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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended July 12, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-02396



**BRIDGFORD FOODS CORPORATION**

(Exact name of registrant as specified in its charter)

**California**

(State or other jurisdiction of  
incorporation or organization)

**1707 S. Good-Latimer Expressway**  
(Address of principal executive offices)

**95-1778176**

(I.R.S. Employer  
identification number)

**75226**  
(Zip code)

**(214) 428-1535**

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|---|
| Common Stock        | BRID              | Nasdaq Global Market                      |

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of August 23, 2024, the registrant had 9,076,832 shares of common stock outstanding.

**BRIDGFORD FOODS CORPORATION**  
FORM 10-Q QUARTERLY REPORT

INDEX

References to “Bridgford Foods”, “Company”, “we”, “us” or “our” contained in this Quarterly Report on Form 10-Q (this “Report”) refer to Bridgford Foods Corporation.

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Items 2 through 5 of Part II have been omitted because they are not applicable with respect to the Company and/or the current reporting period.

Part I. Financial Information

Item 1. a.

**BRIDGFORD FOODS CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share amounts)

|   | <u>July 12, 2024</u><br>(unaudited) | <u>November 3, 2023</u> |
|---|-------------------------------------|-------------------------|
| <b>ASSETS</b>   |                                     |                         |
| Current assets:   |                                     |                         |
| Cash and cash equivalents   | \$ 15,938                           | \$ 15,708               |
| Accounts receivable, less allowance for credit losses of \$451 and \$248, respectively, and promotional allowances of \$644 and \$2,093, respectively | 27,018                              | 28,593                  |
| Inventories, net  | 34,912                              | 40,573                  |
| Refundable income taxes   | 4,620                               | 2,168                   |
| Prepaid expenses and other current assets   | 1,288                               | 435                     |
| Total current assets  | <u>83,776</u>                       | <u>87,477</u>           |
| Property, plant and equipment, net of accumulated depreciation and amortization of \$77,221 and \$73,397, respectively                                | 65,347                              | 67,487                  |
| Other non-current assets  | 14,738                              | 12,034                  |
| Total assets  | <u>\$ 163,861</u>                   | <u>\$ 166,998</u>       |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                                     |                         |
| Current liabilities:  |                                     |                         |
| Accounts payable  | \$ 7,956                            | \$ 7,201                |
| Accrued payroll, advertising, and other expenses  | 7,445                               | 6,404                   |
| Income taxes payable  | 256                                 | 256                     |
| Current notes payable - equipment   | 1,075                               | 1,045                   |
| Current right-of-use leases payable   | 1,081                               | 1,120                   |
| Other current liabilities   | 1,783                               | 1,955                   |
| Total current liabilities   | <u>19,596</u>                       | <u>17,981</u>           |
| Long-term notes payable - equipment   | 2,068                               | 2,786                   |
| Deferred income taxes, net  | 8,342                               | 8,342                   |
| Long-term right-of-use leases payable   | 2,583                               | 2,450                   |
| Executive retirement, pension plans and other   | 4,467                               | 5,904                   |
| Total long-term liabilities   | <u>17,460</u>                       | <u>19,482</u>           |
| Total liabilities   | 37,056                              | 37,463                  |
| Contingencies and commitments (Note 3)  |                                     |                         |
| Shareholders' equity:   |                                     |                         |
| Preferred stock, without par value; authorized – 1,000,000 shares; issued and outstanding – none  | -                                   | -                       |
| Common stock, \$1.00 par value; authorized – 20,000,000 shares; issued and outstanding – 9,076,832 and 9,076,832 shares, respectively                 | 9,134                               | 9,134                   |
| Capital in excess of par value  | 8,298                               | 8,298                   |
| Retained earnings   | 120,062                             | 122,792                 |
| Accumulated other comprehensive loss  | (10,689)                            | (10,689)                |
| Total shareholders' equity  | <u>126,805</u>                      | <u>129,535</u>          |
| Total liabilities and shareholders' equity  | <u>\$ 163,861</u>                   | <u>\$ 166,998</u>       |

See accompanying notes to Condensed Consolidated Financial Statements.

Item 1. b.

**BRIDGFORD FOODS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited)

(in thousands, except share and per share amounts)

|  | 12 weeks ended |              | 36 weeks ended |              |
|--|----------------|--------------|----------------|--------------|
|  | July 12, 2024  | July 7, 2023 | July 12, 2024  | July 7, 2023 |
| Net sales  | \$ 49,263      | \$ 54,189    | \$ 151,419     | \$ 171,321   |
| Cost of products sold                                  | 38,039         | 38,898       | 113,431        | 123,507      |
| Gross margin   | 11,224         | 15,291       | 37,988         | 47,814       |
| Selling, general and administrative expenses           | 14,445         | 14,657       | 43,446         | 45,392       |
| Loss on sale of property, plant, and equipment         | 163            | 37           | 161            | 197          |
| Operating (loss) income                                | (3,384)        | 597          | (5,619)        | 2,225        |
| Other income (expense)                                 |                |              |                |              |
| Interest income (expense)                              | (75)           | (90)         | (220)          | (315)        |
| Cash surrender value gain                              | 937            | 435          | 1,990          | 675          |
| Total other income                                     | 862            | 345          | 1,770          | 360          |
| (Loss) income before taxes                             | (2,522)        | 942          | (3,849)        | 2,585        |
| (Benefit on) provision for income taxes                | (752)          | 258          | (1,119)        | 820          |
| Net (loss) income                                      | \$ (1,770)     | \$ 684       | \$ (2,730)     | \$ 1,765     |
| Basic (loss) earnings per share                        | \$ (0.20)      | \$ 0.08      | \$ (0.30)      | \$ 0.19      |
| Shares used to compute basic (loss) earnings per share | 9,076,832      | 9,076,832    | 9,076,832      | 9,076,832    |

See accompanying notes to Condensed Consolidated Financial Statements.

**BRIDGFORD FOODS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
36 weeks ended July 7, 2023, and July 12, 2024  
(unaudited)  
(in thousands)

|                           | <u>Shares</u> | <u>Amount</u>   | <u>Capital in<br/>excess of<br/>par value</u> | <u>Retained<br/>earnings</u> | <u>Accumulated<br/>other<br/>comprehensive<br/>loss</u> | <u>Total<br/>shareholders'<br/>equity</u> |
|---------------------------|---------------|-----------------|---|------------------------------|---|---|
| Balance, October 28, 2022 | 9,076         | \$ 9,134        | \$ 8,298                                      | \$ 119,318                   | \$ (10,425)   | \$ 126,325                                |
| Net income                | -             | -               | -   | 1,765                        | -   | 1,765                                     |
| Balance, July 7, 2023     | <u>9,076</u>  | <u>\$ 9,134</u> | <u>\$ 8,298</u>                               | <u>\$ 121,083</u>            | <u>\$ (10,425)</u>                                      | <u>\$ 128,090</u>                         |

|                           | <u>Shares</u> | <u>Amount</u>   | <u>Capital in<br/>excess of<br/>par value</u> | <u>Retained<br/>earnings</u> | <u>Accumulated<br/>other<br/>comprehensive<br/>loss</u> | <u>Total<br/>shareholders'<br/>equity</u> |
|---------------------------|---------------|-----------------|---|------------------------------|---|---|
| Balance, November 3, 2023 | 9,076         | \$ 9,134        | \$ 8,298                                      | \$ 122,792                   | \$ (10,689)   | \$ 129,535                                |
| Net loss                  | -             | -               | -   | (2,730)                      | -   | (2,730)                                   |
| Balance, July 12, 2024    | <u>9,076</u>  | <u>\$ 9,134</u> | <u>\$ 8,298</u>                               | <u>\$ 120,062</u>            | <u>\$ (10,689)</u>                                      | <u>\$ 126,805</u>                         |

**BRIDGFORD FOODS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
12 weeks ended July 7, 2023, and July 12, 2024  
(unaudited)  
(in thousands)

|                         | <u>Shares</u> | <u>Amount</u>   | <u>Capital in<br/>excess of<br/>par value</u> | <u>Retained<br/>earnings</u> | <u>Accumulated<br/>other<br/>comprehensive<br/>loss</u> | <u>Total<br/>shareholders'<br/>equity</u> |
|-------------------------|---------------|-----------------|---|------------------------------|---|---|
| Balance, April 14, 2023 | 9,076         | \$ 9,134        | \$ 8,298                                      | \$ 120,399                   | \$ (10,425)   | \$ 127,406                                |
| Net income              | -             | -               | -   | 684                          | -   | 684                                       |
| Balance, July 7, 2023   | <u>9,076</u>  | <u>\$ 9,134</u> | <u>\$ 8,298</u>                               | <u>\$ 121,083</u>            | <u>\$ (10,425)</u>                                      | <u>\$ 128,090</u>                         |

|                         | <u>Shares</u> | <u>Amount</u>   | <u>Capital in<br/>excess of<br/>par value</u> | <u>Retained<br/>earnings</u> | <u>Accumulated<br/>other<br/>comprehensive<br/>loss</u> | <u>Total<br/>shareholders'<br/>equity</u> |
|-------------------------|---------------|-----------------|---|------------------------------|---|---|
| Balance, April 19, 2024 | 9,076         | \$ 9,134        | \$ 8,298                                      | \$ 121,832                   | \$ (10,689)   | \$ 128,575                                |
| Net loss                | -             | -               | -   | (1,770)                      | -   | (1,770)                                   |
| Balance, July 12, 2024  | <u>9,076</u>  | <u>\$ 9,134</u> | <u>\$ 8,298</u>                               | <u>\$ 120,062</u>            | <u>\$ (10,689)</u>                                      | <u>\$ 126,805</u>                         |

See accompanying notes to Condensed Consolidated Financial Statements.

Item 1. d.

**BRIDGFORD FOODS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)  
(in thousands)

|  | 36 weeks ended |              |
|--|----------------|--------------|
|  | July 12, 2024  | July 7, 2023 |
| Cash flows from operating activities:  |                |              |
| Net (loss) income  | \$ (2,730)     | \$ 1,765     |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                |              |
| Depreciation and amortization  | 4,489          | 4,378        |
| Provision for credit losses on accounts receivable                                       | 215            | 65           |
| Decrease in promotional allowances   | (1,449)        | (137)        |
| Loss on sale of property, plant, and equipment   | 161            | 197          |
| Changes in operating assets and liabilities:   |                |              |
| Accounts receivable, net   | 2,809          | 4,524        |
| Inventories, net   | 5,661          | (3,181)      |
| Prepaid expenses and other current assets  | (853)          | (1,340)      |
| Refundable income taxes  | (2,452)        | (283)        |
| Other non-current assets   | (2,704)        | (675)        |
| Accounts payable   | 755            | (3,210)      |
| Accrued payroll, advertising, and other expenses   | 1,041          | (1,040)      |
| Other current liabilities  | (168)          | (1,046)      |
| Other non-current liabilities  | (1,573)        | 78           |
| Net cash provided by operating activities  | 3,202          | 95           |
| Cash flows from investing activities:  |                |              |
| Proceeds from sale of property, plant, and equipment                                     | 14             | 186          |
| Additions to property, plant, and equipment  | (2,524)        | (2,387)      |
| Net cash used in investing activities  | (2,510)        | (2,201)      |
| Cash flows from financing activities:  |                |              |
| Change in lease and right-of-use obligations   | 226            | (719)        |
| Repayments of notes payable - equipment  | (688)          | (743)        |
| Net cash used in financing activities  | (462)          | (1,462)      |
| Net increase (decrease) in cash and cash equivalents                                     | 230            | (3,568)      |
| Cash and cash equivalents and restricted cash at beginning of period                     | 15,708         | 16,333       |
| Cash and cash equivalents and restricted cash at end of period                           | \$ 15,938      | \$ 12,765    |
| Supplemental disclosure of cash flow information:  |                |              |
| Cash paid for income taxes   | \$ 1,334       | \$ 1,108     |
| Cash paid for interest   | \$ 220         | \$ 316       |
| Non-cash receivable from tenant  | \$ 913         | \$ -         |
| Non-cash liability from tenant   | \$ 933         | \$ -         |

See accompanying notes to Condensed Consolidated Financial Statements.

**BRIDGFORD FOODS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)  
(dollars in thousands)

**Note 1 – Summary of Significant Accounting Policies:**

The unaudited Condensed Consolidated Financial Statements of Bridgford Foods Corporation (the “Company”, “we”, “our”, “us”) for the twelve and thirty-six weeks ended July 12, 2024 and July 7, 2023 have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X, and include all adjustments considered necessary by management for a fair presentation of the interim periods. This Report should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended November 3, 2023 (the “Annual Report”). Due to seasonality and other factors, interim results are not necessarily indicative of the results for the full year. Recent accounting pronouncements, if any, and their effect on the Company are discussed in Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Report.

The November 3, 2023, balance sheet amounts within these interim Condensed Consolidated Financial Statements were derived from the audited fiscal year 2023 consolidated financial statements included in the Company’s Annual Report.

The preparation of Condensed Consolidated 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 as of the date of the financial statements and the reported revenues and expenses during the reporting periods. Some of the estimates made by management include the allowance for doubtful accounts, promotional and returns allowances, inventory reserves, the estimated useful lives of property, plant and equipment, and the valuation allowance for the Company’s deferred tax assets. Management determines the amounts to record based on historical experience and various other assumptions that we view as reasonable under the circumstances and considers all relevant available information. Actual results could materially differ from these estimates. Amounts estimated related to liabilities for self-insured workers’ compensation, employee healthcare, and pension benefits are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts which vary from our current estimates. Market conditions and the volatility in stock markets may cause significant changes in the measurement of our pension fund liabilities and the performance of our life insurance policies in future periods.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued payroll, and notes payable. The carrying amount of these instruments approximate fair market value due to their short-term maturity or market interest rates. The Company has accounts with nationally recognized financial institutions in excess of the Federal Deposit Insurance Corporation insurance coverage limit. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with regard to its cash and cash equivalents. The Company grants payment terms to a significant number of customers that are diversified over a wide geographic area. The Company monitors the payment histories of its customers and maintains an allowance for doubtful accounts which is reviewed for adequacy on a quarterly basis. The Company does not require collateral from its customers.

**Comprehensive income or loss**

Comprehensive income or loss consists of net (loss) income and additional minimum pension liability adjustments. There were no differences between net (loss) income and comprehensive income during each of the twelve and thirty-six weeks ended July 12, 2024, and July 7, 2023.

**Customer Concentration > 20% of AR or >10% of Sales**

The table below shows customers that accounted for more than 20% of consolidated accounts receivable (“AR”) or 10% of consolidated sales for the thirty-six weeks ended July 12, 2024, and July 7, 2023, respectively.

|               | Walmart |       | Dollar General |       |
|---------------|---------|-------|----------------|-------|
|               | Sales   | AR    | Sales          | AR    |
| July 12, 2024 | 27.0%   | 27.1% | 14.8%          | 22.7% |
| July 7, 2023  | 29.6%   | 27.4% | 16.8%          | 25.8% |

The table below shows customers that accounted for more than 20% of consolidated accounts receivable or 10% of consolidated sales for the twelve weeks ended July 12, 2024, and July 7, 2023, respectively.

|               | Walmart |       | Dollar General |       |
|---------------|---------|-------|----------------|-------|
|               | Sales   | AR    | Sales          | AR    |
| July 12, 2024 | 24.1%   | 27.1% | 15.3%          | 22.7% |
| July 7, 2023  | 27.8%   | 27.4% | 17.9%          | 25.8% |



## Revenue recognition

Revenues are recognized in accordance with Accounting Standards Codification (“ASC”) Topic 606 – *Revenue from Contracts with Customers* upon passage of title to the customer. Products are delivered to customers primarily through common carrier, or through a Company-owned direct-store-delivery system.

The Company recognizes revenue for the sale of the product at the point in time when our performance obligation has been satisfied and control of the product has transferred to our customer, which generally occurs upon product shipment, pickup or delivery to a customer based on terms of the sale. Contracts with customers are typically short-term in nature with completion of a single performance obligation. Product is sold to foodservice, retail, institutional and other distribution channels. Shipping and handling that occurs after the customer has obtained control of the product is recorded as a fulfillment cost rather than an additional performance obligation. Costs paid to third party brokers to obtain contracts are recognized as part of selling expenses. Other sundry items in context of the contract are also recognized as selling expense. Any taxes collected on behalf of the government are excluded from net revenue.

We record revenue at the transaction price which is measured as the amount of consideration we anticipate receiving in exchange for providing products to our customers. Revenue is recognized as the net amount estimated to be received after deducting estimated or known amounts including variable consideration for discounts, trade allowances, consumer incentives, coupons, volume-based incentives, cooperative advertising, product returns and other such programs. Promotional allowances, including customer incentive and trade promotion activities, are recorded as a reduction to sales based on amounts estimated being due to customers, based primarily on historical utilization and redemption rates. Estimates are reviewed regularly until incentives or product returns are realized and the result of any such adjustments are known. Promotional allowances deducted from sales for the twelve weeks ended July 12, 2024, and July 7, 2023, were \$4,489 and \$3,396, respectively. Promotional allowances deducted from sales for the thirty-six weeks ended July 12, 2024, and July 7, 2023, were \$12,540 and \$11,781, respectively.

## Leases

Leases are recognized in accordance with ASC 842 Leases (“ASC 842”) which requires a lessee to recognize assets and liabilities with lease terms of more than twelve months. We lease or rent property for operations such as storing inventory and equipment. We analyze our agreements to evaluate whether or not a lease exists by determining what assets exist for which we control usage for a period of time in exchange for consideration. In the event a lease exists, we classify it as a finance or operating lease and record a right-of-use (“ROU”) asset and the corresponding lease liability at the inception of the lease. The classification as a finance or operating lease determines whether the recognition, measurement and presentation of expenses and cash flows are considered operating or financing. In the case of month-to-month lease or rental agreements with terms of twelve months or less, we made an accounting policy election to not recognize lease assets and liabilities and record them on a straight-line basis over the lease term. The storage units rented on a month-to-month basis for use by our Snack Food Products segment direct store delivery route system are not costly to relocate and contain no significant leasehold improvements or degree of integration over leased assets. Orders can be fulfilled by another route storage unit interchangeably. No specialized assets exist in the rental storage units. Market price is paid for storage units. No guarantee of debt is made.

ROU lease assets are recorded within property, plant and equipment, net of accumulated depreciation and amortization. The Company leases warehouse space from time to time that is recorded as ROU lease assets and corresponding lease liabilities. The Company’s no longer leases long-haul trucks used in its Frozen Food Products segment. However, we have leased one refrigerated truck used in the Frozen Food Products segment. Finance lease liabilities are recorded under other liabilities. The condensed consolidated balance sheets reflect both the current and long-term obligations.

We leased a parking lot to our lessee in accordance with ASC 842 under a 60-month lease contract. Legal ownership does not transfer at the end of the lease. We retain ownership of the parking lot. There is no net book value of the underlying asset. We recorded a lease receivable, both the current and non-current components, less executory costs including broker commission. The discount rate implicit in the lease is used to calculate the present value of minimum lease payments. Revenue will be deferred until earned and is recorded in current and non-current liabilities.

## Subsequent events

Management has evaluated events subsequent to July 12, 2024, through the date that the accompanying Condensed Consolidated Financial Statements were filed with the Securities and Exchange Commission for transactions and other events which may require adjustments of and/or disclosure in such financial statements.

No material events were identified that require adjustment to the financial statements or additional disclosure.

## Basic (loss) earnings per share

Basic (loss) earnings per share are calculated based on the weighted average number of shares outstanding for all periods presented. No stock options, warrants, or other potentially dilutive convertible securities were outstanding as of July 12, 2024, or July 7, 2023.

## Recently issued accounting pronouncements and regulations

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (ASC 326), which provides guidance on measurement of credit losses on financial instruments. This ASU adds a current expected credit loss impairment model to GAAP that is based on expected losses rather than incurred losses whereby a broader range of reasonable and supportable information is required to be utilized in order to derive credit loss estimates. The effective date of the new guidance as amended by ASU No. 2019-10 is fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of ASU No. 2016-13 did not have a material or significant impact on the Company's Consolidated Financial Statements as it has been our policy to estimate and record credit losses on trade accounts receivable.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting – Improvements to Reportable Segments Disclosures. The amendments enhance disclosures of significant segment expenses by requiring the disclosure of significant segment expenses regularly provided to the chief operating decision maker (CODM), extending certain annual disclosures to interim periods, and permitting more than one measure of segment profit or loss to be reported under certain conditions. The amendments are effective for the Company in fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption of the amendment is permitted, including adoption in any interim periods for which financial statements have not been issued. The Company is currently evaluating the guidance and its impact to the financial statements.

In March 2024, the SEC adopted rules to develop standardized climate-related disclosures by publicly traded companies including the emission of greenhouse gases. The rules are currently effective for the Company in the fiscal year beginning in 2027. However, as a result of pending legal challenges, the actual timing of effectiveness of the rules and applicable phase-in periods, as well as whether portions of the rules remain in effect after the legal challenges, are uncertain. The Company is currently evaluating the guidance and its impact on the financial statements.

### **Note 2 – Inventories, net:**

Inventories are comprised of the following at the respective period ends:

|                                 | <u>July 12, 2024</u> | <u>November 3, 2023</u> |
|---------------------------------|----------------------|-------------------------|
| Meat, ingredients, and supplies | \$ 9,018             | \$ 12,244               |
| Work in progress                | 3,042                | 1,507                   |
| Finished goods                  | 22,852               | 26,822                  |
|                                 | <u>\$ 34,912</u>     | <u>\$ 40,573</u>        |

Inventories are valued at the lower of cost (which approximates actual cost on a first-in, first-out basis) or net realizable value. Inventories include the cost of raw materials, labor, and manufacturing overhead. We regularly review inventory quantities on hand and write down any estimated excess, obsolete inventories, or impaired balances to net realizable value. An inventory reserve is created when potentially slow-moving or obsolete inventories are identified in order to reflect the appropriate inventory value. Changes in economic conditions, production requirements, and lower than expected customer demand could result in additional obsolete or slow-moving inventory that cannot be sold or must be sold at reduced prices and could result in additional reserve provisions. We maintain a net realizable value reserve of \$1,343 as of July 12, 2024, and \$513 as of November 3, 2023, on products in inventory after determining that the market value on some meat products could not cover the costs associated with completion and sale of the product.

### **Note 3 – Contingencies and Commitments:**

The Company generally leases warehouses throughout the United States through month-to-month rental agreements. In the case of month-to-month lease or rental agreements with terms of 12 months or less, the Company made an accounting policy election to not recognize lease assets and liabilities and record them on a straight-line basis over the lease term. For further information regarding our lease accounting policy, please refer to Note 1 – Summary of Significant Accounting Policies — Leases.

The Company leased three long-haul trucks received during fiscal year 2019. The six-year leases for these trucks would have expired in fiscal year 2025. We returned one long-haul truck on June 22, 2023, for a loss of \$12 and returned two long-haul trucks on July 11, 2024, for a loss of \$90, in an effort to reduce the overall cost of delivering products. All long-haul trucks under this lease agreement have been returned as of July 12, 2024. The Company leased one box truck for a market value of \$27 on April 17, 2023, and that lease term is two years.

The Company leased one refrigerated truck received on May 10, 2024, for a net present value of \$166. The seven-year lease for this truck will expire in fiscal year 2031. Amortization of equipment as a finance lease was \$6 during the thirty-six weeks ended July 12, 2024.

The Company performed a detailed analysis and determined that the only indications of a long-term lease in addition to transportation leases for long-haul trucks were the warehouse leases with Hogshed Ventures, LLC and Racine Partners 4333 LLC.

The Company's five-year term lease with Racine Partners 4333 LLC, was effective June 1, 2022. An ROU asset of \$2,684 and corresponding liability for warehouse storage space of \$2,751 as of July 12, 2024, was recorded for Racine Partners 4333 LLC for 43<sup>rd</sup> Street in Chicago, Illinois. This lease does not provide an implicit rate and we estimated our incremental interest rate to be approximately 3.68%. We used our estimated incremental borrowing rate and other information available at the lease commencement date in determining the present value of the lease payments.

We leased warehouse storage space from Hogshed Ventures, LLC for 40th Street in Chicago, Illinois, during fiscal year 2024. We leased this space under a non-cancelable operating lease. This lease terminated on June 30, 2024 and was not renewed. There is no further lease liability recorded as of July 12, 2024.

We, as lessor, leased a parking lot in Anaheim, California with a five-year term effective May 29, 2024, to a tenant. Both current and non-current receivables less executory costs including broker's commissions, were recorded in current and non-current liabilities in the amount of \$163 and \$750, as of July 12, 2024. Unearned revenue was also recorded in the amount of \$155 and \$778, respectively, in the consolidated balance sheet as of July 12, 2024. This lease does not provide an implicit rate, and we estimated our incremental interest rate to be approximately 7.34%. We used our estimated incremental borrowing rate and other information available at the lease commencement date in determining the present value of the lease payments. Legal ownership does not transfer at the end of the lease. We retain ownership of the parking lot. There is no net book value of the underlying asset.

The following is a schedule by years of future minimum lease payments for transportation leases and ROU assets:

| Fiscal Year                                       | Financial Obligations |
|---|-----------------------|
| 2024  | \$ 317                |
| 2025  | 1,130                 |
| 2026  | 1,207                 |
| 2027  | 806                   |
| Later Years                                       | 439                   |
| Total Minimum Lease Payments(a)                   | \$ 3,899              |
| Less: Amount representing executory costs         | (11)                  |
| Less: Amount representing interest(b)             | -                     |
| Present value of future minimum lease payments(c) | \$ 3,888              |

(a) Minimum payments exclude contingent rentals based on actual mileage and adjustments of rental payments based on the Consumer Price Index.

(b) Amount necessary to reduce net minimum lease payments to present value calculated at the Company's incremental borrowing rate at the inception of the leases.

(c) Reflected in Part I. Financial Information, Item 1. a., Condensed Consolidated Balance Sheets, as current and noncurrent obligations are finance leases of \$58 under other current liabilities and \$165 under Executive retirement, pension plans and other, respectively, and ROU leases payable of \$1,081 and \$2,584 are disclosed as line items Current right-of-use leases payable and long-term right-of-use leases payable, respectively, as of July 12, 2024.

We purchase large quantities of pork, beef, and flour. These ingredients are generally available from a number of different suppliers although the availability of these ingredients is subject to seasonal variation. We build ingredient inventories to take advantage of downward trends in seasonal prices or anticipated supply limitations.

We purchase bulk flour under short-term fixed price contracts at current market prices. The contracts are usually effective for and settle within three months or less at a fixed price and quantity. We monitor and manage our ingredient costs to help negate volatile daily swings in market prices when possible. We do not participate in the commodity futures market or hedging to limit commodity exposure.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

#### **Note 4 – Segment Information:**

The Company has two reportable operating segments: Frozen Food Products (the processing and distribution of frozen food products) and Snack Food Products (the processing and distribution of meat and other convenience foods).

We evaluate each segment's performance based on revenues and operating income. Selling, general and administrative ("SG&A") expenses include corporate accounting, information systems, human resource management and marketing, which are managed at the corporate level. These activities are allocated to each operating segment based on revenues and/or actual usage. Assets managed at the corporate level are not attributable to each operating segment and thus have been included as "other" in the accompanying segment information.

The following segment information is presented for the twelve weeks ended July 12, 2024, and July 7, 2023, respectively.

| <b>Segment Information</b>                            |                             |                            |              |               |
|---|-----------------------------|----------------------------|--------------|---------------|
| <b>Twelve weeks Ended July 12, 2024</b>               | <b>Frozen Food Products</b> | <b>Snack Food Products</b> | <b>Other</b> | <b>Totals</b> |
| Sales   | \$ 11,517                   | \$ 37,746                  | \$ -         | \$ 49,263     |
| Cost of products sold                                 | 8,670                       | 29,369                     | -            | 38,039        |
| Gross margin  | 2,847                       | 8,377                      | -            | 11,224        |
| SG&A  | 3,063                       | 11,382                     | -            | 14,445        |
| Loss on sale of property, plant, and equipment        | 90                          | 73                         | -            | 163           |
| Operating loss  | (306)                       | (3,078)                    | -            | (3,384)       |
| Total assets  | \$ 14,202                   | \$ 113,444                 | \$ 36,215    | \$ 163,861    |
| Additions to PP&E                                     | \$ 252                      | \$ 403                     | \$ -         | \$ 655        |
| <b>Twelve weeks Ended July 7, 2023</b>                | <b>Frozen Food Products</b> | <b>Snack Food Products</b> | <b>Other</b> | <b>Totals</b> |
| Sales   | \$ 10,852                   | \$ 43,337                  | \$ -         | \$ 54,189     |
| Cost of products sold                                 | 8,809                       | 30,089                     | -            | 38,898        |
| Gross margin  | 2,043                       | 13,248                     | -            | 15,291        |
| SG&A  | 2,900                       | 11,757                     | -            | 14,657        |
| Loss (gain) on sale of property, plant, and equipment | 61                          | (24)                       | -            | 37            |
| Operating (loss) income                               | (918)                       | 1,515                      | -            | 597           |
| Total assets  | \$ 15,020                   | \$ 128,690                 | \$ 27,723    | \$ 171,433    |
| Additions to PP&E                                     | \$ 443                      | \$ 651                     | \$ -         | \$ 1,094      |

The following segment information is presented for the thirty-six weeks ended July 12, 2024, and July 7, 2023, respectively.

|  |                             |                            |              |               |
|--|-----------------------------|----------------------------|--------------|---------------|
| <b>Thirty-six weeks Ended July 12, 2024</b>    | <b>Frozen Food Products</b> | <b>Snack Food Products</b> | <b>Other</b> | <b>Totals</b> |
| Sales  | \$ 38,821                   | \$ 112,598                 | \$ -         | \$ 151,419    |
| Cost of products sold                          | 28,453                      | 84,978                     | -            | 113,431       |
| Gross margin                                   | 10,368                      | 27,620                     | -            | 37,988        |
| SG&A   | 9,729                       | 33,717                     | -            | 43,446        |
| Loss on sale of property, plant, and equipment | 90                          | 71                         | -            | 161           |
| Operating income (loss)                        | 549                         | (6,168)                    | -            | (5,619)       |
| Total assets                                   | \$ 14,202                   | \$ 113,444                 | \$ 36,215    | \$ 163,861    |
| Additions to PP&E                              | \$ 754                      | \$ 1,770                   | \$ -         | \$ 2,524      |
| <b>Thirty-six weeks Ended July 7, 2023</b>     | <b>Frozen Food Products</b> | <b>Snack Food Products</b> | <b>Other</b> | <b>Totals</b> |
| Sales  | \$ 37,156                   | \$ 134,165                 | \$ -         | \$ 171,321    |
| Cost of products sold                          | 29,032                      | 94,475                     | -            | 123,507       |
| Gross margin                                   | 8,124                       | 39,690                     | -            | 47,814        |
| SG&A   | 9,786                       | 35,606                     | -            | 45,392        |
| Loss on sale of property, plant, and equipment | 92                          | 105                        | -            | 197           |
| Operating (loss) income                        | (1,754)                     | 3,979                      | -            | 2,225         |
| Total assets                                   | \$ 15,020                   | \$ 128,690                 | \$ 27,723    | \$ 171,433    |
| Additions to PP&E                              | \$ 1,030                    | \$ 1,357                   | \$ -         | \$ 2,387      |

The following information further disaggregates our sales to customers by major distribution channel and customer type for the twelve weeks ended July 12, 2024, and July 7, 2023, respectively.

**Twelve weeks Ended July 12, 2024**

| <b>Distribution Channel</b>      | <b>Retail (a)</b> | <b>Foodservice (b)</b> | <b>Totals</b>    |
|----------------------------------|-------------------|------------------------|------------------|
| Direct store delivery            | \$ 24,411         | \$ -                   | \$ 24,411        |
| Direct customer warehouse        | 13,335            | -                      | 13,335           |
| <b>Total Snack Food Products</b> | <b>37,746</b>     | <b>-</b>               | <b>37,746</b>    |
| Distributors                     | 1,119             | 10,398                 | 11,517           |
| Total Frozen Food Products       | 1,119             | 10,398                 | 11,517           |
| <b>Totals</b>                    | <b>\$ 38,865</b>  | <b>\$ 10,398</b>       | <b>\$ 49,263</b> |

**Twelve weeks Ended July 7, 2023**

| <b>Distribution Channel</b>      | <b>Retail (a)</b> | <b>Foodservice (b)</b> | <b>Totals</b>    |
|----------------------------------|-------------------|------------------------|------------------|
| Direct store delivery            | \$ 28,302         | \$ -                   | \$ 28,302        |
| Direct customer warehouse        | 15,035            | -                      | 15,035           |
| <b>Total Snack Food Products</b> | <b>43,337</b>     | <b>-</b>               | <b>43,337</b>    |
| Distributors                     | 1,134             | 9,718                  | 10,852           |
| Total Frozen Food Products       | 1,134             | 9,718                  | 10,852           |
| <b>Totals</b>                    | <b>\$ 44,471</b>  | <b>\$ 9,718</b>        | <b>\$ 54,189</b> |

(a) Includes sales to food retailers, such as grocery retailers, warehouse club stores, and internet-based retailers.

(b) Includes sales to foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, convenience stores, healthcare facilities and the military.

The following information further disaggregates our sales to customers by major distribution channel and customer type for the thirty-six weeks ended July 12, 2024, and July 7, 2023, respectively.

**Thirty-six weeks Ended July 12, 2024**

| <b>Distribution Channel</b>      | <b>Retail (a)</b> | <b>Foodservice (b)</b> | <b>Totals</b>     |
|----------------------------------|-------------------|------------------------|-------------------|
| Direct store delivery            | \$ 76,434         | \$ -                   | \$ 76,434         |
| Direct customer warehouse        | 36,164            | -                      | 36,164            |
| <b>Total Snack Food Products</b> | <b>112,598</b>    | <b>-</b>               | <b>112,598</b>    |
| Distributors                     | 5,120             | 33,701                 | 38,821            |
| Total Frozen Food Products       | 5,120             | 33,701                 | 38,821            |
| <b>Totals</b>                    | <b>\$ 117,718</b> | <b>\$ 33,701</b>       | <b>\$ 151,419</b> |

**Thirty-six weeks Ended July 7, 2023**

| <b>Distribution Channel</b>      | <b>Retail (a)</b> | <b>Foodservice (b)</b> | <b>Totals</b>     |
|----------------------------------|-------------------|------------------------|-------------------|
| Direct store delivery            | \$ 91,400         | \$ -                   | \$ 91,400         |
| Direct customer warehouse        | 42,765            | -                      | 42,765            |
| <b>Total Snack Food Products</b> | <b>134,165</b>    | <b>-</b>               | <b>134,165</b>    |
| Distributors                     | 5,618             | 31,538                 | 37,156            |
| Total Frozen Food Products       | 5,618             | 31,538                 | 37,156            |
| <b>Totals</b>                    | <b>\$ 139,783</b> | <b>\$ 31,538</b>       | <b>\$ 171,321</b> |

(a) Includes sales to food retailers, such as grocery retailers, warehouse club stores, and internet-based retailers.

(b) Includes sales to foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, convenience stores, healthcare facilities and the military.

### **Note 5 – Income Taxes:**

The Company's effective tax rate was 29.1% and 31.7% for the third quarter of fiscal years 2024 and 2023, respectively. The effective tax rate for the third quarter of fiscal year 2024 reflects the impact of \$1,119 of tax benefit.

As of July 12, 2024, the Company did not have any valuation allowance against its federal net deferred tax assets. Management reevaluated the need for a valuation allowance at the end of 2022 and determined that some of its California net operating losses ("NOL") may not be utilized. Therefore, a valuation allowance of \$99 has been retained for such portion of the California NOL. As of July 12, 2024, the Company had NOL carryforwards of approximately \$0 for federal and \$5,000 for state purposes. The state loss carryforwards will expire at various dates through 2040.

Our federal income tax returns are open to audit under the statute of limitations for the fiscal years 2020 through 2022. We are subject to income tax in Texas and various other state taxing jurisdictions. Our state income tax returns are open to audit under the statute of limitations for the fiscal years 2019 through 2022.

### **Note 6 – Equipment Notes Payable and Financial Arrangements:**

#### **Revolving Credit Facility**

On November 30, 2023, we entered into a fifth amendment to the credit agreement with Wells Fargo Bank, N.A. dated March 1, 2018, as amended, and also executed a revolving line of credit note pursuant to the amendment. The revolving line of credit note replaces the existing note that expired by its terms on November 30, 2023. Under the terms of this amendment and the revolving line of credit note, we may borrow up to \$7,500 from time to time up to November 30, 2024, at an interest rate equal to (a) the daily simple secured overnight financing rate plus 2.0%, or if unavailable, (b) the prime rate, in each case as determined by the bank. The line of credit has an unused commitment fee of 0.35% of the available loan amount, payable on a quarterly basis. Amounts may be repaid and reborrowed during the term of the note. Accrued interest is payable on the first day of each month and the outstanding principal balance and remaining interest are due and payable on November 30, 2024.

#### **Equipment Note Payable**

On December 26, 2018, we entered into a master collateral loan and security agreement with Wells Fargo Bank, N.A. (the "Original Wells Fargo Loan Agreement") for up to \$15,000 in equipment financing which was amended and expanded as detailed below. We subsequently entered into additional master collateral loan and security agreements with Wells Fargo Bank, N.A. on each of April 18, 2019, December 19, 2019, March 5, 2020, and April 17, 2020 (the Original Wells Fargo Loan Agreement and the subsequent agreements collectively referred to as the "Wells Fargo Loan Agreements").

The following table reflects major components of our revolving credit facility and equipment note payable as of July 12, 2024, and November 3, 2023, respectively.

|  | <u>July 12, 2024</u> | <u>November 3, 2023</u> |
|--|----------------------|-------------------------|
| Revolving credit facility                        | \$ -                 | \$ -                    |
| Equipment note payable:                          |                      |                         |
| 3.68% note due 04/16/27, out of lockout 04/17/22 | 3,143                | 3,831                   |
| Total debt                                       | 3,143                | 3,831                   |
| Less current debt                                | (1,075)              | (1,045)                 |
| Total long-term debt                             | <u>\$ 2,068</u>      | <u>\$ 2,786</u>         |

#### **Loan Covenants**

The Wells Fargo Loan Agreements and the credit agreement contain various affirmative and negative covenants that limit the use of funds and define other provisions of the loans. Material financial covenants are listed below, and the capitalized terms are defined in the applicable agreements:

- Total Liabilities divided by Tangible Net Worth not greater than 2.0 to 1.0 at each fiscal quarter end,
- Quick Ratio not less than 1.25 to 1.0 at each fiscal quarter end, and
- Fixed Charge Coverage Ratio not less than 1.25 to 1.0 at each fiscal quarter end.

As of July 12, 2024, and November 3, 2023, the Company was in compliance with all covenants under the Wells Fargo Loan Agreements and the credit agreement.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**(dollars in thousands)**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements included within in this Report, and the information and documents incorporated by reference with this Report, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Report or incorporated by reference into this Report are forward-looking statements. These statements include, among other things, any predictions of earnings, revenues, expenses or other financial items; plans or expectations with respect to our business strategy; statements concerning industry trends; statements regarding anticipated demand for our products, or the products of our competitors; statements relating to manufacturing forecasts; statements relating to forecasts of our liquidity position or available cash resources; statements regarding operational challenges, including as a result of global supply chain disruptions and labor shortages; statements regarding inflationary pressures and the resulting impact on our results of operations; statements regarding new regulations related to federal income tax and the impact on our financial statements and cash flow; statements regarding the impact of the adoption of recent accounting pronouncements on our business; and statements relating to the assumptions underlying any of the foregoing. Throughout this Report, we have attempted to identify forward-looking statements by using words such as "may," "believe," "will," "could," "project," "anticipate," "expect," "estimate," "should," "continue," "potential," "plan," "forecasts," "goal," "seek," "intend," other forms of these words or similar words or expressions or the negative thereof (although not all forward-looking statements contain these words).

Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; macroeconomic conditions, including global financial pressures, inflation, market volatility, and recessionary concerns; success of operating initiatives; development and operating costs; trends impacting the purchasing behavior of our customers and consumers; advertising and promotional efforts; adverse publicity; acceptance of new product offerings; consumer trial and frequency; changes in business strategy or development plans; availability, terms and deployment of capital; availability of qualified personnel; commodity, labor, and employee benefit costs; changes in, or failure to comply with, government regulations; weather conditions, including the effects of climate change and changes in the regulatory environment and consumer demand to mitigate these effects; construction schedules; the impact of the COVID-19 pandemic on our production facilities, supply chain, consumer demand, and cost of products sold; the impact of competitive products and pricing, and other factors referenced in this Report as well as in our other filings with the Securities and Exchange Commission (the "SEC"). In addition, actual results may differ as a result of additional risks and uncertainties of which we are currently unaware or which we do not currently view as material to our business.

We have based our forward-looking statements on our current expectations and projections about trends affecting our business and industry and other future events. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Assumptions relating to budgeting, marketing, and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our marketing, capital expenditure or other budgets, which may in turn affect our business, financial position, results of operations and cash flows. The reader is therefore cautioned not to place undue reliance on forward-looking statements contained herein and to consider other risks detailed more fully in our Annual Report on Form 10-K for the fiscal year ended November 3, 2023 (the "Annual Report") as well as our other filings with the SEC with the understanding that our future results may be materially different from what we currently expect. The forward-looking statements we make speak only as of the date on which they are made. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations. If we do update or correct any forward-looking statements, readers should not conclude that we will make additional updates or corrections.

## Critical Accounting Policies and Management Estimates

The preparation of our Condensed Consolidated Financial Statements in conformity with generally accepted accounting principles in the United States of America requires management to make certain 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 revenues and expenses during the respective reporting periods. Some of the estimates needed to be made by management include the allowance for doubtful accounts, promotional and returns allowances, inventory reserves, the estimated useful lives of property and equipment, and the valuation allowance for the Company's deferred tax assets. Actual results could materially differ from these estimates. We determine the amounts to record based on historical experience and various other assumptions that we view as reasonable under the circumstances and consider all relevant available information. The results of this analysis form the basis for our conclusion as to the value of assets and liabilities that are not readily available from other independent sources. Amounts estimated related to liabilities for self-insured workers' compensation, employee healthcare and pension benefits are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts which vary from our current estimates.

Current accounting principles require that our pension benefit obligation be measured using an internal rate of return ("IRR") analysis to be included in the discount rate selection process. The IRR calculation for the Retirement Plan for Employees of Bridgford Foods Corporation is measured annually and based on the Citigroup Pension Discount Rate. The Citigroup Pension Discount Rate as of July 31, 2024, was 5.22% as compared to 5.96% as of November 3, 2023. The discount rate applied can significantly affect the value of the projected benefit obligation as well as the net periodic benefit cost.

Our credit risk is diversified across a broad range of customers and geographic regions. Losses due to credit risk have recently been immaterial. The allowance for credit losses on accounts receivable is based on historical trends and current collection risk. We have significant receivables with a couple of large, well-known customers which, although historically secure, could be subject to material risk should these customers' operations suddenly deteriorate. We monitor these customers closely to minimize the risk of loss.

We record the cash surrender or contract value for life insurance policies as an adjustment of premiums paid in determining the expense or income to be recognized under the contract for the period.

We provide tax reserves for federal, state, local and international exposures relating to audit results, tax planning initiatives and compliance responsibilities. The development of these reserves requires judgments about tax issues, potential outcomes, and timing, and is a subjective estimate. Although the outcome of these tax audits is uncertain, in management's opinion adequate provisions for income taxes have been made for potential liabilities, if any, resulting from these reviews. Actual outcomes may differ materially from these estimates.

We assess the recoverability of our long-lived assets on a quarterly basis or whenever adverse events or changes in circumstances or business climate indicate that expected undiscounted future cash flows related to such long-lived assets may not be sufficient to support the net book value of such assets. If undiscounted cash flows are not sufficient to support the recorded assets, we recognize an impairment to reduce the carrying value of the applicable long-lived assets to their estimated fair value.

We participate in "multiemployer" pension plans administered by labor unions on behalf of their employees. We pay monthly contributions to union trust funds, a portion of which is used to fund pension benefit obligations to plan participants. The contribution amount may change depending upon the ability of participating companies to fund these pension liabilities as well as the actual and expected returns on pension plan assets. Should we withdraw from the union and cease participation in a union plan, federal law could impose a penalty for additional contributions to the plan. The penalty would be recorded as an expense in the consolidated statement of operations. The ultimate amount of the withdrawal liability is dependent upon several factors including the funded status of the plan and contributions made by other participating companies.

On May 22, 2024, we transitioned our pension plan assets held with Morgan Stanley Smith Barney LLC to align with our updated investment policy statement to shift away from equities to fixed income. This derisking strategy helps establish a basis for our investment results as well as helping to ensure that assets of the Plan are managed in accordance with the Employment Retirement Income Security Act ("ERISA") of 1974 and regulations pertaining thereto.

We are subject to the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively, the "PPACA"). Requirements of the law include the removal of the lifetime limits on active and retiree medical coverage, expanding dependent coverage to age 26 and the elimination of pre-existing conditions that may impact other postretirement benefits costs. The PPACA law also includes a potential excise tax on the value of benefits that exceed a pre-defined limit. Fortunately, this potential tax has been indefinitely deferred and we do not see significant financial exposure. Finally, the PPACA includes provisions that require employers to offer health benefits to all full-time employees (defined as 30 hours per week). The health coverage must meet minimum standards for the actuarial value of the benefits offered and employee affordability. We believe that the current administration seems more likely to enhance the scope and coverage associated with PPACA than to repeal or significantly change this law. The recent legislative packages related to pandemic relief included some minor provisions that will impact health benefits in the future. These changes most prominently focus on the impact of surprise balance bills from out-of-network providers. Our health care plans as they exist in 2024 are compliant with all applicable regulations that currently exist. As we look to the future, we anticipate that future legislative action will impact the plans offered to active and retired participants. As we have done in the past, our executive team will continue to assess the accounting implications of the PPACA and potential future legislation to determine the impact on our financial position and results of operations. The potential future effects and cost of complying with the legislative changes are not currently determinable.



### **Customer Concentration > 20% of AR or >10% of Sales**

The table below shows customers that accounted for more than 20% of consolidated accounts receivable (“AR”) or 10% of consolidated sales for the thirty-six weeks ended July 12, 2024, and July 7, 2023, respectively.

|               | <b>Walmart</b> |           | <b>Dollar General</b> |           |
|---------------|----------------|-----------|-----------------------|-----------|
|               | <b>Sales</b>   | <b>AR</b> | <b>Sales</b>          | <b>AR</b> |
| July 12, 2024 | 27.0%          | 27.1%     | 14.8%                 | 22.7%     |
| July 7, 2023  | 29.6%          | 27.4%     | 16.8%                 | 25.8%     |

The table below shows customers that accounted for more than 20% of consolidated accounts receivable or 10% of consolidated sales for the twelve weeks ended July 12, 2024, and July 7, 2023, respectively.

|               | <b>Walmart</b> |           | <b>Dollar General</b> |           |
|---------------|----------------|-----------|-----------------------|-----------|
|               | <b>Sales</b>   | <b>AR</b> | <b>Sales</b>          | <b>AR</b> |
| July 12, 2024 | 24.1%          | 27.1%     | 15.3%                 | 22.7%     |
| July 7, 2023  | 27.8%          | 27.4%     | 17.9%                 | 25.8%     |

### **Revenue recognition**

Revenues are recognized in accordance with ASC 606 – *Revenue from Contracts with Customers* upon passage of title to the customer, typically upon product pick-up, shipment, or delivery to customers. Products are delivered to customers primarily through our own long-haul fleet, common carrier, or through a Company owned direct store delivery system.

### **Overview of Reporting Segments**

We operate in two business segments – the processing and distribution of frozen food products (the Frozen Food Products segment), and the processing and distribution of snack food products (the Snack Food Products segment). For information regarding the separate financial performance of the business segments refer to Note 4 — Segment Information of the Notes to the Condensed Consolidated Financial Statements included in this Report. We manufacture and distribute an extensive line of food products, including biscuits, bread dough items, roll dough items, dry sausage products and beef jerky.

#### **Frozen Food Products Segment**

Our Frozen Food Products segment primarily manufactures and distributes biscuits, bread dough items, roll dough items and shelf stable sandwiches. All items within this segment are considered similar products and have been aggregated at this level. Our frozen food business covers the United States. Products produced by the Frozen Food Products segment are generally supplied to food service and retail distributors who take title to the product upon shipment receipt through Company-leased long-haul vehicles or third-party logistic providers/carriers. We leverage relationships with regional sales managers, and we maintain a network of independent food service and retail brokers covering most of the United States. Brokers are compensated on a commission basis. We believe that our brokers, in close cooperation with our regional sales managers, are a valuable asset providing significant new product and customer opportunities. Regional sales managers perform several significant functions for us, including identifying and developing new business opportunities and providing customer service and support to our distributors and end purchasers often with the assistance of our broker partners.

#### **Snack Food Products Segment**

Our Snack Food Products segment primarily distributes products manufactured by us. All items within this segment are considered similar products and have been aggregated at this level. The dry sausage division includes products such as jerky, meat snacks, sausage, and pepperoni products. Our Snack Food Products segment sells approximately 160 different items through a direct-store-delivery network and customer-owned distribution centers serving approximately 20,000 supermarkets, mass merchandise and convenience retail stores located in 50 states. These customers are comprised of large retail chains and smaller “independent” operators.

Products produced or distributed by the Snack Food Products segment are supplied to customers through either direct-store-delivery or direct delivery to customer warehouses. Product delivered using the Company-owned fleet direct to the store is considered a direct-store-delivery sale. In this case, we provide the service of setting up and maintaining the display and stocking our products. Products delivered to customer warehouses are distributed to the retail store and stocked by the customer where it is then sold to the end consumer.

## Results of Operations for the Twelve Weeks Ended July 12, 2024, and July 7, 2023

### Net Sales-Consolidated

Net sales decreased by \$4,926 (9.1%) to \$49,263 in the third twelve-week period of the 2024 fiscal year compared to the same twelve-week period in fiscal year 2023. The changes in net sales were comprised as follows:

| <u>Impact on Net Sales-Consolidated</u> | <u>%</u> | <u>\$</u> |
|---|----------|-----------|
| Selling price per pound                 | 0.9      | 536       |
| Unit sales volume in pounds             | -8.1     | (4,742)   |
| Returns activity                        | 0.4      | 289       |
| Promotional activity                    | -2.3     | (1,009)   |
| Decrease in net sales                   | -9.1     | (4,926)   |

### Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment increased by \$665 (6.1%) to \$11,517 in the third twelve-week period of the 2024 fiscal year compared to the same twelve-week period in fiscal year 2023. The changes in net sales were comprised as follows:

| <u>Impact on Net Sales-Frozen Food Products</u> | <u>%</u> | <u>\$</u> |
|---|----------|-----------|
| Selling price per pound                         | 7.4      | 916       |
| Unit sales volume in pounds                     | -0.9     | (106)     |
| Returns activity                                | 0.1      | 10        |
| Promotional activity                            | -0.5     | (155)     |
| Increase in net sales                           | 6.1      | 665       |

Net sales for the Frozen Food Products segment increased due to higher selling prices per pound partially offset by lower unit sales volume in pounds compared to the same period in the prior year. Other institutional Frozen Food Products dollar sales, including sheet dough and rolls, increased 11% and retail dollar sales volume decreased by 9%. We believe sales increased due to continued willingness by consumers to visit foodservice establishments despite inflationary conditions. Returns activity decreased slightly compared to the same twelve-week period in the 2023 fiscal year. Promotional activity was higher during the fiscal year 2024 period.

### Net Sales-Snack Food Products Segment

Net sales in the Snack Food Products segment decreased by \$5,591 (12.9%) to \$37,746 in the third twelve-week period of the 2024 fiscal year compared to the same twelve-week period in fiscal year 2023. The changes in net sales were comprised as follows:

| <u>Impact on Net Sales-Snack Food Products</u> | <u>%</u> | <u>\$</u> |
|--|----------|-----------|
| Selling price per pound                        | -0.8     | (380)     |
| Unit sales volume in pounds                    | -10.0    | (4,636)   |
| Returns activity                               | 0.5      | 279       |
| Promotional activity                           | -2.6     | (854)     |
| Decrease in net sales                          | -12.9    | (5,591)   |

Net sales of Snack Food Products decreased due to lower unit sales volume in pounds through our direct-store-delivery distribution channel and lower selling prices per pound during the third quarter of fiscal year 2024. We believe demand decreased primarily due to inflationary pressures on consumer spending habits as consumers have pulled back on snack foods including meat product purchases. The weighted average selling price per pound decreased compared to the same twelve-week period in the prior fiscal year due to changes in product mix. Returns activity decreased compared to the same twelve-week period in the 2023 fiscal year. Promotional activity was higher than the same twelve-week period in fiscal year 2023 due to programs related to changes in packaging sizes.

### Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold decreased by \$859 (2.2%) to \$38,039 in the third twelve-week period of the 2024 fiscal year compared to the same twelve-week period in fiscal year 2023. The gross margin decreased to 22.8% in the third twelve-weeks of fiscal year 2024 compared to 28.2% in the same twelve-week period in fiscal year 2023.

| <u>Change in Cost of Products Sold by Segment</u> | <u>\$</u> | <u>Consolidated %</u> | <u>Commodity \$<br/>Increase (Decrease)</u> |
|---|-----------|-----------------------|---|
| Frozen Food Products Segment                      | (139)     | -0.4                  | (114)                                       |
| Snack Food Products Segment                       | (720)     | -1.8                  | 1,171                                       |
| Total   | (859)     | -2.2                  | 1,057                                       |

### **Cost of Products Sold-Frozen Food Products Segment**

Cost of products sold in the Frozen Food Products segment decreased by \$139 (1.6%) to \$8,670 in the third twelve-week period of the 2024 fiscal year compared to the same twelve-week period in fiscal year 2023. The cost of purchased flour decreased based on global economic conditions for approximately \$114 in the third twelve-week period of fiscal year 2024 compared to the same twelve-week period in fiscal year 2023. The gross margin increased to 24.7% in the third twelve-weeks of fiscal year 2024 compared to 18.8% in the same twelve-week period in fiscal year 2023. Gross overhead increased as a result of continued upward pressures on input costs impacted by inflation.

### **Cost of Products Sold-Snack Food Products Segment**

Cost of products sold in the Snack Food Products segment decreased by \$720 (2.4%) to \$29,369 in the third twelve-week period of the 2024 fiscal year compared to the same twelve-week period in fiscal year 2023 due to lower sales volume in our direct store delivery distribution channel. The cost of significant meat commodities increased partially due to a limited supply of cattle ready for market by approximately \$1.171 in the third twelve-week period of fiscal year 2024 compared to the same period in fiscal year 2023. The gross margin decreased to 22.2% in the third twelve-weeks of fiscal year 2024 compared to 30.6% in the same twelve-week period in fiscal year 2023. We increased our net realizable value reserve by \$991 during the twelve weeks ended July 12, 2024, in consideration of higher meat commodity costs and lower gross margins. We maintain a net realizable reserve of \$1,343 on products as of July 12, 2024, after determining that the market value on some meat products could not cover the costs associated with completion and sale of the product.

### **Selling, General and Administrative Expenses-Consolidated**

Selling, general and administrative expenses ("SG&A") decreased by \$212 (1.4%) to \$14,445 in the third twelve-week period of fiscal year 2024 compared to the same twelve-week period in the prior fiscal year. The table below summarizes the significant expense increases (decreases) included in this category:

|                           | 12 Weeks Ended |              | Expense             |
|---------------------------|----------------|--------------|---------------------|
|                           | July 12, 2024  | July 7, 2023 | Increase (Decrease) |
| Wages and bonus           | \$ 5,358       | \$ 5,908     | \$ (550)            |
| Provision for bad debt    | 347            | (129)        | 476                 |
| Insurance expenses        | 475            | 765          | (290)               |
| Outside consultants       | 719            | 444          | 275                 |
| Storage unit rental costs | 445            | 665          | (220)               |
| Other SG&A                | 7,101          | 7,004        | 97                  |
| Total - SG&A              | \$ 14,445      | \$ 14,657    | \$ (212)            |

Lower sales commissions due to lower sales volume in pounds resulted in lower wages and bonus expenses in the third twelve weeks of the 2024 fiscal year compared to the same period in the prior fiscal year. The increase in the provision for bad debt was mainly the result of recent slowing in certain customer payments beyond terms. The decrease in insurance expenses was driven by exiting unfavorable insurance policies early to take advantage of more competitive pricing. Outside consulting costs increased due to higher legal fees, advisory services, inspection and product testing fees. Rental costs for storage units that house inventory decreased due to a sell down of inventory to meet lower demand in the direct store delivery route system. None of the changes individually or as a group of expenses in "Other SG&A" were significant enough to merit separate disclosure. The major components comprising the increase of "Other SG&A" expenses were higher product advertising and legal expenses partially offset by lower repairs and maintenance costs on production equipment.

### **Selling, General and Administrative Expenses-Frozen Food Products Segment**

SG&A expenses in the Frozen Food Products segment increased by \$163 (5.6%) to \$3,063 in the third twelve-week period of fiscal year 2024 compared to the same twelve-week period in the prior fiscal year. The overall increase in SG&A expenses was due to an increase in product advertising and healthcare expenses.

### **Selling, General and Administrative Expenses-Snack Food Products Segment**

SG&A expenses in the Snack Food Products segment decreased by \$375 (3.2%) to \$11,382 in the third twelve-week period of fiscal year 2024 compared to the same twelve-week period in the prior fiscal year. Most of the decrease was due to lower wages and bonuses and decreased fees paid under brand licensing agreements partially offset by higher product advertising and healthcare expenses.

### Income Taxes-Consolidated

Income tax for the twelve weeks ended July 12, 2024, and July 7, 2023, respectively, was as follows:

|   | July 12, 2024 | July 7, 2023 |
|---|---------------|--------------|
| (Benefit on) provision for income taxes | \$ (752)      | \$ 258       |
| Effective tax rate                      | 29.8%         | 27.4%        |

We recorded a benefit for income taxes of \$752 for the twelve-week period ended July 12, 2024, and a provision for income taxes of \$258 for the twelve-week period ended July 7, 2023, related to federal and state taxes, based on the Company's expected annual effective tax rate. The effective income tax rate differed from the applicable mixed statutory rate of approximately 26.4% due to non-deductible meals and entertainment, non-taxable gains and losses on life insurance policies, and state income taxes.

### Results of Operations for the Thirty-Six Weeks Ended July 12, 2024, and July 7, 2023

#### Net Sales-Consolidated

Net sales decreased by \$19,902 (11.6%) to \$151,419 in the thirty-six-week period ended July 12, 2024, compared to the same period thirty-six-week period in fiscal year 2023. The changes in net sales were comprised as follows:

| <u>Impact on Net Sales-Consolidated</u> | <u>%</u> | <u>\$</u> |
|---|----------|-----------|
| Selling price per pound                 | -1.0     | (1,944)   |
| Unit sales volume in pounds             | -9.3     | (17,262)  |
| Returns activity                        | -0.1     | 235       |
| Promotional activity                    | -1.2     | (931)     |
| Decrease in net sales                   | -11.6    | (19,902)  |

#### Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment increased by \$1,665 (4.5%) to \$38,821 in the thirty-six-week period ended July 12, 2024, compared to the same thirty-six-week period in fiscal year 2023. The changes in net sales were comprised as follows:

| <u>Impact on Net Sales-Frozen Food Products</u> | <u>%</u> | <u>\$</u> |
|---|----------|-----------|
| Selling price per pound                         | 4.2      | 1,771     |
| Unit sales volume in pounds                     | 0.5      | 222       |
| Returns activity                                | 0.2      | 66        |
| Promotional activity                            | -0.4     | (394)     |
| Increase in net sales                           | 4.5      | 1,665     |

The increase in net sales for the thirty-six-week period ended July 12, 2024 primarily relates to higher selling prices per pound coupled with a higher unit sales volume in pounds. The increase in net sales was primarily driven by an increase in volume to institutional customers and an increase in selling prices due to price increases implemented during the fourth quarter of fiscal year 2023. Other institutional Frozen Food Products sales, including sheet dough and rolls, increased 7% by volume while retail sales volume was flat. Returns activity decreased compared to the same thirty-six-week period in the 2023 fiscal year. Promotional activity was higher as a percentage of sales.

#### Net Sales-Snack Food Products Segment

Net sales in the Snack Food Products segment decreased by \$21,567 (16.1%) to \$112,598 in the thirty-six-week period ended July 12, 2024, compared to the same thirty-six-week period in fiscal year 2023. The changes in net sales were comprised as follows:

| <u>Impact on Net Sales-Snack Food Products</u> | <u>%</u> | <u>\$</u> |
|--|----------|-----------|
| Selling price per pound                        | -2.6     | (3,715)   |
| Unit sales volume in pounds                    | -12.2    | (17,485)  |
| Returns activity                               | -0.3     | 169       |
| Promotional activity                           | -1.0     | (536)     |
| Decrease in net sales                          | -16.1    | (21,567)  |

Net sales of Snack Food Products decreased due to lower unit sales volume in pounds through our direct-store-delivery distribution channel and lower selling prices per pound during the thirty-six weeks period ended July 12, 2024. We believe demand decreased primarily due to inflationary pressures on consumer spending habits as consumers have pulled back on meat product purchases. The weighted average selling price per pound decreased compared to the same thirty-six-week period in the prior fiscal year due to changes in product mix. Returns activity decreased as a percent of sales but was lower in absolute dollars compared to the same thirty-six-week-period in the 2023 fiscal year. Promotional activity increased during the first thirty-six-week period in fiscal year 2024 compared to the same period in the prior fiscal year.

#### **Cost of Products Sold and Gross Margin-Consolidated**

Cost of products sold decreased by \$10,076 (8.2%) to \$113,431 in the thirty-six-week period ended July 12, 2024 compared to the same thirty-six-week period in fiscal year 2023. The gross margin decreased to 25.1% during the fiscal year 2024 period compared to 27.9% in the comparable prior fiscal year period.

| <b>Change in Cost of Products Sold by Segment</b> | \$              | Consolidated<br>% | Commodity \$<br>Increase (Decrease) |
|---|-----------------|-------------------|-------------------------------------|
| Frozen Food Products Segment                      | (579)           | -0.5              | (387)                               |
| Snack Food Products Segment                       | (9,497)         | -7.7              | 4,050                               |
| Total   | <u>(10,076)</u> | <u>-8.2</u>       | <u>3,663</u>                        |

#### **Cost of Products Sold-Frozen Food Products Segment**

Cost of products sold in the Frozen Food Products segment decreased by \$579 (2.0%) to \$28,453 in the first thirty-six-week period of the 2024 fiscal year compared to the same thirty-six-week period in fiscal year 2023. Changes in the product mix and lower commodity costs were the primary contributing factors to this decrease. The cost of purchased flour decreased approximately \$387 in the first thirty-six-week period of fiscal year 2024 compared to the same thirty-six-week period in fiscal year 2023.

#### **Cost of Products Sold-Snack Food Products Segment**

Cost of products sold in the Snack Food Products segment decreased by \$9,497 (10.1%) to \$84,978 in the first thirty-six-week period of the 2024 fiscal year compared to the same thirty-six-week period in fiscal year 2023 due to lower sales volume in our direct store delivery distribution channel. The decrease in cost of products sold was primarily due to a decrease in sales volume was partially offset by an increase in the cost of meat commodities of approximately \$4,050 in the thirty-six-week period of fiscal year 2024 compared to the same period in fiscal year 2023. We increased our net realizable value reserve by \$1,050 during the thirty-six weeks ended July 12, 2024 in consideration of higher meat commodity costs and lower gross margins. We maintain a net realizable reserve of \$1,343 on products as of July 12, 2024 after determining that the market value on some meat products could not cover the costs associated with completion and sale of the product.

#### **Selling, General and Administrative Expenses-Consolidated**

Selling, general and administrative expenses decreased by \$1,946 (4.3%) to \$43,446 in the thirty-six-week period ended July 12, 2024 compared to the same thirty-six-week period in the prior fiscal year. The table below summarizes the significant expense increases (decreases) included in this category:

|                                 | 36 Weeks Ended   |                  | Expense             |
|---------------------------------|------------------|------------------|---------------------|
|                                 | July 12, 2024    | July 7, 2023     | Increase (Decrease) |
| Wages and bonus                 | \$ 16,106        | \$ 18,684        | \$ (2,578)          |
| Product advertising             | 5,280            | 5,767            | (487)               |
| Outside consulting              | 1,970            | 1,520            | 450                 |
| Healthcare costs                | 2,179            | 1,944            | 235                 |
| Vehicle repairs and maintenance | 1,323            | 1,123            | 200                 |
| Other SG&A                      | 16,588           | 16,354           | 234                 |
| Total - SG&A                    | <u>\$ 43,446</u> | <u>\$ 45,392</u> | <u>\$ (1,946)</u>   |

Lower sales commissions resulted in lower wages and bonus expenses in the first thirty-six weeks of the 2024 fiscal year compared to the same period in the prior fiscal year. Costs for product advertising decreased mainly as a result of lower payments under brand licensing agreements in the Snack Food Products segment during the thirty-six weeks ended July 12, 2024. Outside consulting costs increased due to higher legal fees, advisory services, inspection and product testing fees. Healthcare costs have increased due to unfavorable claim trends. Vehicle repairs and maintenance on vehicles have increased compared to the prior fiscal year period mainly due to an aging fleet. None of the changes individually or as a group of expenses in "Other SG&A" were significant enough to merit separate disclosure. The major components comprising the increase of "Other SG&A" expenses were higher provision for bad debt, higher travel expenses and lower other income.

### **Selling, General and Administrative Expenses-Frozen Food Products Segment**

SG&A expenses in the Frozen Food Products segment decreased by \$57 (0.6%) to \$9,729 in the first thirty-six-week period of fiscal year 2024 compared to the same thirty-six-week period in the prior fiscal year. The overall decrease in SG&A expenses was due to lower vehicle repairs and maintenance as a result of shifting away from Company-leased vehicles towards less costly transportation methods such as common carriers, lower fuel and computer maintenance and workers' compensation costs partially offset by higher healthcare costs.

### **Selling, General and Administrative Expenses-Snack Food Products Segment**

SG&A expenses in the Snack Food Products segment decreased by \$1,889 (5.3%) to \$33,717 in the first thirty-six-week period of fiscal year 2024 compared to the same thirty-six-week period in the prior fiscal year. Most of the decrease was due to the significantly lower unit sales volume in pounds and the corresponding decrease in wages and bonuses.

### **Income Taxes-Consolidated**

Income tax for the thirty-six weeks ended July 12, 2024, and July 7, 2023, respectively, was as follows:

|   | July 12, 2024 | July 7, 2023 |
|---|---------------|--------------|
| (Benefit on) provision for income taxes | \$ (1,119)    | \$ 820       |
| Effective tax rate                      | 29.1%         | 31.7%        |

We recorded a benefit for income taxes of \$1,119 for the thirty-six-week period ended July 12, 2024, and a provision for income taxes of \$820 for the thirty-six-week period ended July 7, 2023, related to federal and state taxes, based on the Company's expected annual effective tax rate. The effective income tax rate differed from the applicable mixed statutory rate of approximately 26.4% due to non-deductible meals and entertainment, non-taxable gains and losses on life insurance policies and state income taxes.

### **Liquidity and Capital Resources**

The principal source of operating cash flows is cash receipts from the sale of our products, net of costs to manufacture, store, market and deliver such products. We normally fund our operations from cash balances and cash flow generated from operations. Additionally, we have maintained a revolving line of credit with Wells Fargo Bank, N.A. pursuant to the terms of the credit agreement dated March 1, 2018, as amended to date. On November 30, 2023, we entered into a fifth amendment to the credit agreement with Wells Fargo Bank, N.A., and also executed a new revolving line of credit note pursuant to the amendment. Under the terms of this amendment and the revolving line of credit note, we may borrow up to \$7,500 from time to time up to November 30, 2024. As of July 12, 2024, we had \$1,075 of current debt on equipment loans, \$64,180 of net working capital and \$7,500 available under our revolving line of credit with Wells Fargo Bank, N.A. Refer to Note 6 to the Condensed Consolidated Financial Statements included within this Report for further information. The Company was in compliance with all loan covenants as of July 12, 2024.

All of our operating segments have been impacted by inflation, including higher costs for labor, freight and specific materials related to product manufacturing and delivery. We expect this trend to continue through the remainder of fiscal year 2024. Additionally, commodity costs, including meat and flour costs, have and may continue to fluctuate due to both political and economic conditions, including the ongoing conflict between Ukraine and Russia. Despite higher commodity costs like we experienced in fiscal year 2022 and again in the first and second quarters of fiscal 2024, we may not be able to increase our product prices in a timely manner or sufficiently to offset such increased commodity or other costs due to consumer price sensitivity, pricing in relation to competitors and the reluctance of retailers to accept the price increase. Instances of higher interest rates, general price inflation or deflation, raw materials costs, labor shortages or supply chain issues could adversely affect the Company's financial results and its liquidity. Higher product prices could potentially lower demand for our product and decrease volume. Management believes there are various options available to generate additional liquidity to repay debt or fund operations such as mortgaging real estate, should that be necessary. Our ability to increase liquidity will depend upon, among other things, our business plans and the performance of operating divisions and economic conditions of capital markets. If we are unable to increase liquidity through mortgaging real estate or additional borrowing, or generate positive cash flow necessary to fund operations, we may not be able to compete successfully, which could negatively impact our business, operations, and financial condition. With the cash expected to be generated from the Company's operations, we anticipate that we will maintain sufficient liquidity to operate our business for at least the next twelve months. We will continue to monitor the impact of inflation and interest rate volatility on our liquidity and, if necessary, take action to preserve liquidity and ensure that our business can operate during these uncertain times.

**Cash flows from operating activities for the thirty-six weeks ended:**

|  | <u>July 12, 2024</u> | <u>July 7, 2023</u> |
|--|----------------------|---------------------|
| Net (loss) income  | \$ (2,730)           | \$ 1,765            |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                      |                     |
| Depreciation and amortization  | 4,489                | 4,378               |
| Provision for credit losses on accounts receivable                                       | 215                  | 65                  |
| Decrease in promotional allowances   | (1,449)              | (137)               |
| Loss on sale of property, plant, and equipment   | 161                  | 197                 |
| Changes in operating working capital   | 2,516                | (6,173)             |
| Net cash provided by operating activities  | <u>\$ 3,202</u>      | <u>\$ 95</u>        |

For the thirty-six weeks ended July 12, 2024, net cash provided by operating activities was \$3,202, \$3,107 less cash used than during the same period in fiscal year 2023. The increase in net cash provided by operating activities primarily relates to a decrease in inventory of \$5,661 and a decrease in accounts receivable of \$2,809, partially offset by a net loss of \$2,730, an increase in refundable income taxes of \$2,452 and an increase in other non-current assets of \$2,704. During the thirty-six-week period ended July 12, 2024, we did not contribute towards our defined benefit pension plan. Plan funding strategies may be adjusted depending upon economic conditions, investment options, tax deductibility, or recent legislative changes in funding requirements.

Our cash conversion cycle (defined as days of inventory and trade receivables less days of trade payables outstanding) was equal to 85 days for the thirty-six-week period ended July 12, 2024. The increase in the cash conversion cycle from 84 days for the thirty-six-week period ended July 7, 2023 was minimal and overall was consistent with performance in the prior fiscal year period.

**Cash flows from investing activities for the thirty-six weeks ended:**

|  | <u>July 12, 2024</u> | <u>July 7, 2023</u> |
|--|----------------------|---------------------|
| Proceeds from sale of property, plant, and equipment | \$ 14                | \$ 186              |
| Additions to property, plant, and equipment          | (2,524)              | (2,387)             |
| Net cash used in investing activities                | <u>\$ (2,510)</u>    | <u>\$ (2,201)</u>   |

Expenditures for property, plant and equipment include the acquisition of equipment, upgrading of facilities to maintain operating efficiency and investments in cost effective technologies to lower costs. In general, we capitalize the cost of additions and improvements and expense the cost for repairs and maintenance. We may also capitalize costs related to improvements that extend the life, increase the capacity, or improve the efficiency of existing machinery and equipment. Specifically, capitalization of upgrades of facilities to maintain operating efficiency include acquisitions of machinery and equipment used on packaging lines and refrigeration equipment used to process food products.

The table below highlights additions to property, plant and equipment for the thirty-six weeks ended:

|   | <u>July 12, 2024</u> | <u>July 7, 2023</u> |
|---|----------------------|---------------------|
| Changes in projects in process              | \$ 169               | \$ 662              |
| Direct store delivery and sales vehicles    | 1,913                | 961                 |
| Packaging lines                             | -                    | 573                 |
| Computer hardware and software              | 345                  | -                   |
| Quality control                             | -                    | 103                 |
| Processing equipment                        | 55                   | 66                  |
| Furniture and fixtures                      | 42                   | 22                  |
| Additions to property, plant, and equipment | <u>\$ 2,524</u>      | <u>\$ 2,387</u>     |

**Cash flows from financing activities for the thirty-six weeks ended:**

|  | <u>July 12, 2024</u> | <u>July 7, 2023</u> |
|--|----------------------|---------------------|
| Change in lease and right-of-use obligations | \$ 226               | \$ (719)            |
| Repayment of notes payable - equipment       | (688)                | (743)               |
| Net cash used in financing activities        | <u>\$ (462)</u>      | <u>\$ (1,462)</u>   |

Our stock repurchase program was approved by our Board of Directors in November 1999 and was expanded in June 2005. Under the stock repurchase program, we are authorized, at the discretion of management and our Board of Directors, to purchase up to an aggregate of 2,000,000 shares of our common stock on the open market. As of July 12, 2024, 120,113 shares remained authorized for repurchase under the program.

### Revolving Credit Facility

On November 30, 2023, we entered into a fifth amendment to the credit agreement with Wells Fargo Bank, N.A. dated March 1, 2018, as amended, and also executed a revolving line of credit note pursuant to the amendment. The revolving line of credit note replaces the existing note that expired by its terms on November 30, 2023. Under the terms of this amendment and the revolving line of credit note, we may borrow up to \$7,500 from time to time up to November 30, 2024, at an interest rate equal to (a) the daily simple secured overnight financing rate plus 2.0%, or if unavailable, or (b) the prime rate, in each case as determined by the bank. The line of credit has an unused commitment fee of 0.35% of the available loan amount, payable on a quarterly basis. Amounts may be repaid and reborrowed during the term of the note. Accrued interest is payable on the first day of each month and the outstanding principal balance and remaining interest are due and payable on November 30, 2024.

### Equipment Notes Payable

On each of December 26, 2018, April 18, 2019, December 19, 2019, March 5, 2020, and April 17, 2020, we entered into master collateral loan and security agreements with Wells Fargo Bank, N.A. (collectively referred to as the "Wells Fargo Loan Agreements").

The following table reflects major components of our revolving credit facility and equipment note payable as of July 12, 2024, and November 3, 2023, respectively.

|  | <u>July 12, 2024</u> | <u>November 3, 2023</u> |
|--|----------------------|-------------------------|
| Revolving credit facility                        | \$ -                 | \$ -                    |
| Equipment note payable:                          |                      |                         |
| 3.68% note due 04/16/27, out of lockout 04/17/22 | 3,143                | 3,831                   |
| Total debt                                       | 3,143                | 3,831                   |
| Less current debt                                | (1,075)              | (1,045)                 |
| Total long-term debt                             | <u>\$ 2,068</u>      | <u>\$ 2,786</u>         |

### Loan Covenants

The Wells Fargo Loan Agreements and the credit agreement contain various affirmative and negative covenants that limit the use of funds and define other provisions of the loans. Material financial covenants are listed below, and the capitalized terms are defined in the applicable agreements:

- Total Liabilities divided by Tangible Net Worth not greater than 2.0 to 1.0 at each fiscal quarter end,
- Quick Ratio not less than 1.25 to 1.0 at each fiscal quarter end, and
- Fixed Charge Coverage Ratio not less than 1.25 to 1.0 at each fiscal quarter end.

The Company was in compliance with all covenants under the Wells Fargo Loan Agreements and the credit agreement as of July 12, 2024, and November 3, 2023.



## Recently issued accounting pronouncements and regulations

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (ASC 326), which provides guidance on measurement of credit losses on financial instruments. This ASU adds a current expected credit loss impairment model to GAAP that is based on expected losses rather than incurred losses whereby a broader range of reasonable and supportable information is required to be utilized in order to derive credit loss estimates. The effective date of the new guidance as amended by ASU No. 2019-10 is fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of ASU No. 2019 did not have a material or significant impact on the Company's Consolidated Financial Statements as it has been our policy to estimate and record credit losses on trade accounts receivable.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting – Improvements to Reportable Segments Disclosures. The amendments enhance disclosures of significant segment expenses by requiring to disclose significant segment expenses regularly provided to the chief operating decision maker (CODM), extend certain annual disclosures to interim periods, and permit more than one measure of segment profit or loss to be reported under certain conditions. The amendments are effective for the Company in fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption of the amendment is permitted, including adoption in any interim periods for which financial statements have not been issued. The Company is currently evaluating the guidance and its impact to the financial statements.

In March 2024, the SEC adopted rules to develop standardized climate-related disclosures by publicly traded companies including the emission of greenhouse gases. The rules are currently effective for the Company in the fiscal years beginning in 2027. However, as a result of pending legal challenges, the actual timing of effectiveness of the rules and applicable phase-in periods, as well as whether portions of the rules remain in effect after the legal challenges, are uncertain. The Company is currently evaluating the guidance and its impact on the financial statements.

## Off-Balance Sheet Arrangements

We are not engaged in any “off-balance sheet arrangements” within the meaning of Item 303(b) of Regulation S-K.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to help ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations and forms, and that such information is collected and communicated to our management, including our Chairman of the Board and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation and under the supervision of our Chairman of the Board and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Report. Based on this evaluation, the Chairman of the Board and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

Our management, including our Chairman of the Board and Chief Financial Officer, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

We maintain and evaluate a system of internal accounting controls, and a program designed to provide reasonable assurance that our assets are protected and that transactions are performed in accordance with proper authorization and are properly recorded. This system of internal accounting controls is continually reviewed and modified in response to evolving business conditions and operations and to recommendations made by our independent registered public accounting firm. We have established a code of conduct. Our management believes that the accounting and internal control systems provide reasonable assurance that assets are safeguarded, and financial information is reliable.

The Audit Committee of the Board of Directors meets regularly with our financial management and counsel, and with the independent registered public accounting firm engaged by us. Internal accounting controls and the quality of financial reporting are discussed during these meetings. The Audit Committee has discussed with the independent registered public accounting firm matters required to be discussed by Statement of Auditing Standards No. 16 (Communication with Audit Committees). In addition, the Audit Committee and the independent registered public accounting firm have discussed the independent registered public accounting firm's independence from our Company and its management, including the matters in the written disclosures required by Public Company Accounting Oversight Board Rule 3526 "Communicating with Audit Committees Concerning Independence".

#### Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting other than those discussed above that occurred during the fiscal quarter ended July 12, 2024, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

### **Part II. Other Information**

#### **Item 1. Legal Proceedings**

From time to time, we are involved in various legal proceedings, disputes, and other claims arising in the ordinary course of business. Although the results of these ordinary course matters cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not, individually or in the aggregate, have a material adverse effect on our business, results of operations, financial condition, or cash flows. However, regardless of the merit of the claims raised or the outcome, these ordinary course matters can have an adverse impact on us as a result of legal costs, diversion of management's time and resources, and other factors.

#### **Item 1A. Risk Factors**

The risk factors listed in Part I "Item 1A. Risk Factors" in the Annual Report should be considered with the information provided elsewhere in this Report, which could materially adversely affect our business, financial condition, or results of operations. There have been no material changes in our assessment of risk factors affecting our business since those presented in our Annual Report.

Item 6. Exhibits

| Exhibit Number | Exhibit Description   | Incorporated by Reference |          |         |             |                |
|----------------|---|---------------------------|----------|---------|-------------|----------------|
|                |   | Form                      | File No. | Exhibit | Filing Date | Filed Herewith |
| 31.1           | <a href="#">Certification of Principal Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>  |                           |          |         |             | X              |
| 31.2           | <a href="#">Certification of Principal Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>  |                           |          |         |             | X              |
| 32.1*          | <a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Principal Executive Officer).</a> |                           |          |         |             |                |
| 32.2*          | <a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Principal Financial Officer).</a> |                           |          |         |             |                |
| 101.INS        | Inline XBRL Instance Document.  |                           |          |         |             | X              |
| 101.SCH        | Inline XBRL Taxonomy Extension Schema Document.   |                           |          |         |             | X              |
| 101.CAL        | Inline XBRL Taxonomy Extension Calculation Linkbase Document.   |                           |          |         |             | X              |
| 101.DEF        | Inline XBRL Taxonomy Extension Definition Linkbase Document.  |                           |          |         |             | X              |
| 101.LAB        | Inline XBRL Taxonomy Extension Label Linkbase Document.   |                           |          |         |             | X              |
| 101.PRE        | Inline XBRL Taxonomy Extension Presentation Linkbase Document.  |                           |          |         |             | X              |
| 104            | Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101).   |                           |          |         |             |                |

\*Furnished herewith.

**SIGNATURES**

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

BRIDGFORD FOODS CORPORATION  
(Registrant)

Dated: August 23, 2024

By: /s/ Cindy Matthews-Morales  
Cindy Matthews-Morales  
Chief Financial Officer, Secretary  
(Duly Authorized Officer, Principal Financial and Accounting Officer)

## Exhibit 31.1

SECTION 302 CERTIFICATION

I, Michael W. Bridgford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bridgford Foods Corporation;
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 quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 23, 2024

/s/ Michael W. Bridgford

Michael W. Bridgford, Chairman of the Board  
(Principal Executive Officer)

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## Exhibit 31.2

SECTION 302 CERTIFICATION

I, Cindy Matthews-Morales, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bridgford Foods Corporation;
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 quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 23, 2024

/s/ Cindy Matthews-Morales

Cindy Matthews-Morales, Chief Financial Officer, Secretary  
(Principal Financial and Accounting Officer)

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**Exhibit 32.1**Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Michael W. Bridgford, Chairman of the Board of Bridgford Foods Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 12, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 23, 2024

/s/ Michael W. Bridgford

Michael W. Bridgford, Chairman of the Board  
(Principal Executive Officer)

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 13(a) and 15(d) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be incorporated by reference into any of the Company's filings under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in any such filing.

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**Exhibit 32.2**Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Cindy Matthews-Morales, Chief Financial Officer and Secretary of Bridgford Foods Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 12, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 23, 2024

/s/ Cindy Matthews-Morales

Cindy Matthews-Morales, Chief Financial Officer, Secretary  
(Principal Financial and Accounting Officer)

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 13(a) and 15(d) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be incorporated by reference into any of the Company's filings under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in any such filing.

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