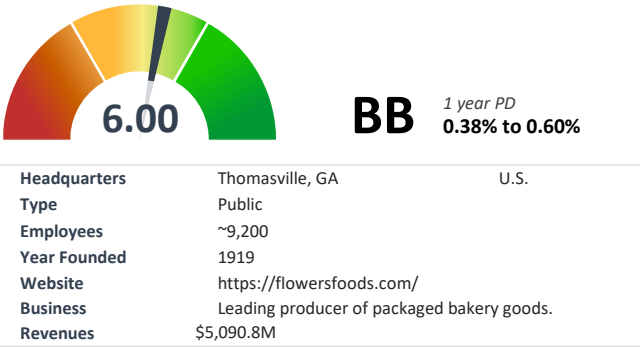


Flowers Foods, Inc.



Company Overview

- Company Overview:** Founded 1919 and HQ'd in Thomasvillw, GA, Flowers Foods, Inc. is a leading U.S. producer of packaged bakery goods.
- Product:** Some of the most prominent brands that they are operating under are Nature's Own, Wonder Bread, and Dave's Killer Bread.
- Customers:** Flowers Foods serves major supermarket chains, convenience stores, and foodservice providers across the U.S. through its extensive Direct Store Delivery (DSD) network, bypassing retailer's distribution centers.
- Ownership:** The entity is publicly traded at the NYSE under the ticker FLO. About 75% are held by institutional investors (e.g. T Rowe Price ~10%, Vanguard Group ~8%).
- Debt Structure:** ~1/3 of their debt is due in 2026, plus a \$500mn unsecured R/C-line.
- Other (pros/cons):** 6.4% EBITDA margin in FY-23 is less then half of their peers, underpinning issues with operational efficiency. In 2/24 they replaced the CFO, with a focus on financial oversight and cost efficiency. Their acquisition of "Papa Pita Bakery 2/23 for around \$270mn was mainly cash-financed, reducing cash by -96% from \$165mn in FY-22 to \$6.9mn 6/24. Yet, their R/C-line is 98% unused. Despite an overal increase in Revenue (+5.9% in FY-23), Net Income declined by -46% with EBITDA Margin compressing by -36% since FY-21. When annualizing T6-24 figures EBITDA, and Net Income are projected by increase by 74% and 127%, respectively, at an increase in revenue by 10%, which is a very positive trend. Moodys' and Fitch rated them at in 6/22 ('Baa2') and 12/23 ('BBB'), which we consider currently too aggressive, and based on the rating dates slightly outdated.

Financial Snapshot

	Dec-21	Dec-22	Dec-23	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	4,330,767	4,805,822	5,090,830	5.9%
Gross Profit	2,155,520	2,303,827	2,458,694	6.7%
Adjusted EBITDA	431,479	445,172	324,579	-27.1%
Gross Profit Margin	49.8%	47.9%	48.3%	0.4 ppt
EBITDA Margin	10.0%	9.3%	6.4%	-2.9 ppt
Net Income	206,187	228,394	123,416	-46.0%

Financial Ratio Benchmarking

# of Benchmarks:	31	Industry Median	Company Metric	Percentile Rank
		\$4,099M	\$5,091M	
Liquidity	Revenue			
	Current Ratio	1.48	1.04	<div></div> 10%
Leverage	Quick Ratio	0.97	0.76	<div></div> 27%
	Net Debt / EBITDA	3.45	4.04	<div></div> 39%
	Debt to Assets	41.5%	38.9%	<div></div> 57%
Profitability	EBITDA Margin	13.4%	6.4%	<div></div> 25%
	ROCE %	9.8%	6.2%	<div></div> 26%

Weight	Rating Range		
75%	3.0	to	4.0

of Industry Benchmarks 31
Company Financials Date Dec-23

Industry Benchmarks - Primary: Packaged Foods and Meats

Business Risk

Industry Group Risk Profile	Branded Nondurables	20%	5.5	to	7.0
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Industry Risk Assessment	KPI Rating	Contribution	Industry Group Description
Cyclicality	Low risk	<div></div>	Entities that derive a majority of their revenues from manufacturing, marketing, and selling branded consumer nondurable products as well as private-label nondurable consumer products manufacturers. This includes apparel, accessory stores, and related products; beverages, including spirits and soft drink bottlers; food and kindred products; personal care and cosmetics; household products; tobacco products (excluding tobacco leaf merchants/suppliers); and miscellaneous and diversified consumer products.
Competitive Risk	Low risk	<div></div>	
Global Industry	Low risk	<div></div>	
Market Segment Outlook	Stable	<div></div>	

Competitive Position Profile	Cpg	50%	6.0	to	8.0
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Competitive Position KPIs	KPI Rating	Contribution	Rating Guideline
Cycle-Tested	< 2000	<div></div>	Navigated multiple economic down-cycles.
Product Diversity	Strong	<div></div>	Multiple product categories
Market Share	Satisfactory	<div></div>	Average market share (5-15%), comparable to industry peers.
Category Demand	Satisfactory	<div></div>	Operates in stable or slow growth categories (0-5% annual growth).
Supplier Diversity	Above Average	<div></div>	Solid supplier base from a few key regions.
Geographic Coverage	Above Average	<div></div>	National brand
Innovation	Above Average	<div></div>	Regular product innovations maintaining brand relevance.
Brand Loyalty	Above Average	<div></div>	
Environmental and Social Responsibility	Above Average	<div></div>	

Management, Governance, Sponsorship	30%	4.5	to	5.5
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Anchor Modifiers

Modifiers			
Revenue Segment	Normalization	<div></div>	\$1-10B
Trend Analysis	Adjustment	<div></div>	Strong Positive
Financial Flexibility	Adjustment	<div></div>	Above Average
Other Modifier	Adjustment	<div></div>	Adjustment for the lack of liquidity (in cash) which does not take into consideration the material availability under their R/C-line. When adding a

Rating Range (Rounded)	5.5	to	6.5
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