



## Farmer Brothers reports third quarter fiscal 2024 financial results and publishes quarterly shareholder letter

May 9, 2024

*Fiscal Q3 2024 net sales of \$85.4 million*

*Gross margin increase of 660 basis points year-over-year to 40.1%*

NORTHLAKE, Texas, May 09, 2024 (GLOBE NEWSWIRE) -- Farmer Bros. Co. (NASDAQ: FARM) today reported its third quarter fiscal 2024 financial results for the period ended March 31, 2024. The company filed its Form 10-Q and published its quarterly shareholder letter, which contains additional details regarding the results. Both of those documents can be found on the [Investor Relations](#) section of [the](#) company's website.

### Financial results

Third quarter fiscal 2024 net sales were \$85.4 million compared to \$85.7 million in the third quarter of fiscal 2023. Overall, net sales decreased slightly on a year-over-year basis due to a reduction in unit sales, offset by higher pricing.

Gross margins increased 660 basis points on a year-over-year basis to 40.1% compared to 33.5% for the third quarter of the prior year. Gross profit during the quarter increased \$5.5 million to \$34.2 million, or 19% on a year-over-year basis, compared to \$28.8 million for the third quarter of fiscal 2023. The increase in gross margin was primarily due to improved pricing and a decrease in underlying commodity cost compared to the prior year period. While the company does not expect results to be linear quarter to quarter, it remains confident it is well positioned to sustain gross margins within this range over time.

Operating expenses decreased slightly from \$35.6 million in the third quarter of fiscal 2023 to \$34.7 million in the third quarter of fiscal 2024. This decrease was due to a \$2.3 million increase in net gains associated with the sale of branch properties and other assets, but was partially offset by a \$1.3 million increase in selling expenses and a \$0.2 million increase in general and administrative expenses during the third quarter. The selling expense increase was primarily due to additional costs related to vehicle rent expense, healthcare benefits and other benefit-related expenses, partially offset by a decrease in advertising-related expenses.

Net income from continuing operations moved to a loss of \$0.7 million in the third quarter of fiscal 2024 compared to a loss of \$6.9 million during the prior year period, an improvement of approximately \$6.2 million on a year-over-year basis.

Adjusted EBITDA<sup>1</sup> for the third quarter of fiscal 2024 remained positive for the second consecutive quarter at \$0.3 million compared to a loss of \$0.6 million in the third quarter of fiscal 2023.

### Balance Sheet and Liquidity

As of March 31, 2024, Farmer Brothers had \$5.5 million of unrestricted cash and cash equivalents and \$0.2 million in restricted cash. The company had outstanding borrowings of \$23.3 million, utilized \$4.6 million of the letters of credit sub-limit and had \$30.5 million of availability under its revolver credit facility. The company believes it is adequately capitalized to finance its operations in fiscal 2024 and expects to achieve its goal to be free cash flow<sup>2</sup> positive in early fiscal 2025.

"Farmer Brothers delivered another solid quarter of execution. Highlighted by year-over-year improvement in gross margin and adjusted EBITDA, our recent performance reflects the strides we have made and the early wins we have achieved related to the transformation of our direct store delivery (DSD) business," said President and Chief Executive Officer John Moore. "There is still much work to be done though as we are just beginning to realize results associated with a number of our initiatives. Overall, we remain focused on streamlining production, realizing sustainable operational and cost efficiencies, and driving customer growth and retention. We are confident the foundation we are building will create long-term, sustainable growth and profitable value creation."

### Investor Conference Call

Farmer Brothers will publish its third quarter 2024 financial results for the period ended March 31, 2024, with the filing of its 10-Q and the issuing of its quarterly shareholder letter, both of which will be posted on the [Investor Relations](#) section of its website after the close of market Thursday, May 9, 2024.

The company will also host an audio-only investor conference call and webcast at 5 p.m. Eastern on Thursday, May 9, 2024, to provide a review of the quarter and business update. Callers who [pre-register](#) will be emailed dial-in details and a unique PIN to gain immediate access to the call and bypass the live operator. An audio-only replay of the webcast will be archived for at least 30 days on the [Investor Relations](#) section of the company's website and will be available approximately two hours after the end of the live webcast.

<sup>1</sup> Adjusted EBITDA is a non-GAAP measure. Please refer to "Non-GAAP Financial Measures" below for an explanation and reconciliation of Adjusted EBITDA and other related non-GAAP measures to comparable GAAP measures.

<sup>2</sup> Free cash flow is a non-GAAP measure defined as net cash (used in) provided by operating activities less capital expenditures.

### About Farmer Brothers

Founded in 1912, Farmer Brothers is a national coffee roaster, wholesaler, equipment servicer and distributor of coffee, tea and culinary products. The company's product lines include organic, Direct Trade and sustainably produced coffee, as well as tea, cappuccino mixes, spices and baking/biscuit

mixes.

Farmer Brothers delivers extensive beverage planning services and culinary products to a wide variety of U.S.-based customers, ranging from small independent restaurants and foodservice operators to large institutional buyers, such as restaurant, department and convenience store chains, hotels, casinos, healthcare facilities and gourmet coffee houses, as well as grocery chains with private brand coffee and consumer branded coffee and tea products and foodservice distributors. The company's primary brands include Farmer Brothers, Boyd's, Cain's, China Mist and West Coast Coffee.

#### Forward-looking statements

This press release and other documents we file with the Securities and Exchange Commission (SEC) contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our financial condition, our products, our business strategy, our beliefs and our management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. These forward-looking statements can be identified by the use of words, such as anticipates, estimates, projects, expects, plans, believes, intends, will, could, may, assumes and other words of similar meaning. These statements are based on management's beliefs, assumptions, estimates and observations of future events based on information available to our management at the time the statements are made and include any statements that do not relate to any historical or current fact. These statements are not guarantees of future performance and they involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, implied or forecast by our forward-looking statements due in part to the risks, uncertainties and assumptions set forth in this press release and Part I, Item 1A. Risk Factors as well as Part II, Item 7. Management's discussion and analysis of financial condition and results of operations, of our annual report on Form 10-K for the fiscal year ended June 30, 2023, filed with the SEC on Sept. 12, 2023, as amended by the Form 10-K/A filed with the SEC on Oct. 27, 2023 (as amended, the 2023 Form 10-K), as well as those discussed elsewhere in this press release and other factors described from time to time in our filings with the SEC.

Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, severe weather, levels of consumer confidence in national and local economic business conditions, the impact of labor market conditions, the increase of costs due to inflation, an economic downturn caused by any pandemic, epidemic or other disease outbreak, comparable or similar to COVID-19, the success of our turnaround strategy, the impact of capital improvement projects, the adequacy and availability of capital resources to fund our existing and planned business operations and our capital expenditure requirements, our ability to meet financial covenant requirements in our credit facility, which could impact, among other things, our liquidity, the relative effectiveness of compensation-based employee incentives in causing improvements in our performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of our business and achievement of financial metrics related to those plans, our success in retaining and/or attracting qualified employees, our success in adapting to technology and new commerce channels, the effect of the capital markets, as well as other external factors on stockholder

value, fluctuations in availability and cost of green coffee, competition, organizational changes, the effectiveness of our hedging strategies in reducing price and interest rate risk, changes in consumer preferences, our ability to provide sustainability in ways that do not materially impair profitability, changes in the strength of the economy, including any effects from inflation, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, as well as other risks, uncertainties and assumptions described in the 2023 Form 10-K or otherwise described from time to time in our filings with the SEC.

Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this press release and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise, except as required under federal securities laws and the rules and regulations of the SEC.

#### Investor Relations Contact

Ellipsis

[investor.relations@farmerbros.com](mailto:investor.relations@farmerbros.com)

646-776-0886

#### Media contact

Brandi Wessel

Director of Communications

405-885-5176

[bwessel@farmerbros.com](mailto:bwessel@farmerbros.com)

### FARMER BROS. CO.

#### CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net sales	\$ 85,358	\$ 85,723	\$ 256,698	\$ 254,468
Cost of goods sold	51,127	56,968	155,571	167,671
Gross profit	34,231	28,755	101,127	86,797
Selling expenses	28,001	26,693	82,970	78,081
General and administrative expenses	9,581	9,424	32,066	27,239
Net gains from sale of assets	(2,883)	(557)	(15,806)	(7,685)

Operating expenses	34,699	35,560	99,230	97,635
(Loss) income from operations	(468)	(6,805)	1,897	(10,838)
Other (expense) income:				
Interest expense	(1,849)	(2,227)	(5,978)	(6,155)
Other, net	1,635	2,135	4,830	(82)
Total other expense	(214)	(92)	(1,148)	(6,237)
(Loss) income from continuing operations before taxes	(682)	(6,897)	749	(17,075)
Income tax expense	—	30	32	113
(Loss) income from continuing operations	(682)	(6,927)	717	(17,188)
Loss from discontinued operations, net of income taxes	—	(4,496)	—	(15,216)
Net (loss) income	\$ (682)	\$ (11,423)	\$ 717	\$ (32,404)
(Loss) income from continuing operations available to common stockholders per common share, basic and diluted	\$ (0.03)	\$ (0.34)	\$ 0.03	\$ (0.88)
Loss from discontinued operations available to common stockholders per common share, basic and diluted	\$ —	\$ (0.23)	\$ —	\$ (0.78)
Net (loss) income available to common stockholders per common share, basic and diluted	\$ (0.03)	\$ (0.57)	\$ 0.03	\$ (1.66)
Weighted average common shares outstanding—basic	21,104,728	19,923,577	20,743,861	19,467,022
Weighted average common shares outstanding—diluted	21,104,728	19,923,577	20,948,329	19,467,022

**FARMER BROS. CO.**

**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(In thousands, except share and per share data)

	<b>March 31, 2024</b>	<b>June 30, 2023</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,524	\$ 5,244
Restricted cash	175	175
Accounts receivable, net of allowance for credit losses of \$710 and \$416, respectively	32,785	45,129
Inventories	54,394	49,276
Short-term derivative assets	13	68
Prepaid expenses	4,482	5,334
Assets held for sale	3,284	7,770
Total current assets	<u>100,657</u>	<u>112,996</u>
Property, plant and equipment, net	33,973	33,782
Intangible assets, net	11,783	13,493
Right-of-use operating lease assets	30,884	24,593
Other assets	1,804	2,917
Total assets	<u>\$ 179,101</u>	<u>\$ 187,781</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	42,867	60,088
Accrued payroll expenses	10,895	10,082
Right-of-use operating lease liabilities - current	13,591	8,040
Short-term derivative liability	306	2,636
Other current liabilities	3,064	4,519
Total current liabilities	<u>70,723</u>	<u>85,365</u>
Long-term borrowings under revolving credit facility	23,300	23,021
Accrued pension liabilities	19,123	19,761
Accrued postretirement benefits	795	763
Accrued workers' compensation liabilities	2,504	3,065
Right-of-use operating lease liabilities - noncurrent	17,850	17,157
Other long-term liabilities	1,661	537
Total liabilities	<u>\$ 135,956</u>	<u>\$ 149,669</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$1.00 par value, 50,000,000 shares authorized; 21,264,327 and 20,142,973 shares issued and outstanding as of March 31, 2024 and June 30, 2023, respectively	21,266	20,144

Additional paid-in capital	79,525	77,278
Accumulated deficit	(25,764)	(26,479)
Accumulated other comprehensive loss	(31,882)	(32,831)
Total stockholders' equity	\$ 43,145	\$ 38,112
Total liabilities and stockholders' equity	\$ 179,101	\$ 187,781

**FARMER BROS. CO.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(In thousands)

	<b>Nine Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash flows from operating activities:		
Net income (loss)	\$ 717	\$ (32,404)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities		
Depreciation and amortization	8,675	16,725
Gain on settlement related to Boyd's acquisition	—	(1,917)
Net gains from sale of assets	(17,019)	(7,685)
Net losses on derivative instruments	363	1,189
401(k) and share-based compensation expense	3,368	6,237
Provision for credit losses	551	535
Change in operating assets and liabilities:		
Accounts receivable, net	13,007	(7,698)
Inventories	(5,119)	17,363
Derivative (liabilities) assets, net	(594)	(3,751)
Other assets	2,035	(510)
Accounts payable	(17,203)	12,101
Accrued expenses and other	(1,933)	(6,468)
Net cash used in operating activities	<u>(13,152)</u>	<u>(6,283)</u>
Cash flows from investing activities:		
Sale of business	(1,214)	—
Purchases of property, plant and equipment	(10,267)	(11,113)
Proceeds from sales of property, plant and equipment	24,847	11,507
Net cash provided by investing activities	<u>13,366</u>	<u>394</u>
Cash flows from financing activities:		
Proceeds from Credit Facilities	6,279	54,000
Repayments on Credit Facilities	(6,000)	(50,167)
Payments of finance lease obligations	(144)	(144)
Payment of financing costs	(69)	(363)
Net cash provided by financing activities	<u>66</u>	<u>3,326</u>
Net increase in cash and cash equivalents and restricted cash	280	(2,563)
Cash and cash equivalents and restricted cash at beginning of period	5,419	9,994
Cash and cash equivalents and restricted cash at end of period	<u>\$ 5,699</u>	<u>\$ 7,431</u>
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 11,039	\$ 3,487
Non-cash issuance of ESOP and 401(K) common stock	595	793
Non cash additions to property, plant and equipment	19	167

**Non-GAAP Financial Measures**

In addition to net loss determined in accordance with U.S. generally accepted accounting principles ("GAAP"), we use the following non-GAAP financial measures in assessing our operating performance:

"EBITDA" is defined as net (loss) income from continuing operations excluding the impact of:

- income tax expense;
- interest expense; and
- depreciation and amortization expense.

“EBITDA Margin” is defined as EBITDA expressed as a percentage of net sales.

“Adjusted EBITDA” is defined as net (loss) income from continuing operations excluding the impact of:

- income tax expense;
- interest expense;
- (1) depreciation and amortization expense;
- 401(k) stock match, ESOP and share-based compensation expense;
- gain on settlement with Boyd's sellers;
- net (gains) losses from sales of assets;
- loss related to sale of business; and
- severance costs.

“Adjusted EBITDA Margin” is defined as Adjusted EBITDA expressed as a percentage of net sales.

For purposes of calculating EBITDA and EBITDA Margin and Adjusted EBITDA and Adjusted EBITDA Margin, we have not adjusted for the impact of interest expense on our pension and postretirement benefit plans.

We believe these non-GAAP financial measures provide a useful measure of the Company's operating results, a meaningful comparison with historical results and with the results of other companies, and insight into the Company's ongoing operating performance. Further, management utilizes these measures, in addition to GAAP measures, when evaluating and comparing the Company's operating performance against internal financial forecasts and budgets.

We believe that EBITDA facilitates operating performance comparisons from period to period by isolating the effects of certain items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. These potential differences may be caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense). We also present EBITDA and EBITDA Margin because (i) we believe that these measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use these measures internally as benchmarks to compare our performance to that of our competitors.

EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin, as defined by us, may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

Set forth below is a reconciliation of reported net (loss) income from continuing operations to EBITDA (unaudited):

(In thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
(Loss) income from continuing operations, as reported	\$ (682)	\$ (6,927)	\$ 717	\$ (17,188)
Income tax expense	—	30	32	113
Interest expense (1)	635	1,061	2,334	2,659
Depreciation and amortization expense	2,883	3,093	8,675	9,798
EBITDA	<u>\$ 2,836</u>	<u>\$ (2,743)</u>	<u>\$ 11,758</u>	<u>\$ (4,618)</u>
EBITDA Margin	3.3%	(3.2)%	4.6%	(1.8)%

(1) Excludes interest expense related to pension plans and postretirement benefit plans.

Set forth below is a reconciliation of reported net (loss) income from continuing operations to Adjusted EBITDA (unaudited):

(In thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
(Loss) income from continuing operations, as reported	\$ (682)	\$ (6,927)	\$ 717	\$ (17,188)
Income tax expense	—	30	32	113
Interest expense (1)	635	1,061	2,334	2,659
Depreciation and amortization expense	2,883	3,093	8,675	9,798
401(k), ESOP and share-based compensation expense	422	1,572	3,324	6,071
Gain on settlement with Boyd's sellers (2)	—	—	—	(1,917)
Net gains from sale of assets	(2,883)	(557)	(17,020)	(7,685)
Loss related to sale of business (3)	—	—	1,214	—
Severance costs	(104)	1,149	2,856	1,441
Adjusted EBITDA	<u>\$ 271</u>	<u>\$ (579)</u>	<u>\$ 2,132</u>	<u>\$ (6,708)</u>

Adjusted EBITDA Margin

0.3%

(0.7)%

0.8%

(2.6)%

(1) Excludes interest expense related to pension plans and postretirement benefit plans.

(2) Result of the settlement related to the acquisition of Boyd Coffee Company which included the cancellation of shares of Series A Preferred Stock and settlement of liabilities.

(3) Result of the settlements related to the divestiture of Direct Ship business which included gains related to coffee hedges and settlement of liabilities.

**Farmer Brothers®**

Source: Farmer Bros. Co.