Â $ 945,285 Â Â $ 1,330 Â Â Â (17,609,359) Â $ (266,408) Â $ 1,374,651 Â Â (See Accompanying Notes to Condensed Consolidated Financial Statements) 8 FLOWERS FOODS, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Amounts in thousands) (Unaudited) Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â CASH FLOWS PROVIDED BY (DISBURSED FOR) OPERATING ACTIVITIES: Â Â Â Â Â Â Net income Â $ 204,994 Â Â $ 87,740 Â Adjustments to reconcile net income to net cash provided by operating activities: Â Â Â Â Â Â Stock-based compensation Â Â 23,324 Â Â Â 21,382 Â Loss reclassified from accumulated other comprehensive income to net income Â Â 1,314 Â Â Â 2,426 Â Depreciation and amortization Â Â 122,393 Â Â Â 114,693 Â Deferred income taxes Â Â 15,831 Â Â Â (44,256) Impairment of assets Â Â 9,864 Â Â Â 3,347 Â Provision for inventory obsolescence Â Â 3,266 Â Â Â 2,387 Â Allowances for accounts receivable Â Â 6,328 Â Â Â 10,071 Â Pension and postretirement plans cost Â Â 307 Â Â Â 455 Â Other Â Â 216 Â Â Â 1,309 Â Qualified pension plan contributions Â Â â€" Â Â Â (1,000) Changes in operating assets and liabilities, net of acquisitions: Â Â Â Â Â Â Accounts receivable Â Â (58,959) Â Â (17,364) Inventories Â Â 11,519 Â Â Â (13,552) Hedging activities Â Â 1,455 Â Â (332) Accounts payable Â Â (31,527) Â Â (17,788) Other assets and accrued liabilities Â Â (27,955) Â Â 107,800 Â NET CASH PROVIDED BY OPERATING ACTIVITIES Â Â 282,370 Â Â Â 257,318 Â CASH FLOWS PROVIDED BY (DISBURSED FOR) INVESTING ACTIVITIES: Â Â Â Â Â Â Purchases of property, plant and equipment Â Â (86,624) Â Â (97,003) Proceeds from sale of property, plant and equipment Â Â 2,040 Â Â Â 2,278 Â Repurchase of independent distribution rights Â Â (33,212) Â Â (5,129) Cash paid at issuance of notes receivable Â Â (15,232) Â Â (15,212) Principal payments from notes receivable Â Â 19,655 Â Â Â 25,204 Â Acquisition of business Â Â â€" Â Â Â (274,755) Investment in unconsolidated affiliate Â Â â€" Â Â Â (1,981) Other investing activities Â Â 431 Â Â Â 63 Â NET CASH DISBURSED FOR INVESTING ACTIVITIES Â Â (112,942) Â Â (366,535) CASH FLOWS PROVIDED BY (DISBURSED FOR) FINANCING ACTIVITIES: Â Â Â Â Â Â Dividends paid, including dividends on stock-based payment awards Â Â (152,489) Â Â (146,726) Stock repurchases Â Â (22,703) Â Â (30,891) Change in bank overdrafts Â Â (6,363) Â Â (6,693) Proceeds from debt borrowings Â Â 284,700 Â Â Â 805,100 Â Debt obligation payments Â Â (279,700) Â Â (660,100) Payments on financing leases Â Â (235) Â Â (1,513) Payments for financing fees Â Â (190) Â Â (533) NET CASH DISBURSED FOR FINANCING ACTIVITIES Â Â (176,980) Â Â (41,356) Net decrease in cash and cash equivalents Â Â (7,552) Â Â (150,573) Cash and cash equivalents at beginning of period Â Â 22,527 Â Â Â 165,134 Â Cash and cash equivalents at end of period Â $ 14,975 Â Â $ 14,561 Â Â (See Accompanying Notes to Condensed Consolidated Financial Statements) Â Â 9 FLOWERS FOODS, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) Â Â 1. BASIS OF PRESENTATIONBASIS OF ACCOUNTING â€" The accompanying unaudited Condensed Consolidated Financial Statements of Flowers Foods, Inc. (the â€œcompanyâ€, â€œFlowers Foodsâ€, â€œFlowersâ€, â€œusâ€, â€œweâ€, or â€œourâ€) have been prepared by the companyâ€™s management in accordance with generally accepted accounting principles in the United States of America (â€œGAAPâ€) for interim financial information and applicable rules and regulations of the Securities Exchange Act of 1934, as amended (the â€œExchange Actâ€). Accordingly, they do not include all the information and footnotes required by GAAP for audited financial statements. In the opinion of management, the unaudited Condensed Consolidated Financial Statements included herein contain all adjustments (consisting of only normal recurring adjustments) necessary to state fairly the companyâ€™s financial position, results of operations and cash flows. The results of operations for the twelve and forty weeks ended October 5, 2024 and October 7, 2023 are not necessarily indicative of the results to be expected for a full fiscal year. The Condensed Consolidated Balance Sheet at December 30, 2023 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 30, 2023 (the â€œForm 10-Kâ€).INFLATIONARY ECONOMIC ENVIRONMENT AND MACROECONOMIC FACTORS â€" We continue to monitor the impact of the inflationary economic environment, supply chain disruptions, increased labor costs, the conflict between Russia and Ukraine and the conflict in the Middle East on our business. Our results through the third quarter of Fiscal 2024 continued to benefit from a more optimal sales mix of branded retail products as compared to pre-pandemic periods. However, inflationary pressures are impacting consumer purchasing patterns. Inflation, particularly for input costs, has also impacted our business during the previous two years which has partially offset the improved sales mix. We implemented price increases during the first and second quarters of Fiscal 2023 to mitigate these cost pressures. Commodity cost inflation began to moderate in the latter half of Fiscal 2023 and has continued during the first three quarters of Fiscal 2024.INVESTMENT IN UNCONSOLIDATED AFFILIATE â€" In the second quarter of Fiscal 2022, we invested $9.0 million in Base Culture, a Clearwater, Florida-based company with one manufacturing facility. We made an additional investment of $2.0 million in Base Culture during the second quarter of Fiscal 2023. Base Culture's product offerings include better-for-you, gluten-free, and grain-free sliced breads and baked goods that are all-natural, 100% Paleo-certified, kosher-certified, dairy-free, soy-free, and non-GMO verified. The investment is being accounted for at cost, less any impairment, adjusted for changes resulting from observable price changes in orderly transactions involving the affiliate, as we do not control nor do we have the ability to significantly influence the affiliate, nor is there a readily determinable fair value. Should circumstances indicate a change in the fair value, a fair value adjustment may be necessary.During the first quarter of Fiscal 2024, the company's qualitative assessment of the fair value of Base Culture indicated the investment may be impaired. Additional quantitative analysis of Base Culture indicated a fair value of approximately $1.5 million of the companyâ€™s interest. The company recognized an impairment loss of $4.0 million during the first quarter of Fiscal 2024 which is reported in the Plant closure costs and impairment of assets line item of the Condensed Consolidated Statements of Income (Loss). The company also recognized an impairment loss of $5.5 million during the fourth quarter of Fiscal 2023. The losses recognized represent the difference between the estimated fair value and the companyâ€™s original carrying value. The current carrying value is approximately $1.5 million.PLANT CLOSURE COSTS AND IMPAIRMENT OF ASSETS â€" On July 18, 2024, the company announced the closure of its Baton Rouge, Louisiana bakery. The bakery produced bun products and ceased production on September 19, 2024. This bakery closure is part of our strategy to optimize capacity within our supply chain. The facility continues to be used as a distribution center. The company recognized severance costs of $1.1 million and asset impairment and equipment relocation charges of $2.4 million in the third quarter of Fiscal 2024. Additionally, in the third quarter of Fiscal 2024, the company recorded a charge of $2.3 million to fully impair certain ERP-related software and recognized a recovery of $1.3 million related to the sale of equipment that had been previously written off in Fiscal 2022 as part of the Phoenix, Arizona bakery closure. During the second quarter of Fiscal 2024, the company recorded an asset impairment charge of $1.4 million to write-off certain cake distribution territories classified as held for sale that the company no longer intends to sell. These costs are reported in the Plant closure costs and impairment of assets line item of the Condensed Consolidated Statements of Income (Loss) with the Base Culture impairment discussed immediately above. 10 ESTIMATES â€" The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The company believes the following critical accounting estimates affect its more significant judgments and estimates used in the preparation of its consolidated financial statements: revenue recognition, derivative financial instruments, valuation of long-lived assets, goodwill and other intangible assets, leases, self-insurance reserves, income tax expense and accruals, postretirement plans, stock-based compensation, and commitments and contingencies. These estimates are summarized in Form 10-K.REPORTING PERIODS â€" Fiscal Year End. Our fiscal year ends on the Saturday nearest December 31, resulting in a 53rd reporting week every five or six years. The last 53-week year was our Fiscal 2020. The next 53-week year will be Fiscal 2025. Our internal financial results and key performance indicators are reported on a weekly calendar basis to ensure the same numbers of Saturdays and Sundays in comparable months and to allow for a consistent four-week progression analysis. The company has elected the first quarter to report the extra four-week period. As such, our quarters are divided as follows:Â Quarter Â Number of Weeks First Quarter Â Sixteen Second Quarter Â Twelve Third Quarter Â Twelve Fourth Quarter Â Twelve (or Thirteen in fiscal years with an extra week) Accordingly, interim results may not be indicative of subsequent interim period results, or comparable to prior or subsequent interim period results, due to differences in the lengths of the interim periods.Fiscal 2024 consists of 52 weeks, with the companyâ€™s quarterly reporting periods as follows: first quarter ended April 20, 2024 (sixteen weeks), second quarter ended July 13, 2024 (twelve weeks), third quarter ended October 5, 2024 (twelve weeks) and fourth quarter ending December 28, 2024 (twelve weeks).REPORTING SEGMENT â€" The company has one operating segment based on the nature of products the company sells, intertwined production and distribution model, the internal management structure and information that is regularly reviewed by the chief executive officer (â€œCEOâ€), who is the chief operating decision maker, for the purpose of assessing performance and allocating resources. Â SIGNIFICANT CUSTOMER â€" Below is the effect that our largest customer, Walmart/Samâ€™s Club, had on the companyâ€™s net sales for the twelve and forty weeks ended October 5, 2024 and October 7, 2023. Walmart/Samâ€™s Club is the only customer to account for greater than 10% of the companyâ€™s net sales.Â Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Â Â (% of Net Sales) Â Â (% of Net Sales) Â Total Â Â 21.9 Â Â Â 22.4 Â Â Â 22.6 Â Â Â 22.4 Â Walmart/Samâ€™s Club is our only customer with greater than 10% of outstanding trade receivables, representing 17.9% and 20.3%, on a consolidated basis, as of October 5, 2024 and December 30, 2023, respectively, of our trade receivables. Â BUSINESS PROCESS IMPROVEMENT COSTS â€" In the second half of Fiscal 2020, we launched initiatives to transform our business operations, which include an upgrade of our information system, as well as investments in e-commerce, autonomous planning, and our â€œbakery of the futureâ€ initiatives. These costs may be expensed as incurred, capitalized, recognized as a cloud computing arrangement, or recognized as a prepaid service contract. The expensed portion of these direct costs incurred related to these initiatives was $0.5 million and $5.8 million for the twelve and forty weeks ended October 5, 2024, respectively. The expensed portion of these direct costs incurred related to these initiatives was $5.8 million and $18.6 million for the twelve and forty weeks ended October 7, 2023, respectively. These costs are reflected in the selling, distribution and administrative expenses line item of the Condensed Consolidated Statements of Income (Loss). Costs from previously capitalized, cloud computing arrangements, or prepaid service contracts are recognized in operating costs and are not included in the business process improvement costs above. 11 2. RECENT ACCOUNTING PRONOUNCEMENTSRecently adopted accounting pronouncementsThe company did not adopt any accounting pronouncements during the forty weeks ended October 5, 2024.Accounting pronouncements not yet adopted On August 23, 2023, the FASB issued ASU 2023-05, "Business Combinations - Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement", which requires a joint venture to initially measure all contributions received upon its formation at fair value. This accounting will largely be consistent with ASC 805, Business Combinations, although there are some specific exceptions. This new guidance is intended to reduce diversity in practice and provide users of the joint ventureâ€™s financial statements with more decision-useful information. It may also reduce the amount of basis differences that an investor in a joint venture needs to track. The standard is effective for all joint venture entities with a formation date on or after January 1, 2025, with early adoption permitted. Joint ventures formed prior to the adoption date may elect to apply the new guidance retrospectively back to their original formation date. The company is determining the impact on our business.On November 27, 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. All public entities will be required to report segment information in accordance with the new guidance starting in annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The company is determining the impact on our business and will include the required disclosures in its Fiscal 2024 Form 10-K.On December 14, 2023, The FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances the transparency and decision usefulness of income tax disclosures by requiring; (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. For public business entities, the standard is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The company is determining the impact on our business.On March 29, 2024, the FASB issued ASU 2024-02, "Codification Improvements - Amendments to Remove References to the Concepts Statements" which removes references to the Board's concepts statements from the FASB Accounting Standards Codification. The ASU is part of the Board's standing project to make codification updated for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or structure guidance, and other minor improvements. The amendments in this update are effective for public entities for fiscal years beginning after December 15, 2024. The company is determining the impact on our business.On November 4, 2024, the FASB issued ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures" which improves the disclosures about a public business entity's expenses and addresses requests from investors for more detailed information about the types of expenses in commonly presented expense captions. The amendments in this update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The company is determining the impact on our business.We have reviewed other recently issued accounting pronouncements and concluded that either they are not applicable to our business, or no material effect is expected upon future adoption. 3. RESTRUCTURING ACTIVITIESIn April 2024, the company announced a cost savings program to improve operational performance, which includes employee termination benefits associated with a reduction-in-force ("2024 RIF") and other expense optimization initiatives expected to be completed in Fiscal 2024. The company also incurred consulting costs associated with implementing the restructuring program.In February 2023, to improve operational effectiveness, increase profitable sales, and better meet customer requirements, the company announced a restructuring of plant operation responsibilities from the sales function to the supply chain function. As part of that restructuring, we incurred costs for employee termination benefits and other cash charges, which were primarily related to the voluntary employee separation incentive plan (the "2023 VSIP"), reduction-in-force (the "2023 RIF"), and employee relocation costs. There were no additional costs incurred during Fiscal 2024 for the 2023 VSIP, 2023 RIF, and employee relocation costs. 12 The tables below present the components of costs associated with the restructuring programs detailed above (amounts in thousands):Â Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 5, 2024 Â Restructuring charges: Â Â Â Â Â Â 2024 RIF (1) Â $ â€" Â Â $ 7,403 Â Restructuring-related implementation costs (2) Â Â â€" Â Â Â 2,979 Â Total restructuring charges Â $ â€" Â Â $ 10,382 Â Â Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Â October 7, 2023 Â Â October 7, 2023 Â Restructuring charges: Â Â Â Â Â Â 2023 VSIP Â $ â€" Â Â $ 5,229 Â 2023 RIF Â Â â€" Â Â Â 899 Â Relocation costs Â Â 179 Â Â Â 745 Â Total restructuring charges (1) Â $ 179 Â Â $ 6,873 Â (1)Presented on our Condensed Consolidated Statements of Income (Loss)(2)Costs are recorded in the selling, distribution and administrative expenses line item of our Condensed Consolidated Statements of Income (Loss).Â The table below presents the components of, and changes in, our restructuring accruals (amounts in thousands):Â Â Â 2023VSIP Â Â 2024Â RIF Â Â Total Â Liability balance at December 30, 2023 Â $ 1,429 Â Â $ â€" Â Â $ 1,429 Â Charges Â Â â€" Â Â Â 7,403 Â Â Â 7,403 Â Cash payments Â Â (1,429) Â Â (7,317) Â Â (8,746) Liability balance at October 5, 2024 Â $ â€" Â Â $ 86 Â Â $ 86 Â Â 4. ACQUISITIONOn February 17, 2023, the company completed the acquisition of the Papa Pita for total consideration of $274.8 million, inclusive of net working capital adjustments. Papa Pita is a manufacturer and distributor of bagels, tortillas, breads, buns, English muffins, and flat breads with one production facility in West Jordan, Utah and, prior to the acquisition, Papa Pita co-manufactured certain products for the company. Papa Pita has direct-store-delivery distribution in the western U.S., expanding our geographic reach. We incurred additional acquisition costs of $3.7 million during the forty weeks ended October 7, 2023. These costs are reflected in the selling, distribution, and administrative expenses line item of the Condensed Consolidated Statements of Income (Loss). The company also recognized a $2.1 million goodwill measurement period adjustment related to an environmental and emissions liability during the first quarter of Fiscal 2024. 13 The following table summarizes the consideration paid for Papa Pita based on the fair value at the acquisition date. This table is based on the valuations for the assets acquired (the company did not acquire any cash), liabilities assumed, and the allocated intangible assets and goodwill (amounts in thousands):Â Fair Value of consideration transferred: Â Â Â Cash consideration paid Â $ 270,258 Â Working capital adjustments Â Â 4,497 Â Total consideration Â $ 274,755 Â Â Â Â Recognized amounts of identifiable assets acquired and Â Â Â liabilities assumed: Â Â Â Property, plant, and equipment Â $ 104,118 Â Identifiable intangible assets Â Â 27,100 Â Financial assets Â Â 14,250 Â Liabilities assumed Â Â (5,365) Net recognized amounts of identifiable assets acquired Â Â 140,103 Â Goodwill Â $ 134,652 Â Â The following table presents the acquired intangible assets subject to amortization (amounts in thousands, except amortization periods):Â Â Â Total Â Â Weighted average amortization years Â Â Amortization Method Trademarks Â $ 4,600 Â Â Â 20.0 Â Â Straight-line Customer relationships Â Â 22,200 Â Â Â 25.0 Â Â Sum of year digits Noncompete agreements Â Â 300 Â Â Â 4.0 Â Â Straight-line Total intangible assets Â $ 27,100 Â Â Â 23.9 Â Â Â Â 5. LEASESThe companyâ€™s leases consist of the following types of assets: two bakeries, corporate office space, warehouses, bakery equipment, transportation and IT equipment. The quantitative disclosures for our leases follow below.The following table details lease modifications and renewals and lease terminations (amounts in thousands):Â Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Lease modifications and renewals Â $ 7,994 Â Â $ 3,820 Â Â $ 28,630 Â Â $ 28,585 Â Lease terminations Â $ 88 Â Â $ 71 Â Â $ 1,640 Â Â $ 277 Â Â The lease modifications and renewals for the forty weeks ended October 5, 2024 include renewals of multiple warehouse leases. The lease modifications and renewals for the forty weeks ended October 7, 2023 include $10.6 million related to a 10-year extension for a freezer storage lease that occurred during our first quarter of Fiscal 2023.Â Lease costs incurred by lease type, and/or type of payment, and other supplemental quantitative disclosures as of and for the twelve and forty weeks ended October 5, 2024 and October 7, 2023, respectively, were as follows (amounts in thousands):Â Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Lease cost: Â Â Â Â Â Â Â Â Â Â Â Â Amortization of right-of-use assets Â $ 62 Â Â $ 396 Â Â $ 213 Â Â $ 1,313 Â Interest on lease liabilities Â Â 1 Â Â Â 5 Â Â Â 5 Â Â Â 30 Â Operating lease cost Â Â 17,576 Â Â Â 14,397 Â Â Â 55,074 Â Â Â 48,212 Â Short-term lease cost Â Â 2,905 Â Â Â 755 Â Â Â 6,332 Â Â Â 2,367 Â Variable lease cost Â Â 10,246 Â Â Â 8,802 Â Â Â 32,594 Â Â Â 28,515 Â Total lease cost Â $ 30,790 Â Â $ 24,355 Â Â $ 94,218 Â Â $ 80,437 Â Â 14 Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Cash paid for amounts included in the measurement of lease liabilities: Â Â Â Â Â Â Operating cash flows from financing leases Â $ 5 Â Â $ 30 Â Operating cash flows from operating leases Â $ 60,467 Â Â $ 52,134 Â Financing cash flows from financing leases Â $ 235 Â Â $ 1,513 Â Right-of-use assets obtained in exchange for new financing lease liabilities Â $ 218 Â Â $ 21 Â Right-of-use assets obtained in exchange for new operating lease liabilities Â $ 57,098 Â Â $ 28,566 Â Weighted-average remaining lease term (years): Â Â Â Financing leases Â Â 2.4 Â Operating leases Â Â 6.6 Â Weighted-average IBR (percentage): Â Â Â Financing leases Â Â 3.8 Â Operating leases Â Â 4.7 Â Â Estimated undiscounted future lease payments under non-cancelable operating leases and financing leases, along with a reconciliation of the undiscounted cash flows to operating and financing lease liabilities, respectively, as of October 5, 2024 (in thousands) were as follows:Â Â Â Operating leaseliabilities Â Â Financing leaseliabilities Â Remainder of 2024 Â $ 16,683 Â Â $ 6 Â 2025 Â Â 81,631 Â Â Â 51 Â 2026 Â Â 62,744 Â Â Â 39 Â 2027 Â Â 54,415 Â Â Â 18 Â 2028 Â Â 38,981 Â Â Â 9 Â 2029 and thereafter Â Â 118,108 Â Â Â 1 Â Total minimum lease payments Â Â 372,562 Â Â Â 124 Â Less: amount of lease payments representing interest Â Â (56,876) Â Â (7) Present value of future minimum lease payments Â Â 315,686 Â Â Â 117 Â Less: current obligations under leases Â Â (64,566) Â Â (107) Long-term lease obligations Â $ 251,120 Â Â $ 10 Â Â 15 6. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (â€œAOCIâ€)The companyâ€™s total comprehensive income presently consists of net income, adjustments for our derivative financial instruments accounted for as cash flow hedges, and various pension and other postretirement benefit related items.During the twelve and forty weeks ended October 5, 2024 and October 7, 2023, reclassifications out of AOCI were as follows (amounts in thousands):Â Â Amount Reclassified from AOCI Â Â Â Â For the Twelve Weeks Ended Â Â Affected Line Item in the Statement Details about AOCI Components (Note 2) Â October 5, 2024 Â Â October 7, 2023 Â Â Where Net Income (loss) is Presented Derivative instruments: Â Â Â Â Â Â Â Â Interest rate contracts Â $ 115 Â Â $ 115 Â Â Interest expense Commodity contracts Â Â (285) Â Â (511) Â Cost of sales, Note 3 Total before tax Â Â (170) Â Â (396) Â Total before tax Tax benefit Â Â 42 Â Â Â 99 Â Â Income tax expense Total net of tax Â Â (128) Â Â (297) Â Net of tax Pension and postretirement plans: Â Â Â Â Â Â Â Â Prior-service credits Â Â 41 Â Â Â 40 Â Â Note 1 Actuarial gain losses Â Â 31 Â Â Â 17 Â Â Note 1 Total before tax Â Â 72 Â Â Â 57 Â Â Total before tax Tax expense Â Â (17) Â Â (13) Â Income tax expense Total net of tax Â Â 55 Â Â Â 44 Â Â Net of tax Total reclassifications Â $ (73) Â $ (253) Â Net of tax Â Â Â Â Â Â Â Â Â Â Â Â Amount Reclassified from AOCI Â Â Â Â Â For the Forty Weeks Ended Â Â Affected Line Item in the Statement Details about AOCI Components (Note 2) Â October 5, 2024 Â Â October 7, 2023 Â Â Where Net Income (Loss) is Presented Gains and losses on cash flow hedges: Â Â Â Â Â Â Â Â Interest rate contracts Â $ 383 Â Â $ 383 Â Â Interest expense Commodity contracts Â Â (1,314) Â Â (2,426) Â Cost of sales, Note 3 Total before tax Â Â (931) Â Â (2,043) Â Total before tax Tax benefit Â Â 232 Â Â Â 511 Â Â Tax benefit Total net of tax Â Â (699) Â Â (1,532) Â Net of tax Amortization of defined benefit pension items: Â Â Â Â Â Â Â Â Prior-service costs Â Â 136 Â Â Â 135 Â Â Note 1 Actuarial losses Â Â 105 Â Â Â 57 Â Â Note 1 Total before tax Â Â 241 Â Â Â 192 Â Â Total before tax Tax benefit Â Â (59) Â Â (47) Â Tax benefit Total net of tax Â Â 182 Â Â Â 145 Â Â Net of tax Total reclassifications Â $ (517) Â $ (1,387) Â Net of tax Â Note 1: These items are included in the computation of net periodic pension cost and are reported in the other components of net periodic pension and postretirement benefits credit line item on the Condensed Consolidated Statements of Income (Loss). See Note 18, Postretirement Plans, for additional information.Note 2: Amounts in parentheses indicate debits to determine net income.Note 3: Amounts are presented as an adjustment to reconcile net income to net cash provided by operating activities on the Condensed Consolidated Statements of Cash Flows.During the forty weeks ended October 5, 2024, changes to AOCI, net of income tax, by component were as follows (amounts in thousands and parentheses denote a debit balance):Â Â Â Cash FlowHedge Items Â Â DefinedBenefit PensionPlan Items Â Â Total Â AOCI at December 30, 2023 Â $ 963 Â Â $ (342) Â $ 621 Â Other comprehensive income before reclassifications Â Â 1,101 Â Â â€" Â Â Â 1,101 Â Reclassified to earnings from AOCI Â Â 699 Â Â Â (182) Â Â 517 Â AOCI at October 5, 2024 Â $ 2,763 Â Â $ (524) Â $ 2,239 Â Â 16 During the forty weeks ended October 7, 2023, changes to AOCI, net of income tax, by component were as follows (amounts in thousands and parentheses denote a debit balance):Â Â Â Cash FlowHedge Items Â Â DefinedBenefit PensionPlan Items Â Â Total Â AOCI at December 31, 2022 Â $ 2,099 Â Â $ (625) Â $ 1,474 Â Other comprehensive income before reclassifications Â Â (1,531) Â Â â€" Â Â Â (1,531) Reclassified to earnings from AOCI Â Â 1,532 Â Â Â (145) Â Â 1,387 Â AOCI at October 7, 2023 Â $ 2,100 Â Â $ (770) Â $ 1,330 Â Â Amounts reclassified out of AOCI to net income that relate to commodity contracts are presented as an adjustment to reconcile net income to net cash provided by operating activities on the Condensed Consolidated Statements of Cash Flows. The following table presents the net of tax amount reclassified from AOCI for our commodity contracts (amounts in thousands and positive value indicates credits to determine net income):Â Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â Gross loss reclassified from AOCI into net income Â $ (1,314) Â $ (2,426) Tax benefit Â Â 329 Â Â Â 607 Â Net of tax Â $ (985) Â $ (1,819) Â 7. GOODWILL AND OTHER INTANGIBLE ASSETSThe table below summarizes our goodwill and other intangible assets at October 5, 2024 and December 30, 2023, respectively, each of which is explained in additional detail below (amounts in thousands):Â Â Â October 5, 2024 Â Â December 30, 2023 Â Goodwill Â $ 679,896 Â Â $ 677,796 Â Amortizable intangible assets, net Â Â 506,444 Â Â Â 530,642 Â Indefinite-lived intangible assets Â Â 127,100 Â Â Â 127,100 Â Total goodwill and other intangible assets Â $ 1,313,440 Â Â $ 1,335,538 Â Â The changes in the carrying amount of goodwill during the forty weeks ended October 5, 2024, during which time we finalized the purchase accounting for the acquisition of Papa Pita, are as follows (amounts in thousands):Â Â Â Total Â Balance as of December 30, 2023 Â $ 677,796 Â Measurement period adjustment (see Note 4, Acquisition) Â Â 2,100 Â Balance as of October 5, 2024 Â $ 679,896 Â Â On February 17, 2023, the company completed the acquisition of Papa Pita for total consideration of $274.8 million, inclusive of a net working capital adjustment payment. The acquisition included several amortizable intangible assets which total $27.1 million and are included in the table below. See Note 4, Acquisition, for details of the assets and the respective amortization period by category.Â As of October 5, 2024 and December 30, 2023, respectively, the company had the following amounts related to amortizable intangible assets (amounts in thousands):Â Â Â October 5, 2024 Â Â December 30, 2023 Â Asset Â Cost Â Â AccumulatedAmortization Â Â NetValue Â Â Cost Â Â AccumulatedAmortization Â Â NetValue Â Trademarks Â $ 481,715 Â Â $ 119,000 Â Â $ 362,715 Â Â $ 481,715 Â Â $ 107,562 Â Â $ 374,153 Â Customer relationships Â Â 340,221 Â Â Â 196,846 Â Â Â 143,375 Â Â Â 340,221 Â Â Â 184,222 Â Â Â 155,999 Â Non-compete agreements Â Â 5,454 Â Â Â 5,264 Â Â Â 190 Â Â Â 5,454 Â Â Â 5,206 Â Â Â 248 Â Distributor relationships Â Â 4,123 Â Â Â 3,959 Â Â Â 164 Â Â Â 4,123 Â Â Â 3,881 Â Â Â 242 Â Total Â $ 831,513 Â Â $ 325,069 Â Â $ 506,444 Â Â $ 831,513 Â Â $ 300,871 Â Â $ 530,642 Â Â 17 Aggregate amortization expense for the twelve and forty weeks ended October 5, 2024 and October 7, 2023 was as follows (amounts in thousands):Â Â Â AmortizationExpense Â For the twelve weeks ended October 5, 2024 Â $ 7,218 Â For the twelve weeks ended October 7, 2023 Â $ 7,572 Â For the forty weeks ended October 5, 2024 Â $ 24,198 Â For the forty weeks ended October 7, 2023 Â $ 24,891 Â Â Estimated amortization of intangibles for each of the next five years is as follows (amounts in thousands):Â Â Â Amortization ofIntangibles Â Remainder of 2024 Â $ 7,182 Â 2025 Â $ 30,746 Â 2026 Â $ 28,891 Â 2027 Â $ 27,242 Â 2028 Â $ 25,611 Â There were $127.1 million of indefinite-lived trademark assets separately identified from goodwill at October 5, 2024 and December 30, 2023. These trademarks are classified as indefinite-lived because we believe they are well established brands with a long history and well-defined markets. We believe these factors support an indefinite life. We perform an annual impairment analysis, or on an interim basis if the facts and circumstances change, to determine if the trademarks are realizing their expected economic benefits. 8. FAIR VALUE OF FINANCIAL INSTRUMENTSThe carrying value of cash and cash equivalents, accounts receivable, and short-term debt approximates fair value because of the short-term maturity of the instruments. Notes receivable are entered into in connection with the purchase of independent distributorsâ€™ distribution rights by independent distributor partners (â€œIDPsâ€). These notes receivable are recorded in the Condensed Consolidated Balance Sheets at carrying value, which represents the closest approximation of fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The company financed approximately 2,700 and 3,000 IDPsâ€™ distribution rights as of October 5, 2024 and December 30, 2023, respectively, all with varied financial histories and credit risks. However, the current stated interest rates used to record the carrying values are appropriately reflective of our estimated interest rates that would be made to borrowers with similar credit ratings for the remaining maturities of the distributor notes receivable. The distribution rights are generally purchased by the IDP with a 5% down payment with the remainder financed for up to 10 years. The distributor notes receivable are collateralized by the IDPsâ€™ distribution rights. The company maintains a wholly-owned subsidiary to assist in financing the distribution rights purchase activities if requested by new IDPs, using the distribution rights and certain associated assets as collateral. These notes receivable earn interest at a fixed rate.Interest income was primarily related to the IDPsâ€™ notes receivable and was as follows (amounts in thousands):Â Â Â InterestIncome Â For the twelve weeks ended October 5, 2024 Â $ 3,910 Â For the twelve weeks ended October 7, 2023 Â $ 4,542 Â For the forty weeks ended October 5, 2024 Â $ 13,670 Â For the forty weeks ended October 7, 2023 Â $ 16,251 Â Â At October 5, 2024 and December 30, 2023, respectively, the carrying value of the distributor notes receivable was as follows (amounts in thousands):Â Â Â October 5, 2024 Â Â December 30, 2023 Â Distributor notes receivable Â $ 128,576 Â Â $ 133,335 Â Less: current portion of distributor notes receivable recorded inÂ Â accounts and notes receivable, net Â Â (16,243) Â Â (9,764) Long-term portion of distributor notes receivable Â $ 112,333 Â Â $ 123,571 Â Â 18 The distributor notes receivable balance as of October 5, 2024 and December 30, 2023 include a reserve of $6.0 million and $14.8 million, respectively, related to a legal settlement. See Note 15, Commitments and Contingencies, for additional information.The fair value of the companyâ€™s variable rate debt at October 5, 2024 approximates the recorded value. The fair value of the companyâ€™s 2.400% senior notes due 2031 (the "2031 notes") and 3.500% senior notes due 2026 (the â€œ2026 notesâ€), as discussed in Note 13, Debt and Other Obligations, of this Form 10-Q, are estimated using yields obtained from independent pricing sources for similar types of borrowing arrangements and are considered a Level 2 valuation. The fair value of the 2031 notes and 2026 notes are presented in the table below (amounts in thousands, except level classification):Â Â Â Carrying Value Â Â Fair Value Â Â Level 2031Â notes Â $ 495,284 Â Â $ 430,969 Â Â 2 2026Â notes Â $ 398,859 Â Â $ 391,793 Â Â 2 Â For fair value disclosure information about our derivative assets and liabilities see Note 9, Derivative Financial Instruments. 9. DERIVATIVE FINANCIAL INSTRUMENTSThe company measures the fair value of its derivative portfolio by using the price that would be received to sell an asset or paid to transfer a liability in the principal market for that asset or liability. These measurements are classified into a hierarchy by the inputs used to perform the fair value calculation as follows:Level 1: Fair value based on unadjusted quoted prices for identical assets or liabilities at the measurement dateLevel 2: Modeled fair value with model inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectlyLevel 3: Modeled fair value with unobservable model inputs that are used to estimate the fair value of the asset or liabilityCommodity RiskThe company enters into commodity derivatives designated as cash-flow hedges of existing or future exposure to changes in commodity prices. The companyâ€™s primary raw materials are flour, sweeteners and shortening, along with pulp, paper and petroleum-based packaging products. Natural gas, which is used as oven fuel, and diesel fuel are also important commodity inputs.As of October 5, 2024, the companyâ€™s hedge portfolio contained commodity derivatives, which are recorded in the following accounts with fair values measured as indicated (amounts in thousands):Â Â Â Level 1 Â Â Level 2 Â Â Level 3 Â Â Total Â Assets: Â Â Â Â Â Â Â Â Â Â Â Â Other current Â $ 606 Â Â $ â€” Â Â $ â€” Â Â $ 606 Â Other long-term Â Â 66 Â Â Â â€” Â Â Â â€” Â Â Â 66 Â Total Â Â 672 Â Â Â â€” Â Â Â â€” Â Â Â 672 Â Â Â Â Â Â Â Â Â Â Â Â Â Liabilities: Â Â Â Â Â Â Â Â Â Â Â Â Other current Â Â (38) Â Â â€” Â Â Â â€” Â Â Â (38) Other long-term Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Â Â (38) Â Â â€” Â Â Â â€” Â Â Â (38) Net Fair Value Â $ 634 Â Â $ â€” Â Â $ â€” Â Â $ 634 Â Â As of December 30, 2023, the companyâ€™s hedge portfolio contained commodity derivatives, which are recorded in the following accounts with fair values measured as indicated (amounts in thousands):Â Â Â Level 1 Â Â Level 2 Â Â Level 3 Â Â Total Â Assets: Â Â Â Â Â Â Â Â Â Â Â Â Other current Â $ 55 Â Â $ â€” Â Â $ â€” Â Â $ 55 Â Other long-term Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Â Â 55 Â Â Â â€” Â Â Â â€” Â Â Â 55 Â Â Â Â Â Â Â Â Â Â Â Â Â Liabilities: Â Â Â Â Â Â Â Â Â Â Â Â Other current Â Â (1,918) Â Â â€” Â Â Â â€” Â Â Â (1,918) Other long-term Â Â (2) Â Â â€” Â Â Â â€” Â Â Â (2) Total Â Â (1,920) Â Â â€” Â Â Â â€” Â Â Â (1,920) Net Fair Value Â $ (1,865) Â $ â€” Â Â $ â€” Â Â $ (1,865) Â 19 Â The positions held in the portfolio are used to hedge economic exposure to changes in various raw material prices and effectively fix, or limit increases in, prices for a period extending into Fiscal 2025. These instruments are designated as cash-flow hedges. The change in the fair value for these derivatives is reported in AOCI. All the company-held commodity derivatives at October 5, 2024 and December 30, 2023, respectively, qualified for hedge accounting.Interest Rate RiskThe company enters into interest derivatives designated as cash-flow hedges of existing or future exposure to changes in interest rates. The company's risk management objective and strategy with respect to interest rate swaps is to protect the company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a forecasted issuance of long-term debt. This swap is designated as a cash flow hedge.For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in AOCI and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the companyâ€™s fixed-rate bonds. As of October 5, 2024, the companyâ€™s hedge portfolio contained interest derivatives, which are recorded in the following accounts with fair values measured as indicated (amounts in thousands):Â Â Â Level 1 Â Â Level 2 Â Â Level 3 Â Â Total Â Assets: Â Â Â Â Â Â Â Â Â Â Â Â Other current Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Other long-term Â Â 633 Â Â Â â€” Â Â Â â€” Â Â Â 633 Â Total Â Â 633 Â Â Â â€” Â Â Â â€” Â Â Â 633 Â Â Â Â Â Â Â Â Â Â Â Â Â Liabilities: Â Â Â Â Â Â Â Â Â Â Â Â Other current Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Other long-term Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Net Fair Value Â $ 633 Â Â $ â€” Â Â $ â€” Â Â $ 633 Â Â The company's hedge portfolio did not contain any interest derivatives as of December 30, 2023.During the first quarter of Fiscal 2021, the company entered into treasury locks to fix the interest rate for the 2031 notes issued on March 9, 2021. The derivative positions were closed when the debt was priced on March 2, 2021 with a cash settlement net receipt of $3.9 million that offset changes in the benchmark treasury rate between execution of the treasury rate locks and the debt pricing date. These rate locks were designated as a cash flow hedge and the deferred amount reported in AOCI is being reclassified to interest expense as interest payments are made on the notes through the maturity date.The company previously entered into treasury rate locks at the time we executed the 2026 notes. These rate locks were designated as a cash flow hedge and the fair value at termination was deferred in AOCI. The deferred amount reported in AOCI is being reclassified to interest expense as interest payments are made on the related notes through the maturity date. 20 Derivative Assets and LiabilitiesThe company has the following derivative instruments located on the Condensed Consolidated Balance Sheets, which are utilized for the risk management purposes detailed above (amounts in thousands):Â Â Â Derivative Assets Â Â Derivative Liabilities Â Â Â October 5, 2024 Â Â December 30, 2023 Â Â October 5, 2024 Â Â December 30, 2023 Â Derivatives Designated asHedging Instruments Â Balance SheetLocation Â Fair Value Â Â BalanceSheetLocation Â Fair Value Â Â BalanceSheetLocation Â Fair Value Â Â BalanceSheetLocation Â Fair Value Â Commodity contracts Â Othercurrentassets Â $ 606 Â Â Othercurrentassets Â $ 55 Â Otheraccruedliabilities Â $ 38 Â Â Other accruedliabilities Â $ 1,918 Â Commodity contracts Â Otherassets Â Â 699 Â Â Otherassets Â Â â€” Â Â Otherlong-termliabilities Â Â â€” Â Â Otherlong-termliabilities Â Â 2 Â Total Â Â Â $ 1,305 Â Â Â Â $ 55 Â Â Â Â $ 38 Â Â Â Â $ 1,920 Â Â Derivative AOCI transactionsThe company had the following derivative instruments for deferred gains and (losses) on closed contracts and the effective portion for changes in fair value recorded in AOCI (no amounts were excluded from the effectiveness test), all of which are utilized for the risk management purposes detailed above (amounts in thousands and net of tax):Â Â Â Amount of (Loss) or Gain Â Â Â Â Amount of Gain or (Loss) Â Â Â Recognized in AOCI on Derivatives Â Â Â Â Reclassified from AOCI Â Â Â (Effective Portion) Â Â Location of Gain or (Loss) Â into Income (Effective Portion) Â Derivatives in Cash Flow Â For the Twelve Weeks Ended Â Â Reclassified from AOCI Â For the Twelve Weeks Ended Â Hedge Relationships(1) Â October 5, 2024 Â Â October 7, 2023 Â Â into Income (Effective Portion)(2) Â October 5, 2024 Â Â October 7, 2023 Â Interest rate contracts Â $ 492 Â Â $ â€” Â Â Interest expense Â $ 86 Â Â $ 86 Â Commodity contracts Â Â 731 Â Â Â (1,579) Â Production costs(3) Â Â (214) Â Â (383) Total Â $ 1,223 Â Â $ (1,579) Â Â Â $ (128) Â $ (297) Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Amount of (Loss) or Gain Â Â Â Â Amount of Gain or (Loss) Â Â Â Recognized in AOCI on Derivatives Â Â Â Â Reclassified from AOCI Â Â Â (Effective Portion) Â Â Location of Gain or (Loss) Â into Income (Effective Portion) Â Derivatives in Cash Flow Â For the Forty Weeks Ended Â Â Reclassified from AOCI Â For the Forty Weeks Ended Â Hedge Relationships(1) Â October 5, 2024 Â Â October 7, 2023 Â Â into Income (Effective Portion)(2) Â October 5, 2024 Â Â October 7, 2023 Â Interest rate contracts Â $ 470 Â Â $ â€” Â Â Interest expense Â $ 287 Â Â $ 287 Â Commodity contracts Â Â 631 Â Â Â (1,531) Â Production costs(3) Â Â (986) Â Â (1,819) Total Â $ 1,101 Â Â $ (1,531) Â Â Â $ (699) Â $ (1,532) Â 1.Amounts in parentheses indicate debits to determine net income.2.Amounts in parentheses, if any, indicate credits to determine net income.3.Included in materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately). There was no hedging ineffectiveness, and no amounts were excluded from the ineffectiveness testing, during the twelve and forty weeks ended October 5, 2024 and October 7, 2023, respectively, related to the companyâ€™s commodity risk hedges.At October 5, 2024, the balance in AOCI related to commodity price risk and interest rate risk derivative transactions that closed or will expire over the following years are as follows (amounts in thousands and net of tax) (amounts in parenthesis indicate a debit balance):Â Â Â CommodityPrice RiskDerivatives Â Â InterestRate RiskDerivatives Â Â Totals Â Closed contracts Â $ (210) Â $ 2,029 Â Â $ 1,819 Â Expiring in 2024 Â Â (36) Â Â â€” Â Â Â (36) Expiring in 2025 Â Â 510 Â Â Â â€” Â Â Â 510 Â Expiring in 2026 Â Â â€” Â Â Â 470 Â Â Â 470 Â Total Â $ 264 Â Â $ 2,499 Â Â $ 2,763 Â Â 21 Â Derivative Transactions Notional AmountsAs of October 5, 2024, the company had the following outstanding financial contracts that were entered to hedge commodity risk (amounts in thousands):Â Â Â NotionalAmount Â Wheat contracts Â $ 1,208 Â Soybean oil contracts Â Â 9,024 Â Natural gas contracts Â Â 1,831 Â Corn contracts Â Â 403 Â Interest rate contracts Â Â 125,000 Â Total Â $ 137,466 Â Â The companyâ€™s derivative instruments contain no credit-risk related contingent features at October 5, 2024. As of October 5, 2024 and December 30, 2023, the company had $3.3 million and $6.3 million, respectively, in other current assets representing collateral for hedged positions. As of October 5, 2024 and December 30, 2023, the company had $3.3 million and $3.2 million, respectively, recorded in other accrued liabilities representing collateral due to counterparties for hedged positions. 10. OTHER CURRENT AND NON-CURRENT ASSETS Other current assets consist of (amounts in thousands):Â Â Â October 5, 2024 Â Â December 30, 2023 Â Prepaid assets Â $ 3,843 Â Â $ 4,042 Â Service contracts Â Â 14,524 Â Â Â 27,102 Â Prepaid insurance Â Â 9,997 Â Â Â 6,546 Â Prepaid marketing and promotions Â Â 1,113 Â Â Â 4,458 Â Collateral to counterparties for derivative positions Â Â 3,256 Â Â Â 6,333 Â Income taxes receivable Â Â 11,748 Â Â Â 17,362 Â Other Â Â 1,964 Â Â Â 214 Â Total Â $ 46,445 Â Â $ 66,057 Â Â Other non-current assets consist of (amounts in thousands):Â Â Â October 5, 2024 Â Â December 30, 2023 Â Unamortized financing fees Â $ 905 Â Â $ 1,125 Â Investments Â Â 2,416 Â Â Â 2,443 Â Investment in unconsolidated affiliate Â Â 1,481 Â Â Â 5,481 Â Deposits Â Â 2,626 Â Â Â 2,789 Â Noncurrent postretirement benefit plan asset Â Â 6,330 Â Â Â 6,494 Â Other Â Â 809 Â Â Â 155 Â Total Â $ 14,567 Â Â $ 18,487 Â Â Â 22 11. OTHER ACCRUED LIABILITIES AND OTHER LONG-TERM LIABILITIESOther accrued liabilities consist of (amounts in thousands):Â Â Â October 5, 2024 Â Â December 30, 2023 Â Employee compensation Â $ 28,707 Â Â $ 28,000 Â Employee vacation Â Â 20,194 Â Â Â 17,699 Â Restructuring-related accruals Â Â 86 Â Â Â 1,429 Â Employee bonus Â Â 38,865 Â Â Â 28,004 Â Fair value of derivative instruments Â Â 38 Â Â Â 1,918 Â Self-insurance reserves Â Â 35,344 Â Â Â 38,003 Â Bank overdraft Â Â 11,817 Â Â Â 18,180 Â Accrued interest Â Â 1,280 Â Â Â 7,516 Â Accrued utilities Â Â 6,177 Â Â Â 6,121 Â Accrued taxes Â Â 15,502 Â Â Â 7,984 Â Accrued advertising Â Â 4,615 Â Â Â 2,333 Â Accrued legal settlements Â Â 826 Â Â Â 55,000 Â Accrued legal costs Â Â 3,783 Â Â Â 3,798 Â Accrued short-term deferred income Â Â 2,551 Â Â Â 3,217 Â Collateral due to counterparties for derivative positions Â Â 3,266 Â Â Â 3,230 Â Multi-employer pension plan withdrawal liability Â Â â€” Â Â Â 1,297 Â Repurchase obligations of distribution rights Â Â 35,791 Â Â Â 64,583 Â Other Â Â 8,627 Â Â Â 4,634 Â Total Â $ 217,469 Â Â $ 292,946 Â Â The repurchase of distribution rights is part of a legal settlement which requires a phased repurchase of approximately 350 distribution rights. The company estimated the cost of these repurchases, and an additional 50 other California distribution rights that are not part of the settlement, in accordance with the settlement agreement and the amount is net of the remaining notes receivable balance. The repurchases began at the end of the first quarter of Fiscal 2024 and are anticipated to be completed by the end of the first quarter of Fiscal 2025. See Note 15, Commitments and Contingencies, for details on this settlement. Â Other long-term liabilities consist of (amounts in thousands):Â Â Â October 5, 2024 Â Â December 30, 2023 Â Deferred income Â $ 5,587 Â Â $ 7,222 Â Deferred compensation Â Â 27,849 Â Â Â 26,207 Â Other Â Â 2,485 Â Â Â 508 Â Total Â $ 35,921 Â Â $ 33,937 Â Â Â 12. ASSETS HELD FOR SALEThe company may repurchase distribution rights from IDPs for a variety of reasons, including when the company decides to exit a territory or, in some cases, when the IDP elects to terminate its relationship with the company. In most of the distributor agreements, if the company decides to exit a territory or stop using the independent distribution model in a territory, the company is contractually required to purchase the distribution rights from the IDP. In the event an IDP terminates its relationship with the company, the company, although not legally obligated, may repurchase and operate those distribution rights as a company-owned territory. The IDPs may also sell their distribution rights to another person or entity. Distribution rights purchased from IDPs and operated as company-owned territories are recorded on the Condensed Consolidated Balance Sheets in the line item assets held for sale while the company actively seeks another IDP to purchase the distribution rights for the territory. Distribution rights held for sale and operated by the company are sold to IDPs at fair market value pursuant to the terms of a distributor agreement. There are multiple versions of the distributor agreement in place at any given time and the terms of such distributor agreements vary. 23 Additional assets recorded in assets held for sale are for property, plant and equipment. The carrying values of assets held for sale are not amortized and are evaluated for impairment as required at the end of the reporting period. The table below presents the assets held for sale as of October 5, 2024 and December 30, 2023, respectively (amounts in thousands): Â Â October 5, 2024 Â Â December 30, 2023 Â Distribution rights Â $ 24,599 Â Â $ 20,587 Â Property, plant and equipment Â Â 599 Â Â Â 1,212 Â Total assets held for sale Â $ 25,198 Â Â $ 21,799 Â During the second quarter of Fiscal 2024, the company recorded an asset impairment charge of $1.4 million to write-off certain cake distribution territories classified as held for sale that the company no longer intends to sell. 13. DEBT AND OTHER OBLIGATIONSLong-term debt (net of issuance costs and debt discounts excluding line-of-credit arrangements) (leases are separately discussed in Note 5, Leases) consisted of the following at October 5, 2024 and

December 30, 2023, respectively (amounts in thousands):Â Â Â October 5, 2024 Â Â December 30, 2023 Â Unsecured credit facility Â $ â€” Â Â $ â€” Â 2031Â notes Â Â 495,284 Â Â Â 494,723 Â 2026Â notes Â Â 398,859 Â Â Â 398,421 Â Accounts receivable repurchase facility Â Â 160,000 Â Â Â 155,000 Â Â Â Â 1,054,143 Â Â Â 1,048,144 Â Less current maturities of long-term debt Â Â â€” Â Â Â â€” Â Total long-term debt Â $ 1,054,143 Â Â $ 1,048,144 Â Â Bank overdrafts occur when checks have been issued but have not been presented to the bank for payment. Certain banks allow us to delay funding of issued checks until the checks are presented for payment. The delay in funding results in a temporary source of financing from the bank. The activity related to bank overdrafts is shown as a financing activity in our Condensed Consolidated Statements of Cash Flows. Bank overdrafts are included in other accrued liabilities on our Condensed Consolidated Balance Sheets.The company also had standby letters of credit (â€œLOCsâ€) outstanding of $8.4 million at October 5, 2024 and December 30, 2023, which reduce the availability of funds under the senior unsecured revolving credit facility (the "credit facility"). The outstanding LOCs are for the benefit of certain insurance companies and lessors. None of the outstanding LOCs are recorded as a liability on the Condensed Consolidated Balance Sheets.2031 Notes, 2026 Notes, Accounts Receivable Repurchase Facility, Accounts Receivable Securitization Facility, and Credit Facility2031 Notes. On March 9, 2021, the company issued $500.0 million of senior notes. The company will pay semiannual interest on the 2031 notes on each March 15 and September 15 and the 2031 notes will mature on March 15, 2031. The notes bear interest at 2.400% per annum. On any date prior to December 15, 2030, the company may redeem some or all of the notes at a price equal to the greater of (1) 100% of the principal amount of the notes redeemed and (2) a â€œmake-wholeâ€ amount plus, in each case, accrued and unpaid interest. The make-whole amount is equal to the sum of the present values of the remaining scheduled payments of principal and interest on the 2031 notes to be redeemed that would be due if such notes matured December 15, 2030 (exclusive of interest accrued to, but not including, the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the sum of the applicable treasury rate (as defined in the indenture governing the notes), plus 20 basis points, plus, in each case, accrued and unpaid interest. At any time on or after December 15, 2030, the company may redeem some or all of the 2031 notes at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest. If the company experiences a â€œchange of control triggering eventâ€ (which involves a change of control of the company and the related rating of the notes below investment grade), it is required to offer to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest thereon unless the company has exercised its option to redeem the notes in whole. The 2031 notes are also subject to customary restrictive covenants for investment grade debt, including certain limitations on liens and sale and leaseback transactions. 24 The face value of the 2031 notes is $500.0 million. There was a debt discount of $2.4 million representing the difference between the net proceeds, after expenses, received upon issuance of debt and the amount repayable at its maturity. The company also accrued issuance costs of $4.8 million (including underwriting fees and other fees) on the 2031 notes. Debt issuance costs and the debt discount are being amortized to interest expense over the term of the 2031 notes. As of October 5, 2024 and December 30, 2023, the company was in compliance with all restrictive covenants under the indenture governing the 2031 notes. 2026 Notes. On September 28, 2016, the company issued $400.0 million of senior notes. The company pays semiannual interest on the 2026 notes on each April 1 and October 1 and the 2026 notes will mature on October 1, 2026. The notes bear interest at 3.500% per annum. The 2026 notes are subject to interest rate adjustments if either Moodyâ€™s or S&P downgrades (or downgrades and subsequently upgrades) the credit rating assigned to the 2026 notes. On any date prior to July 1, 2026, the company may redeem some or all of the notes at a price equal to the greater of (1) 100% of the principal amount of the notes redeemed and (2) a â€œmake-wholeâ€ amount plus, in each case, accrued and unpaid interest. The make-whole amount is equal to the sum of the present values of the remaining scheduled payments of principal and interest on the 2026 notes to be redeemed that would be due if such notes matured July 1, 2026 (exclusive of interest accrued to, but not including, the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate (as defined in the indenture governing the notes), plus 30 basis points, plus in each case accrued and unpaid interest. At any time on or after July 1, 2026, the company may redeem some or all of the 2026 notes at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest. If the company experiences a â€œchange of control triggering eventâ€ (which involves a change of control of the company and the related rating of the notes below investment grade), it is required to offer to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest thereon unless the company exercised its option to redeem the notes in whole. The 2026 notes are also subject to customary restrictive covenants for investment grade debt, including certain limitations on liens and sale and leaseback transactions.The face value of the 2026 notes is $400.0 million. There was a debt discount of $2.1 million representing the difference between the net proceeds, after expenses, received upon issuance of debt and the amount repayable at its maturity. The company also paid issuance costs of $3.6 million (including underwriting fees and other fees) on the 2026 notes. Debt issuance costs and the debt discount are being amortized to interest expense over the term of the 2026 notes. As of October 5, 2024 and December 30, 2023, the company was in compliance with all restrictive covenants under the indenture governing the 2026 notes. Accounts Receivable Repurchase Facility. On April 14, 2023, the company terminated the accounts receivable securitization facility (the "securitization facility") and entered into a two-year $200.0 million accounts receivable repurchase facility (the "repurchase facility"). On April, 15, 2024, the company entered into the First Omnibus Amendment to amend the repurchase facility and extend the scheduled facility expiration date from April 14, 2025 to April 14, 2026. Under the repurchase facility, certain subsidiaries of the company sell or distribute, on an ongoing basis, substantially all of their trade receivables to the company. The company may at its option onward sell all of its qualifying receivables to the funding parties under the repurchase facility with an agreement to repurchase the receivables on a monthly basis for a repurchase price equal to the purchase price paid and an interest component based on Term SOFR (as defined below) plus a margin. There is an unused fee applicable on the daily unused portion of the repurchase facility. The repurchase facility contains certain customary representations and warranties, affirmative and negative covenants, and events of default. As of October 5, 2024 and December 30, 2023, the company was in compliance with all restrictive covenants under the repurchase facility.The table below presents the borrowings and repayments under the repurchase facility during the forty weeks ended October 5, 2024:Â Â Â Amount(thousands) Â Balance at December 30, 2023 Â $ 155,000 Â Borrowings Â Â 205,000 Â Payments Â Â (200,000) Balance at October 5, 2024 Â $ 160,000 Â The table below presents the net amount available for working capital and general corporate purposes under the repurchases facility as of October 5, 2024:Â Â Â Amount(thousands) Â Gross amount available Â $ 200,000 Â Outstanding Â Â (160,000) Available for withdrawal Â $ 40,000 Â Â 25 Amounts available for withdrawal under the repurchase facility are determined as the lesser of the total repurchase facility limit and a formula derived amount based on qualifying trade receivables. The table below presents the highest and lowest outstanding balance under the repurchase facility during the forty weeks ended October 5, 2024:Â Â Â Amount(thousands) Â High balance Â $ 195,000 Â Low balance Â $ 105,000 Â Financing costs paid at inception of the repurchase facility and when amendments are executed are being amortized over the life of the repurchase facility. The company incurred $0.2 million in financing costs during the first quarter of Fiscal 2024 related to the amendment and $0.8 million in financing costs at inception during the first quarter of Fiscal 2023. The balance of unamortized financing costs was $0.3 million on October 5, 2024 and December 30, 2023, and is recorded in other assets on the Condensed Consolidated Balance Sheets.Accounts Receivable Securitization Facility. On July 17, 2013, the company entered into the securitization facility. The company had previously amended the securitization facility 11 times since execution and most recently on February 13, 2023. On April 14, 2023, the company terminated the securitization facility with no outstanding borrowings and recognized a charge of $0.3 million to write-off the unamortized loan costs upon the early extinguishment of the securitization facility.Credit Facility. The company is party to an amended and restated credit agreement, dated as of October 24, 2003, with the lenders party thereto and Deutsche Bank Trust Company Americas, as administrative agent, (as amended, restated, modified or supplemented from time to time, the â€œamended and restated credit agreementâ€). The company has amended the amended and restated credit agreement eight times since execution, most recently on April 12, 2023 (the â€œeighth amendmentâ€). Under the amended and restated credit agreement, our credit facility is a five-year, $500.0 million senior unsecured revolving loan facility with the following terms and conditions: (i) a maturity date of July 30, 2026; (ii) an applicable margin for revolving loans maintained as (1) base rate loans and swingline loans with a range of 0.00% to 0.525% and (2) SOFR loans with a range of 0.815% to 1.525%, in each case, based on the more favorable (to the company) of (x) the leverage ratio of the company and its subsidiaries and (y) the companyâ€™s debt rating; (iii) an applicable facility fee with a range of 0.06% to 0.225%, due quarterly on all commitments under the amended and restated credit agreement, based on the more favorable (to the company) of (x) the leverage ratio of the company and its subsidiaries and (y) the companyâ€™s debt rating; and (iv) a maximum leverage ratio covenant to permit the company, at its option, in connection with certain acquisitions and investments and subject to the terms and conditions provided in the amended and restated credit agreement, to increase the maximum ratio permitted thereunder on one or more occasions to 4.00 to 1.00 for a period of four consecutive fiscal quarters, including and/or immediately following the fiscal quarter in which such acquisitions or investments were completed (the â€œcovenant holidayâ€), provided that each additional covenant holiday will not be available to the company until it has achieved and maintained a leverage ratio of at least 3.75 to 1.00 and has been complied with for at least two fiscal quarters. Additionally, the eighth amendment replaced the benchmark rate at which borrowings under the amended and restated credit agreement bear interest from LIBOR to the forward-looking SOFR term rate administered by CME Group Benchmark Administration Limited ("Term SOFR"). As a result of these amendments and with respect to SOFR Loans, we can borrow at Term SOFR, plus a credit spread adjustment of 0.10% subject to a floor of zero. In addition, the credit facility contains a provision that permits the company to request up to $200.0 million in additional revolving commitments, for a total of up to $700.0 million, subject to the satisfaction of certain conditions. Proceeds from the credit facility may be used for working capital and general corporate purposes, including capital expenditures, acquisition financing, refinancing of indebtedness, dividends and share repurchases. The credit facility includes certain customary restrictions, which, among other things, require maintenance of financial covenants and limit encumbrance of assets and creation of indebtedness. Restrictive financial covenants include such ratios as a minimum interest coverage ratio and a maximum leverage ratio. The company believes that, given its current cash position, its cash flow from operating activities and its available credit capacity, it can comply with the current terms of the amended credit facility and can meet its presently foreseeable financial requirements. As of October 5, 2024 and December 30, 2023, the company was in compliance with all restrictive covenants under the credit facility.Financing costs paid at inception of the credit facility and at the time amendments are executed are being amortized over the life of the credit facility. The company incurred additional financing costs of $0.1 million during the first quarter of Fiscal 2023 for the eighth amendment. The balance of unamortized financing costs was $0.6 million and $0.9 million on October 5, 2024 and December 30, 2023, respectively, and is recorded in other assets on the Condensed Consolidated Balance Sheets. Amounts outstanding under the credit facility can vary daily. Changes in the gross borrowings and repayments can be caused by cash flow activity from operations, capital expenditures, acquisitions, dividends, share repurchases, and tax payments, as well as derivative transactions, which are part of the companyâ€™s overall risk management strategy as discussed in Note 9, Derivative Financial Instruments, of this Form 10-Q. The table below presents the borrowings and repayments under the credit facility during the forty weeks ended October 5, 2024. 26 Â Â Â Amount(thousands) Â Balance at December 30, 2023 Â $ â€” Â Borrowings Â Â 79,700 Â Payments Â Â (79,700) Balance at October 5, 2024 Â $ â€” Â Â The table below presents the net amount available under the credit facility as of October 5, 2024:Â Â Â Amount(thousands) Â Gross amount available Â $ 500,000 Â Outstanding Â Â â€” Â Letters of credit Â Â (8,400) Available for withdrawal Â $ 491,600 Â Â The table below presents the highest and lowest outstanding balance under the credit facility during the forty weeks ended October 5, 2024:Â Â Â Amount(thousands) Â High balance Â $ 30,000 Â Low balance Â $ â€” Â Â Aggregate maturities of debt outstanding as of October 5, 2024 are as follows (excluding unamortized debt discount and issuance costs) (amounts in thousands):Â Remainder of 2024 Â $ â€” Â 2025 Â Â â€” Â 2026 Â Â 560,000 Â 2027 Â Â â€” Â 2028 Â Â â€” Â 2029 and thereafter Â Â 500,000 Â Total Â $ 1,060,000 Â Â Debt discount and issuance costs are being amortized straight-line (which approximates the effective method) over the term of the underlying debt outstanding. The table below reconciles the debt issuance costs and debt discounts to the net carrying value of each of our debt obligations (excluding line-of-credit arrangements) at October 5, 2024 (amounts in thousands):Â Â Â Â Â Â Debt Issuance Costs Â Â Â Â Â Â Face Value Â Â and Debt Discount Â Â Net Carrying Value Â 2031 notes Â $ 500,000 Â Â $ 4,716 Â Â $ 495,284 Â 2026 notes Â Â 400,000 Â Â Â 1,141 Â Â Â 398,859 Â Total Â $ 900,000 Â Â $ 5,857 Â Â $ 894,143 Â Â The table below reconciles the debt issuance costs and debt discounts to the net carrying value of each of our debt obligations (excluding line-of-credit arrangements) at December 30, 2023 (amounts in thousands):Â Â Â Â Â Â Debt Issuance Costs Â Â Â Â Â Â Face Value Â Â and Debt Discount Â Â Net Carrying Value Â 2031 notes Â $ 500,000 Â Â $ 5,277 Â Â $ 494,723 Â 2026 notes Â Â 400,000 Â Â Â 1,579 Â Â Â 398,421 Â Total Â $ 900,000 Â Â $ 6,856 Â Â $ 893,144 Â Â 27 14. VARIABLE INTEREST ENTITIESDistribution rights agreement VIE analysisThe incorporated IDPs qualify as variable interest entities ("VIEs"). The IDPs who are formed as sole proprietorships are excluded from the following VIE accounting analysis and discussion. Incorporated IDPs acquire distribution rights and enter into a contract with the company to sell the companyâ€™s products in the IDPsâ€™ defined geographic territory. The incorporated IDPs have the option to finance the acquisition of their distribution rights with the company. They can also pay cash or obtain external financing at the time they acquire the distribution rights. The combination of the companyâ€™s loans to the incorporated IDPs and the ongoing distributor arrangements with the incorporated IDPs provide a level of funding to the equity owners of the various incorporated IDPs that would not otherwise be available. As of October 5, 2024 and December 30, 2023, there was $123.4 million and $134.4 million, respectively, in gross distribution rights notes receivable outstanding from incorporated IDPs.The company is not considered to be the primary beneficiary of the VIEs because the company does not (i) have the ability to direct the significant activities of the VIEs that would affect their ability to operate their respective businesses and (ii) provide any implicit or explicit guarantees or other financial support to the VIEs, other than the financing described above, for specific return or performance benchmarks. The activities controlled by the incorporated IDPs that are deemed to most significantly impact the ultimate success of the incorporated IDP entities relate to those decisions inherent in operating the distribution business in the territory, including acquiring trucks and trailers, managing fuel costs, employee matters and other strategic decisions. In addition, we do not provide, nor do we intend to provide, financial or other support to the IDP. The IDPs are responsible for the operations of their respective territories.The companyâ€™s maximum contractual exposure to loss for the incorporated IDP relates to the distributor rights note receivable for the portion of the territory the incorporated IDPs financed at the time they acquired the distribution rights. The incorporated IDPs remit payment on their distributor rights note receivable each week during the settlement process of their weekly activity. The company will operate a territory on behalf of an incorporated IDP in situations where the IDP has abandoned its distribution rights. Any remaining balance outstanding on the distribution rights notes receivable is relieved once the distribution rights have been sold on the IDPs behalf. The companyâ€™s collateral from the territory distribution rights mitigates the potential losses. 28 15. COMMITMENTS AND CONTINGENCIES Self-insurance reserves and other commitments and contingenciesThe company records self-insurance reserves as an other accrued liability on our Condensed Consolidated Balance Sheets. The reserves include an estimate of expected settlements on pending claims, defense costs and a provision for claims incurred but not reported. These estimates are based on the companyâ€™s assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and current cost trends. The amount of the companyâ€™s ultimate liability in respect of these matters may differ materially from these estimates.In the event the company ceases to utilize the independent distributor model or exits a geographic market, the company is contractually required in some situations to purchase the distribution rights from the independent distributor. The company expects to continue operating under this model and has concluded for the litigation described below that none require loss contingency recognition pursuant to our policy. See Note 2, Summary of Significant Accounting Policies, of our Form 10-K.The companyâ€™s facilities are subject to various federal, state and local laws and regulations regarding the discharge of material into the environment and the protection of the environment in other ways. The company is not a party to any material proceedings arising under these laws and regulations. The company believes that compliance with existing environmental laws and regulations will not materially affect the consolidated financial condition, results of operations, cash flows or the competitive position of the company. The company believes it is currently in substantial compliance with all material environmental laws and regulations affecting the company and its properties. LitigationThe company and its subsidiaries from time to time are parties to, or targets of, lawsuits, claims, investigations and proceedings, including personal injury, commercial, contract, environmental, antitrust, product liability, health and safety and employment matters, which are being handled and defended in the ordinary course of business. At this time, the company is defending fourteen complaints filed by IDPs alleging that such distributors were misclassified as independent contractors. Six of these lawsuits seek class and/or collective action treatment. The remaining eight cases either allege individual claims or do not seek class or collective action treatment or, in cases in which class treatment was sought, the court denied class certification. The respective courts have ruled on plaintiffsâ€™ motions for class certification in one of the pending cases, each of which is discussed below. Unless otherwise noted, a class was conditionally certified under the Fair Labor Standards Act ("FLSA") in each of the cases described below, although the company has the ability to petition the court to decertify that class at a later date:Â Case Name Â Case No. Â Venue Â Date Filed Martins v. Flowers Foods, Inc.,Flowers Baking Co. of Bradenton,LLC and Flowers Baking Co.of Villa Rica, LLC Â 8:16-cv-03145 Â U.S. District Court MiddleDistrict of Florida Â 11/8/2016 Â The company and/or its respective subsidiaries contest the allegations and are vigorously defending all of these lawsuits. Given the stage of the complaints and the claims and issues presented, except for lawsuits disclosed herein that have reached a settlement or agreement in principle, the company cannot reasonably estimate at this time the possible loss or range of loss that may arise from the unresolved lawsuits. 29 Since the beginning of Fiscal 2023, the company has settled, and the appropriate court has approved, the following collective/class action lawsuits filed by IDPs alleging that such IDPs were misclassified as independent contractors:Â Case Name Â Case No. Â Venue Â Date Filed Â Comments Ludlow et al. v. Flowers Foods, Inc., Flowers Bakeries, LLC and Flowers Finance, LLC Â 3:18-cv-01190 Â U.S. District Court Southern District of California Â 6/6/2018 Â On March 18, 2024, the court approved a settlement to settle this lawsuit and two companion cases â€" Maciel et al. v. Flowers Foods, Inc. et al., No. 3:20-cv-02059-JO-JLB (U.S. District Court for the Southern District of California) and Maciel v. Flowers Foods, Inc. et al., No. 20-CIV-02959 (Superior Court of San Mateo County, California). The settlement provides for a $55Â million common fund, which was paid during the second quarter of Fiscal 2024, to cover settlement payments to a class of approximately 475Â plaintiffs, service awards, attorneysâ€™ fees and settlement administration expenses. The settlement also requires a phased repurchase of distribution rights associated with approximately 350Â territories in California. Once completed, the company plans to service its California market with an employment model. The repurchase of distribution rights is anticipated to be completed by the first quarter of Fiscal 2025. The company estimates the repurchase cost of the 350Â territories, along with 50Â additional California territories that are not part of the settlement, to be approximately $80.2Â million (of which $65.3Â million was originally included in other accrued liabilities and the remaining $14.9Â million in a contra account to notes receivable). These amounts were recorded in the selling, distribution, and administrative expenses line item of the Consolidated Statements of Income (Loss) during Fiscal 2023. See Note 13, Debt and Other Obligations, for additional information on the companyâ€™s commitments. 16. EARNINGS PER SHAREThe following is a reconciliation of net income (loss) and weighted average shares for calculating basic and diluted earnings (loss) per common share for the twelve and forty weeks ended October 5, 2024 and October 7, 2023, respectively (amounts and shares in thousands, except per share data):Â Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Net income (loss) Â $ 64,984 Â Â $ (46,730) Â $ 204,994 Â Â $ 87,740 Â Basic Earnings (Loss) Per Common Share: Â Â Â Â Â Â Â Â Â Â Â Â Basic weighted average shares outstanding for common stock Â Â 210,820 Â Â Â 211,522 Â Â Â 211,084 Â Â Â 211,773 Â Basic earnings (loss) per common share Â $ 0.31 Â Â $ (0.22) Â $ 0.97 Â Â $ 0.41 Â Diluted Earnings (Loss) Per Common Share: Â Â Â Â Â Â Â Â Â Â Â Â Basic weighted average shares outstanding for common stock Â Â 210,820 Â Â Â 211,522 Â Â Â 211,084 Â Â Â 211,773 Â Add: Shares of common stock assumed issued upon exercise ofÂ Â Â stock options and vesting of restricted stock Â Â 1,155 Â Â Â â€" Â Â Â 1,039 Â Â Â 1,682 Â Diluted weighted average shares outstanding for common stock Â Â 211,975 Â Â Â 211,522 Â Â Â 212,123 Â Â Â 213,455 Â Diluted earnings (loss) per common share Â $ 0.31 Â Â $ (0.22) Â $ 0.97 Â Â $ 0.41 Â Â 30 There were no anti-dilutive shares and 37,809 anti-dilutive shares during the twelve and forty weeks ended October 5, 2024, respectively. There were 302,770 anti-dilutive shares during the twelve and forty weeks ended October 7, 2023. Â 17. STOCK-BASED COMPENSATIONOn March 5, 2014, our Board of Directors approved and adopted the 2014 Omnibus Equity and Incentive Compensation Plan (â€œOmnibus Planâ€). The Omnibus Plan was approved by our shareholders on May 21, 2014 and authorized 8,000,000 shares to be used for awards under the Omnibus Plan. The Omnibus Plan authorizes the compensation committee of the Board of Directors to provide equity-based compensation in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, dividend equivalents and other awards to provide our officers, key employees, and non-employee directorsâ€™ incentives and rewards for performance. Equity awards granted after May 21, 2014 are governed by the Omnibus Plan. On May 25, 2023, the company amended and restated the Omnibus Plan to register an additional 9,340,000 shares.The following is a summary of restricted stock and deferred stock outstanding under the Omnibus Plan described above. Information relating to the companyâ€™s stock appreciation rights, which were issued under a separate stock appreciation right plan, is also described below. The company typically grants awards at the beginning of its fiscal year. Information on grants to employees during the forty weeks ended October 5, 2024 is discussed below.Â Performance-Contingent Restricted Stock AwardsPerformance-Contingent Total Shareholder Return Shares (â€œTSR Sharesâ€)Certain key employees have been granted performance-contingent restricted stock under the Omnibus Plan in the form of TSR Shares. The awards vest approximately three years from the date of grant (after the filing of the companyâ€™s Annual Report on Form 10-K), and the shares become non-forfeitable if, and to the extent that, on that date the vesting conditions are satisfied. The total shareholder return (â€œTSRâ€) is the percent change in the companyâ€™s stock price over the measurement period plus the dividends paid to shareholders. The performance payout is calculated at the end of each of the last four quarters (averaged) in the measurement period. Once the TSR is determined for the company (â€œCompany TSRâ€), it is compared to the TSR of our food company peers (â€œPeer Group TSRâ€). The Company TSR compared to the Peer Group TSR will determine the payout as set forth below:Â Percentile Â Payout as %of Target Â 90th Â Â 200 % 70th Â Â 150 % 50th Â Â 100 % 30th Â Â 50 % Below 30th Â Â 0 % Â For performance between the levels described above, the degree of vesting is interpolated on a linear basis. The TSR Shares vest immediately if the grantee dies or becomes disabled. For awards granted starting in Fiscal 2024, if the grantee retires after attaining at least age 55, provided that the sum of the grantee's age plus years of service is an amount equal to or greater than 65, on the normal vesting date the grantee will receive a pro-rated number of shares based upon the retirement date and measured at the actual performance for the entire performance period. For awards granted prior to Fiscal 2024, if the grantee retires at age 65 (or age 55 with at least 10 years of service with the company) or later, on the normal vesting date the grantee will receive a pro-rated number of shares based upon the retirement date and measured at the actual performance for the entire performance period. In addition, if the company undergoes a change in control, the TSR Shares will immediately vest at the target level, provided that if 12 months of the performance period have been completed, vesting will be determined based on Company TSR as of the date of the change in control without application of four-quarter averaging. During the vesting period, the grantee has none of the rights of a shareholder. Dividends declared during the vesting period will accrue and will be paid at vesting on the TSR Shares that ultimately vest. The fair value estimate was determined using a Monte Carlo simulation model, which utilizes multiple input variables to estimate the probability of the company achieving the market condition discussed above. Inputs into the model included the following for the company and comparator companies: (i) TSR from the beginning of the performance cycle through the measurement date; (ii) volatility; (iii) risk-free interest rates; and (iv) the correlation of the comparator companiesâ€™ TSR. The inputs are based on historical capital market data.The following performance-contingent TSR Shares have been granted during the forty weeks ended October 5, 2024 under the Omnibus Plan (amounts in thousands, except price data):Â Grant Date Â SharesGranted Â Â Vesting Date Â Fair Valueper Share Â 12/31/2023 Â Â 272 Â Â 2/28/2027 Â $ 26.07 Â 31 Performance-Contingent Return on Invested Capital Shares (â€œROIC Sharesâ€)Certain key employees have been granted performance-contingent restricted stock under the Omnibus Plan in the form of ROIC Shares. The awards generally vest approximately three years from the date of grant (after the filing of the companyâ€™s Annual Report on Form 10-K), and the shares become non-forfeitable if, and to the extent that, on that date, the vesting conditions are satisfied. Return on Invested Capital (â€œROICâ€) is calculated by dividing our profit, as defined, by the invested capital. Generally, the performance condition requires the companyâ€™s average ROIC to exceed its average weighted cost of capital (â€œWACCâ€) by between 1.50 to 4.50 percentage points for the Fiscal 2024 awards and 1.75 to 4.75 percentage points for the Fiscal 2023 and Fiscal 2022 awards (the â€œROI Targetâ€) over the three fiscal year performance period. If the lowest ROI Target is not met, the awards are forfeited. The ROIC Shares can be earned based on a ranges of target as defined below:Â Difference of ROIC minus WACC Â 2024 Award Less than 150Â basis points Â 0% 150Â basis points Â 50% 300Â basis points Â 100% 450+ basis points Â 150% Â Â Â Difference of ROIC minus WACC Â 2023 and 2022 Award Less than 175Â basis points Â 0% 175Â basis points Â 50% 375Â basis points Â 100% 475+ basis points Â 125% For performance between the levels described above, the degree of vesting is interpolated on a linear basis. The ROIC Shares vest immediately if the grantee dies or becomes disabled. For awards granted starting in Fiscal 2024, if the grantee retires after attaining at least age 55, provided that the sum of the grantee's age plus years of service is an amount equal to or greater than 65, on the normal vesting date the grantee will receive a pro-rated number of shares based upon the retirement date and measured at the actual performance for the entire performance period. For awards granted prior to Fiscal 2024, if the grantee retires at age 65 (or age 55 with at least 10 years of service with the company) or later, on the normal vesting date the grantee will receive a pro-rated number of ROIC Shares based upon the retirement date and actual performance for the entire performance period. In addition, if the company undergoes a change in control, the ROIC Shares will immediately vest at the target level. During the vesting period, the grantee has none of the rights of a shareholder. Dividends declared during the vesting period will accrue and will be paid at vesting on the ROIC Shares that ultimately vest. The fair value of this type of award is equal to the stock price on the grant date. Since these awards have a performance condition feature, the expense associated with these awards may change depending on the expected ROI Target attained at each reporting period. The 2022 award is being expensed at our current estimated payout percentage of 125% of ROI Target, and the 2023 and 2024 awards are being expensed at 100%.The following performance-contingent ROIC Shares have been granted under the Omnibus Plan during the forty weeks ended October 5, 2024 (amounts in thousands, except price data):Â Grant Date Â SharesGranted Â Â Vesting Date Â Fair Valueper Share Â 12/31/2023 Â Â 272 Â Â 2/28/2027 Â $ 22.51 Â Â Performance-Contingent Restricted Stock Â The table below presents the TSR modifier share adjustment (a 127.69% final payout), ROIC modifier share adjustment (a 125% final payout), accumulated dividends on vested shares, and the tax benefit at vesting of the performance-contingent restricted stock awards (amounts in thousands, except per share data):Â Award Granted Â Â Fiscal YearVested Â Â TSR ModifierIncreaseShares Â Â ROIC ModifierIncreaseShares Â Â Dividends atVesting Â Â TaxBenefit Â Â Fair Value atVesting Â Â 2021 Â Â Â 2024 Â Â Â 92,775 Â Â Â 83,835 Â Â $ 2,173 Â Â $ 286 Â Â $ 19,419 Â Â 32 The companyâ€™s performance-contingent restricted stock activity for the forty weeks ended October 5, 2024 is presented below (amounts in thousands, except price data): Â Â Â Shares Â Â WeightedAverageGrant DateFair Value Â Nonvested shares at December 30, 2023 Â Â 2,017 Â Â $ 27.70 Â Granted Â Â 544 Â Â $ 24.29 Â Grant increase for achieving the ROIC modifier Â Â 84 Â Â $ 22.51 Â Grant increase for achieving the TSR modifier Â Â 93 Â Â $ 26.07 Â Vested Â Â (848) Â $ 24.40 Â Forfeited Â Â (51) Â $ 28.09 Â Nonvested shares at October 5, 2024 Â Â 1,839 Â Â $ 27.85 Â Â As of October 5, 2024, there was $21.5 million of total unrecognized compensation cost related to non-vested restricted stock granted under the Omnibus Plan. That cost is expected to be recognized over a weighted-average period of 1.77 years. Time-Based Restricted Stock UnitsCertain key employees have been granted time-based restricted stock units (â€œTBRSU Sharesâ€) at the beginning of the year. These awards vest on January 5th each year in equal installments over a three-year period which began in Fiscal 2021. Occasionally, awards may be issued that have a vesting period of less than three years. Dividends earned on shares will be held by the company during the vesting period and paid in cash when the awards vest and shares are distributed. The following TBRSU Shares have been granted under the Omnibus Plan during the forty weeks ended October 5, 2024 (amounts in thousands, except price data):Â Grant Date Â Shares Granted Â Â Vesting Date Â Fair Valueper Share Â 12/31/2023 Â Â 818 Â Â Equally over 3Â years Â $ 22.51 Â 2/16/2024 Â Â 7 Â Â Equally over 3Â years Â $ 22.42 Â 7/14/2024 Â Â 23 Â Â Equally over 3Â years Â $ 21.92 Â Â The TBRSU Shares activity for the forty weeks ended October 5, 2024 is set forth below (amounts in thousands, except price data): Â Â Â TBRSU Shares Â Â WeightedAverageFairValue Â Â WeightedAverageRemainingContractualTerm (Years) Â Â UnrecognizedCompensationCost Â Nonvested shares at December 30, 2023 Â Â 473 Â Â $ 26.67 Â Â Â Â Â Â Â Vested Â Â (249) Â $ 25.75 Â Â Â Â Â Â Â Granted Â Â 848 Â Â $ 22.51 Â Â Â Â Â Â Â Forfeitures Â Â (79) Â $ 24.12 Â Â Â Â Â Â Â Nonvested shares at October 5, 2024 Â Â 993 Â Â $ 23.56 Â Â Â 2.05 Â Â $ 15,960 Â Â The table below presents the accumulated dividends on vested shares and the tax (expense)/benefit at vesting of the time-based restricted stock units (amounts in thousands). Â Award Granted Â Â Fiscal YearVested Â Â Dividends atVesting Â Â Tax(Expense) Benefit Â Â Fair Value atVesting Â Â 2023 Â Â Â 2024 Â Â $ 73 Â Â $ (141) Â $ 2,674 Â Â 2022 Â Â Â 2024 Â Â $ 103 Â Â $ (69) Â $ 1,348 Â Â 2021 Â Â Â 2024 Â Â $ 197 Â Â $ 3 Â Â $ 1,734 Â Â 33 Deferred StockNon-employee directors may convert their annual board retainers into deferred stock equal in value to 100% of the cash payments directors would otherwise receive and the vesting period is a one-year period to match the period that cash would have been received if no conversion existed. Accumulated dividends are paid upon delivery of the shares. During the forty weeks ended October 5, 2024, non-employee directors elected to receive, and were granted, an aggregate grant of 6,663 common shares for board retainer deferrals pursuant to the Omnibus Plan. During the first quarter of Fiscal 2023, non-employee directors elected to receive, and were granted, an aggregate grant of 3,479 shares for board retainer deferrals pursuant to the Omnibus Plan which vested during the first quarter of Fiscal 2024. Non-employee directors received 14,764 shares of previously deferred board retainer deferrals during the forty weeks ended October 5, 2024.Non-employee directors also receive annual grants of deferred stock. This deferred stock vests one year from the grant date. The deferred stock will be distributed to the grantee at a time designated by the grantee at the date of grant. Compensation expense is recorded on this deferred stock over the one-year vesting period. During the second quarter of Fiscal 2023, non-employee directors were granted 59,400 shares, of which 17,820 were deferred, for their annual grant pursuant to the Omnibus Plan that vested during the second quarter of Fiscal 2024. Additionally, during the third quarter of Fiscal 2023, an aggregate of 9,320 shares were granted to two newly elected non-employee directors, representing a prorated portion of the annual grant pursuant to the Omnibus Plan that vested during the second quarter of Fiscal 2024. Non-employee directors received 5,700 shares of previously deferred annual grant awards during the forty weeks ended October 5, 2024.The deferred stock activity for the forty weeks ended October 5, 2024 is set forth below (amounts in thousands, except price data): Â Â Â Shares Â Â WeightedAverageFairValue Â Â WeightedAverageRemainingContractualTerm (Years) Â Â Unrecognizedcompensationcost Â Nonvested shares at December 30, 2023 Â Â 68 Â Â $ 26.26 Â Â Â Â Â Â Â Vested Â Â (66) Â $ 25.70 Â Â Â Â Â Â Â Granted Â Â 77 Â Â $ 23.38 Â Â Â Â Â Â Â Nonvested shares at October 5, 2024 Â Â 79 Â Â $ 23.52 Â Â Â 0.62 Â Â $ 1,108 Â Â Stock-Based Payments Compensation Expense SummaryThe following table summarizes the companyâ€™s stock-based compensation expense for the twelve and forty weeks ended October 5, 2024 and October 7, 2023, respectively (amounts in thousands):Â Â Â For the Twelve Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Performance-contingent restricted stock awards Â $ 3,717 Â Â $ 3,915 Â TBRSU Shares Â Â 2,238 Â Â Â 1,536 Â Deferred and restricted stock Â Â 426 Â Â Â 432 Â Total stock-based compensation Â $ 6,381 Â Â $ 5,883 Â Â Â Â Â Â Â Â Â Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Performance-contingent restricted stock awards Â $ 14,360 Â Â $ 15,482 Â TBRSU Shares Â Â 7,595 Â Â Â 4,611 Â Deferred and restricted stock Â Â 1,369 Â Â Â 1,289 Â Total stock-based compensation Â $ 23,324 Â Â $ 21,382 Â Â Â 34 18. POSTRETIREMENT PLANSThe following summarizes the companyâ€™s Condensed Consolidated Balance Sheets related pension and other postretirement benefit plan accounts at October 5, 2024 compared to accounts at December 30, 2023 (amounts in thousands):Â Â Â October 5, 2024 Â Â December 30, 2023 Â Noncurrent benefit asset Â $ 6,330 Â Â $ 6,494 Â Current benefit liability Â $ 699 Â Â $ 699 Â Noncurrent benefit liability Â $ 5,315 Â Â $ 5,798 Â AOCI, net of tax Â $ (524) Â $ (342) Â Defined Benefit Plans and Nonqualified PlanThe company sponsors two pension plans, the Flowers Foods, Inc. Retirement Plan No. 2, and the Tasty Baking Company Supplemental Executive Retirement Plan (â€œTasty SERPâ€). The Tasty SERP is frozen and has only retirees and beneficiaries remaining in the plan. The company used a measurement date of December 31, 2023 for the defined benefit and postretirement benefit plans described below. There were no contributions made by the company to any plan during the forty weeks ended October 5, 2024. The company made a voluntary contribution of $1.0 million during the third quarter of Fiscal 2023.The net periodic pension cost for the companyâ€™s plans include the following components (amounts in thousands):Â Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Service cost Â $ 169 Â Â $ 157 Â Â $ 561 Â Â $ 524 Â Interest cost Â Â 272 Â Â Â 301 Â Â Â 906 Â Â Â 1,003 Â Expected return on plan assets Â Â (370) Â Â (360) Â Â (1,234) Â Â (1,200) Amortization of prior service cost Â Â 13 Â Â Â 13 Â Â Â 44 Â Â Â 44 Â Amortization of net loss Â Â 9 Â Â Â 40 Â Â Â 32 Â Â Â 133 Â Total net periodic pension cost Â $ 93 Â Â $ 151 Â Â $ 309 Â Â $ 504 Â Â The components of total net periodic benefit cost other than the service cost are included in the other components of net periodic pension and postretirement benefit plans credit line item on our Condensed Consolidated Statements of Income (Loss).Postretirement Benefit PlanThe company provides certain health care and life insurance benefits for eligible retired employees covered under the active medical plans. The plan incorporates an up-front deductible, coinsurance payments and retiree contributions at various premium levels. Eligibility and maximum period of coverage is based on age and length of service.The net periodic postretirement expense for the company includes the following components (amounts in thousands): Â Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Service cost Â $ 42 Â Â $ 41 Â Â $ 140 Â Â $ 137 Â Interest cost Â Â 53 Â Â Â 54 Â Â Â 176 Â Â Â 182 Â Amortization of prior service credit Â Â (54) Â Â (53) Â Â (180) Â Â (179) Amortization of net gain Â Â (42) Â Â (57) Â Â (139) Â Â (190) Total net periodic postretirement credit Â $ (1) Â $ (15) Â $ (3) Â $ (50) Â The components of total net periodic postretirement benefits credit other than the service cost are included in the other components of net periodic pension and postretirement benefit plans credit line item on our Condensed Consolidated Statements of Income (Loss). 35 401(k) Retirement Savings PlanThe Flowers Foods, Inc. 401(k) Retirement Savings Plan covers substantially all the companyâ€™s employees who have completed certain service requirements. The total cost and employer contributions were as follows (amounts in thousands):Â Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Total cost and employer contributions Â $ 7,603 Â Â $ 7,083 Â Â $ 25,720 Â Â $ 24,152 Â Â Multi-employer Pension Plan On July 19, 2022, the company announced the closure of the Holsum Bakery in Phoenix, Arizona. The bakery produced bread and bun products and ceased production on October 31, 2022. As a result, the union participants of the IAM National Pension Fund (the â€œIAM Fundâ€) at the Phoenix bakery will withdraw from the IAM Fund. During the third quarter of Fiscal 2022, the company recorded a liability of $1.3 million for the withdrawal from the IAM Fund. During the first quarter of Fiscal 2024, the company paid $1.4 million for the withdrawal and recorded additional expense of $0.1 million which is included in the selling, distribution and administrative expenses line item of our Condensed Consolidated Statements of Income (Loss). While this is our best estimate of the ultimate cost of the withdrawal from this plan, additional withdrawal liability may be incurred in the event of a mass withdrawal, as defined by statute, occurring anytime within the next three years following our complete withdrawal. 19. INCOME TAXESThe companyâ€™s effective tax rate for the twelve weeks ended October 5, 2024 was 24.0% compared to 26.2% for the twelve weeks ended October 7, 2023. The increased rate in the prior year quarter was due to a tax benefit associated with a pre-tax loss, coupled with other net discrete tax benefits, whereas the current year quarter rate resulted from tax expense associated with a pre-tax income, coupled with other net discrete tax benefits. During the twelve weeks ended October 5, 2024 and October 7, 2023, the primary differences in the effective rate and the statutory rate were state income taxes.The companyâ€™s effective tax rate for the forty weeks ended October 5, 2024 was 24.6% compared to 21.0% for the forty weeks ended October 7, 2023. The increase in the rate was primarily due to year-over-year differences in state income taxes and stock-based compensation recorded discretely. During the forty weeks ended October 5, 2024 and October 7, 2023, the primary differences in the effective rate and the statutory rate were state income taxes.During the forty weeks ended October 5, 2024, the companyâ€™s activity with respect to its uncertain tax positions and related interest expense accrual was not significant to the Condensed Consolidated Financial Statements. As of October 5, 2024, we do not anticipate significant changes to the amount of gross unrecognized tax benefits over the next twelve months. 20. SUBSEQUENT EVENTSThe company has evaluated subsequent events since October 5, 2024, the date of these financial statements. We believe there were no material events or transactions discovered during this evaluation that require recognition or disclosure in the financial statements other than the item discussed below.Subsequent to October 5, 2024, the settlement of a $3.0 million insurance liability claim was finalized resulting in the company de-recognizing the related receivable from the insurance company and the accrued insurance liability on the company's Condensed Consolidated Balance Sheets. 36 ITEM 2. MANAGEMENTâ€™S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS The following discussion of the financial condition and results of operations of the company as of and for the twelve and forty weeks ended October 5, 2024 should be read in conjunction with the Form 10-K. Any reference to sales refers to net sales inclusive of allowances and deductions against gross sales. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations is segregated into four sections, including: â€¢Executive overview â€” provides a summary of our business, operating performance and cash flows, and strategic initiatives. â€¢Critical accounting estimates â€” describes the accounting areas where management makes critical estimates to report our financial condition and results of operations. There have been no changes to this section from the Form 10-K. â€¢Results of operations â€” analyzes the companyâ€™s consolidated results of operations for the two comparative periods presented in our Condensed Consolidated Financial Statements. â€¢Liquidity and capital resources â€” analyzes cash flow, contractual obligations, and certain other matters affecting the companyâ€™s financial position. Matters Affecting Comparability Comparative results from quarter to quarter are impacted by the company's fiscal reporting calendar. Internal financial results and key performance indicators are reported on a weekly basis to ensure the same number of Saturdays and Sundays in comparable months to allow for consistent four-week progression analysis. This structure results in our first quarter consisting of sixteen weeks while the remaining three quarters have twelve weeks (except in cases where there is an extra week every five or six years). Accordingly, interim results may not be indicative of subsequent interim period results, or comparable to prior or subsequent interim period results, due to differences in the lengths of the interim periods. Additionally, detailed below are expense items affecting comparability that will provide greater context while reading this discussion. For more information regarding these items, see the reference to the Notes to Condensed Consolidated Financial Statements of this Form 10-Q as indicated in the table: Â Â For the Twelve Weeks Ended Â Â For the Forty Weeks Ended Â Â Footnote Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Â Disclosure Â (Amounts in thousands) Â Â (Amounts in thousands) Â Â Business process improvement costs $ 490 Â Â $ 5,814 Â Â $ 5,779 Â Â $ 18,621 Â Â Note 1 Restructuring charges Â â€” Â Â Â 179 Â Â Â 7,403 Â Â Â 6,873 Â Â Note 3 Restructuring-related implementation costs Â â€” Â Â Â â€” Â Â Â 2,979 Â Â Â â€” Â Â Note 3 Plant closure costs and impairment of assets Â 4,483 Â Â Â 1,034 Â Â Â 9,860 Â Â Â 1,034 Â Â Note 1, 12 Legal settlements and related costs Â 827 Â Â Â 137,529 Â Â Â 827 Â Â Â 137,529 Â Â Note 15 Acquisition-related costs Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 3,712 Â Â Note 4 Â $ 5,800 Â Â $ 144,556 Â Â $ 26,848 Â Â $ 167,769 Â Â Â â€¢Business process improvement costs related to the transformation strategy initiatives In the second half of Fiscal 2020, we launched initiatives to transform our business, including an upgrade to our information system, as well as investments in e-commerce, autonomous planning, and our "bakery of the future" initiatives. Implementation of the ERP upgrade is anticipated to be completed in Fiscal 2026. These initiatives are further discussed in the â€œTransformation Strategy Initiativesâ€ section below. The expensed portion of costs incurred related to these initiatives, which was primarily consulting costs, are detailed in the table above and are reflected in the selling, distribution, and administrative expenses line item of the Condensed Consolidated Statements of Income (Loss). We currently expect costs (a portion of which may be expensed as incurred, capitalized, recognized as a cloud computing arrangement, or recognized as a prepaid service contract) related to the upgrade of our ERP system to be approximately $25.0 million to $30.0 million for Fiscal 2024. â€¢Restructuring charges and related implementation costs In April 2024, the company announced a cost savings program to improve operational performance, which includes employee termination benefits associated with a reduction-in-force ("RIF") and other expense optimization initiatives. In the first and second quarters of Fiscal 2024, the company incurred $0.6 million and $6.8 million of RIF costs. The company made RIF payments of $0.2 million, $6.7 million, and $0.4 million in the first, second, and third quarters of Fiscal 2024, respectively. The RIF charges are included in the restructuring charges line item of the Condensed Consolidated Statements of Income (Loss). The company also incurred consulting costs associated with implementing the restructuring program in the first and second quarters of Fiscal 2024 and these costs are 37 included in the selling, distribution, and administrative expenses line item of the Condensed Consolidated Statements of Income (Loss). In February 2023, to improve operational effectiveness, increase profitable sales, and better meet customer requirements, the company announced a restructuring of plant operation responsibilities from the sales function to the supply chain function. As part of that restructuring, we incurred costs for employee termination benefits and other cash charges, which were primarily related to the voluntary employee separation incentive plan (the "VSIP"), RIF, and employee relocation costs. During the first quarter of Fiscal 2023, we recorded VSIP-related charges of $3.9 million and made VSIP-related payments of $0.5 million. Relocation costs incurred and paid during the first, second, and third quarters of Fiscal 2023 were $0.3 million, $0.3 million, and $0.2 million, respectively. In the second quarter of Fiscal 2023, we recorded RIF and VSIP charges of $2.2 million and made payments of $2.9 million. These costs are recorded in the restructuring charges line item of the Condensed Consolidated Statements of Income (Loss). In the first quarter of Fiscal 2024, we paid the remaining VSIP payments of $1.4 million. â€¢Plant closure costs and impairment of assets On July 18, 2024, the company announced the closure of its Baton Rouge, Louisiana bakery. The bakery produced bun products and ceased production on September 19, 2024. This bakery closure is part of our strategy to optimize capacity within our supply chain. The facility continues to be used as a distribution center. The company recognized severance costs of $1.1 million and asset impairment and equipment relocation charges of $2.4 million in the third quarter of Fiscal 2024. Additionally, in the third quarter of Fiscal 2024, the company recorded a charge of $2.3 million to fully impair certain ERP-related software and recognized a recovery of $1.3 million related to the sale of equipment that had been previously written off in Fiscal 2022 as part of the Phoenix, Arizona bakery closure. During the second quarter of Fiscal 2024, the company recorded an asset impairment charge of $1.4 million to write-off certain cake distribution territories classified as held for sale that the company no longer intends to sell. During the second quarter of the Fiscal 2022, we invested $9.0 million in Base Culture, a Clearwater, Florida-based company with one manufacturing facility. We made an additional investment of $2.0 million in the second quarter of Fiscal 2023. Base Culture's product offerings include better-for-you, gluten-free, and grain-free sliced breads and baked goods that are all-natural, 100% Paleo-certified, kosher-certified, dairy-free, soy-free, and non-GMO verified. These investments are being accounted for at cost, less any impairment, as we do not control, nor do we have the ability to significantly influence Base Culture. In the fourth quarter of Fiscal 2023, we recognized an impairment loss of $5.5 million on this investment and recognized an additional impairment of $4.0 million in the first quarter of Fiscal 2024. In the third quarter of Fiscal 2023, the company entered into an agreement to sell a warehouse classified as held for sale and recorded an impairment charge of $1.0 million. The company completed the sale of the impaired warehouse at the end of the third quarter of Fiscal 2023. â€¢Legal settlements and related costs In the third quarter of Fiscal 2024, we reached agreements to settle certain distributor-related litigation in the aggregate amount of $0.8 million, inclusive of plaintiffsâ€™ attorney fees. In the third quarter of Fiscal 2023, we reached an agreement to settle certain distributor-related litigation for a settlement payment, inclusive of plaintiffsâ€™ attorney fees, of $55.0 million which was paid in the second quarter of Fiscal 2024. The settlement also requires a phased repurchase of approximately 350 distribution rights in California and the company estimates this cost, along with the cost to repurchase approximately 50 other California distribution rights that are not part of the settlement, to be approximately $80.2 million. Additional costs of $2.3 million were recognized to fully impair held and used distribution rights classified as intangibles assets. The repurchases of the distribution rights commenced at the end of the first quarter of Fiscal 2024 and are anticipated to be completed by the end of the first quarter of Fiscal 2025. These costs are recorded in the selling, distribution, and administrative expenses line item of the Condensed Consolidated Statements of Income (Loss). â€¢Acquisition-related costs On February 17, 2023, the company completed the acquisition of the Papa Pita bakery business ("Papa Pita") for total consideration of $274.8 million, inclusive of a net working capital purchase price adjustment. We funded the purchase price with cash on-hand and from our existing credit facilities. Papa Pita is a manufacturer and distributor of bagels, tortillas, breads, buns, English muffins, and flat breads with one production facility in West Jordan, Utah and, prior to the acquisition, Papa Pita co-manufactured certain products for us. Papa Pita has direct-store-delivery distribution in the western United States ("U.S."), expanding our geographic reach. We incurred additional acquisition costs during the forty weeks ended October 7, 2023 of $3.7 million, and these costs are reflected in the selling, distribution, and administrative expenses line item of the Condensed Consolidated Statements of Income (Loss). Executive Overview Business Flowers is the second-largest producer and marketer of packaged bakery foods in the U.S. Our principal products include breads, buns, rolls, snack items, bagels, English muffins, and tortillas and are sold under a variety of brand names, including Natureâ€™s Own, 38 Dave's Killer Bread ("DKB"), Wonder, Canyon Bakehouse, Tastykake, and Mrs. Freshleyâ€™s. Our brands are among the best known in the U.S. baking industry. Many of our brands have a major presence in the product categories in which they compete. We manage our business as one operating segment. Flowersâ€™ strategic priorities include developing our team, focusing on our brands, prioritizing our margins, and proactively seeking smart, disciplined acquisitions in the grain-based foods category. We believe that executing on our strategic priorities will drive future growth and margin expansion and deliver meaningful shareholder value over time allowing us to achieve our long-term financial targets of 1% to 2% sales growth, 4% to 6% EBITDA growth, and 7% to 9% EPS growth. The company defines EBITDA as earnings before interest, taxes, depreciation and amortization. Optimization initiatives in our procurement, distribution, operations, and administrative functions are projected to save $40 million to $50 million in Fiscal 2024. Highlights â€¢Natureâ€™s Own is the best-selling loaf bread in the U.S., DKB is the #1 selling organic brand in the U.S., and Canyon Bakehouse is the #1 selling gluten-free bread brand in the U.S. (Source: Circana Total US MultiOutlet+ w/ Conv 12 Weeks Ended 10/6/24). â€¢Our branded retail sales comprised 64.3% of total sales for the forty weeks ended October 5, 2024 as compared to 64.1% for the forty weeks ended October 7, 2023. â€¢As of October 5, 2024, we operated 45 bakeries, which produce fresh and frozen breads, buns, and rolls, as well as snack items, bagels, English muffins, and tortillas. â€¢We distribute our fresh bakery foods through a direct-store-delivery ("DSD") distribution system, whereby product is primarily sold by a network of independent distributor partners to retail and foodservice customers with access to more than 85% of the U.S. population. In certain markets, we utilize a sales employee model to facilitate the distribution of product through our DSD distribution system. â€¢We offer nationwide distribution of certain fresh snack items and frozen breads and rolls via contract carriers. Impact of the Inflationary Economic Environment and Other Macroeconomic Factors on Our Business We continue to monitor the impact of a variety of factors on our business, including the impact of the inflationary economic environment on our costs and the buying patterns of our consumers, supply chain disruptions, increased labor costs, the conflict between Russia and Ukraine, and the conflict in the Middle East. Our results through the third quarter of Fiscal 2024 continued to benefit from a more optimal sales mix of branded retail products as compared to pre-pandemic periods. However, inflationary pressures are impacting consumer purchasing patterns. Inflation, particularly for input costs, has also impacted our business during the previous two fiscal years which has partially offset the improved sales mix. We implemented price increases to mitigate these cost pressures during the first quarter of Fiscal 2023 and midway through the second quarter of Fiscal 2023. Commodity cost inflation began to moderate in the latter half of Fiscal 2023 and we expect that trend to continue throughout the remainder of Fiscal 2024. Additionally, in the prior year period, capacity constraints, largely for gluten-free production, resulted in reduced production volumes and sales. These supply chain and other disruptions could continue to negatively impact production volumes as the global and U.S. supply chain remains uncertain. Although the conflict between Russia and Ukraine and the conflict in the Middle East have not impacted our operations directly, we are closely monitoring the impact on the broader economy including on the availability and price of commodities used in or for the production of our products. Disruptions in our operations, related to factors including, but not limited to, the procurement of raw materials and packaging items, transport of our products, and workforce availability, have negatively impacted, and could continue to negatively impact, our operations, results of operations, cash flows, and liquidity. Labor shortages and turnover at some bakeries has negatively impacted our results in the current and prior year periods. These and other factors, including, but not limited to, high employment rates and additional government regulations, may continue to adversely affect labor availability and labor costs. These challenges may negatively impact the efficiency of our production lines and our ability to operate at, or near, full capacity, and could result in increased labor costs, including additional overtime to meet demand, and higher wage rates to attract and retain workers. An overall labor shortage, lack of skilled labor, or increased turnover has and could continue to have a negative impact on the companyâ€™s operations, results of operations, liquidity, or cash flows. We believe we have sufficient liquidity to satisfy our cash needs and we continue to execute on our strategic priorities, including our transformation strategy initiatives, as further discussed in the â€œLiquidity and Capital Resourcesâ€ section below. 39 Summary of Operating Results, Cash Flows and Financial Condition Sales decreased 0.7% for the twelve weeks ended October 5, 2024 compared to the same quarter in the prior year due to volume declines of 2.4%, partially offset by positive price/mix of 1.7%. Branded Retail sales declined 1.5%, while sales in the Other sales category increased 0.7%. Positive price/mix resulted mostly from optimizing our foodservice business, partially offset by negative price/mix in Branded Retail due to competitive dynamics. Both sales categories experienced softer volumes with the largest decline in sales of cake products. Sales of DKB, Nature's Own, and Canyon Bakehouse grew on higher volumes, partially offset by negative price/mix. Sales increased 0.8% for the forty weeks ended October 5, 2024 compared to the same period in the prior year. Price/mix contributed 2.0% and the Papa Pita acquisition contributed 0.2% (cycled on February 17, 2024), partially offset by volume declines of 1.4%. The benefits of inflation-driven pricing actions implemented predominantly in the prior year and optimizing our foodservice business were partially offset by softer volumes. Branded Retail volumes were relatively unchanged. Volume declines in the Other sales category largely resulted from exiting certain lower margin business in the second half of Fiscal 2023 and vending decreases, partially offset by growth in store branded retail volumes. DKB sales continued to increase due to higher volumes, and sales of Nature's Own improved on positive price/mix, partially offset by lower volumes. For the twelve weeks ended October 5, 2024, income from operations was $90.2 million compared to a $59.3 million loss from operations in the prior year quarter. The improvement resulted mostly from the prior year legal settlement and related costs and moderating input costs, and, to a lesser extent, benefits of optimizing our foodservice business, lower distributor distribution fees, reduced marketing investments, and decreased logistics and consulting costs. These benefits were partially offset by increased workforce-related costs, higher rent expenses, greater outside purchases of product, and lower production volumes quarter over quarter. Income from operations was $286.9 million for the forty weeks ended October 5, 2024 compared to $123.0 million in the prior year period. The improvement primarily resulted from the prior year legal settlement and related costs, as well as moderating input costs, improved sales price/mix, decreased distributor distribution fees, and lower consulting costs. Those factors were partially offset by increased plant closure costs and impairment of assets, greater workforce-related costs, higher rent expenses, increased depreciation expense, and lower production volumes (excluding the acquisition impact). Net income for the twelve weeks ended October 5, 2024 was $65.0 million compared to a net loss of $46.7 million in the prior year quarter. The improvement resulted primarily from the increase in income from operations, as described above, and a lower effective tax rate quarter over quarter. Net income for the forty weeks ended October 5, 2024 was $205.0 million compared to $87.7 million in the prior year period. The year over year growth resulted primarily from the increase in income from operations, as described above, net of a higher effective tax rate in the current year period. During the forty weeks ended October 5, 2024, we generated net cash flows from operations of $282.4 million, invested $86.6 million in capital expenditures, and increased our indebtedness by $5.0 million. Additionally, we paid $152.5 million in dividends to our shareholders and repurchased $22.7 million of company stock. On April 15, 2024, we amended the two-year $200.0 million accounts receivable repurchase facility (the "repurchase facility") to extend the scheduled facility expiration date to April 14, 2026. During the forty weeks ended October 7, 2023, we generated net cash flows from operations of $257.3 million, paid $274.8 million for the Papa Pita acquisition (inclusive of the net working capital purchase price adjustment), invested $97.0 million in capital expenditures, and increased our indebtedness $145.0 million primarily to fund the acquisition. Also, in the prior year period, we paid $146.7 million in dividends to our shareholders and repurchased $30.9 million of company stock. Transformation Strategy Initiatives In the second half of Fiscal 2020, we launched initiatives to transform our business operations. The primary goals of these initiatives are: (1) enable a more agile business model, empowering the organization by fundamentally redesigning core business processes; (2) embed digital capabilities and transform the way we engage with our consumers, customers and employees; and (3) modernize and simplify our application and technology infrastructure landscape, inclusive of the upgrade of our ERP system. As discussed above, in February 2023, we announced a restructuring of plant operation responsibilities from the sales function to the supply chain function to improve operational effectiveness, increase profitable sales, and better meet customer requirements. This restructuring has transitioned to digitally enabling these key functions, driving accountability, and improving operational performance and sales execution. 40 Digital Strategy Initiatives Our digital strategy initiatives include investments in digital domains of e-commerce, autonomous planning, bakery of the future, digital logistics, and digital sales. In e-commerce, we strive to become a category and market share leader, engage with the consumer through digital platforms and marketplaces, and support our retail partnersâ€™ omnichannel strategies. The autonomous planning domain encompasses predictive ordering, cost-to-serve modeling, integrated business planning, and supply and demand forecasting, among other areas. Bakery of the future involves transforming our current manufacturing processes and operational visibility to apply industry-leading digital manufacturing tools, such as real-time performance management and visibility, automation of repetitive processes, standardization of processes and procedures, and sensor-based quality monitoring tools to improve consistency and quality. Digital logistics includes real-time operational visibility, improving our routing efficiency, and automating the freight bill pay audit process. Finally, digital sales is focused on improving our sales execution through improved visibility to in-store activities, streamlined reporting, focusing in-store priorities, and improved collaboration tools across our sales ecosystem. These digital domains are expected to improve data visibility and efficiencies while automating many of our processes. When fully implemented, we expect this work will further our brand efforts, bring us closer to the consumer, increase operational efficiencies, and deliver higher-quality, real-time insights, which will in turn enable more predictive business decision-making. We transitioned into the implementation phase for the e-commerce, autonomous planning, and bakery of the future domains and selected two bakeries for the pilot program for bakery of the future and autonomous planning in Fiscal 2021. To date, we have rolled out bakery of the future to 36 bakeries, digital logistics to all bakery locations, and autonomous planning and our digital sales tools across our entire sales organization. Costs related to the digital initiatives are fluid and cannot be currently estimated. Â ERP Upgrade Our ERP initiative, which includes upgrading our information system platform, is expected to improve data management and efficiencies while automating many of our processes. We completed the initial planning and road mapping phase of the ERP upgrade at the end of Fiscal 2020. In the first quarter of Fiscal 2021, we transitioned into the design phase and engaged a leading, global consulting firm to assist us in designing and implementing the upgrade of our ERP platform and to serve as the system integrator for the project. We transitioned into the build phase at the beginning of Fiscal 2022 and during the second quarter of Fiscal 2023, we began deploying the ERP upgrade. The deployment is anticipated to be completed in Fiscal 2026. We currently estimate total costs for the upgrade of our ERP system will be approximately $350 million (of which approximately 34% has been or is anticipated to be capitalized). In the third quarter of Fiscal 2024, we recorded a $2.3 million asset impairment charge to fully impair certain ERP-related assets that no longer meet our business needs. As of October 5, 2024, we have incurred costs related to the project of approximately $232 million. CRITICAL ACCOUNTING POLICIES: Our financial statements are prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP"). These principles are numerous and complex. Our significant accounting policies are summarized in the Form 10-K. In many instances, the application of GAAP requires management to make estimates or to apply subjective principles to particular facts and circumstances. A variance in the estimates used or a variance in the application or interpretation of GAAP could yield a materially different accounting result. Refer to the Form 10-K for a discussion of the areas where we believe that the estimates, judgments or interpretations that we have made, if different, could yield the most significant differences in our financial statements. There have been no significant changes to our critical accounting policies from those disclosed in the Form 10-K. 41 RESULTS OF OPERATIONS: Results of operations, expressed as a percentage of sales and the dollar and percentage change from period to period, for the twelve and forty weeks ended October 5, 2024 and October 7, 2023, respectively, are set forth in the tables below (dollars in thousands): Â Â Â For the Twelve Weeks Ended Â Â Â Â Â Â Â Â Â Percentage of Sales Â Â Increase (Decrease) Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Â Dollars Â Â % Â Sales Â $ 1,190,561 Â Â $ 1,199,260 Â Â Â 100.0 Â Â Â 100.0 Â Â $ (8,699) Â Â (0.7) Materials, supplies, labor and other production costsÂ Â Â (exclusive of depreciation and amortization shownÂ Â Â separately below) Â Â 598,209 Â Â Â 617,468 Â Â Â 50.2 Â Â Â 51.5 Â Â Â (19,259) Â Â (3.1) Selling, distribution and administrative expenses Â Â 460,359 Â Â Â 603,954 Â Â Â 38.7 Â Â Â 50.4 Â Â Â (143,595) Â Â (23.8) Restructuring charges Â Â â€” Â Â Â 179 Â Â Â â€” Â Â Â 0.0 Â Â Â (179) Â NM Â Plant closure costs and impairment of assets Â Â 4,483 Â Â Â 1,034 Â Â Â 0.4 Â Â Â 0.1 Â Â Â 3,449 Â Â NM Â Depreciation and amortization Â Â 37,331 Â Â Â 35,974 Â Â Â 3.1 Â Â Â 3.0 Â Â Â 1,357 Â Â Â 3.8 Â Income (loss) from operations Â Â 90,179 Â Â Â (59,349) Â Â 7.6 Â Â Â (4.9) Â Â 149,528 Â Â Â 251.9 Â Other components of net periodic pension andÂ Â Â postretirement benefit plans credit Â Â (119) Â Â (62) Â Â (0.0) Â Â (0.0) Â Â (57) Â NM Â Interest expense, net Â Â 4,778 Â Â Â 4,010 Â Â Â 0.4 Â Â Â 0.3 Â Â Â 768 Â Â Â 19.2 Â Income (loss) before income taxes Â Â 85,520 Â Â Â (63,297) Â Â 7.2 Â Â Â (5.3) Â Â 148,817 Â Â Â 235.1 Â Income tax expense (benefit) Â Â 20,536 Â Â Â (16,567) Â Â 1.7 Â Â Â (1.4) Â Â 37,103 Â Â Â 224.0 Â Net income (loss) Â $ 64,984 Â Â $ (46,730) Â Â 5.5 Â Â Â (3.9) Â $ 111,714 Â Â Â 239.1 Â Comprehensive income (loss) Â $ 66,280 Â Â $ (48,056) Â Â 5.6 Â Â Â (4.0) Â $ 114,336 Â Â Â 237.9 Â Â Â Â For the Forty Weeks Ended Â Â Â Â Â Â Â Â Â Percentage of Sales Â Â Increase (Decrease) Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Â Dollars Â Â % Â Sales Â $ 3,992,362 Â Â $ 3,961,803 Â Â Â 100.0 Â Â Â 100.0 Â Â $ 30,559 Â Â Â 0.8 Â Materials, supplies, labor and other production costsÂ Â Â (exclusive of depreciation and amortization shownÂ Â Â separately below) Â Â 2,008,757 Â Â Â 2,044,417 Â Â Â 50.3 Â Â Â 51.6 Â Â Â (35,660) Â Â (1.7) Selling, distribution and administrative expenses Â Â 1,557,010 Â Â Â 1,671,813 Â Â Â 39.0 Â Â Â 42.2 Â Â Â (114,803) Â Â (6.9) Restructuring charges Â Â 7,403 Â Â Â 6,873 Â Â Â 0.2 Â Â Â 0.2 Â Â Â 530 Â Â NM Â Plant closure costs and impairment of assets Â Â 9,860 Â Â Â 1,034 Â Â Â 0.2 Â Â Â 0.0 Â Â 8,826 Â Â NM Â Depreciation and amortization Â Â 122,393 Â Â Â 114,693 Â Â Â 3.1 Â Â Â 2.9 Â Â Â 7,700 Â Â Â 6.7 Â Income from operations Â Â 286,939 Â Â Â 122,973 Â Â Â 7.2 Â Â Â 3.1 Â Â Â 163,966 Â Â Â 133.3 Â Other components of net periodic pension andÂ Â Â postretirement benefit plans credit Â Â (395) Â Â (207) Â Â (0.0) Â Â (0.0) Â Â (188) Â NM Â Interest expense, net Â Â 15,297 Â Â Â 12,147 Â Â Â 0.4 Â Â Â 0.3 Â Â Â 3,150 Â Â Â 25.9 Â Income before income taxes Â Â 272,037 Â Â Â 111,033 Â Â Â 6.8 Â Â Â 2.8 Â Â Â 161,004 Â Â Â 145.0 Â Income tax expense Â Â 67,043 Â Â Â 23,293 Â Â Â 1.7 Â Â Â 0.6 Â Â Â 43,750 Â Â Â 187.8 Â Net income Â $ 204,994 Â Â $ 87,740 Â Â Â 5.1 Â Â Â 2.2 Â Â $ 117,254 Â Â Â 133.6 Â Comprehensive income Â $ 206,612 Â Â $ 87,596 Â Â Â 5.2 Â Â Â 2.2 Â Â $ 119,016 Â Â Â 135.9 Â NM - the computation is not meaningful. Percentages may not add due to rounding. TWELVE WEEKS ENDED OCTOBER 5, 2024 COMPARED TO

TWELVE WEEKS ENDED OCTOBER 7, 2023 Sales (dollars in thousands) Â Â Â For the Twelve Weeks Ended Â Â Â Â Â Â Â Â Â Percentage of Sales Â Â Increase (Decrease) Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Â Dollars Â Â % Â Branded Retail Â $ 760,580 Â Â $ 772,082 Â Â Â 63.9 Â Â Â 64.4 Â Â $ (11,502) Â Â (1.5) Other Â Â 429,981 Â Â Â 427,178 Â Â Â 36.1 Â Â Â 35.6 Â Â Â 2,803 Â Â Â 0.7 Â Total Â $ 1,190,561 Â Â $ 1,199,260 Â Â Â 100.0 Â Â Â 100.0 Â Â $ (8,699) Â Â (0.7) (The table above presents certain sales by category that have been reclassified from amounts previously reported to conform to the current period presentation.) 42 The change in sales was generally attributable to the following: Â Percentage Point Change in Sales Attributed to: Â Branded Retail Â Â Other Â Â Total Â Â Â Favorable (Unfavorable) Â Pricing/Mix* Â Â (0.9) Â Â 4.9 Â Â Â 1.7 Â Volume* Â Â (0.6) Â Â (4.2) Â Â (2.4) Total percentage change in sales Â Â (1.5) Â Â 0.7 Â Â Â (0.7) Â * Computations above are calculated as follows (the Total column is consolidated and is not adding the Branded Retail and Other columns): Â Â Â Â Â Â Price/Mix $ = Current year period units x change in price per unit Â Price/Mix % = Price/Mix $ Ã· Prior year period Sales $ Â Â Volume $ = Prior year period price per unit x change in units Â Volume % = Volume $ Ã· Prior year period Sales $ Â Â The company disaggregates its sales into two categories, Branded Retail and Other. These categories align with our brand-focused strategy to drive above-market growth via innovation and focusing on higher-margin products. The Other category includes store branded retail and non-retail sales (foodservice, restaurant, institutional, vending, thrift stores, and contract manufacturing). Â Sales decreased quarter over quarter due to softer volumes in both sales categories, partially offset by overall favorable price/mix. Price/mix benefitted from executing our portfolio strategy in our non-retail business, net of negative price/mix for Branded Retail and store branded retail. To mitigate the impact of the inflationary pressure on consumer spending, we increased our promotional activity quarter over quarter, though it remained below pre-pandemic levels. Branded Retail Sales Branded retail sales decreased 1.5% quarter over quarter due to unfavorable price/mix, resulting from increased promotional activity, and volume declines. Branded cake drove the volume decrease, partially offset by volume growth in branded bread products. Branded bread products grew due to increases in branded organic products, branded traditional buns and rolls, and branded Keto products, partially offset by softness in branded traditional loaf breads. Our DKB and Nature's Own brands continued to perform well benefiting from efficient market execution and growth in newer products, such as Nature's Own Keto products. Canyon Bakehouse's sales grew quarter over quarter on volume growth enabled by capacity additions, partially offset by negative price/mix. Other Sales Sales in the Other category increased 0.7% due to significant favorable price/mix from optimizing our non-retail business, most notably foodservice, partially offset by volume declines largely for vending, foodservice, and institutional sales. Negative price/mix for store branded retail sales also partially offset the overall increase. Materials, Supplies, Labor and Other Production Costs (exclusive of depreciation and amortization shown separately; as a percent of sales) Â Â Â For the Twelve Weeks Ended Â Â Increase Â Line Item Component Â October 5, 2024% of Sales Â Â October 7, 2023% of Sales Â Â (Decrease) as a% of Sales Â Ingredients and packaging Â Â 29.3 Â Â Â 32.1 Â Â Â (2.8) Workforce-related costs Â Â 14.7 Â Â Â 13.9 Â Â Â 0.8 Â Other Â Â 6.2 Â Â Â 5.5 Â Â Â 0.7 Â Total Â Â 50.2 Â Â Â 51.5 Â Â Â (1.3) Â Materials, supplies, labor and other production costs as a percent of sales decreased quarter over quarter due to moderating ingredient and packaging costs, improved sales price/mix, and decreased product returns. Lower production volumes, higher workforce-related costs, and increased outside purchases of product (sales with no associated ingredient costs) partially offset the overall improvement. The decrease in ingredient and packaging costs was mostly attributed to lower pricing for commodities such as flour and fats and oils, partially offset by higher costs for other ingredients such as sweeteners. Wage inflation, higher employee compensation costs, and lower production volumes resulted in increased workforce-related costs as a percent of sales. We expect the impact of lower 43 production volumes and the competitive labor market to continue to negatively impact our operations. Outside purchases of product are included in the Other line item in the table above. Prices of ingredient and packaging materials fluctuate due to government policy and regulation, weather conditions, domestic and international demand, or other unforeseen circumstances, and we monitor these markets closely. Ingredient and packaging costs continued to experience volatility in the current quarter and are expected to remain volatile for the remainder of Fiscal 2024. To manage the impact of volatility in certain raw material prices, we enter into forward purchase agreements and other financial instruments. Any decrease in the availability of these agreements and instruments could increase the cost of these raw materials and significantly affect our earnings. Selling, Distribution and Administrative Expenses (as a percent of sales) Â Â Â For the Twelve Weeks Ended Â Â Increase Â Line Item Component Â October 5, 2024% of Sales Â Â October 7, 2023% of Sales Â Â (Decrease) as a% of Sales Â Workforce-related costs Â Â 11.9 Â Â Â 11.0 Â Â Â 0.9 Â Distributor distribution fees Â Â 13.0 Â Â Â 14.1 Â Â Â (1.1) Other Â Â 13.8 Â Â Â 25.3 Â Â Â (11.5) Total Â Â 38.7 Â Â Â 50.4 Â Â Â (11.7) Â Workforce-related costs increased as a percent of sales quarter over quarter primarily due to a shift from distributor distribution fees, wage inflation, and higher employee compensation costs, partially offset by benefits of cost savings programs. Distributor distribution fees decreased as a percent of sales primarily due to a smaller portion of our sales being made through IDPs. We anticipate a continued shift from distributor distribution fees to workforce-related costs and other territory-related costs such as vehicle rent expense, among others, as the company completes a phased repurchase of the California distribution rights and converts to an employee-based model in that state. The repurchases began at the end of the first quarter of Fiscal 2024 and are anticipated to be completed by the end of the first quarter of Fiscal 2025. The decrease in the Other line item mostly reflects the $136.7 million decrease in legal settlements and related costs and, to a much lesser extent, decreased marketing investments, reduced consulting costs, and lower transportation costs. These items were partially offset by higher rent expense and lower scrap dough income. See the â€œMatters Affecting Comparabilityâ€ section above for a discussion of the legal settlement and related costs and the project-related consulting costs. Restructuring Charges and Plant Closure Costs and Impairment of Assets Refer to the discussion in the â€œMatters Affecting Comparabilityâ€ section above regarding these items. Depreciation and Amortization Expense Depreciation and amortization expense for the third quarter of Fiscal 2024 was relatively consistent to the prior year period. Income (Loss) from Operations Income from operations for the twelve weeks ended October 5, 2024 increased as a percent of sales compared to the prior year quarter primarily due to significantly lower selling, distribution, and administrative costs, as described above, moderating ingredient and packaging costs, and benefits from optimizing our foodservice business. Those items were partially offset by higher workforce-related costs, higher plant closure costs and impairment of assets, and lower production volumes. Net Interest Expense Net interest expense increased modestly in dollars and as a percent of sales as compared to the prior year quarter due to decreased interest income. We anticipate higher net interest expense year over year due to funding payments associated with the legal settlement and related costs, all accrued for in Fiscal 2023, and lower interest income resulting from decreases in distributor notes receivable outstanding. Income Tax Expense (Benefit) The effective tax rate for the twelve weeks ended October 5, 2024 was 24.0% compared to 26.2% in the prior year quarter. The increased rate in the prior year quarter was due to a tax benefit associated with a pre-tax loss, coupled with other net discrete tax benefits, whereas the current year quarter rate resulted from tax expense associated with a pre-tax income, coupled with other net discrete tax benefits. For both periods presented, the primary differences in the effective rate and the statutory rate were state income taxes. 44 Comprehensive Income (Loss) Comprehensive income (loss) changed primarily due to the increase in net income quarter over quarter. FORTY WEEKS ENDED OCTOBER 5, 2024 COMPARED TO FORTY WEEKS ENDED OCTOBER 7, 2023 Sales (dollars in thousands) Â Â Â Forty Weeks Ended Â Â Â Â Â Â Â Â Â Percentage of Sales Â Â Increase (Decrease) Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â October 5, 2024 Â Â October 7, 2023 Â Â Dollars Â Â % Â Branded Retail Â $ 2,565,310 Â Â $ 2,539,890 Â Â Â 64.3 Â Â Â 64.1 Â Â $ 25,420 Â Â Â 1.0 Â Other Â Â 1,427,052 Â Â Â 1,421,913 Â Â Â 35.7 Â Â Â 35.9 Â Â Â 5,139 Â Â Â 0.4 Â Total Â $ 3,992,362 Â Â $ 3,961,803 Â Â Â 100.0 Â Â Â 100.0 Â Â $ 30,559 Â Â Â 0.8 Â (The table above presents certain sales by category that have been reclassified from amounts previously reported to conform to the current period presentation.) The change in sales was generally attributable to the following: Â Percentage Point Change in Sales Attributed to: Â Branded Retail Â Â Other Â Â Total Â Â Â Favorable (Unfavorable) Â Pricing/Mix* Â Â 0.9 Â Â Â 3.2 Â Â Â 2.0 Â Volume* Â Â (0.1) Â Â (3.0) Â Â (1.4) Acquisition until cycled on February 17, 2024 Â Â 0.2 Â Â Â 0.2 Â Â Â 0.2 Â Total percentage change in sales Â Â 1.0 Â Â Â 0.4 Â Â Â 0.8 Â Â Â Â Â Â Â Â Â Â Â Â Â Â * Computations above are calculated as follows (the Total column is consolidated and is not adding the Branded Retail and Other columns): Â Â Â Â Â Â Price/Mix $ = Current year period units x change in price per unit Â Price/Mix % = Price/Mix $ Ã· Prior year period Sales $ Â Â Volume $ = Prior year period price per unit x change in units Â Volume % = Volume $ Ã· Prior year period Sales $ Â The company disaggregates its sales into two categories, Branded Retail and Other. These categories align with our brand-focused strategy to drive above-market growth via innovation and focusing on higher-margin products. The Other category includes store branded retail and non-retail sales (foodservice, restaurant, institutional, vending, thrift stores, and contract manufacturing). Â Sales increased year over year due to positive pricing actions implemented predominantly in the second quarter of the prior year that benefitted branded retail sales, improved price/mix for our non-retail business, and, to a lesser extent, the Papa Pita acquisition contribution. Volume declines in the Other sales category partially offset the overall sales increase and resulted from strategic exits of certain foodservice business in the second half of Fiscal 2023 and declines in vending volumes, net of increased volume for store branded retail sales. Our promotional activity increased as compared to the prior year period in response to inflationary pressure on consumer spending but remained below pre-pandemic levels. Branded Retail Sales Branded retail sales grew 1.0% year over year due to favorable price/mix and the acquisition contribution; volume was relatively unchanged. Price/mix benefitted from inflation-driven pricing actions taken in the second quarter of the prior year and improved price/mix from greater sales of our more differentiated branded products, such as branded organic and Keto. Decreases in branded cake volumes were partially offset by volume growth in branded bread products. Higher branded bread volumes resulted from increases in branded organic products, branded traditional buns and rolls, and branded Keto products, partially offset by softness in branded traditional loaf breads. Our Nature's Own and DKB brands continued to perform well. DKB benefitted from inflation-driven price increases implemented in the prior year, efficient market execution, and growth from more recently introduced products, such as snack bars and bites. Nature's Own benefitted from inflation-driven price increases implemented in the prior year, and growth in Keto bread (introduced in Fiscal 2023) and Keto buns (introduced in the second quarter of Fiscal 2024), but experienced volume declines year over year largely due to inflationary pressure on consumer spending. 45 Other Sales Sales in the Other category increased 0.4% due to positive price/mix, largely from optimizing our foodservice business, and the acquisition contribution, partially offset by volume declines. Store branded retail sales increased mainly due to volume growth in store branded traditional loaf breads, partially offset by negative price/mix. Non-retail sales decreased year over year due to volume declines, partially offset by positive price/mix and the acquisition contribution. Foodservice drove most of the volume decrease as we exited certain lower margin business in the second half of Fiscal 2023. Declines in vending and thrift store sales also contributed to lower volumes. We anticipate our Fiscal 2024 sales will be flat to higher than Fiscal 2023 sales due to price increases implemented in Fiscal 2023 and new business that has or will come online in the second half of Fiscal 2024, however, this benefit could be offset by changes in consumer buying patterns, changes in promotional activity, and the impact of cycling certain exits of lower margin business that occurred in Fiscal 2023 and to a lesser extent in Fiscal 2024. Materials, Supplies, Labor and Other Production Costs (exclusive of depreciation and amortization shown separately; as a percent of sales) Â Â Â For the Forty Weeks Ended Â Â Increase Â Line item component Â October 5, 2024% of sales Â Â October 7, 2023% of sales Â Â (Decrease) as a% of sales Â Ingredients and packaging Â Â 29.5 Â Â Â 32.2 Â Â Â (2.7) Workforce-related costs Â Â 14.4 Â Â Â 13.6 Â Â Â 0.8 Â Other Â Â 6.4 Â Â Â 5.8 Â Â Â 0.6 Â Total Â Â 50.3 Â Â Â 51.6 Â Â Â (1.3) Materials, supplies, labor and other production costs as a percent of sales decreased year over year due to moderating ingredient and packaging costs, improved sales price/mix, and decreased product returns. Lower production volumes (excluding the acquisition impact) and higher workforce-related costs partially offset the overall improvement. The decrease in ingredient and packaging costs was mostly attributed to lower pricing for commodities such as flour, fats and oils, and eggs, and packaging items including bags and corrugated containers. Higher costs for sweeteners partially offset the lower ingredient costs. Wage inflation, higher employee compensation costs, and lower production volumes drove the increase in workforce-related costs as a percent of sales. We expect the impact of lower production volumes (excluding the acquisition impact) and the competitive labor market to continue to negatively impact our operations. Prices of ingredient and packaging materials fluctuate due to government policy and regulation, weather conditions, domestic and international demand, or other unforeseen circumstances, and we monitor these markets closely. Ingredient and packaging costs continued to experience volatility in the current quarter and are expected to remain volatile for the remainder of Fiscal 2024. We enter into forward purchase agreements and other financial instruments to manage the impact of volatility in certain raw material prices. Any decrease in the availability of these agreements and instruments could increase the cost of these raw materials and significantly affect our earnings. Selling, Distribution and Administrative Expenses (as a percent of sales) Â Â Â For the Forty Weeks Ended Â Â Increase Â Line item component Â October 5, 2024% of sales Â Â October 7, 2023% of sales Â Â (Decrease) as a% of sales Â Workforce-related costs Â Â 11.8 Â Â Â 10.8 Â Â Â 1.0 Â Distributor distribution fees Â Â 13.4 Â Â Â 14.1 Â Â Â (0.7) Other Â Â 13.8 Â Â Â 17.3 Â Â Â (3.5) Total Â Â 39.0 Â Â Â 42.2 Â Â Â (3.2) Workforce-related costs increased as a percent of sales year over year due to a shift from distributor distribution fees, higher employee compensation costs, wage inflation, and a competitive labor market. Distributor distribution fees decreased as a percent of sales primarily due to a smaller portion of our sales being made through IDPs. We anticipate a continued shift from distributor distribution fees to workforce-related costs and other territory-related costs, such as vehicle rent expense, among others, as the company completes a phased repurchase of the California distribution rights and converts to an employee-based model in that state. The repurchases began at the end of the first quarter of Fiscal 2024 and are anticipated to be completed by the end of the first quarter of Fiscal 2025. The decrease in the Other line item mostly reflects the $136.7 million decrease in legal settlements and related costs and, to a much lesser extent, reduced transportation and consulting costs and the prior year acquisition costs and insurance liability claim. 46 These items were partially offset by increased amortization of cloud-based applications, increased rent expense, and lower scrap dough income. See the â€œMatters Affecting Comparabilityâ€ section above for a discussion of the legal settlements and related costs, project-related consulting costs, and the acquisition-related costs. Restructuring Charges and Plant Closure Costs and Impairment of Assets Refer to the discussion in the â€œMatters Affecting Comparabilityâ€ section above regarding these items. Depreciation and Amortization Expense Year over year, depreciation and amortization expense increased in dollars and as a percent of sales primarily due to the ERP assets being placed in service in the second quarter of Fiscal 2023 and, to a lesser extent, other capital projects being placed in service and the Papa Pita assets acquired midway through the first quarter of Fiscal 2023. Income from Operations Income from operations increased as a percent of sales compared to the prior year period primarily due to significantly lower selling, distribution, and administrative costs, as described above, moderating input costs, improved sales price/mix, partially offset by increased plant closure costs and impairment of assets, lower production volumes (excluding the acquisition impact), and higher depreciation expense. Net Interest Expense Net interest expense increased in dollars and as a percent of sales as compared to the prior year period largely due to decreased interest income. We anticipate higher net interest expense year over year due to funding payments associated with the legal settlement and related costs, all accrued for in Fiscal 2023, and lower interest income resulting from decreases in distributor notes receivable outstanding. Income Tax Expense The effective tax rate for the forty weeks ended October 5, 2024 was 24.6% compared to 21.0% in the prior year period. The increase in the rate was primarily due to unfavorable discrete items related to state income taxes in the current year, coupled with a decrease in benefits on stock-based compensation. For both periods presented, the primary differences in the effective rate and statutory rate were state income taxes including the recognition of discrete tax credits. Comprehensive Income The increase in comprehensive income year over year resulted primarily from increased net income. LIQUIDITY AND CAPITAL RESOURCES: Strategy and Update on Impact of the Inflationary Economic Environment and Other Macroeconomic Factors on Our Business We believe that our ability to consistently generate cash flows from operating activities to meet our liquidity needs is one of our key financial strengths. Furthermore, we strive to maintain a conservative financial position as we believe it allows us flexibility to make investments and acquisitions and is a strategic competitive advantage. Currently, our liquidity needs arise primarily from working capital requirements, capital expenditures, and obligated debt repayments. We believe that we currently have access to available funds and financing sources to meet our short and long-term capital requirements. The companyâ€™s strategy for use of its excess cash flows includes: â€¢implementing our strategic priorities, including our transformation strategy initiatives; â€¢paying dividends to our shareholders; â€¢maintaining a conservative financial position; â€¢making strategic acquisitions; and â€¢repurchasing shares of our common stock. Although there has been no material adverse impact on our results of operations, liquidity or cash flows for the forty weeks ended October 5, 2024, volatility in global and U.S. economic environments, as a result of, among other things, the inflationary economic environment, supply chain disruptions, increased labor costs, the conflict between Russia and Ukraine, and the conflict in the Middle 47 East, could significantly impact our ability to generate future cash flows and we continue to evaluate these various potential business risks. Potential risks include the possibility of future economic downturns that could shift consumer demand away from our branded retail products to store branded products, supply chain disruptions that have impacted, and could continue to impact, the procurement of raw materials and packaging items, the available workforce, and our ability to implement additional pricing actions to offset inflation. The macroeconomic-related factors discussed above remain fluid and the future impact on our business, results of operations, liquidity or capital resources cannot be reasonably estimated with any degree of certainty. In the event of a significant reduction in revenues, we would have additional alternatives to maintain liquidity, including the availability on our debt facilities, capital expenditure reductions, adjustments to our capital allocation policy, and cost reductions. Although we do not currently anticipate a need, we also believe that we could access the capital markets to raise additional funds. During the first quarter of Fiscal 2024, we amended the repurchase facility to extend the maturity date to April 14, 2026. We believe that we have sufficient liquidity on hand to continue business operations during this time of volatility in the global and U.S. economic environments. As of October 5, 2024, we had total available liquidity of $546.6 million, consisting of cash on hand and the available balances under the senior unsecured revolving credit facility (the "credit facility") and repurchase facility. Liquidity Discussion for the Forty Weeks Ended October 5, 2024 and October 7, 2023 Cash and cash equivalents were $15.0 million at October 5, 2024 and $22.5 million at December 30, 2023. The cash and cash equivalents were derived from the activities presented in the tables below (amounts in thousands): Â Â For the Forty Weeks Ended Â Â Â Â Cash Flow Component Â October 5, 2024 Â Â October 7, 2023 Â Â Change Â Cash provided by operating activities Â $ 282,370 Â Â $ 257,318 Â Â $ 25,052 Â Cash disbursed for investing activities Â Â (112,942) Â Â (366,535) Â Â 253,593 Â Cash disbursed for financing activities Â Â (176,980) Â Â (41,356) Â Â (135,624) Total change in cash Â $ (7,552) Â $ (150,573) Â $ 143,021 Â Â Cash Flows Provided by Operating Activities. Net cash provided by operating activities consisted of the following items for non-cash adjustments to net income (amounts in thousands): Â Â Â For the Forty Weeks Ended Â Â Â Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â Change Â Depreciation and amortization Â $ 122,393 Â Â $ 114,693 Â Â $ 7,700 Â Impairment of assets Â Â 9,864 Â Â Â 3,347 Â Â Â 6,517 Â Loss reclassified from accumulated other comprehensiveÂ Â Â income to net income Â Â 1,314 Â Â Â 2,426 Â Â Â (1,112) Allowances for accounts receivable Â Â 6,328 Â Â Â 10,071 Â Â Â (3,743) Stock-based compensation Â Â 23,324 Â Â Â 21,382 Â Â Â 1,942 Â Deferred income taxes Â Â 15,831 Â Â Â (44,256) Â Â 60,087 Â Other non-cash items Â Â 3,789 Â Â Â 4,151 Â Â Â (362) Net non-cash adjustment to net income Â $ 182,843 Â Â $ 111,814 Â Â $ 71,029 Â Â â€¢Refer to the Plant closure costs and impairment of assets discussion in the â€œMatters Affecting Comparabilityâ€ section above for additional information regarding the impairment of assets. â€¢For the forty weeks ended October 5, 2024, deferred income tax activity was composed of changes in temporary differences year over year, including the current year impact of a payment for a previously accrued legal settlement for the repurchase of distribution rights. Additionally, for the current and prior year periods ended October 5, 2024 and October 7, 2023, deferred income tax activity was composed of changes in temporary differences year over year, including prior year activity related to the accrual of a legal settlement, the impact of the vesting of stock equity awards, and activity related to the capitalization of research and development expenses as defined under Internal Revenue Code Section 174. â€¢Other non-cash items include non-cash interest expense for the amortization of debt discounts and deferred financing costs (including $0.3 million related to the write-off of unamortized loan costs upon the early extinguishment of the accounts receivable securitization facility in the first quarter of Fiscal 2023) and gains or losses on the sale of assets. 48 Net changes in working capital consisted of the following items (amounts in thousands): Â Â Â For the Forty Weeks Ended Â Â Â Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â Change Â Changes in accounts receivable Â $ (58,959) Â $ (17,364) Â $ (41,595) Changes in inventories Â Â 11,519 Â Â Â (13,552) Â Â 25,071 Â Changes in hedging activities Â Â 1,455 Â Â Â (332) Â Â 1,787 Â Changes in accounts payable Â Â (31,527) Â Â (17,788) Â Â (13,739) Changes in other assets and accrued liabilities Â Â (27,955) Â Â 107,800 Â Â Â (135,755) Qualified pension plan contributions Â Â â€” Â Â Â (1,000) Â Â 1,000 Â Net changes in working capital and pension plan contributions Â $ (105,467) Â $ 57,764 Â Â $ (163,231) Â â€¢Changes in accounts receivable were mainly attributable to sales increases period over period. Changes in inventories resulted primarily from volatility in input costs and a build-up inventory in the prior year period. â€¢Hedging activities change due to market movements that affect the fair value and the associated required collateral of positions and the timing and recognition of deferred gains or losses. We expect these changes will continue to occur as part of our hedging program, though the degree and financial impact cannot be currently estimated. â€¢The change in other assets primarily resulted from changes in prepaid assets and income tax receivables in each respective period. Changes in employee compensation, legal settlement, and insurance liability accruals primarily resulted in the change in other accrued liabilities. During the first quarter of Fiscal 2024 and Fiscal 2023, we paid $31.9 million and $32.1 million, respectively, including our share of employment taxes, in performance-based cash awards under our bonus plans. An additional $1.9 million and $2.2 million was paid during the first quarter of Fiscal 2024 and Fiscal 2023, respectively, for our share of employment taxes on the vesting of employee restricted stock awards in each respective year. During the forty weeks ended October 5, 2024, the company accrued $0.8 million of legal settlements and paid $55.0 million to the legal fund related to a legal settlement recognized in the third quarter of Fiscal 2023. During the forty weeks ended October 7, 2023, the company recorded a legal settlement and related costs of $137.5 million (of which $120.3 million was included in other accrued liabilities, $14.9 million as a contra account to other assets, and $2.3 million was a non-cash impairment charge) and paid $5.5 million of legal settlements that had been accrued for in a prior period. See the â€œMatters Affecting Comparabilityâ€ section above for a discussion of the legal settlements and related costs. Additionally, the company accrued $7.5 million of insurance liability claims in the prior year period. Cash Flows Disbursed for Investing Activities. The table below presents net cash disbursed for investing activities for the forty weeks ended October 5, 2024 and October 7, 2023, respectively (amounts in thousands): Â Â For the Forty Weeks Ended Â Â Â Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â Change Â Purchases of property, plant, and equipment Â $ (86,624) Â $ (97,003) Â $ 10,379 Â Repurchases of independent distributor distribution rights, net of principal payments from notes receivable Â Â (28,789) Â Â 4,863 Â Â Â (33,652) Proceeds from sale of property, plant and equipment Â Â 2,040 Â Â Â 2,278 Â Â Â (238) Acquisition of business Â Â â€” Â Â Â (274,755) Â Â 274,755 Â Investment in unconsolidated affiliate Â Â â€” Â Â Â (1,981) Â Â 1,981 Â Other Â Â 431 Â Â Â 63 Â Â Â 368 Â Net cash disbursed for investing activities Â $ (112,942) Â $ (366,535) Â $ 253,593 Â Â â€¢We currently anticipate capital expenditures of $130.0 million to $140.0 million for Fiscal 2024 (inclusive of expenditures for the ERP upgrade of $5.0 million to $7.0 million). â€¢The repurchases of the California distribution rights contributed to most of the change in the repurchases of distribution rights, net of principal payments on notes receivable. The company expects to complete the California repurchases by the end of the first quarter of Fiscal 2025. â€¢As discussed in the Executive Overview section above, on February 17, 2023, we completed the Papa Pita acquisition. We paid $270.5 million of the total purchase price in the first quarter of Fiscal 2023 and $4.3 million in the second quarter of Fiscal 2023 for a net working capital purchase price adjustment. Papa Pita operates one manufacturing facility in West Jordan, Utah. 49 Cash Flows Disbursed for Financing Activities. The table below presents net cash disbursed for financing activities for the forty weeks ended October 5, 2024 and October 7, 2023, respectively (amounts in thousands): Â Â Â For the Forty Weeks Ended Â Â Â Â Â Â October 5, 2024 Â Â October 7, 2023 Â Â Change Â Dividends paid, including dividends on stock-basedÂ Â Â payment awards Â $ (152,489) Â $ (146,726) Â $ (5,763) Payments for financing fees Â Â (190) Â Â (533) Â Â 343 Â Stock repurchases Â Â (22,703) Â Â (30,891) Â Â 8,188 Â Change in bank overdrafts Â Â (6,363) Â Â (6,693) Â Â 330 Â Net change in debt obligations Â Â 5,000 Â Â Â 145,000 Â Â Â (140,000) Payments on financing leases Â Â (235) Â Â (1,513) Â Â 1,278 Â Net cash disbursed for financing activities Â $ (176,980) Â $ (41,356) Â $ (135,624) Â â€¢Our Board of Directors declared the following quarterly dividends during the forty weeks ended October 5, 2024 (amounts in thousands, except per share data): Â Date Declared Â Record Date Â Payment Date Â Dividend perCommon Share Â Â DividendsPaid Â August 22, 2024 Â September 6, 2024 Â September 20, 2024 Â $ 0.2400 Â Â $ 50,543 Â May 23, 2024 Â June 6, 2024 Â June 20, 2024 Â $ 0.2400 Â Â $ 50,687 Â February 16, 2024 Â March 1, 2024 Â March 15, 2024 Â $ 0.2300 Â Â $ 48,560 Â Â Additionally, we paid dividends of $2.7 million at the time of vesting of certain restricted stock awards. The increase in dividends paid resulted from an increase in the dividend rate compared to the prior year. While there are no requirements to increase our dividend rate, we have shown a recent historical trend to do so. We anticipate funding future dividend payments from cash flows from operations. â€¢Stock repurchase decisions are made based on our stock price, our belief of relative value, and our cash projections at any given time. During the forty weeks ended October 5, 2024 and October 7, 2023, we repurchased 992,233 and 1,198,729 shares of our common stock for $22.7 million and $30.9 million, respectively, under a share repurchase plan approved by our Board of Directors. A portion of these shares were acquired to satisfy employeesâ€™ tax withholding and payment obligations in connection with the vesting of restricted stock awards, which are repurchased by the company based on the fair market value on the vesting date. â€¢Changes in debt obligations primarily related to drawdowns made to fund the Papa Pita acquisition in the first quarter of Fiscal 2023. See the discussion below under the â€œCapital Structureâ€ section for additional details regarding changes in debt obligations. Capital Structure Long-term debt and right-of-use lease obligations and stockholdersâ€™ equity were as follows at October 5, 2024 and December 30, 2023, respectively. For additional information regarding our debt and right-of-use lease obligations, see Note 5, Leases, and Note 13, Debt and Other Obligations, of Notes to Condensed Consolidated Financial Statements of this Form 10-Q. Â Â Â Balance at Â Â Fixed or Â Final Â Â October 5, 2024 Â Â December 30, 2023 Â Â Variable Rate Â Maturity Long-term debt and right-of-use lease obligations Â (Amounts in thousands) Â Â Â Â Â 2031 notes Â $ 495,284 Â Â $ 494,723 Â Â Fixed Rate Â 2031 2026 notes Â Â 398,859 Â Â Â 398,421 Â Â Fixed Rate Â 2026 Unsecured credit facility Â Â â€” Â Â Â â€” Â Â Variable Rate Â 2026 Accounts receivable repurchase facility Â Â 160,000 Â Â Â 155,000 Â Â Variable Rate Â 2026 Right-of-use lease obligations Â Â 315,803 Â Â Â 284,501 Â Â Â Â 2036 Â Â 1,369,946 Â Â Â 1,332,645 Â Â Â Â Â Less: Current maturities of long-term debt and right-Â Â Â of-use lease obligations Â Â (64,673) Â Â (47,606) Â Â Â Â Long-term debt and right-of-use lease obligations Â $ 1,305,273 Â Â $ 1,285,039 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total stockholders' equity Â Â Â Â Â Â Â Â Â Total stockholders' equity Â $ 1,406,526 Â Â $ 1,351,782 Â Â Â Â Â 50 The repurchase facility and the credit facility are generally used for short-term liquidity needs. On April 15, 2024, we amended the repurchase facility to extend the scheduled facility expiration date to April 14, 2026. See Note 13, Debt and Other Obligations, of Notes to Condensed Consolidated Financial Statements of this Form 10-Q for additional information. We believe we have sufficient liquidity to satisfy our cash needs, however, we continue to closely monitor our liquidity in light of the continued economic uncertainty in the U.S. and throughout the world due to, among other things, the impact of the inflationary economic environment, supply chain disruptions, increased labor costs, the conflict between Russia and Ukraine, and the conflict in the Middle East. There is no current portion payable over the next year for our debt obligations. Amounts available for withdrawal under the repurchase facility are determined as the lesser of the total facility limit and a formula derived amount based on qualifying trade receivables. The following table details the amounts available under the repurchase facility and the credit facility and the highest and lowest balances outstanding under these arrangements during the forty weeks ended October 5, 2024: Â Â Â Amount Available Â Â For the Forty Weeks Ended October 5, 2024 Â Â Â for Withdrawal at Â Â Highest Â Â Lowest Â Facility Â October 5, 2024 Â Â Balance Â Â Balance Â Â Â (Amounts in thousands) Â Accounts receivable repurchase facility Â $ 40,000 Â Â $ 195,000 Â Â $ 105,000 Â Unsecured credit facility (1) Â Â 491,600 Â Â Â 30,000 Â Â Â â€” Â Â Â $ 531,600 Â Â Â Â Â Â Â Â (1)Amount excludes a provision in the credit facility agreement which allows the company to request an additional $200.0 million in additional revolving commitments. Amounts outstanding under the credit facility can vary daily. Changes in the gross borrowings and repayments can be caused by cash flow activity from operations, capital expenditures, acquisitions, dividends, share repurchases, and tax payments, as well as derivative transactions which are part of the companyâ€™s overall risk management strategy as discussed in Note 9, Derivative Financial Instruments, of Notes to Condensed Consolidated Financial Statements of this Form 10-Q. During the forty weeks ended October 5, 2024, the company made $79.7 million in revolving borrowings and $79.7 million in payments on revolving borrowings under the credit facility. The amount available under the credit facility is reduced by $8.4 million for letters of credit. The repurchase facility and the credit facility are variable rate debt and provide us the greatest direct exposure to changing interest rates. In periods of rising interest rates, like we experienced in Fiscal 2023 and Fiscal 2022, the cost of using these facilities becomes more expensive and results in increased interest expense. Restrictive financial covenants for our borrowings can include such ratios as a minimum interest coverage ratio and a maximum leverage ratio. Our debt may also contain certain customary representations and warranties, affirmative and negative covenants, and events of default. The company believes that, given its current cash position, its cash flow from operating activities, and its available credit capacity, it can comply with the current terms of the debt agreements and can meet presently foreseeable financial requirements. As of October 5, 2024, the company was in compliance with all restrictive covenants under our debt agreements. At October 5, 2024, the company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which are established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes. Under our share repurchase plan, the company may repurchase its common stock in the open market or privately negotiated transactions at such times and at such prices as determined to be in the companyâ€™s best interest. These repurchases may be commenced or suspended without prior notice depending on then-existing business or market conditions and other factors. During the forty weeks ended October 5, 2024, 992,233 shares, at a cost of $22.7 million, of the companyâ€™s common stock were repurchased under the share repurchase plan. From the inception of the share repurchase plan through October 5, 2024, 73.0 million shares, at a cost of $755.9 million, have been repurchased. Accounting Pronouncements Recently Adopted and Not Yet Adopted See Note 2, Recent Accounting Pronouncements, of Notes to Condensed Consolidated Financial Statements of this Form 10-Q for information regarding recently adopted accounting pronouncements and accounting pronouncements not yet adopted. 51 ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK The company uses derivative financial instruments as part of an overall strategy to manage market risk. The company uses forward, futures, swap and option contracts to hedge existing or future exposure to changes in interest rates and commodity prices. The company does not enter into these derivative financial instruments for trading or speculative purposes. If actual market conditions are less favorable than those anticipated, raw material prices could increase significantly, adversely affecting the margins from the sale of our products. Commodity Price Risk The company enters into commodity forward, futures and option contracts and swap agreements for wheat and, to a lesser extent, other commodities in an effort to provide a predictable and consistent commodity price and thereby reduce the impact of market volatility in its raw material and packaging prices. As of October 5, 2024, the companyâ€™s hedge portfolio contained commodity derivatives with a fair value of $0.6 million, based on quoted market prices. All of this amount relates to instruments that will be utilized in Fiscal 2025 except for an immaterial amount that will be utilized in Fiscal 2024. A sensitivity analysis has been prepared to quantify the companyâ€™s potential exposure to commodity price risk with respect to the derivative portfolio. Based on the companyâ€™s derivative portfolio as of October 5, 2024, a hypothetical ten percent increase (decrease) in commodity prices would increase (decrease) the fair value of the derivative portfolio by $1.3 million. The analysis disregards changes in the exposures inherent in the underlying hedged items; however, the company expects that any increase (decrease) in fair value of the portfolio would be substantially offset by increases (decreases) in raw material and packaging prices. Interest Rate Risk The companyâ€™s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During the forty weeks ended October 5, 2024, such derivatives were used to hedge the variable cash flows associated with forecasted issuances of debt. As of October 5, 2024, the companyâ€™s hedge portfolio contained interest rate derivatives with a fair value of $0.6 million. A sensitivity analysis has been prepared to quantify the companyâ€™s potential exposure to interest rate market risk with respect to our derivative portfolio. Based on the companyâ€™s derivative portfolio as of October 5, 2024, a hypothetical 100-basis-point increase (decrease) in interest rates would increase (decrease) the fair value of the derivative portfolio by $9.7 million and ($9.8) million, respectively. 52 ITEM 4. CONTROLS AND PROCEDURES Managementâ€™s Evaluation of Disclosure Controls and Procedures We have established and maintain a system of disclosure controls and procedures that are designed to ensure that material information relating to the company, which is required to be timely disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is accumulated and communicated to management in a timely fashion and is recorded, processed, summarized and reported within the time periods specified by the SECâ€™s rules and forms. Under the supervision and with the participation of our management, including our Chief Executive Officer (â€œCEOâ€) and our Chief Financial Officer and Chief Accounting Officer ("CFO and CAOâ€), we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation and as of the end of the period covered by this report, the CEO and the CFO and CAO concluded that the companyâ€™s disclosure controls and procedures were effective to allow timely decisions regarding disclosure in its reports that the company files or submits to the SEC under the Exchange Act. Changes in Internal Control Over Financial Reporting There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended October 5, 2024 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. 53 PART II. OTHER INFORMATION ITEM 1. LEGAL PROCEEDINGS For a description of all material pending legal proceedings, see Note 15, Commitments and Contingencies, of Notes to Condensed Consolidated Financial Statements of this Form 10-Q. ITEM 1A. RISK FACTORS Refer to Part I, Item 1A., Risk Factors, in the Form 10-K for information regarding factors that could affect the companyâ€™s results of operations, financial condition and liquidity. Additional risks and uncertainties not presently known to us or that we currently deem to be immaterial also may affect us. The occurrence of any of these known or unknown risks could have a material adverse ultimate impact on our business, financial condition, or results of operations. ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS As originally announced on December 19, 2002, and subsequently increased, our Board of Directors had approved a plan that authorized share repurchases of up to 74.6 million shares. On May 26, 2022, the company announced that the Board of Directors increased the company's share repurchase authorization by 20.0 million shares. Under the share repurchase plan, the company may repurchase its common stock in open market or privately negotiated transactions or under an accelerated share repurchase program at such times and at such prices as determined to be in the companyâ€™s best interest. These repurchases may be commenced or suspended without prior notice depending on then-existing business or market conditions and other factors. There were no common stock repurchases under the share repurchase plan during the twelve weeks ended October 5, 2024. During the forty weeks ended October 5, 2024, 1.0 million shares, at a cost of $22.7, were repurchased under the share repurchase plan. From the inception of the share repurchase plan through October 5, 2024, 73.0 million shares, at a cost of $755.9 million, have been repurchased. The company currently has 21.5 million shares remaining available for repurchase under the share repurchase plan. ITEM 3. DEFAULTS UPON SENIOR SECURITIES Not applicable. ITEM 4. MINE SAFETY DISCLOSURES Not applicable. ITEM 5. OTHER INFORMATION None of the company's directors or officers adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K, during the company's fiscal quarter ended October 5, 2024. 54 ITEM 6. EXHIBITS The following documents are filed as exhibits hereto: Â Exhibit No Name of Exhibit 3.1 â€” Amended and Restated Articles of Incorporation of Flowers Foods, Inc., as amended through May 21, 2020 (Incorporated by reference to Exhibit 3.1 to Flowers Foodsâ€™ Current Report on Form 8-K, dated May 28, 2020, File No. 1-16247). 3.2 â€” Amended and Restated Bylaws of Flowers Foods, Inc., as amended through August 18, 2023 (Incorporated by reference to Exhibit 3.1 to Flowers Foodsâ€™ Current Report on Form 8-K, dated August 21, 2023, File No. 1-16247). 31.1 * â€” Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. 31.2 * â€” Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. 32 * â€” Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by A. Ryals McMullian, Chairman and Chief Executive Officer, and R. Steve Kinsey, Chief Financial Officer and Chief Accounting Officer, for the quarter ended October 5, 2024. 101.INS * â€” Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. 101.SCH * â€” Inline XBRL Taxonomy Extension Schema Linkbase. 101.CAL * â€” Inline XBRL Taxonomy Extension Calculation Linkbase. 101.DEF * â€” Inline XBRL Taxonomy Extension Definition Linkbase. 101.LAB * â€” Inline XBRL Taxonomy Extension Label Linkbase. 101.PRE * â€” Inline XBRL Taxonomy Extension Presentation Linkbase. 104 â€” The cover page from Flowers Foods' Quarterly Report on Form 10-Q for the quarter ended October 5, 2024 has been formatted in Inline XBRL. Â * Filed herewith 55 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. Â Â FLOWERS FOODS, INC. Â Â Â Â Â By: Â /s/ A. RYALSÂ MCMULLIAN Â Name: Â A. Ryals McMullian Â Title: Â Chairman and Chief Executive Officer Â Â By: Â /s/ R. STEVEÂ KINSEY Â Name: Â R. Steve Kinsey Â Title: Â Chief Financial Officer andChief Accounting Officer Â Â Date: November 8, 2024 56 EX-31.1 Â Exhibit 31.1 I, A. Ryals McMullian, certify that: 1.I have reviewed this quarterly report on Form 10-Q of Flowers Foods, Inc.; 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 registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and 5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting. Date: November 8, 2024 Â /s/ A. RYALSÂ MCMULLIAN Â Â A. Ryals McMullian Â Â Chairman and Chief Executive Officer Â Â Times New Roman',sans-serif;font-size:9pt;font-weight:400;line-height:120%">15 EX-31.2 Â Exhibit 31.2 I, R. Steve Kinsey, certify that: 1.I have reviewed this quarterly report on Form 10-Q of Flowers Foods, Inc.; 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 registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and 5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting. Date: November 8, 2024 Â /S/ R. STEVE KINSEY Â Â R. Steve Kinsey Â Â Chief Financial Officer andChief Accounting Officer Â Â EX-32 Â Exhibit 32 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 In connection with the Quarterly Report of Flowers Foods, Inc. (the â€œcompanyâ€) on Form 10-Q for the period ended October 5, 2024, as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), each of the undersigned officers of the company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officerâ€™s knowledge: 1.The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and 2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company as of the dates and for the periods expressed in the Report. Â Â /s/ A. RYALSÂ MCMULLIAN Â Â A. Ryals McMullian Â Â Chairman and Chief Executive Officer Â Â Â Â Â Â /s/ R. STEVE KINSEY Â Â R. Steve Kinsey Â Â Chief Financial Officer andChief Accounting Officer Â Date: November 8, 2024 The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document. Â