Seneca Foods Reports Sales and Earnings for the Quarter and Nine Months Ended December 30, 2023

FAIRPORT, N.Y. February 8, 2024 -- Seneca Foods Corporation (NASDAQ: SENEA, SENEB) today announced financial results for the third quarter and nine months ended December 30, 2023.

Executive Summary (vs. year-ago, year-to-date results):

- Net sales for the nine months ended December 30, 2023 totaled $1,150.6 million compared to $1,178.3 million for the nine months ended December 31, 2022. The year-over-year decrease of $27.7 million was mainly due to lower sales volumes partially offset by higher selling prices.

- Gross margin as a percentage of net sales for the nine months ended December 30, 2023 is 14.6% as compared to 10.0% for the nine months ended December 31, 2022.

- Reported net earnings were $65.6 million and $42.3 million for the nine months ended December 30, 2023 and December 31, 2022, respectively.

"Third quarter results continued a strong fiscal 2024 for the Company. Decreasing LIFO charges compared to last year as a result of moderating inflation had a positive impact on reported net earnings," stated Paul Palmby, President and Chief Executive Officer of Seneca Foods. "Additionally, we are well along with the integration of the Green Giant shelf stable business that we acquired during the quarter and remain pleased with the positive impact the business is delivering; we are excited about the potential for this iconic brand."

Executive Summary (vs. year-ago, third quarter results):

- Net sales for the third quarter of fiscal 2024 totaled $444.5 million compared to $473.3 million for the third quarter of fiscal 2023. The year-over-year decrease of $28.8 million was mainly due to lower sales volumes partially offset by higher selling prices.

- Gross margin as a percentage of net sales is 12.2% for the three months ended December 30, 2023 as compared to 11.4% for the three months ended December 31, 2022.

- Reported net earnings were $17.7 million and $21.1 million for the three months ended December 30, 2023 and December 31, 2022, respectively.

About Seneca Foods Corporation

Seneca Foods is one of North America's leading providers of packaged fruits and vegetables, with facilities located throughout the United States. Its high quality products are primarily sourced from approximately 1,400 American farms and are distributed to approximately 60 countries. Seneca holds a large share of the market for retail private label, food service, restaurant chains, international, contracting packaging, industrial, chips and cherry products. Products are also sold under the highly regarded brands of Libby's®, Green Giant®, Aunt Nellie's®, Green Valley®, CherryMan®, READ®, and Seneca labels, including Seneca snack chips. Seneca's common stock is traded on the Nasdaq Global Select Market under the symbols "SENEA" and "SENEB". SENEA is included in the S&P SmallCap 600, Russell 2000 and Russell 3000 indices.

Non-GAAP Financial Measures

Adjusted net earnings is calculated on a FIFO basis. The Company believes this non-GAAP financial measure provides for a better comparison of year over year operating performance. The Company does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP. Set forth below is a reconciliation of reported earnings before income taxes to adjusted net earnings (in thousands).

	Three Months Ended		Nine Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Earnings before income taxes, as reported	$ 23,199	$ 27,557	$ 86,037	$ 55,282
LIFO charge	12,027	30,898	19,643	79,333
Adjusted earnings before income taxes	35,226	58,455	105,680	134,615
Income taxes	8,519	14,197	25,363	32,748
Adjusted net earnings	$ 26,707	$ 44,258	$ 80,317	$ 101,867

Set forth below is a reconciliation of reported net earnings to EBITDA and FIFO EBITDA (earnings before interest, income taxes, depreciation, amortization and non-cash charges related to the LIFO inventory valuation method). The Company does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP (in thousands).

	Three Months Ended		Nine Months Ended	
EBITDA and FIFO EBITDA:	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Net earnings	$ 17,675	$ 21,054	$ 65,565	$ 42,288
Income tax expense	5,524	6,503	20,472	12,994
Interest expense, net of interest income	9,388	4,277	23,146	8,037
Depreciation and amortization	12,645	12,980	38,070	39,721
Interest amortization	(113)	(60)	(327)	(181)
EBITDA	45,119	44,754	146,926	102,859
LIFO charge	12,027	30,898	19,643	79,333
FIFO EBITDA	$ 57,146	$ 75,652	$ 166,569	$ 182,192

Forward-Looking Information

This release contains “forward-looking statements” as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they address future events, developments, and results and do not relate strictly to historical facts. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words "will," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "seeks," "should," "likely," "targets," "may", "can" and variations thereof and similar expressions. Forward-looking statements are subject to known and unknown risks, uncertainties, and other important factors that could cause actual results to differ materially from those expressed. We believe important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- the effects of rising costs and availability of raw fruit and vegetables, steel, ingredients, packaging, other raw materials, distribution and labor;
- crude oil prices and their impact on distribution, packaging and energy costs;
- an overall labor shortage, ability to retain a sufficient seasonal workforce, lack of skilled labor, labor inflation or increased turnover impacting our ability to recruit and retain employees;
- climate and weather affecting growing conditions and crop yields;
- our ability to successfully implement sales price increases and cost saving measures to offset cost increases;
- the loss of significant customers or a substantial reduction in orders from these customers;
- effectiveness of our marketing and trade promotion programs;
- competition, changes in consumer preferences, demand for our products and local economic and market conditions;
- the impact of a pandemic on our business, suppliers, customers, consumers and employees;
- unanticipated expenses, including, without limitation, litigation or legal settlement expenses;
- product liability claims;
- the anticipated needs for, and the availability of, cash;
- the availability of financing;
- leverage and the ability to service and reduce debt;
- foreign currency exchange and interest rate fluctuations;
- the risks associated with the expansion of our business;
- the ability to successfully integrate acquisitions into our operations;
- our ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption;
- other factors that affect the food industry generally, including:
  - recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and labeling laws and regulations and the possibility that consumers could lose confidence in the safety and quality of certain food products;
  - competitors’ pricing practices and promotional spending levels;
  - fluctuations in the level of our customers’ inventories and credit and other business risks related to our customers operating in a challenging economic and competitive environment; and
  - the risks associated with third-party suppliers, including the risk that any failure by one or more of our third-party suppliers to comply with food safety or other laws and regulations may disrupt our supply of raw materials or certain finished goods products or injure our reputation; and
- changes in, or the failure or inability to comply with, U.S., foreign and local governmental regulations, including environmental and health and safety regulations.

Except for ongoing obligations to disclose material information as required by the federal securities laws, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of the filing of this report or to reflect the occurrence of unanticipated events.

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Seneca Foods Corporation

Unaudited Selected Financial Data

For the Periods Ended December 30, 2023 and December 31, 2022

(In thousands of dollars, except share data)

	Three Months Ended		Nine Months Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Net sales	$ 444,481	$ 473,254	$ 1,150,620	$ 1,178,289
Plant restructuring (income) charge (note 2)	$ (42)	$ 1,829	$ 107	$ 1,937
Other operating expense (income), net (note 3)	$ 392	$ 229	$ (1,151)	$ (2,411)
Operating income (note 1)	30,762	29,817	104,683	58,249
Other non-operating income	(1,825)	(2,017)	(4,500)	(5,070)
Interest expense, net	9,388	4,277	23,146	8,037
Earnings before income taxes	$ 23,199	$ 27,557	$ 86,037	$ 55,282
Income tax expense	5,524	6,503	20,472	12,994
Net earnings	$ 17,675	$ 21,054	$ 65,565	$ 42,288
Basic earnings per common share	$ 2.47	$ 2.77	$ 8.86	$ 5.36
Diluted earnings per common share	$ 2.45	$ 2.74	$ 8.78	$ 5.31

Note 1: The effect of the LIFO inventory valuation method on the third quarter pre-tax results decreased operating earnings by $12.0 million and $30.9 million for the three months ended December 30, 2023 and December 31, 2022, respectively. The effect of the LIFO inventory valuation method on YTD nine months pre-tax results decreased operating earnings by $19.6 million and $79.3 million for the nine months ended December 30, 2023 and December 31, 2022, respectively.

Note 2: During the three and nine months ended December 30, 2023, respectively, the Company incurred restructuring charges primarily due to plants that were closed in previous periods. During the three and nine months ended December 31, 2022, respectively, the Company incurred restructuring charges primarily associated with ceasing production of green beans at a plant in the Northeast. The charges were comprised of severance costs and a write down of production equipment that was sold during the subsequent twelve months.

Note 3: The Company had net other operating expense of $0.4 million during the three months ended December 30, 2023, which was driven by $0.6 million of transition service fees incurred in connection with an asset acquisition. During the three months ended December 31, 2022, the Company had net other operating expense of $0.2 million, which was driven primarily by a write down of idle production equipment to estimated selling price, less commission, as the assets met the criteria to be classified as held for sale at December 31, 2022. The write down was partially offset by a gain on the sale of an aircraft. The Company had net other operating income of $1.2 million during the nine months ended December 30, 2023, which was driven primarily by $1.8 million from the sale of non-operational assets in the Pacific Northwest, offset by $0.6 million of transition service fees during the nine-month period. During the nine months ended December 31, 2022, the Company had net other operating income of $2.4 million, which was driven primarily by a gain on the sale of the Company’s western trucking fleet amongst other fixed assets and a true-up of the supplemental early retirement plan accrual, partially offset by the aforementioned write down of idle production equipment.

Note 4: The Company used the “two-class” method for basic earnings per share by dividing the net earnings attributable to common shareholders by the weighted average of common shares outstanding during the period.

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