

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 March 28, 2020

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 001-32316

B&G FOODS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3918742

(I.R.S. Employer Identification No.)

Four Gatehall Drive, Parsippany, New Jersey

(Address of principal executive offices)

07054

(Zip Code)

Registrant's telephone number, including area code: **(973) 401-6500**

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	BGS	New York Stock Exchange

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 May 1, 2020, the registrant had 64,117,429 shares of common stock, par value \$0.01 per share, issued and outstanding.

B&G Foods, Inc. and Subsidiaries
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Forward-Looking Statements

This report includes forward-looking statements, including, without limitation, the statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The words “believes,” “belief,” “expects,” “projects,” “intends,” “anticipates,” “assumes,” “could,” “should,” “estimates,” “potential,” “seek,” “predict,” “may,” “will” or “plans” and similar references to future periods are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by any forward-looking statements. We believe important factors that could cause actual results to differ materially from our expectations include the following:

- the ultimate impact the COVID-19 pandemic will have on our business, which will depend on many factors, including, without limitation,
 - the ability of our company and our supply chain partners to continue to operate manufacturing facilities, distribution centers and other work locations without material disruption;
 - the duration of social distancing and stay-at-home mandates and whether a second or third wave of COVID-19 will affect the United States and the rest of North America; and
 - the extent to which macroeconomic conditions resulting from the pandemic and the pace of the subsequent recovery may impact consumer eating habits;
- our substantial leverage;
- the effects of rising costs for our raw materials, packaging and ingredients;
- crude oil prices and their impact on distribution, packaging and energy costs;
- our ability to successfully implement sales price increases and cost saving measures to offset any cost increases;
- intense competition, changes in consumer preferences, demand for our products and local economic and market conditions;
- our continued ability to promote brand equity successfully, to anticipate and respond to new consumer trends, to develop new products and markets, to broaden brand portfolios in order to compete effectively with lower priced products and in markets that are consolidating at the retail and manufacturing levels and to improve productivity;
- the risks associated with the expansion of our business;
- our possible inability to identify new acquisitions or to integrate recent or future acquisitions or our failure to realize anticipated revenue enhancements, cost savings or other synergies;
- tax reform and legislation, including the effects of the U.S. Tax Cuts and Jobs Act;
- our ability to access the credit markets and our borrowing costs and credit ratings, which may be influenced by credit markets generally and the credit ratings of our competitors;
- unanticipated expenses, including, without limitation, litigation or legal settlement expenses;
- the effects of currency movements of the Canadian dollar and the Mexican peso as compared to the U.S. dollar;
- the effects of international trade disputes, tariffs, quotas, and other import or export restrictions on our international procurement, sales and operations;
- future impairments of our goodwill and intangible assets;
- our ability to successfully complete the implementation of additional modules and the integration and operation of a new enterprise resource planning (ERP) system;
- our ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption;

- our sustainability initiatives and changes to environmental laws and regulations;
- 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 and co-packers, including the risk that any failure by one or more of our third-party suppliers or co-packers 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
- other factors discussed elsewhere in this report and in our other public filings with the Securities and Exchange Commission (SEC), including under Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K filed with the SEC on February 26, 2020, and Part, II, Item 1A, "Risk Factors," in this report.

Developments in any of these areas could cause our results to differ materially from results that have been or may be projected by us or on our behalf.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

We caution that the foregoing list of important factors is not exclusive. There may be other factors that may cause our actual results to differ materially from the forward-looking statements in this report, including factors disclosed under the section of this report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties. We urge investors not to unduly rely on forward-looking statements contained in this report.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

B&G Foods, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

	March 28, 2020	December 28, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 127,068	\$ 11,315
Trade accounts receivable, net	200,563	143,908
Inventories	399,189	472,187
Prepaid expenses and other current assets	25,815	25,449
Income tax receivable	19,087	8,934
Total current assets	771,722	661,793
Property, plant and equipment, net of accumulated depreciation of \$277,493 and \$270,454 as of March 28, 2020 and December 28, 2019, respectively	289,640	304,934
Operating lease right-of-use assets, net	38,313	38,698
Goodwill	599,557	596,391
Other intangible assets, net	1,610,404	1,615,126
Other assets	3,191	3,277
Deferred income taxes	5,957	7,371
Total assets	<u>\$ 3,318,784</u>	<u>\$ 3,227,590</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	\$ 102,629	\$ 114,936
Accrued expenses	59,179	55,659
Current portion of operating lease liabilities	10,806	9,813
Current portion of long-term debt	4,500	5,625
Income tax payable	1,728	454
Dividends payable	30,457	30,421
Total current liabilities	209,299	216,908
Long-term debt	1,974,861	1,874,158
Deferred income taxes	268,854	254,339
Long-term operating lease liabilities, net of current portion	30,513	31,997
Other liabilities	38,970	37,646
Total liabilities	2,522,497	2,415,048
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, \$0.01 par value per share. Authorized 125,000,000 shares; 64,120,497 and 64,044,649 shares issued and outstanding as of March 28, 2020 and December 28, 2019, respectively	641	640
Additional paid-in capital	—	—
Accumulated other comprehensive loss	(45,947)	(31,894)
Retained earnings	841,593	843,796
Total stockholders' equity	796,287	812,542
Total liabilities and stockholders' equity	<u>\$ 3,318,784</u>	<u>\$ 3,227,590</u>

See Notes to Consolidated Financial Statements.

B&G Foods, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Net sales	\$ 449,370	\$ 412,734
Cost of goods sold	344,454	324,655
Gross profit	104,916	88,079
Operating expenses:		
Selling, general and administrative expenses	39,973	38,297
Amortization expense	4,723	4,491
Operating income	60,220	45,291
Other income and expenses:		
Interest expense, net	26,039	23,074
Other income	(453)	(258)
Income before income tax expense	34,634	22,475
Income tax expense	6,542	5,684
Net income	\$ 28,092	\$ 16,791
Weighted average shares outstanding:		
Basic	64,047	65,587
Diluted	64,084	65,617
Earnings per share:		
Basic	\$ 0.44	\$ 0.26
Diluted	\$ 0.44	\$ 0.26
Cash dividends declared per share	\$ 0.475	\$ 0.475

See Notes to Consolidated Financial Statements.

B&G Foods, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Net income	\$ 28,092	\$ 16,791
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(14,349)	1,458
Amortization of unrecognized prior service cost and pension deferrals, net of tax	296	162
Other comprehensive (loss) income	(14,053)	1,620
Comprehensive income	<u>\$ 14,039</u>	<u>\$ 18,411</u>

See Notes to Consolidated Financial Statements.

B&G Foods, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
As of March 28, 2020
(In thousands, except share and per share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance at December 28, 2019	64,044,649	\$ 640	\$ —	\$ (31,894)	\$ 843,796	\$ 812,542
Foreign currency translation	—	—	—	(14,349)	—	(14,349)
Change in pension benefit (net of \$104 of income taxes)	—	—	—	296	—	296
Net income	—	—	—	—	28,092	28,092
Share-based compensation	—	—	—	—	163	163
Issuance of common stock for share-based compensation	75,848	1	—	—	(1)	—
Repurchase of common stock	—	—	—	—	—	—
Dividends declared on common stock, \$0.475 per share	—	—	—	—	(30,457)	(30,457)
Balance at March 28, 2020	64,120,497	\$ 641	\$ —	\$ (45,947)	\$ 841,593	\$ 796,287

B&G Foods, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
As of March 30, 2019
(In thousands, except share and per share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance at December 29, 2018	65,638,701	\$ 656	\$ 116,339	\$ (23,502)	\$ 806,556	\$ 900,049
Foreign currency translation	—	—	—	1,458	—	1,458
Change in pension benefit (net of \$53 of income taxes)	—	—	—	162	—	162
Net income	—	—	—	—	16,791	16,791
Share-based compensation	—	—	580	—	—	580
Issuance of common stock for share-based compensation	65,928	1	(906)	—	—	(905)
Repurchase of common stock	(407,022)	(4)	(9,996)	—	—	(10,000)
Dividends declared on common stock, \$0.475 per share	—	—	(31,016)	—	—	(31,016)
Balance at March 30, 2019	65,297,607	\$ 653	\$ 75,001	\$ (21,882)	\$ 823,347	\$ 877,119

See Notes to Consolidated Financial Statements.

B&G Foods, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Cash flows from operating activities:		
Net income	\$ 28,092	\$ 16,791
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,534	13,863
Amortization of operating lease right-of-use assets	2,981	2,638
Amortization of deferred debt financing costs and bond discount/premium	898	873
Deferred income taxes	14,397	3,575
Write-off of property, plant, and equipment	2	1
Share-based compensation expense	423	580
Changes in assets and liabilities, net of effects of businesses acquired:		
Trade accounts receivable	(57,759)	(10,807)
Inventories	66,812	27,320
Prepaid expenses and other current assets	(1,953)	(1,085)
Income tax receivable/payable	(8,523)	1,553
Other assets	(131)	70
Trade accounts payable	(8,405)	(14,444)
Accrued expenses	3,484	11,119
Other liabilities	1,726	(1,703)
Net cash provided by operating activities	<u>57,578</u>	<u>50,344</u>
Cash flows from investing activities:		
Capital expenditures	(6,141)	(8,648)
Payments for acquisition of businesses, net of cash acquired	(3,419)	—
Net cash used in investing activities	<u>(9,560)</u>	<u>(8,648)</u>
Cash flows from financing activities:		
Repayments of long-term debt	(1,125)	—
Repayments of borrowings under revolving credit facility	(60,000)	(40,000)
Borrowings under revolving credit facility	160,000	40,000
Dividends paid	(30,421)	(31,178)
Payments for repurchase of common stock, net	—	(10,000)
Payments of tax withholding on behalf of employees for net share settlement of share-based compensation	—	(905)
Net cash provided by (used in) financing activities	<u>68,454</u>	<u>(42,083)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	(719)	23
Net increase (decrease) in cash and cash equivalents	115,753	(364)
Cash and cash equivalents at beginning of period	11,315	11,648
Cash and cash equivalents at end of period	<u>\$ 127,068</u>	<u>\$ 11,284</u>
Supplemental disclosures of cash flow information:		
Cash interest payments	\$ 19,760	\$ 2,590
Cash income tax payments	\$ 659	\$ 564
Non-cash investing and financing transactions:		
Dividends declared and not yet paid	\$ 30,457	\$ 31,016
Accruals related to purchases of property, plant and equipment	\$ 374	\$ 139
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 1,132</u>	<u>\$ 155</u>

See Notes to Consolidated Financial Statements.

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

(1) Nature of Operations

B&G Foods, Inc. is a holding company whose principal assets are the shares of capital stock of its subsidiaries. Unless the context requires otherwise, references in this report to “B&G Foods,” “our company,” “we,” “us” and “our” refer to B&G Foods, Inc. and its subsidiaries. Our financial statements are presented on a consolidated basis.

We operate in a single industry segment and manufacture, sell and distribute a diverse portfolio of high-quality shelf-stable and frozen foods across the United States, Canada and Puerto Rico. Our products include frozen and canned vegetables, oatmeal and other hot cereals, fruit spreads, canned meats and beans, bagel chips, spices, seasonings, hot sauces, wine vinegar, maple syrup, molasses, salad dressings, pizza crusts, Mexican-style sauces, dry soups, taco shells and kits, salsas, pickles, peppers, tomato-based products, cookies and crackers, baking powder, baking soda, corn starch, nut clusters and other specialty products. Our products are marketed under many recognized brands, including *Ac’cent*, *B&G*, *B&M*, *Back to Nature*, *Baker’s Joy*, *Bear Creek Country Kitchens*, *Brer Rabbit*, *Canoleo*, *Cary’s*, *Clabber Girl*, *Cream of Rice*, *Cream of Wheat*, *Dash*, *Davis*, *Devonsheer*, *Don Pepino*, *Durkee*, *Emeril’s*, *Farmwise*, *Grandma’s Molasses*, *Green Giant*, *JJ Flats*, *Joan of Arc*, *Las Palmas*, *Le Sueur*, *MacDonald’s*, *Mama Mary’s*, *Maple Grove Farms of Vermont*, *McCann’s*, *Molly McButter*, *New York Flatbreads*, *New York Style*, *Old London*, *Ortega*, *Polaner*, *Red Devil*, *Regina*, *Rumford*, *Sa-són*, *Sclafani*, *SnackWell’s*, *Spice Islands*, *Spring Tree*, *Sugar Twin*, *Tone’s*, *Trappey’s*, *TrueNorth*, *Underwood*, *Vermont Maid*, *Victoria*, *Weber* and *Wright’s*. We also sell and distribute *Static Guard*, a household product brand. We compete in the retail grocery, foodservice, specialty, private label, club and mass merchandiser channels of distribution. We sell and distribute our products directly and via a network of independent brokers and distributors to supermarket chains, foodservice outlets, mass merchants, warehouse clubs, non-food outlets and specialty distributors.

(2) Summary of Significant Accounting Policies

Fiscal Year

Typically, our fiscal quarters and fiscal year consist of 13 and 52 weeks, respectively, ending on the Saturday closest to December 31 in the case of our fiscal year and fourth fiscal quarter, and on the Saturday closest to the end of the corresponding calendar quarter in the case of our fiscal quarters. As a result, a 53rd week is added to our fiscal year every five or six years. In a 53-week fiscal year our fourth fiscal quarter contains 14 weeks. Our fiscal year ending January 2, 2021 (fiscal 2020) contains 53 weeks and our fiscal year ended December 28, 2019 (fiscal 2019) contains 52 weeks. The first three quarters of fiscal 2020 and all quarters of fiscal 2019 contain 13 weeks, and the fourth quarter of fiscal 2020 contains 14 weeks.

Basis of Presentation

The accompanying unaudited consolidated interim financial statements for the thirteen week periods ended March 28, 2020 (first quarter of 2020) and March 30, 2019 (first quarter of 2019) have been prepared by our company in accordance with generally accepted accounting principles in the United States (GAAP) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), and include the accounts of B&G Foods, Inc. and its subsidiaries. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, our management believes, to the best of their knowledge, that the disclosures herein are adequate to make the information presented not misleading. All intercompany balances and transactions have been eliminated. The accompanying unaudited consolidated interim financial statements contain all adjustments that are, in the opinion of management, necessary to present fairly our consolidated financial position as of March 28, 2020, and the results of our operations, comprehensive income and cash flows for the first quarter of 2020 and 2019. Our results of operations for the first quarter of 2020 are not necessarily indicative of the results to be expected for the full year. We have evaluated subsequent events for disclosure through the date of issuance of the accompanying unaudited consolidated interim financial statements. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for fiscal 2019 filed with the SEC on February 26, 2020.

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires our management to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates and assumptions made by management involve revenue recognition as it relates to trade and consumer promotion expenses; pension benefits; acquisition accounting fair value allocations; the recoverability of goodwill, other intangible assets, property, plant and equipment and deferred tax assets; and the determination of the useful life of customer relationship and finite-lived trademark intangible assets. Actual results could differ significantly from these estimates and assumptions.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances, including the current economic environment. We adjust such estimates and assumptions when facts and circumstances dictate. Volatility in the credit and equity markets can increase the uncertainty inherent in such estimates and assumptions.

Newly Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standards update (ASU) which modifies the measurement of expected credit losses of certain financial instruments. This ASU replaces the incurred loss methodology for recognizing credit losses with a current expected credit losses model and applies to all financial assets, including trade accounts receivables. The amendments in this ASU should be applied on a modified retrospective basis to all periods presented. This guidance became effective during the first quarter of 2020. The adoption of the new standard did not have a material impact to our consolidated financial statements and related disclosures.

In January 2017, the FASB issued an amendment to the standards of goodwill impairment testing. The new guidance simplifies the test for goodwill impairment, by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This guidance became effective during the first quarter of 2020. The adoption of this ASU did not have an impact to our consolidated financial statements.

Recently Issued Accounting Standards

In March 2020, the FASB issued a new ASU which provides optional guidance for a limited time to ease the potential accounting burden associated with transitioning away from reference rates such as LIBOR. The update may be applied as of the beginning of the interim period that includes March 12, 2020 through December 31, 2022. We currently expect to adopt the standard during fiscal 2022. We are in the process of evaluating the impact of the adoption of this ASU. We use LIBOR to determine interest under our revolving credit facility and our tranche B term loans due 2026. However, we currently do not expect the adoption of this ASU to have a material impact to our consolidated financial statements.

In December 2019, the FASB issued a new ASU which removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group. The update is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in any interim period. We currently expect to adopt the standard when it becomes effective. We are in the process of evaluating the impact of the adoption of this ASU. Currently, we do not expect the adoption of this ASU to have a material impact to our consolidated financial statements.

In August 2018, the FASB issued a new ASU that aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies by changing disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. The update is effective for fiscal years beginning after December 15, 2020. We expect to update our defined benefit pension plan disclosures when the new standard

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

becomes effective. We do not expect the adoption of this ASU to have an impact to our consolidated financial statements as this ASU only modifies disclosure requirements.

(3) Acquisitions

Farmwise Acquisition

On February 19, 2020, we acquired Farmwise LLC, maker of *Farmwise Veggie Fries*, *Farmwise Veggie Tots* and *Farmwise Veggie Rings*. We refer to this acquisition as the “*Farmwise* acquisition.”

Clabber Girl Acquisition

On May 15, 2019, we acquired Clabber Girl Corporation, a leader in baking products, including baking powder, baking soda and corn starch, from Hulman & Company for approximately \$84.6 million in cash. In addition to *Clabber Girl*, the number one retail baking powder brand, Clabber Girl Corporation’s product offerings include the *Rumford*, *Davis*, *Hearth Club* and *Royal* brands of retail baking powder, baking soda and corn starch, and the *Royal* brand of foodservice dessert mixes. We refer to this acquisition as the “*Clabber Girl* acquisition.”

The following table sets forth the preliminary allocation of the *Clabber Girl* acquisition purchase price to the estimated fair value of the net assets acquired at the date of acquisition. The preliminary purchase price allocation may be adjusted as a result of the finalization of our purchase price allocation procedures related to the assets acquired and liabilities assumed. We anticipate completing the purchase price allocation during the second quarter of 2020.

Clabber Girl Acquisition (in thousands):

Preliminary Purchase Price Allocation:	May 15, 2019
Cash and cash equivalents	\$ 2,202
Trade accounts receivable, net	5,627
Inventories	10,641
Prepaid expenses and other current assets	154
Income tax receivable	7
Property, plant and equipment, net	20,697
Operating lease right-of-use assets	7,841
Trademarks — indefinite-lived intangible assets	19,600
Customer relationships — finite-lived intangible assets	18,500
Trade accounts payable	(3,007)
Accrued expenses	(1,315)
Operating lease liabilities, current portion	(952)
Long-term operating lease liabilities, net of current portion	(7,319)
Goodwill	11,956
Total purchase price (paid in cash)	<u>\$ 84,632</u>

Unaudited Pro Forma Summary of Operations

Neither the *Farmwise* acquisition nor the *Clabber Girl* acquisition were material to our consolidated results of operations or financial position and, therefore, pro forma financial information is not presented.

(4) Inventories

Inventories are stated at the lower of cost or net realizable value and include direct material, direct labor, overhead, warehousing and product transfer costs. Cost is determined using the first-in, first-out and average cost methods. Inventories have been reduced by an allowance for excess, obsolete and unsaleable inventories. The allowance is an estimate based on management’s review of inventories on hand compared to estimated future usage and sales.

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Inventories consist of the following, as of the dates indicated (in thousands):

	March 28, 2020	December 28, 2019
Raw materials and packaging	\$ 61,407	\$ 65,673
Work-in-process	72,894	111,866
Finished goods	264,888	294,648
Inventories	<u>\$ 399,189</u>	<u>\$ 472,187</u>

(5) Goodwill and Other Intangible Assets

The carrying amounts of goodwill and other intangible assets, as of the dates indicated, consist of the following (in thousands):

	March 28, 2020			December 28, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>Finite-Lived Intangible Assets</i>						
Trademarks	\$ 19,600	\$ 4,735	\$ 14,865	\$ 19,600	\$ 4,462	\$ 15,138
Customer relationships	354,090	133,851	220,239	354,090	129,402	224,688
Total finite-lived intangible assets	<u>\$ 373,690</u>	<u>\$ 138,586</u>	<u>\$ 235,104</u>	<u>\$ 373,690</u>	<u>\$ 133,864</u>	<u>\$ 239,826</u>
<i>Indefinite-Lived Intangible Assets</i>						
Goodwill	<u>\$ 599,557</u>			<u>\$ 596,391</u>		
Trademarks	<u>\$ 1,375,300</u>			<u>\$ 1,375,300</u>		

The increase in the carrying amount of goodwill is attributable to the *Farmwise* acquisition.

Amortization expense associated with finite-lived intangible assets was \$4.7 million and \$4.5 million for the first quarter of 2020 and 2019, respectively. We expect to recognize an additional \$14.2 million of amortization expense associated with our finite-lived intangible assets during the remainder of fiscal 2020, and thereafter \$18.9 million of amortization expense in each of fiscal 2021 and 2022, \$18.8 million in fiscal 2023 and \$18.7 million in each of fiscal 2024 and 2025.

(6) Long-Term Debt

Long-term debt consists of the following, as of the dates indicated (in thousands):

	March 28, 2020	December 28, 2019
Revolving credit loans	\$ 100,000	\$ —
Tranche B term loans due 2026	448,875	450,000
5.25% senior notes due 2025	900,000	900,000
5.25% senior notes due 2027	550,000	550,000
Unamortized deferred debt financing costs	(20,102)	(20,869)
Unamortized discount/premium	588	652
Total long-term debt, net of unamortized deferred debt financing costs and discount/premium	1,979,361	1,879,783
Current portion of long-term debt	(4,500)	(5,625)
Long-term debt, net of unamortized deferred debt financing costs and discount/premium, and excluding current portion	<u>\$ 1,974,861</u>	<u>\$ 1,874,158</u>

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As of March 28, 2020, the aggregate contractual maturities of long-term debt were as follows (in thousands):

Fiscal year:	<u>Aggregate Contractual Maturities</u>
2020 remaining	\$ 4,500
2021	4,500
2022	104,500
2023	4,500
2024	4,500
Thereafter	1,876,375
Total	<u>\$ 1,998,875</u>

Senior Secured Credit Agreement. Our senior secured credit agreement includes a term loan facility and a revolving credit facility. On October 10, 2019, we amended our senior secured credit agreement to, among other things, provide for an incremental \$450.0 million tranche B term loan facility, which closed and funded on October 10, 2019. We used the proceeds of the tranche B term loans, together with the net proceeds of our recently completed offering of \$550.0 million aggregate principal amount of 5.25% senior notes due 2027, to redeem all \$700.0 million aggregate principal amount of our 4.625% senior notes due 2021, repay a portion of our borrowings under our revolving credit facility, pay related fees and expenses and for general corporate purposes.

The tranche B term loans mature on October 10, 2026 and are subject to amortization at the rate of 1% per year with the balance due and payable on the maturity date. If we prepay all or any portion of the tranche B term loans within six months of the funding of the tranche B term loans in connection with a financing that has a lower interest rate or weighted average yield than the tranche B term loans, we will owe a repayment fee equal to 1% of the amount prepaid. Otherwise, we may prepay the term loans at any time without premium or penalty (other than customary “breakage” costs with respect to the early termination of LIBOR loans). Subject to certain exceptions, the tranche B term loans are subject to mandatory prepayment upon certain asset dispositions or casualty events and issuances of indebtedness.

Interest under the tranche B term loan facility is determined based on alternative rates that we may choose in accordance with our credit agreement, including a base rate per annum plus an applicable margin of 1.00%, and LIBOR plus an applicable margin of 2.50%.

As of March 28, 2020, there was \$100.0 million drawn on the revolving credit facility under our credit agreement and the available borrowing capacity under the revolving credit facility, net of outstanding letters of credit of \$1.6 million, was \$598.4 million. Proceeds of the revolving credit facility may be used for general corporate purposes, including acquisitions of targets in the same or a similar line of business as our company, subject to specified criteria. The revolving credit facility matures on November 21, 2022.

Interest under the revolving credit facility, including any outstanding letters of credit, is determined based on alternative rates that we may choose in accordance with the credit agreement, including a base rate per annum plus an applicable margin ranging from 0.25% to 0.75%, and LIBOR plus an applicable margin ranging from 1.25% to 1.75%, in each case depending on our consolidated leverage ratio.

We are required to pay a commitment fee of 0.50% per annum on the unused portion of the revolving credit facility. The maximum letter of credit capacity under the revolving credit facility is \$50.0 million, with a fronting fee of 0.25% per annum for all outstanding letters of credit and a letter of credit fee equal to the applicable margin for revolving loans that are Eurodollar (LIBOR) loans.

We may prepay term loans or permanently reduce the revolving credit facility commitment under the credit agreement at any time without premium or penalty (other than customary “breakage” costs with respect to the early termination of LIBOR loans). Subject to certain exceptions, the credit agreement provides for mandatory prepayment upon certain asset dispositions or casualty events and issuances of indebtedness.

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Our obligations under the credit agreement are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries. The credit agreement is secured by substantially all of our and our domestic subsidiaries' assets except our and our domestic subsidiaries' real property. The credit agreement contains customary restrictive covenants, subject to certain permitted amounts and exceptions, including covenants limiting our ability to incur additional indebtedness, pay dividends and make other restricted payments, repurchase shares of our outstanding stock and create certain liens.

The credit agreement also contains certain financial maintenance covenants, which, among other things, specify a maximum consolidated leverage ratio and a minimum interest coverage ratio, each ratio as defined in the credit agreement. Our consolidated leverage ratio (defined as the ratio of our consolidated net debt, as of the last day of any period of four consecutive fiscal quarters to our adjusted EBITDA for such period on a pro forma basis) may not exceed 7.00 to 1.00. We are also required to maintain a consolidated interest coverage ratio of at least 1.75 to 1.00 as of the last day of any period of four consecutive fiscal quarters. As of March 28, 2020, we were in compliance with all of the covenants, including the financial covenants, in the credit agreement.

The credit agreement also provides for an incremental term loan and revolving loan facility, pursuant to which we may request that the lenders under the credit agreement, and potentially other lenders, provide unlimited additional amounts of term loans or revolving loans or both on terms substantially consistent with those provided under the credit agreement. Among other things, the utilization of the incremental facility is conditioned on our ability to meet a maximum senior secured leverage ratio of 4.00 to 1.00, and a sufficient number of lenders or new lenders agreeing to participate in the facility.

5.25% Senior Notes due 2025. On April 3, 2017, we issued \$500.0 million aggregate principal amount of 5.25% senior notes due 2025 at a price to the public of 100% of their face value. On November 20, 2017, we issued an additional \$400.0 million aggregate principal amount of 5.25% senior notes due 2025 at a price to the public 101% of their face value plus accrued interest from October 1, 2017. The notes issued in November 2017 were issued as additional notes under the same indenture as our 5.25% senior notes due 2025 that were issued in April 2017, and, as such, form a single series and trade interchangeably with the previously issued 5.25% senior notes due 2025.

We used the net proceeds of the April 2017 offering to repay all of the outstanding borrowings and amounts due under our revolving credit facility and tranche A term loans, to pay related fees and expenses and for general corporate purposes. We used the net proceeds of the November 2017 offering to repay all of the then outstanding borrowings and amounts due under our revolving credit facility, to pay related fees and expenses and for general corporate purposes.

Interest on the 5.25% senior notes due 2025 is payable on April 1 and October 1 of each year, commencing October 1, 2017. The 5.25% senior notes due 2025 will mature on April 1, 2025, unless earlier retired or redeemed as described below.

On or after April 1, 2020, we may redeem some or all of the 5.25% senior notes due 2025 at a redemption price of 103.9375% beginning April 1, 2020 and thereafter at prices declining annually to 100% on or after April 1, 2023, in each case plus accrued and unpaid interest to the date of redemption. In addition, if we undergo a change of control or upon certain asset sales, we may be required to offer to repurchase the 5.25% senior notes due 2025 at the repurchase price set forth in the indenture plus accrued and unpaid interest to the date of repurchase.

We may also, from time to time, seek to retire the 5.25% senior notes due 2025 through cash repurchases of the 5.25% senior notes due 2025 and/or exchanges of the 5.25% senior notes due 2025 for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Our obligations under the 5.25% senior notes due 2025 are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries. The 5.25% senior notes due 2025 and the subsidiary guarantees are our and the guarantors' general unsecured obligations and are effectively junior in right of payment to all of our and the guarantors' secured indebtedness and to all existing and future indebtedness and

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other liabilities of our non-guarantor subsidiaries; are *pari passu* in right of payment to all of our and the guarantors' existing and future unsecured senior debt; and are senior in right of payment to all of our and the guarantors' future subordinated debt. Our foreign subsidiaries are not guarantors, and any future foreign or partially owned domestic subsidiaries will not be guarantors, of the 5.25% senior notes due 2025.

The indenture governing the 5.25% senior notes due 2025 contains covenants with respect to us and the guarantors and restricts the incurrence of additional indebtedness and the issuance of capital stock; the payment of dividends or distributions on, and redemption of, capital stock; a number of other restricted payments, including certain investments; creation of specified liens, certain sale-leaseback transactions and sales of certain specified assets; fundamental changes, including consolidation, mergers and transfers of all or substantially all of our assets; and specified transactions with affiliates. Each of the covenants is subject to a number of important exceptions and qualifications. As of March 28, 2020, we were in compliance with all of the covenants in the indenture governing the 5.25% senior notes due 2025.

5.25% Senior Notes due 2027. On September 26, 2019, we issued \$550.0 million aggregate principal amount of 5.25% senior notes due 2027 at a price to the public of 100% of their face value.

We used the proceeds of the offering, together with the proceeds of incremental term loans made during the fourth quarter of 2019, to redeem all of our outstanding 4.625% senior notes due 2021, repay a portion of our borrowings under our revolving credit facility, pay related fees and expenses and for general corporate purposes.

Interest on the 5.25% senior notes due 2027 is payable on March 15 and September 15 of each year, commencing March 15, 2020. The 5.25% senior notes due 2027 will mature on September 15, 2027, unless earlier retired or redeemed as described below.

We may redeem some or all of the 5.25% senior notes due 2027 at a redemption price of 103.938% beginning March 1, 2022 and thereafter at prices declining annually to 100% on or after March 1, 2025, in each case plus accrued and unpaid interest to the date of redemption. We may redeem up to 40% of the aggregate principal amount of the 5.25% senior notes due 2027 prior to March 1, 2022 with the net proceeds from certain equity offerings. We may also redeem some or all of the 5.25% senior notes due 2027 at any time prior to March 1, 2022 at a redemption price equal to the make-whole amount set forth in the tenth supplemental indenture. In addition, if we undergo a change of control or upon certain asset sales, we may be required to offer to repurchase the 5.25% senior notes due 2027 at the repurchase price set forth in the indenture plus accrued and unpaid interest to the date of repurchase.

We may also, from time to time, seek to retire the 5.25% senior notes due 2027 through cash repurchases of the 5.25% senior notes due 2027 and/or exchanges of the 5.25% senior notes due 2027 for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Our obligations under the 5.25% senior notes due 2027 are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries. The 5.25% senior notes due 2027 and the subsidiary guarantees are our and the guarantors' general unsecured obligations and are effectively junior in right of payment to all of our and the guarantors' secured indebtedness and to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries; are *pari passu* in right of payment to all of our and the guarantors' existing and future unsecured senior debt; and are senior in right of payment to all of our and the guarantors' future subordinated debt. Our foreign subsidiaries are not guarantors, and any future foreign or partially owned domestic subsidiaries will not be guarantors, of the 5.25% senior notes due 2027.

The indenture governing the 5.25% senior notes due 2027 contains covenants with respect to us and the guarantors and restricts the incurrence of additional indebtedness and the issuance of capital stock; the payment of dividends or distributions on, and redemption of, capital stock; a number of other restricted payments, including certain investments; creation of specified liens, certain sale-leaseback transactions and sales of certain specified assets; fundamental changes, including consolidation, mergers and transfers of all or substantially all of our assets; and

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specified transactions with affiliates. Each of the covenants is subject to a number of important exceptions and qualifications. As of March 28, 2020, we were in compliance with all of the covenants in the indenture governing the 5.25% senior notes due 2027.

Subsidiary Guarantees. We have no assets or operations independent of our direct and indirect subsidiaries. All of our present domestic subsidiaries jointly and severally and fully and unconditionally guarantee our long-term debt. There are no significant restrictions on our ability and the ability of our subsidiaries to obtain funds from our respective subsidiaries by dividend or loan. See Note 18, “Guarantor and Non-Guarantor Financial Information.”

Accrued Interest. At March 28, 2020 and December 28, 2019, accrued interest of \$26.8 million and \$21.4 million, respectively, is included in accrued expenses in the accompanying unaudited consolidated balance sheets.

(7) Fair Value Measurements

The authoritative accounting literature relating to fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The accounting literature outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and the accounting literature details the disclosures that are required for items measured at fair value. Financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy under the accounting literature. The three levels are as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 quoted prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value driver is observable for the asset or liability, either directly or indirectly.

Level 3—Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

Cash and cash equivalents, trade accounts receivable, income tax receivable, trade accounts payable, accrued expenses, income tax payable and dividends payable are reflected in the consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments.

The carrying values and fair values of our revolving credit loans, term loans and senior notes as of March 28, 2020 and December 28, 2019 were as follows (in thousands):

	March 28, 2020		December 28, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit loans	\$ 100,000	\$ 100,000 ⁽¹⁾	\$ —	\$ —
Tranche B term loans due 2026	446,766 ⁽²⁾	402,089 ⁽³⁾	447,820 ⁽²⁾	451,179 ⁽³⁾
5.25% senior notes due 2025	902,697 ⁽⁴⁾	884,643 ⁽³⁾	902,832 ⁽⁴⁾	929,917 ⁽³⁾
5.25% senior notes due 2027	\$ 550,000	\$ 530,750 ⁽³⁾	\$ 550,000	\$ 550,000 ⁽³⁾

(1) Fair values are estimated based on Level 2 inputs, which were quoted prices for identical or similar instruments in markets that are not active.

(2) The carrying value of the tranche B term loans includes a discount. At March 28, 2020 and December 28, 2019, the face amount of the tranche B term loans was \$448.9 million and \$450.0 million, respectively.

(3) Fair values are estimated based on quoted market prices.

(4) The carrying values of the 5.25% senior notes due 2025 include a premium. At March 28, 2020 and December 28, 2019, the face amount of the 5.25% senior notes due 2025 was \$900.0 million.

There was no Level 3 activity during the first quarter of 2020 or 2019.

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(8) Accumulated Other Comprehensive Loss

The reclassifications from accumulated other comprehensive loss (AOCL) for the first quarter of 2020 and 2019 were as follows (in thousands):

Details about AOCL Components	Thirteen Weeks Ended March 28, 2020	March 30, 2019	Affected Line Item in the Statement Where Net Income is Presented
Defined benefit pension plan items			
Amortization of unrecognized loss	\$ 400	\$ 215	See (1) below
Accumulated other comprehensive loss before tax	400	215	Total before tax
Tax expense	(104)	(53)	Income tax expense
Total reclassification	\$ 296	\$ 162	Net of tax

(1) These items are included in the computation of net periodic pension cost. See Note 10, "Pension Benefits," for additional information.

Changes in AOCL for the first quarter of 2020 were as follows (in thousands):

	Defined Benefit Pension Plan Items	Foreign Currency Translation Adjustments	Total
Balance at December 28, 2019	\$ (24,761)	\$ (7,133)	\$ (31,894)
Other comprehensive income before reclassifications	—	(14,349)	(14,349)
Amounts reclassified from AOCL	296	—	296
Net current period other comprehensive income	296	(14,349)	(14,053)
Balance at March 28, 2020	\$ (24,465)	\$ (21,482)	\$ (45,947)

(9) Stock Repurchase Program

On March 11, 2020, our board of directors authorized an extension of our stock repurchase program from March 15, 2020 to March 15, 2021. In extending the repurchase program, our board of directors also reset the repurchase authority to up to \$50.0 million.

Under the authorization, we may purchase shares of common stock from time to time in the open market or in privately negotiated transactions in compliance with the applicable rules and regulations of the SEC. The timing and amount of future stock repurchases, if any, under the program will be at the discretion of management, and will depend on a variety of factors, including price, available cash, general business and market conditions and other investment opportunities. Therefore, we cannot assure you as to the number or aggregate dollar amount of additional shares, if any, that will be repurchased under the program. We may discontinue the program at any time. Any shares repurchased pursuant to the program will be retired.

During the first quarter of 2019, we repurchased and retired 407,022 shares of common stock at an average price per share, excluding fees and commissions, of \$24.55, or \$10.0 million in the aggregate. We did not repurchase any shares of our common stock during the first quarter of 2020. As of March 28, 2020, we had \$50.0 million available for future repurchases of common stock under the stock repurchase program.

(10) Pension Benefits

Company-Sponsored Defined Benefit Pension Plans. As of March 28, 2020, we had four company-sponsored defined benefit pension plans. The benefits are based on years of service and the employee's compensation, as defined in the plans. Effective January 1, 2020, newly hired non-union employees are no longer eligible to participate in our

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defined benefit pension plans. Net periodic pension cost for our four company-sponsored defined benefit pension plans for the first quarter of 2020 and 2019 includes the following components (in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Service cost—benefits earned during the period	\$ 2,467	\$ 1,937
Interest cost on projected benefit obligation	1,377	1,442
Expected return on plan assets	(2,229)	(1,914)
Amortization of unrecognized prior service cost	—	—
Amortization of unrecognized loss	400	215
Net periodic pension cost	<u>\$ 2,015</u>	<u>\$ 1,680</u>

During the first quarter of 2020 and 2019, we did not make any contributions to our company-sponsored defined benefit pension plans.

Multi-Employer Defined Benefit Pension Plan. We also contribute to the Bakery and Confectionery Union and Industry International Pension Fund (EIN 52-6118572, Plan No. 001), a multi-employer defined benefit pension plan, sponsored by the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union (BCTGM) on behalf of certain employees at our Portland, Maine manufacturing facility. The plan provides multiple plan benefits with corresponding contribution rates that are collectively bargained between participating employers and their affiliated BCTGM local unions.

We were notified that for the plan year beginning January 1, 2012, the plan was in critical status and classified in the Red Zone, and for the plan year beginning January 1, 2018, the plan was in critical and declining status. As of the date of the accompanying unaudited consolidated interim financial statements, the plan remains in critical and declining status. The law requires that all contributing employers pay to the plan a surcharge to help correct the plan's financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the plan under the applicable collective bargaining agreement. During the second quarter of 2015, we agreed to a collective bargaining agreement that, among other things, implements a rehabilitation plan. As a result, our contributions to the plan are expected to increase by at least 5.0% per year, assuming consistent hours are worked.

B&G Foods made contributions to the multi-employer defined benefit pension plan of \$0.2 million in each of the first quarter of 2020 and 2019. These contributions represented less than five percent of total contributions made to the plan.

(11) Leases

Operating Leases. Operating leases are included in the accompanying unaudited consolidated balance sheets in the following line items:

	March 28, 2020	December 28, 2019
Right-of-use assets:		
Operating lease right-of-use assets, net	\$ 38,313	\$ 38,698
Operating lease liabilities:		
Current portion of operating lease liabilities	\$ 10,806	\$ 9,813
Long-term operating lease liabilities, net of current portion	30,513	31,997
Total operating lease liabilities	<u>\$ 41,319</u>	<u>\$ 41,810</u>

We determine whether an arrangement is a lease at inception. We have operating leases for certain of our manufacturing facilities, distribution centers, warehouse and storage facilities, machinery and equipment, and office equipment. Our leases have remaining lease terms of one year to seven years, some of which include options to extend

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the lease term for up to five years, and some of which include options to terminate the lease within one year. We consider these options in determining the lease term used to establish our right-of use assets and lease liabilities.

Supplemental information related to leases:

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Operating cash flow information:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 3,087	\$ 2,702
The components of lease costs were as follows:		
Cost of goods sold	\$ 1,004	\$ 668
Selling, general and administrative expenses	1,977	1,970
Total lease costs	<u>\$ 2,981</u>	<u>\$ 2,638</u>

Total rent expense for the first quarter of 2020 was \$3.5 million, including the operating lease costs of \$3.0 million stated above. Total rent expense for the first quarter of 2019 was \$3.2 million, including the operating lease costs of \$2.6 million stated above.

Because our operating leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We have lease agreements that contain both lease and non-lease components. With the exception of our real estate leases, we account for our leases as a single lease component.

The following table shows the lease term and discount rate for our ROU assets:

	March 28, 2020	March 30, 2019
Weighted average remaining lease term (years)	5.2	5.2
Weighted average discount rate	4.04%	4.05%

As of March 28, 2020, the maturities of operating lease liabilities were as follows (in thousands):

	Maturities of Operating Lease Liabilities	
Fiscal year:		
2020 remaining	\$	9,199
2021		11,536
2022		5,890
2023		5,683
2024		5,058
Thereafter		8,516
Total undiscounted future minimum lease payments		45,882
Less: Imputed interest		(4,563)
Total present value of future operating lease liabilities	<u>\$</u>	<u>41,319</u>

(12) Commitments and Contingencies

Legal Proceedings. We are from time to time involved in various claims and legal actions arising in the ordinary course of business, including proceedings involving product liability claims, product labeling claims, worker's compensation and other employee claims, and tort and other general liability claims, as well as trademark, copyright, patent infringement and related claims and legal actions. While we cannot predict with certainty the results of these claims and legal actions in which we are currently, or in the future may be, involved, we do not expect that the ultimate

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disposition of any currently pending claims or actions will have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Environmental. We are subject to environmental laws and regulations in the normal course of business. We did not make any material expenditures during the first quarter of 2020 or 2019 in order to comply with environmental laws and regulations. Based on our experience to date, management believes that the future cost of compliance with existing environmental laws and regulations (and liability for any known environmental conditions) will not have a material adverse effect on our consolidated financial position, results of operations or liquidity. However, we cannot predict what environmental or health and safety legislation or regulations will be enacted in the future or how existing or future laws or regulations will be enforced, administered or interpreted, nor can we predict the amount of future expenditures that may be required in order to comply with such environmental or health and safety laws or regulations or to respond to such environmental claims.

Collective Bargaining Agreements. As of March 28, 2020, 1,671 of our 2,706 employees, or approximately 61.8%, were covered by collective bargaining agreements.

The collective bargaining agreement covering employees at our Brooklyn, New York facility, which covers approximately 55 employees, expired on December 31, 2019. As previously disclosed, we reached an agreement in principle with the United Food and Commercial Workers Union, Local No. 342 in January 2020 to extend the collective bargaining agreement for an additional four-year period ending December 21, 2024. The new agreement has been ratified by the union employees at our Brooklyn facility. The collective bargaining agreement covering employees at our Roseland, New Jersey facility, which covers approximately 50 employees, was scheduled to expire on March 31, 2020. During February 2020, we reached an agreement in principle with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen & Helpers of America, Local No. 863, to extend the collective bargaining agreement for an additional six-year period ending March 31, 2026. The new agreement has been ratified by the union employees at our Roseland facility.

As of March 28, 2020, one of our collective bargaining agreements has expired and two of our other collective bargaining agreements expire in the next twelve months. The collective bargaining agreement covering employees at our Ankeny, Iowa facility, which covers approximately 275 employees, expired on April 5, 2020. Prior to the expiration date, B&G Foods and the International Brotherhood of Teamsters, Local No. 238, agreed to temporarily postpone negotiations for a new collective bargaining agreement as a result of the COVID-19 pandemic and expect to resume negotiations during the second or third quarter of 2020. The collective bargaining agreement covering employees at our Terre Haute, Indiana facility, which covers approximately 95 employees and which had been scheduled to expire on March 27, 2020, was extended by B&G Foods and the Chauffeurs, Teamsters, Warehousemen and Helpers Union, Local No. 135, for an additional year in March 2020 and is now scheduled to expire on March 27, 2021. The collective bargaining agreement covering our Stoughton, Wisconsin facility, which covers approximately 170 employees, is scheduled to expire on March 27, 2021. While we believe that our relations with our union employees are in general good, we cannot assure you that we will be able to negotiate new collective bargaining agreements for our Ankeny, Terre Haute or Stoughton facilities on terms satisfactory to us, or at all, and without production interruptions, including labor stoppages. At this time, however, management does not expect that the outcome of these negotiations will have a material adverse impact on our business, financial condition or results of operations.

Severance and Change of Control Agreements. We have employment agreements with each of our executive officers. The agreements generally continue until terminated by the executive or by us, and provide for severance payments under certain circumstances, including termination by us without cause (as defined in the agreements) or as a result of the employee's death or disability, or termination by us or a deemed termination upon a change of control (as defined in the agreements). Severance benefits generally include payments for salary continuation, continuation of health care and insurance benefits, present value of additional pension credits and, in the case of a change of control, accelerated vesting under compensation plans.

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(13) Earnings per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding plus all additional shares of common stock that would have been outstanding if potentially dilutive shares of common stock had been issued upon the exercise of stock options or in connection with performance shares that may be earned under long-term incentive awards as of the grant date, in the case of the stock options, and as of the beginning of the period, in the case of the performance shares, using the treasury stock method. For the first quarter of 2020 and 2019, there were 1,102,223 and 1,167,297, respectively, shares of common stock issuable upon the exercise of stock options excluded from the calculation of diluted weighted average shares outstanding because the effect would have been anti-dilutive on diluted earnings per share.

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Weighted average shares outstanding:		
Basic	64,047,149	65,586,572
Net effect of potentially dilutive share-based compensation awards	37,075	30,583
Diluted	<u>64,084,224</u>	<u>65,617,155</u>

(14) Business and Credit Concentrations and Geographic Information

Our exposure to credit loss in the event of non-payment of accounts receivable by customers is estimated in the amount of the allowance for doubtful accounts. We perform ongoing credit evaluations of the financial condition of our customers. Our top ten customers accounted for approximately 59.5% and 59.6% of consolidated net sales for the first quarter of 2020 and 2019, respectively. Other than Walmart, which accounted for approximately 25.6% and 24.8% of our consolidated net sales for the first quarter of 2020 and 2019, respectively, no single customer accounted for more than 10.0% of our consolidated net sales for the first quarter of 2020 or 2019.

Our top ten customers accounted for approximately 62.7% and 62.3% of our consolidated trade accounts receivables as of March 28, 2020 and December 28, 2019, respectively. Walmart accounted for approximately 26.3% and 29.1% of our consolidated trade accounts receivables as of March 28, 2020 and December 28, 2019, respectively. Kroger accounted for approximately 10.3% and 7.8% of our consolidated trade accounts receivables as of March 28, 2020 and December 28, 2019, respectively. Other than Walmart and Kroger, no single customer accounted for more than 10.0% of our consolidated trade accounts receivables. As of March 28, 2020, we do not believe we have any significant concentration of credit risk with respect to our consolidated trade accounts receivables with any single customer whose failure or nonperformance would materially affect our results other than as described above with respect to Walmart.

During the first quarter of 2020 and 2019, our sales to customers in foreign countries represented approximately 9.1% and 7.7%, respectively, of net sales. Our foreign sales are primarily to customers in Canada.

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

(15) Share-Based Payments

The following table details our stock option activity for the first quarter of fiscal 2020 (dollars in thousands, except per share data):

	Options	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (Years)	Aggregate Intrinsic Value
Outstanding at December 28, 2019	1,110,212	\$ 31.20	6.4	\$ —
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited	(7,989)	\$ 27.32		
Cancelled	—	\$ —		
Outstanding at March 28, 2020	1,102,223	\$ 31.23	6.2	\$ —
Exercisable at March 28, 2020	884,897	\$ 32.47	5.7	\$ —

No stock options were granted during the first quarter of 2020 or 2019.

The following table details the activity in our non-vested performance share long-term incentive awards (LTIA) for the first quarter of 2020:

	Number of Performance Shares ⁽¹⁾	Weighted Average Grant Date Fair Value (per share) ⁽²⁾
Outstanding at December 28, 2019	661,305	\$ 22.37
Granted	459,882	\$ 10.83
Vested	—	\$ —
Forfeited	(133,900)	\$ 32.85
Outstanding at March 28, 2020	987,287	\$ 15.57

- (1) Solely for purposes of this table, the number of performance shares is based on the participants earning the maximum number of performance shares (i.e., 200% of the target number of performance shares).
- (2) The fair value of the awards was determined based upon the closing price of our common stock on the applicable measurement dates (i.e., the deemed grant dates for accounting purposes), reduced by the present value of expected dividends using the risk-free interest-rate, as the award holders are not entitled to dividends or dividend equivalents during the vesting period.

The following table details the activity in our restricted stock for the first quarter of 2020:

	Number of Shares of Restricted Stock	Weighted Average Grant Date Fair Value (per share) ⁽¹⁾
Outstanding at December 28, 2019	32,059	\$ 24.33
Granted	75,848	\$ 16.50
Vested	—	\$ —
Forfeited	—	\$ —
Outstanding at March 28, 2020	107,907	\$ 18.83

- (1) The fair value of the awards was determined based upon the closing price of our common stock on the applicable measurement dates (i.e., the deemed grant dates for accounting purposes).

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

The following table details the number of shares of common stock issued by our company during the first quarter of 2020 and 2019 upon the vesting of performance share LTIA's, the exercise of stock options, the issuance of restricted stock and other share-based payments:

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Number of performance shares vested	—	102,893
Shares withheld to fund statutory minimum tax withholding	—	(36,965)
Shares of common stock issued for performance share LTIA's	—	65,928
Shares of restricted common stock issued to employees	75,848	—
Total shares of common stock issued	75,848	65,928

The following table sets forth the compensation expense recognized for share-based payments (performance share LTIA's, restricted stock, stock options, non-employee director stock grants and other share based payments) during the first quarter of 2020 and 2019 and where that expense is reflected in our consolidated statements of operations (in thousands):

	Thirteen Weeks Ended	
Consolidated Statements of Operations Location	March 28, 2020	March 30, 2019
Compensation expense included in cost of goods sold	\$ 17	\$ 173
Compensation expense included in selling, general and administrative expenses	406	407
Total compensation expense for share-based payments	\$ 423	\$ 580

During the first quarter of 2020, we recognized an additional pre-tax share-based compensation expense of less than \$0.1 million, which is reflected in the table above, relating to the extension of the post-retirement exercise period for 83,759 vested options held by an executive officer who retired in March 2020. As previously disclosed, the post-retirement exercise period was extended in accordance with the executive officer's retirement agreement from 180 days after the retirement date to the earlier of three years after the retirement date and the then current expiration date of the options.

As of March 28, 2020, there was \$2.1 million of unrecognized compensation expense related to performance share LTIA's, which is expected to be recognized over the next 2.8 years, \$1.6 million of unrecognized compensation expense related to restricted stock, which is expected to be recognized over the next 2.7 years, and \$0.4 million of unrecognized compensation expense related to stock options, which is expected to be recognized over the next 0.9 years.

(16) Workforce Reduction and Retirement Expenses

Workforce Reduction Expenses. During fiscal 2019, we implemented a reduction in workforce and we recorded charges of \$2.4 million (\$1.6 million of which were recorded during the first quarter of 2019). Substantially all of these charges have resulted or will result in cash payments, of which \$1.5 million were made during fiscal 2019 (including \$0.9 million during the first quarter of 2019) and \$0.2 million were made during the first quarter of 2020. Approximately \$0.7 million of cash payments will be made during the remainder of fiscal 2020 and the first quarter of 2021.

Retirement Expenses. As previously disclosed, we entered into retirement agreements with two of our executive vice presidents during the first quarter of 2019. The retirement and other benefits payable under the agreements are included in the estimated charges set forth above.

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

(17) Net Sales by Brand

The following table sets forth net sales by brand (in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Brand: ⁽¹⁾		
<i>Green Giant</i> - frozen ⁽²⁾	\$ 108,376	\$ 100,863
Spices & Seasonings ⁽³⁾	51,795	63,226
<i>Ortega</i>	38,781	37,252
<i>Green Giant</i> - shelf-stable ⁽⁴⁾	37,930	26,439
<i>Cream of Wheat</i>	18,926	17,410
<i>Clabber Girl</i> ⁽⁵⁾	18,679	—
<i>Maple Grove Farms of Vermont</i>	18,441	17,897
<i>Dash</i>	14,499	15,208
<i>Back to Nature</i>	13,578	16,662
All other brands	128,365	117,777
Total	<u>\$ 449,370</u>	<u>\$ 412,734</u>

- (1) Table includes net sales for each of our brands whose net sales for the first quarter of 2020 or fiscal 2019 represent 3% or more of our total net sales for those periods, and for all other brands in the aggregate. Net sales for each brand includes branded net sales and, if applicable, any private label and foodservice net sales attributable to the brand.
- (2) Includes net sales of the *Farmwise* brand. We completed the *Farmwise* acquisition on February 19, 2020. See Note 3, "Acquisitions."
- (3) Includes net sales for multiple brands acquired as part of the spices & seasonings acquisition that we completed on November 21, 2016. Does not include net sales for *Dash* and our other legacy spices & seasonings brands.
- (4) Does not include net sales of the *Le Sueur* brand. Net sales of the *Le Sueur* brand are included below in "All other brands."
- (5) Includes net sales for multiple brands acquired as part of the *Clabber Girl* acquisition that we completed on May 15, 2019, including, among others, the *Clabber Girl*, *Rumford*, *Davis*, *Hearth Club* and *Royal* brands of retail baking powder, baking soda and corn starch, and the *Royal* brand of foodservice dessert mixes. See Note 3, "Acquisitions."

(18) Guarantor and Non-Guarantor Financial Information

As further discussed in Note 6, "Long-Term Debt," our obligations under the 4.625% senior notes due 2021 were, and our obligations under the 5.25% senior notes due 2025 and the 5.25% senior notes due 2027 are, jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries, which we refer to in this note as the guarantor subsidiaries. Our foreign subsidiaries, which we refer to in this note as the non-guarantor subsidiaries, do not guarantee the 5.25% senior notes due 2025 or the 5.25% senior notes due 2027. We redeemed all of our 4.625% senior notes due 2021 on October 10, 2019. See Note 6, "Long-Term Debt."

The following unaudited condensed consolidating financial information presents the condensed consolidating balance sheet as of March 28, 2020 and December 28, 2019, the related condensed consolidating statement of operations for the thirteen weeks ended March 28, 2020 and March 30, 2019 and the related condensed consolidating statement of cash flows for the thirteen weeks ended March 28, 2020 and March 30, 2019 for:

1. B&G Foods, Inc. (the Parent),
2. the guarantor subsidiaries,
3. the non-guarantor subsidiaries, and
4. the Parent and all of its subsidiaries on a consolidated basis.

The information includes elimination entries necessary to consolidate the Parent with the guarantor subsidiaries and non-guarantor subsidiaries. The guarantor subsidiaries and non-guarantor subsidiaries are presented on a combined basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

transactions. Separate financial information for each of the guarantor subsidiaries and non-guarantor subsidiaries are not presented because management believes such financial statements would not be meaningful to investors.

Condensed Consolidating Balance Sheet
As of March 28, 2020
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 117,171	\$ 9,897	\$ —	\$ 127,068
Trade accounts receivable, net	—	179,540	21,023	—	200,563
Inventories, net	—	344,207	54,982	—	399,189
Prepaid expenses and other current assets	—	19,815	6,000	—	25,815
Income tax receivable	—	18,470	617	—	19,087
Intercompany receivables	—	26,209	—	(26,209)	—
Total current assets	—	705,412	92,519	(26,209)	771,722
Property, plant and equipment, net	—	253,910	35,730	—	289,640
Operating lease right-of-use assets, net	—	38,260	53	—	38,313
Goodwill	—	599,557	—	—	599,557
Other intangible assets, net	—	1,610,404	—	—	1,610,404
Other assets	—	3,090	101	—	3,191
Deferred income taxes	—	—	5,957	—	5,957
Investments in subsidiaries	2,826,207	91,550	—	(2,917,757)	—
Total assets	\$ 2,826,207	\$ 3,302,183	\$ 134,360	\$ (2,943,966)	\$ 3,318,784
Liabilities and Stockholders' Equity					
Current liabilities:					
Trade accounts payable	\$ —	\$ 91,778	\$ 10,851	\$ —	\$ 102,629
Accrued expenses	—	55,218	3,961	—	59,179
Current portion of operating lease liabilities	—	10,763	43	—	10,806
Current portion of long-term debt	4,500	—	—	—	4,500
Income tax payable	—	—	1,728	—	1,728
Dividends payable	30,457	—	—	—	30,457
Intercompany payables	—	—	26,209	(26,209)	—
Total current liabilities	34,957	157,759	42,792	(26,209)	209,299
Long-term debt	1,994,963	(20,102)	—	—	1,974,861
Deferred income taxes	—	268,854	—	—	268,854
Long-term operating lease liabilities, net of current portion	—	30,495	18	—	30,513
Other liabilities	—	38,970	—	—	38,970
Total liabilities	2,029,920	475,976	42,810	(26,209)	2,522,497
Stockholders' equity:					
Preferred stock	—	—	—	—	—
Common stock	641	—	—	—	641
Additional paid-in capital	—	1,963,342	68,253	(2,031,595)	—
Accumulated other comprehensive loss	(45,947)	(45,948)	(21,484)	67,432	(45,947)
Retained earnings	841,593	908,813	44,781	(953,594)	841,593
Total stockholders' equity	796,287	2,826,207	91,550	(2,917,757)	796,287
Total liabilities and stockholders' equity	\$ 2,826,207	\$ 3,302,183	\$ 134,360	\$ (2,943,966)	\$ 3,318,784

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Condensed Consolidating Balance Sheet
As of December 28, 2019
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 6,955	\$ 4,360	\$ —	\$ 11,315
Trade accounts receivable, net	—	130,289	13,619	—	143,908
Inventories, net	—	399,935	72,252	—	472,187
Prepaid expenses and other current assets	—	18,393	7,056	—	25,449
Income tax receivable	—	8,311	623	—	8,934
Intercompany receivables	—	—	(12,609)	12,609	—
Total current assets	—	563,883	85,301	12,609	661,793
Property, plant and equipment, net	—	260,256	44,678	—	304,934
Operating lease right-of-use assets, net	—	38,632	66	—	38,698
Goodwill	—	596,391	—	—	596,391
Other intangible assets, net	—	1,615,126	—	—	1,615,126
Other assets	—	3,263	14	—	3,277
Deferred income taxes	—	—	7,371	—	7,371
Investments in subsidiaries	2,743,615	100,561	—	(2,844,176)	—
Total assets	<u>\$ 2,743,615</u>	<u>\$ 3,178,112</u>	<u>\$ 137,430</u>	<u>\$ (2,831,567)</u>	<u>\$ 3,227,590</u>
Liabilities and Stockholders' Equity					
Current liabilities:					
Trade accounts payable	\$ —	\$ 100,488	\$ 14,448	\$ —	\$ 114,936
Accrued expenses	—	51,951	3,708	—	55,659
Current portion of operating lease liabilities	—	9,768	45	—	9,813
Current portion of long-term debt	5,625	—	—	—	5,625
Income tax payable	—	125	329	—	454
Dividends payable	30,421	—	—	—	30,421
Intercompany payables	—	(30,917)	18,308	12,609	—
Total current liabilities	36,046	131,415	36,838	12,609	216,908
Long-term debt	1,895,027	(20,869)	—	—	1,874,158
Deferred income taxes	—	254,339	—	—	254,339
Long-term operating lease liabilities, net of current portion	—	31,966	31	—	31,997
Other liabilities	—	37,646	—	—	37,646
Total liabilities	1,931,073	434,497	36,869	12,609	2,415,048
Stockholders' equity:					
Preferred stock	—	—	—	—	—
Common stock	640	—	—	—	640
Additional paid-in capital	—	1,894,788	68,253	(1,963,041)	—
Accumulated other comprehensive loss	(31,894)	(31,894)	(7,133)	39,027	(31,894)
Retained earnings	843,796	880,721	39,441	(920,162)	843,796
Total stockholders' equity	812,542	2,743,615	100,561	(2,844,176)	812,542
Total liabilities and stockholders' equity	<u>\$ 2,743,615</u>	<u>\$ 3,178,112</u>	<u>\$ 137,430</u>	<u>\$ (2,831,567)</u>	<u>\$ 3,227,590</u>

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Condensed Consolidating Statement of Operations and Comprehensive Income
Thirteen Weeks Ended March 28, 2020
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 495,892	\$ 59,499	\$ (106,021)	\$ 449,370
Cost of goods sold	—	400,732	49,743	(106,021)	344,454
Gross profit	—	95,160	9,756	—	104,916
Operating expenses:					
Selling, general and administrative expenses	—	37,940	2,033	—	39,973
Amortization expense	—	4,723	—	—	4,723
Operating income	—	52,497	7,723	—	60,220
Other income and expenses:					
Interest expense, net	—	26,039	—	—	26,039
Other income	—	(453)	—	—	(453)
Income before income tax expense	—	26,911	7,723	—	34,634
Income tax expense	—	4,159	2,383	—	6,542
Equity in earnings of subsidiaries	28,092	5,340	—	(33,432)	—
Net income	\$ 28,092	\$ 28,092	\$ 5,340	\$ (33,432)	\$ 28,092
Comprehensive income (loss)	\$ 14,039	\$ 27,796	\$ (9,009)	\$ (18,787)	\$ 14,039

Condensed Consolidating Statement of Operations and Comprehensive Income
Thirteen Weeks Ended March 30, 2019
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 390,167	\$ 55,025	\$ (32,458)	\$ 412,734
Cost of goods sold	—	306,300	50,813	(32,458)	324,655
Gross profit	—	83,867	4,212	—	88,079
Operating expenses:					
Selling, general and administrative expenses	—	40,055	(1,758)	—	38,297
Amortization expense	—	4,491	—	—	4,491
Operating income	—	39,321	5,970	—	45,291
Other income and expenses:					
Interest expense, net	—	23,074	—	—	23,074
Other income	—	(258)	—	—	(258)
Income before income tax expense	—	16,505	5,970	—	22,475
Income tax expense	—	5,772	(88)	—	5,684
Equity in earnings of subsidiaries	16,791	6,058	—	(22,849)	—
Net income	\$ 16,791	\$ 16,791	\$ 6,058	\$ (22,849)	\$ 16,791
Comprehensive income	\$ 18,411	\$ 16,629	\$ 7,516	\$ (24,145)	\$ 18,411

B&G Foods, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Condensed Consolidating Statement of Cash Flows
Thirteen Weeks Ended March 28, 2020
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	\$ —	\$ 46,296	\$ 11,282	\$ —	\$ 57,578
Cash flows from investing activities:					
Capital expenditures	—	(5,827)	(314)	—	(6,141)
Payments for acquisition of businesses, net of cash acquired	—	(3,419)	—	—	(3,419)
Net cash used in investing activities	—	(9,246)	(314)	—	(9,560)
Cash flows from financing activities:					
Repayments of long-term debt	(1,125)	—	—	—	(1,125)
Repayments of borrowings under revolving credit facility	(60,000)	—	—	—	(60,000)
Borrowings under revolving credit facility	160,000	—	—	—	160,000
Dividends paid	(30,421)	—	—	—	(30,421)
Intercompany transactions	(68,454)	73,166	(4,712)	—	—
Net cash provided by (used in) financing activities	—	73,166	(4,712)	—	68,454
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	(719)	—	(719)
Net increase in cash and cash equivalents	—	110,216	5,537	—	115,753
Cash and cash equivalents at beginning of period	—	6,955	4,360	—	11,315
Cash and cash equivalents at end of period	\$ —	\$ 117,171	\$ 9,897	\$ —	\$ 127,068

Condensed Consolidating Statement of Cash Flows
Thirteen Weeks Ended March 30, 2019
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	\$ —	\$ 43,330	\$ 7,014	\$ —	\$ 50,344
Cash flows from investing activities:					
Capital expenditures	—	(7,802)	(846)	—	(8,648)
Net cash used in investing activities	—	(7,802)	(846)	—	(8,648)
Cash flows from financing activities:					
Repayments of borrowings under revolving credit facility	(40,000)	—	—	—	(40,000)
Borrowings under revolving credit facility	40,000	—	—	—	40,000
Dividends paid	(31,178)	—	—	—	(31,178)
Payments for the repurchase of common stock, net	(10,000)	—	—	—	(10,000)
Payments of tax withholding on behalf of employees for net share settlement of share-based compensation	—	(905)	—	—	(905)
Intercompany transactions	41,178	(34,389)	(6,789)	—	—
Net cash used in financing activities	—	(35,294)	(6,789)	—	(42,083)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	23	—	23
Net increase (decrease) in cash and cash equivalents	—	234	(598)	—	(364)
Cash and cash equivalents at beginning of period	—	9,871	1,777	—	11,648
Cash and cash equivalents at end of period	\$ —	\$ 10,105	\$ 1,179	\$ —	\$ 11,284

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Forward-Looking Statements" before Part I of this report and elsewhere in this report. The following discussion should be read in conjunction with the unaudited consolidated interim financial statements and related notes for the thirteen weeks ended March 28, 2020 (first quarter of 2020) included elsewhere in this report and the audited consolidated financial statements and related notes for the fiscal year ended December 28, 2019 (fiscal 2019) included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 26, 2020 (which we refer to as our 2019 Annual Report on Form 10-K).

General

We manufacture, sell and distribute a diverse portfolio of branded, high quality, shelf-stable and frozen foods and household products, many of which have leading regional or national market shares. In general, we position our branded products to appeal to the consumer desiring a high quality and reasonably priced product. We complement our branded product retail sales with institutional and foodservice sales and private label sales.

Our company has been built upon a successful track record of acquisition-driven growth. Our goal is to continue to increase sales, profitability and cash flows through strategic acquisitions, new product development and organic growth. We intend to implement our growth strategy through the following initiatives: expanding our brand portfolio with disciplined acquisitions of complementary branded businesses, continuing to develop new products and delivering them to market quickly, leveraging our multiple channel sales and distribution system and continuing to focus on higher growth customers and distribution channels.

Since 1996, we have successfully acquired and integrated more than 50 brands into our company. Most recently, on February 19, 2020, we acquired Farmwise LLC, maker of *Farmwise Veggie Fries*, *Farmwise Veggie Tots* and *Farmwise Veggie Rings*. On May 15, 2019, we acquired the Clabber Girl Corporation, including the *Clabber Girl*, *Rumford*, *Davis*, *Hearth Club* and *Royal* brands of retail baking powder, baking soda and corn starch, and the *Royal* brand of foodservice dessert mixes, from Hulman & Company. We refer to these acquisitions in this report as the "*Farmwise* acquisition" and the "*Clabber Girl* acquisition," respectively, and unless the context requires otherwise, when we discuss the financial performance of *Clabber Girl*, we are discussing the financial performance of the entire *Clabber Girl* business and not just the *Clabber Girl* brand. These acquisitions have been accounted for using the acquisition method of accounting and, accordingly, the assets acquired, liabilities assumed and results of operations of the acquired businesses are included in our consolidated financial statements from the date of acquisition. These acquisitions and the application of the acquisition method of accounting affect comparability between periods.

We are subject to a number of challenges that may adversely affect our businesses. These challenges, which are discussed below and under the heading "Forward-Looking Statements," include:

Fluctuations in Commodity Prices and Production and Distribution Costs. We purchase raw materials, including agricultural products, meat, poultry, ingredients and packaging materials from growers, commodity processors, other food companies and packaging suppliers located in U.S. and foreign locations. Raw materials and other input costs, such as fuel and transportation, are subject to fluctuations in price attributable to a number of factors. Fluctuations in commodity prices can lead to retail price volatility and intensive price competition, and can influence consumer and trade buying patterns. The cost of raw materials, fuel, labor, distribution and other costs related to our operations can increase from time to time significantly and unexpectedly. For example, we have experienced industry-wide significant increases in freight expenses and we expect freight expenses to continue to remain elevated for the foreseeable future.

We attempt to manage cost inflation risks by locking in prices through short-term supply contracts and advance commodities purchase agreements and by implementing cost saving measures. We also attempt to offset rising input costs by raising sales prices to our customers. However, increases in the prices we charge our customers may lag behind rising input costs. Competitive pressures also may limit our ability to quickly raise prices in response to rising costs.

We experienced moderate net cost increases for raw materials during the first quarter of 2020 and fiscal 2019 and anticipate higher raw materials cost increases for the remainder of fiscal 2020. We are currently locked into our

supply and prices for a majority of our most significant commodities (excluding, among others, maple syrup) through the remainder of fiscal 2020.

To the extent we are unable to avoid or offset any present or future cost increases by locking in our costs, implementing cost saving measures or increasing prices to our customers, our operating results could be materially adversely affected. In addition, if input costs begin to decline, customers may look for price reductions in situations where we have locked into purchases at higher costs.

Consolidation in the Retail Trade and Consequent Inventory Reductions. As the retail grocery trade continues to consolidate and our retail customers grow larger and become more sophisticated, our retail customers may demand lower pricing and increased promotional programs. These customers are also reducing their inventories and increasing their emphasis on private label products.

Changing Consumer Preferences. Consumers in the market categories in which we compete frequently change their taste preferences, dietary habits and product packaging preferences.

Consumer Concern Regarding Food Safety, Quality and Health. The food industry is subject to consumer concerns regarding the safety and quality of certain food products. If consumers in our principal markets lose confidence in the safety and quality of our food products, even as a result of a product liability claim or a product recall by a food industry competitor, our business could be adversely affected.

Fluctuations in Currency Exchange Rates. Our foreign sales are primarily to customers in Canada. Our sales to Canada are generally denominated in Canadian dollars and our sales for export to other countries are generally denominated in U.S. dollars. During the first quarter of 2020 and 2019, our net sales to customers in foreign countries represented approximately 9.1% and 7.7%, respectively, of our total net sales. We also purchase a significant majority of our maple syrup requirements from suppliers located in Québec, Canada. Any weakening of the U.S. dollar against the Canadian dollar could significantly increase our costs relating to the production of our maple syrup products to the extent we have not purchased Canadian dollars in advance of any such weakening of the U.S. dollar or otherwise entered into a currency hedging arrangement in advance of any such weakening of the U.S. dollar. These increased costs would not be fully offset by the positive impact the change in the relative strength of the Canadian dollar versus the U.S. dollar would have on our net sales in Canada. Our purchases of raw materials from other foreign suppliers are generally denominated in U.S. dollars. We also operate a manufacturing facility in Irapuato, Mexico for the manufacture of *Green Giant* frozen products and are as a result exposed to fluctuations in the Mexican peso. Our results of operations could be adversely impacted by changes in foreign currency exchange rates. Costs and expenses in Mexico are recognized in local foreign currency, and therefore we are exposed to potential gains or losses from the translation of those amounts into U.S. dollars for consolidation into our financial statements.

To confront these challenges, we continue to take steps to build the value of our brands, to improve our existing portfolio of products with new product and marketing initiatives, to reduce costs through improved productivity, to address consumer concerns about food safety, quality and health and to favorably manage currency fluctuations.

Update Regarding Impact and Expected Future Impact of COVID-19 on Our Company

Business Impact. Consistent with B&G Foods' core values, the health and safety of our employees and the quality and safety of our products are our highest priorities. We have implemented a wide range of precautionary measures at our manufacturing facilities and other work locations in response to COVID-19. We have also been working closely with our supply chain partners and our customers to ensure that we can continue to provide uninterrupted service. Thanks to the tremendous efforts of our employees, especially those throughout our supply chain, our ability to serve our customers has not, to date, been materially impacted.

We continue to monitor the latest guidance from the CDC, FDA and other federal, state and local authorities regarding COVID-19 and will continue to support our employees and our communities and do our part to keep our nation supplied with food during this difficult time.

Precautionary measures that we have taken to protect our employees, customers, suppliers and other business partners, and to maintain our ability to supply food products, include, among many others, the following:

- the establishment of a COVID-19 task force consisting of our executives and other members of senior management;

- social distancing and the required wearing of face masks at all manufacturing locations and the installation of plexiglass barriers at spots where line workers must work in close proximity;
- enhanced sanitization procedures at all manufacturing and other work locations;
- screening of all employees, including temperature checks, before entering manufacturing facilities;
- quarantining for at least 14 days (with pay) of all employees who may have been exposed to COVID-19 or who are exhibiting any symptoms of COVID-19;
- manufacturing plant shutdowns for sanitization upon any COVID-19 positive test;
- the notification of manufacturing employees of any COVID-19 positive tests at their manufacturing location and the quarantining for at least 14 days (with pay) any employee who may have had contact with the employee who tested positive;
- instituting a work from home policy for office workers until at least June 1, 2020; and
- constant communication with our customers and supply chain partners.

We have also rewarded our dedicated employees at our manufacturing facilities by increasing wages for hourly employees by \$2.00 per hour from March 30 through at least May 22 and providing supervisors and managers with bonuses of up to \$500 per employee.

Financial Impact to Date. Due in part to general industry softness as well as reduced volumes resulting from our trade spend optimization efforts designed to reduce unprofitable trade spend during the non-holiday season, net sales in January and February 2020 were lower than in the prior year. However, we began to see a significant increase in net sales in the second half of March 2020 that more than offset the January and February declines as the COVID-19 pandemic reached the United States and consumers began pantry loading and increasing their at-home consumption as a result of increased social distancing and stay-at-home mandates. Increases in our net sales to supermarkets, mass merchants, warehouse clubs, wholesalers and e-commerce customers have more than offset declines at foodservice customers (for fiscal 2019, our net sales to foodservice customers represented approximately 13% of our overall net sales). This trend has continued in April, with our net sales in April 2020 increasing more than \$70 million, or more than 60%, as compared to net sales in April 2019.

As reflected above, the pandemic has to date had a positive impact on our operating results and therefore our net cash provided by operating activities. However, out of an abundance of caution, we made a revolver draw of \$100.0 million in mid-March 2020 under our \$700.0 million revolving credit facility. As a result, we ended the first quarter of 2020 with cash and cash equivalents of \$127.1 million. Net of letters of credit of \$1.6 million, we have remaining available borrowing capacity under our revolving credit facility of \$598.4 million. See “—Liquidity and Capital Resources —Debt” below.

Expectations and Risk Factors in Light of the COVID-19 Pandemic. As discussed above, increased customer and consumer demand resulting from the COVID-19 pandemic, social distancing and stay-at-home mandates has had a material positive impact on our company’s net sales and adjusted EBITDA in the second half of March 2020 through April 2020. At this time, however, our management is unable to fully estimate the impact the COVID-19 pandemic will have on our company’s second quarter, third quarter and full year fiscal 2020 results. The ultimate impact of the COVID-19 pandemic on our business will depend on many factors, including, among others, the duration of social distancing and stay-at-home mandates and whether a second or third wave of COVID-19 will affect the United States and the rest of North America, our company’s ability to continue to operate our manufacturing facilities and maintain our supply chain without material disruption, and the extent to which macroeconomic conditions resulting from the pandemic and the pace of the subsequent recovery may impact consumer eating habits. See Part II, Item 1A, “Risk Factors,” of this report for a discussion of certain of the challenges relating to the COVID-19 pandemic that could adversely affect our businesses.

Critical Accounting Policies; Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States (GAAP) requires our management to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates and assumptions made by management involve trade and consumer promotion expenses; pension benefits; acquisition accounting fair value allocations; the recoverability of goodwill, other intangible assets, property, plant and equipment, and deferred tax assets; and the determination of the useful life of customer relationship and finite-lived trademark intangible assets. Actual results could differ significantly from these estimates and assumptions.

In our 2019 Annual Report on Form 10-K, we identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our unaudited consolidated interim financial statements. There have been no material changes to these policies from those disclosed in our 2019 Annual Report on Form 10-K.

U.S. Tax Act and U.S. CARES Act

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which we refer to as the “U.S. Tax Act.” The U.S. Tax Act provides for significant changes in the U.S. Internal Revenue Code of 1986, as amended. The changes in the U.S. Tax Act are broad and complex and we continue to examine the impact the U.S. Tax Act may have on our business and financial results. The U.S. Tax Act contains provisions with separate effective dates but is generally effective for taxable years beginning after December 31, 2017.

Under FASB ASC Topic 740, Income Taxes, we are required to revalue any deferred tax assets or liabilities in the period of enactment of change in tax rates. Beginning on January 1, 2018, the U.S. Tax Act lowered the U.S. federal corporate income tax rate from 35% to 21% on our U.S. earnings from that date and beyond.

The reduction in the corporate income tax rate from 35% to 21% was effective for our fiscal 2018 and subsequent years. Our consolidated effective tax rate was approximately 18.9% and 25.3% for the first quarter of 2020 and 2019, respectively.

We also expect to realize a cash tax benefit for future bonus depreciation on certain business additions, which, together with the reduced income tax rate, we expect to reduce our cash income tax payments.

The U.S. Tax Act also limits the deduction for net interest expense (including treatment of depreciation and other deductions in arriving at adjusted taxable income) incurred by a corporate taxpayer to 30% of the taxpayer’s adjusted taxable income. In fiscal 2019 this limitation resulted in an increase to our taxable income of \$30.2 million and we accordingly established a deferred tax asset of \$7.4 million without a valuation allowance. Although our interest expense exceeded 30% of our adjusted taxable income in fiscal 2019, at this time we do not believe this limitation has had, or will have, a material adverse impact on our business or financial results because any interest that is non-deductible may be carried forward indefinitely and we believe we have sufficient deferred tax liabilities to offset any deferred tax assets resulting from currently non-deductible interest expense.

The U.S. Treasury issued several regulations supplementing the U.S. Tax Act in 2018, including detailed guidance clarifying the calculation of the mandatory tax on previously unrepatriated earnings, application of the existing foreign tax credit rules to newly created categories and expanding details for application of the base erosion tax on affiliate payments. These regulations are to be applied retroactively and did not materially impact our 2018 or 2019 tax rates.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act, which we refer to as the “U.S. CARES Act.” The U.S. CARES Act, among other things, includes provisions related to net operating loss carryback periods, modifications to the interest deduction limitation and technical corrections to tax depreciation for qualified improvement property. The U.S. CARES Act increased the adjusted taxable income limitation from 30% to 50% for business interest deductions for tax years beginning in 2019 and 2020. This modification increased the allowable interest expense deduction and resulted in a net operating loss (NOL) for the year 2019. We were able to carryback the NOL to the 2014 and 2015 tax years and generate a refund of previously paid income taxes at an approximate 35% federal tax rate. This resulted in a benefit related to tax rate differential of \$2.3 million, recorded as a discrete item in the first quarter of 2020.

Results of Operations

The following table sets forth the percentages of net sales represented by selected items for the first quarter of 2020 and 2019 reflected in our consolidated statements of operations. The comparisons of financial results are not necessarily indicative of future results:

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Statement of Operations Data:		
Net sales	100.0 %	100.0 %
Cost of goods sold	76.7 %	78.7 %
Gross profit	23.3 %	21.3 %
Operating expenses:		
Selling, general and administrative expenses	8.9 %	9.3 %
Amortization expense	1.0 %	1.0 %
Operating income	13.4 %	11.0 %
Other income and expenses:		
Interest expense, net	5.8 %	5.7 %
Other income	(0.1)%	(0.1)%
Income before income tax expense	7.7 %	5.4 %
Income tax expense	1.4 %	1.3 %
Net income	6.3 %	4.1 %

As used in this section, the terms listed below have the following meanings:

Net Sales. Our net sales represents gross sales of products shipped to customers plus amounts charged to customers for shipping and handling, less cash discounts, coupon redemptions, slotting fees and trade promotional spending, including marketing development funds.

Gross Profit. Our gross profit is equal to our net sales less cost of goods sold. The primary components of our cost of goods sold are cost of internally manufactured products, purchases of finished goods from co-packers, a portion of our warehousing expenses plus freight costs to our distribution centers and to our customers.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses include costs related to selling our products, as well as all other general and administrative expenses. Some of these costs include administrative, marketing and internal sales force employee compensation and benefits costs, consumer advertising programs, brokerage costs, a portion of our warehousing expenses, information technology and communication costs, office rent, utilities, supplies, professional services, severance, acquisition/divestiture-related expenses and other general corporate expenses.

Amortization Expense. Amortization expense includes the amortization expense associated with customer relationships, finite-lived trademarks and other intangible assets.

Net Interest Expense. Net interest expense includes interest relating to our outstanding indebtedness, amortization of bond discount and amortization of deferred debt financing costs (net of interest income).

Other Income. Other income includes income or expense resulting from the remeasurement of monetary assets denominated in a foreign currency into U.S. dollars for financial reporting purposes and the non-service portion of net periodic pension cost and net periodic post-retirement benefit costs.

Non-GAAP Financial Measures

Certain disclosures in this report include non-GAAP financial measures. A non-GAAP financial measure is defined as a numerical measure of our financial performance that excludes or includes amounts so as to be different from the most directly comparable measure calculated and presented in accordance with GAAP in our consolidated balance sheets and related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows.

Base Business Net Sales. Base business net sales is a non-GAAP financial measure used by management to measure operating performance. We define base business net sales as our net sales excluding (1) the net sales of acquisitions until the net sales from such acquisitions are included in both comparable periods and (2) net sales of discontinued or divested brands. The portion of current period net sales attributable to recent acquisitions for which there is no corresponding period in the comparable period of the prior year is excluded. For each acquisition, the excluded period starts at the beginning of the most recent fiscal period being compared and ends on the first anniversary of the acquisition date. For discontinued or divested brands, the entire amount of net sales is excluded from each fiscal period being compared. We have included this financial measure because our management believes it provides useful and comparable trend information regarding the results of our business without the effect of the timing of acquisitions and the effect of discontinued or divested brands.

The definition of base business net sales set forth above, as it relates to acquisitions, was modified during the third quarter of 2019 from the definition we had most recently used. Under our most recent prior definition of base business net sales, for each acquisition, the excluded period started at the beginning of the most recent fiscal period being compared and ended on the last day of the quarter in which the first anniversary of the date of acquisition occurred. Our management believes that it is more useful to measure base business net sales on a partial quarter basis based upon the actual period of comparable ownership instead of adjusting for an entire quarter.

A reconciliation of base business net sales to net sales for the first quarter of 2020 and 2019 follows (in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Net sales	\$ 449,370	\$ 412,734
Net sales from acquisitions ⁽¹⁾	(18,916)	—
Base business net sales	\$ 430,454	\$ 412,734

(1) Includes net sales for *Clabber Girl* and *Farmwise* for the first quarter of 2020. *Clabber Girl* was acquired on May 15, 2019 and *Farmwise* was acquired on February 19, 2020.

EBITDA and Adjusted EBITDA. EBITDA and adjusted EBITDA are non-GAAP financial measures used by management to measure operating performance. We define EBITDA as net income before net interest expense, income taxes, depreciation and amortization and loss on extinguishment of debt. We define adjusted EBITDA as EBITDA adjusted for cash and non-cash acquisition/divestiture-related expenses, gains and losses (which may include third party fees and expenses, integration, restructuring and consolidation expenses, amortization of acquired inventory fair value step-up, and gains and losses on the sale of assets); non-recurring expenses, gains and losses, including severance and other expenses relating to a workforce reduction; and the non-cash accounting impact of our inventory reduction plan. Management believes that it is useful to eliminate these items because it allows management to focus on what it deems to be a more reliable indicator of ongoing operating performance and our ability to generate cash flow from operations. We use EBITDA and adjusted EBITDA in our business operations to, among other things, evaluate our operating performance, develop budgets and measure our performance against those budgets, determine employee bonuses and evaluate our cash flows in terms of cash needs. We also present EBITDA and adjusted EBITDA because we believe they are useful indicators of our historical debt capacity and ability to service debt and because covenants in our credit agreement and our senior notes indentures contain ratios based on these measures. As a result, reports used by internal management during monthly operating reviews feature the EBITDA and adjusted EBITDA metrics. However, management uses these metrics in conjunction with traditional GAAP operating performance and liquidity measures as part of its overall assessment of company performance and liquidity, and therefore does not place undue reliance on these measures as its only measures of operating performance and liquidity.

EBITDA and adjusted EBITDA are not recognized terms under GAAP and do not purport to be alternatives to operating income, net income or any other GAAP measure as an indicator of operating performance. EBITDA and adjusted EBITDA are not complete net cash flow measures because EBITDA and adjusted EBITDA are measures of liquidity that do not include reductions for cash payments for an entity's obligation to service its debt, fund its working capital, capital expenditures and acquisitions and pay its income taxes and dividends. Rather, EBITDA and adjusted EBITDA are two potential indicators of an entity's ability to fund these cash requirements. EBITDA and adjusted EBITDA are not complete measures of an entity's profitability because they do not include certain costs and expenses

and gains and losses described above. Because not all companies use identical calculations, this presentation of EBITDA and adjusted EBITDA may not be comparable to other similarly titled measures of other companies. However, EBITDA and adjusted EBITDA can still be useful in evaluating our performance against our peer companies because management believes these measures provide users with valuable insight into key components of GAAP amounts.

A reconciliation of EBITDA and adjusted EBITDA to net income and to net cash provided by operating activities for the first quarter of 2020 and 2019 along with the components of EBITDA and adjusted EBITDA follows (in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Net income	\$ 28,092	\$ 16,791
Income tax expense	6,542	5,684
Interest expense, net	26,039	23,074
Depreciation and amortization	15,534	13,863
EBITDA	76,207	59,412
Acquisition/divestiture-related and non-recurring expenses ⁽¹⁾	4,483	3,696
Inventory reduction plan impact ⁽²⁾	—	12,722
Adjusted EBITDA	80,690	75,830
Income tax expense	(6,542)	(5,684)
Interest expense, net	(26,039)	(23,074)
Acquisition/divestiture-related and non-recurring expenses ⁽¹⁾	(4,483)	(3,696)
Inventory reduction plan impact ⁽²⁾	—	(12,722)
Write-off of property, plant and equipment	2	1
Deferred income taxes	14,397	3,575
Amortization of deferred debt financing costs and bond discount	898	873
Share-based compensation expense	423	580
Changes in assets and liabilities, net of effects of business combinations	(1,768)	14,661
Net cash provided by operating activities	\$ 57,578	\$ 50,344

- (1) Acquisition/divestiture-related and non-recurring expenses for the first quarter of 2020 of \$4.5 million primarily includes acquisition and integration expenses for the *Clabber Girl* and *Farmwise* acquisitions, and severance and other expenses primarily relating to a 2019 workforce reduction and certain other cost savings initiatives. Acquisition/divestiture-related and non-recurring expenses for the first quarter of 2019 of \$3.7 million primarily includes transition expenses for the Pirate Brands sale and severance and other expenses primarily relating to a workforce reduction.
- (2) Inventory reduction plan impact relates to our 2018 inventory reduction plan. For the first quarter of 2019, inventory reduction plan impact of \$12.7 million includes the trailing non-cash accounting impact of the underutilization of our manufacturing facilities in 2018 as we reduced inventory during the implementation of our inventory reduction plan.

Adjusted Net Income and Adjusted Diluted Earnings Per Share. Adjusted net income and adjusted diluted earnings per share are non-GAAP financial measures used by management to measure operating performance. We define adjusted net income and adjusted diluted earnings per share as net income and diluted earnings per share adjusted for certain items that affect comparability. These non-GAAP financial measures reflect adjustments to net income and diluted earnings per share to eliminate the items identified in the reconciliation below. This information is provided in order to allow investors to make meaningful comparisons of our operating performance between periods and to view our business from the same perspective as our management. Because we cannot predict the timing and amount of these items, management does not consider these items when evaluating our company's performance or when making decisions regarding allocation of resources.

A reconciliation of adjusted net income and adjusted diluted earnings per share to net income for the first quarter of 2020 and 2019 along with the components of adjusted net income and adjusted diluted earnings per share follows (in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Net income	\$ 28,092	\$ 16,791
Acquisition/divestiture-related and non-recurring expenses, net of tax ⁽¹⁾	3,385	2,761
Inventory reduction plan impact, net of tax ⁽²⁾	—	9,505
Tax benefit ⁽³⁾	(2,258)	—
Adjusted net income	\$ 29,219	\$ 29,057
Adjusted diluted earnings per share	\$ 0.46	\$ 0.44

- (1) Acquisition/divestiture-related and non-recurring expenses for the first quarter of 2020 primarily includes acquisition and integration expenses for the *Clabber Girl* and *Farmwise* acquisitions, and severance and other expenses primarily relating to a 2019 workforce reduction and certain other cost savings initiatives. Acquisition/divestiture-related and non-recurring expenses for the first quarter of 2019 primarily includes transition expenses for the Pirate Brands sale and severance and other expenses primarily relating to a workforce reduction.
- (2) Inventory reduction plan impact relates to our 2018 inventory reduction plan. For the first quarter of 2019, inventory reduction plan impact of \$12.7 million (or \$9.5 million net of taxes) includes the trailing non-cash accounting impact of the underutilization of our manufacturing facilities in 2018 as we reduced inventory during the implementation of our inventory reduction plan.
- (3) The first quarter of 2020 includes a \$2.3 million tax benefit associated with the U.S. CARES Act. See “— U.S. Tax Act and U.S. CARES Act” above.

First quarter of 2020 compared to the first quarter of 2019

Net Sales. Net sales for the first quarter of 2020 increased \$36.7 million, or 8.9%, to \$449.4 million from \$412.7 million for the first quarter of 2019. The increase was attributable to the *Clabber Girl* acquisition and materially increased net sales in March (as compared to March 2019) resulting from increased demand for our products due to the COVID-19 pandemic. Net sales of *Clabber Girl*, which was acquired on May 15, 2019 and therefore not part of our first quarter of 2019 results, contributed \$18.7 million to our net sales for the first quarter of 2020.

Base business net sales for the first quarter of 2020 increased \$17.8 million, or 4.3%, to \$430.5 million from \$412.7 million for the first quarter of 2019. The increase in base business net sales reflected an increase in net pricing (inclusive of list price increases announced in 2019 and promotional trade spend optimization) of \$9.2 million, or 2.2% of base business net sales, an increase in unit volume of \$8.2 million and the positive impact of foreign currency of \$0.4 million.

Net sales of all *Green Giant* products in the aggregate (including *Le Sueur*) increased \$22.2 million, or 16.3%, in the first quarter of 2020, as compared to the first quarter of 2019. Net sales of *Green Giant* shelf-stable (including *Le Sueur*) increased \$15.0 million, or 42.3%, for the first quarter of 2020. Net sales of *Green Giant* frozen increased \$7.2 million, or 7.2%, for the first quarter of 2020.

See Note 17, “Net Sales by Brand,” to our unaudited consolidated interim financial statements in Part I, Item 1 of this report, for detailed information regarding total net sales for each of our brands whose net sales for the first quarter of 2020 or fiscal 2019 represent 3% or more of our total net sales for those periods, and for “all other brands” in the aggregate. The following table sets forth the most significant base business net sales increases and decreases by brand for those brands for the first quarter of 2020:

	Base Business Net Sales Increase (Decrease)	
	Dollars (in millions)	Percentage
Brand:		
<i>Green Giant</i> - shelf-stable ⁽¹⁾	\$ 15.0	42.3 %
<i>Green Giant</i> - frozen	7.2	7.2 %
<i>Cream of Wheat</i>	1.5	8.7 %
<i>Ortega</i>	1.5	4.1 %
<i>Maple Grove Farms of Vermont</i>	0.5	3.0 %
Spices & Seasonings ⁽²⁾	(11.4)	(18.1)%
<i>Back to Nature</i>	(3.1)	(18.5)%
<i>Dash</i>	(0.7)	(4.7)%
All other brands	7.3	6.5 %
Base business net sales increase	<u>\$ 17.8</u>	<u>4.3 %</u>

(1) Includes net sales of the *Le Sueur* brand.

(2) Includes net sales for multiple brands acquired as part of the spices & seasonings acquisition that we completed on November 21, 2016. Does not include net sales for *Dash* and our other legacy spices & seasonings brands.

Gross Profit. Gross profit was \$104.9 million for the first quarter of 2020, or 23.3% of net sales. Excluding the negative impact of \$2.3 million of acquisition/divestiture-related and non-recurring expenses during the first quarter of 2020, our gross profit would have been \$107.2 million, or 23.9% of net sales. Gross profit was \$88.1 million for the first quarter of 2019, or 21.3% of net sales. Excluding the negative impact of \$13.1 million of acquisition/divestiture-related and non-recurring expenses during the first quarter of 2019, which includes expenses relating to the non-cash accounting impact of our 2018 inventory reduction plan, our gross profit would have been \$101.2 million, or 24.5% of net sales.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$1.7 million, or 4.4%, to \$40.0 million for the first quarter of 2020 from \$38.3 million for the first quarter of 2019. The increase was composed of increases in selling expenses of \$2.0 million and other general and administrative expenses of \$1.7 million, partially offset by decreases in acquisition/divestiture-related and non-recurring expenses of \$1.2 million, consumer marketing expenses of \$0.5 million and warehousing expenses of \$0.3 million. Expressed as a percentage of net sales, selling, general and administrative expenses improved by 0.4 percentage points to 8.9% for the first quarter of 2020, compared to 9.3% for the first quarter of 2019.

Amortization Expense. Amortization expense increased \$0.2 million to \$4.7 million for the first quarter of 2020 from \$4.5 million for the first quarter of 2019 due to the *Clabber Girl* acquisition completed in the second quarter of 2019.

Operating Income. As a result of the foregoing, operating income increased \$14.9 million, or 33.0%, to \$60.2 million for the first quarter of 2020 from \$45.3 million for the first quarter of 2019. Operating income expressed as a percentage of net sales increased to 13.4% in the first quarter of 2020 from 11.0% the first quarter of 2019.

Net Interest Expense. Net interest expense increased \$2.9 million, or 12.8%, to \$26.0 million for the first quarter of 2020 from \$23.1 million in the first quarter of 2019. The increase was primarily attributable to an increase in average long-term debt outstanding during the first quarter of 2020 as compared to the first quarter of 2019, primarily as a result of borrowings made during the last three quarters of fiscal 2019 primarily to fund the *Clabber Girl* acquisition, to pay cash taxes resulting from the 2018 gain on sale of Pirate Brands and to fund the repurchase of shares of our common stock as part of our stock repurchase program, and the \$100.0 million revolver draw we made in March 2020. See “—Liquidity and Capital Resources — Debt” below.

Other Income. Other income includes income resulting from the remeasurement of monetary assets denominated in a foreign currency into U.S. dollars for financial reporting purposes of less than \$0.1 million in each of the first quarter of 2020 and 2019. Other income for the first quarter of 2020 and 2019 also includes the non-service portion of net periodic pension cost and net periodic post-retirement benefit costs of \$0.5 million and \$0.3 million, respectively.

Income Tax Expense. Income tax expense increased \$0.8 million to \$6.5 million for the first quarter of 2020 from \$5.7 million for the first quarter of 2019 due to higher taxable income, largely offset by a tax benefit. We recorded a \$2.3 million tax benefit during the first quarter of 2020 resulting from the U.S. CARES Act, which increased the adjusted taxable income limitation from 30% to 50%. Our effective tax rate was 18.9% for the first quarter of 2020 and 25.3% for the first quarter of 2019. See “U.S. Tax Act and U.S. CARES Act” above for a discussion of the impact of the tax legislation on income tax expense.

Liquidity and Capital Resources

Our primary liquidity requirements include debt service, capital expenditures and working capital needs. See also, “Dividend Policy” and “Commitments and Contractual Obligations” below. We fund our liquidity requirements, as well as our dividend payments and financing for acquisitions, primarily through cash generated from operations and external sources of financing, including our revolving credit facility.

Cash Flows

Net Cash Provided by Operating Activities. Net cash provided by operating activities increased \$7.3 million to \$57.6 million for the first quarter of 2020 from \$50.3 million for the first quarter of 2019. The increase in net cash provided by operating activities was due to higher net income, primarily attributable to the positive impact of the *Clabber Girl* acquisition and the COVID-19 pandemic on our net sales and inventories, during the first quarter of 2020 compared to the first quarter of 2019.

Net Cash Used in Investing Activities. Net cash used in investing activities for the first quarter of 2020 increased \$1.0 million to \$9.6 million from \$8.6 million for the first quarter of 2019. The increase was primarily attributable to the *Farmwise* acquisition, partially offset by lower capital expenditures during the first quarter of 2020 compared to the first quarter of 2019.

Net Cash Provided by (Used in) Financing Activities. Cash flows from financing activities for the first quarter of 2020 increased \$110.6 million to \$68.5 million net cash provided by financing activities as compared to \$42.1 million net cash used in financing activities for the first quarter of 2019. The increase was primarily driven by net borrowings under our revolving credit facility of \$100.0 million during the first quarter of 2020, as well as stock repurchases of \$10.0 million during the first quarter of 2019 compared to no stock repurchases during the first quarter of 2020.

Cash Income Tax Payments. We believe that we will realize a benefit to our cash taxes payable from amortization of our trademarks, goodwill and other intangible assets for the taxable years 2020 through 2035. If there is a change in U.S. federal tax policy that reduces any of these available deductions or results in an increase in our corporate tax rate, our cash taxes payable may increase further, which could significantly reduce our future liquidity and impact our ability to make interest and dividend payments.

Dividend Policy

Our dividend policy reflects a basic judgment that our stockholders are better served when we distribute a substantial portion of our cash available to pay dividends to them instead of retaining it in our business. Under this policy, a substantial portion of the cash generated by our company in excess of operating needs, interest and principal payments on indebtedness, capital expenditures sufficient to maintain our properties and other assets is distributed as regular quarterly cash dividends to the holders of our common stock and not retained by us. We have paid dividends every quarter since our initial public offering in October 2004.

For the first quarter of 2020 and 2019, we had net cash provided by operating activities of \$57.6 million and \$50.3 million, respectively, and distributed as dividends \$30.4 million and \$31.2 million, respectively. Based upon our current dividend rate of \$1.90 per share per annum and our current number of outstanding shares, we expect our aggregate dividend payments in fiscal 2020 to be approximately \$121.8 million.

Our dividend policy is based upon our current assessment of our business and the environment in which we operate, and that assessment could change based on competitive or other developments (which could, for example, increase our need for capital expenditures or working capital), new acquisition opportunities or other factors. Our board of directors is free to depart from or change our dividend policy at any time and could do so, for example, if it was to determine that we have insufficient cash to take advantage of growth opportunities.

Acquisitions

Our liquidity and capital resources have been significantly impacted by acquisitions and may be impacted in the foreseeable future by additional acquisitions. As discussed elsewhere in this report, as part of our growth strategy we plan to expand our brand portfolio with disciplined acquisitions of complementary brands. We have historically financed acquisitions by incurring additional indebtedness, issuing equity and/or using cash flows from operating activities. Our interest expense has over time increased as a result of additional indebtedness we have incurred in connection with acquisitions and will increase with any additional indebtedness we may incur to finance future acquisitions. Although we may subsequently issue equity and use the proceeds to repay all or a portion of the additional indebtedness incurred to finance an acquisition and reduce our interest expense, the additional shares of common stock would increase the amount of cash flows from operating activities necessary to fund dividend payments.

We financed the *Farmwise* acquisition, completed in February 2020, with cash on hand and the *Clabber Girl* acquisition, completed in May 2019, with cash on hand and additional revolving loans under our existing credit facility. The impact of future acquisitions, whether financed with additional indebtedness or otherwise, may have a material impact on our liquidity and capital resources.

Debt

See Note 6, “Long-Term Debt,” to our unaudited consolidated interim financial statements in Part I, Item 1 of this report for a description of our senior secured credit agreement, including our revolving credit facility and tranche B term loans; our 5.25% senior notes due 2025; and our 5.25% senior notes due 2027.

In light of the COVID-19 pandemic and out of an abundance of caution, we made a revolver draw of \$100.0 million in mid-March 2020 under our \$700.0 million revolving credit facility under our credit agreement. As a result, as of March 28, 2020, there was \$100.0 million drawn on our revolving credit facility and the available borrowing capacity under the revolving credit facility, net of outstanding letters of credit of \$1.6 million, was \$598.4 million.

Stock Repurchase Program

On March 11, 2020, our board of directors authorized an extension of our stock repurchase program from March 15, 2020 to March 15, 2021. In extending the repurchase program, our board of directors also reset the repurchase authority to up to \$50.0 million.

Under the authorization, we may purchase shares of common stock from time to time in the open market or in privately negotiated transactions in compliance with the applicable rules and regulations of the SEC. The timing and amount of future stock repurchases, if any, under the program will be at the discretion of management, and will depend on a variety of factors, including price, available cash, general business and market conditions and other investment opportunities. Therefore, we cannot assure you as to the number or aggregate dollar amount of additional shares, if any, that will be repurchased under the program. We may discontinue the program at any time. Any shares repurchased pursuant to the program will be retired.

During the first quarter of 2019, we repurchased and retired 407,022 shares of common stock at an average price per share, excluding fees and commissions, of \$24.55, or \$10.0 million in the aggregate. We did not repurchase any shares of our common stock during the first quarter of 2020. As of March 28, 2020, we had \$50.0 million available for future repurchases of common stock under the stock repurchase program.

Future Capital Needs

On March 28, 2020, our total long-term debt of \$1,974.9 million, net of our cash and cash equivalents of \$127.1 million, was \$1,847.8 million. Stockholders’ equity as of that date was \$796.3 million.

Our ability to generate sufficient cash to fund our operations depends generally on our results of operations and the availability of financing. Our management believes that our cash and cash equivalents on hand, cash flow from operating activities and available borrowing capacity under our revolving credit facility will be sufficient for the foreseeable future to fund operations, meet debt service requirements, fund capital expenditures, make future acquisitions, if any, and pay our anticipated quarterly dividends on our common stock.

We expect to make capital expenditures of approximately \$40.0 million to \$45.0 million in the aggregate during fiscal 2020, \$6.5 million of which were made during the first quarter of 2020. Our projected capital expenditures for

fiscal 2020 include, among other things, approximately \$22.1 million for profit enhancing and asset sustainability projects, \$11.1 million for productivity increases and cost saving initiatives and \$8.1 million for information technology (hardware and software).

Seasonality

Sales of a number of our products tend to be seasonal and may be influenced by holidays, changes in seasons or certain other annual events. In general, our sales are higher during the first and fourth quarters.

We purchase most of the produce used to make our frozen and shelf-stable vegetables, shelf-stable pickles, relishes, peppers, tomatoes and other related specialty items during the months of June through October, and we generally purchase the majority of our maple syrup requirements during the months of April through August. Consequently, our liquidity needs are greatest during these periods.

Inflation

See “—General—*Fluctuations in Commodity Prices and Production and Distribution Costs*” above.

Contingencies

See Note 12, “Commitments and Contingencies,” to our unaudited consolidated interim financial statements in Part I, Item 1 of this report.

Recent Accounting Pronouncements

See Note 2, “Summary of Significant Accounting Policies — *Newly Adopted Accounting Standards*” and “—*Recently Issued Accounting Standards*,” to our unaudited consolidated interim financial statements in Part I, Item 1 of this report.

Off-balance Sheet Arrangements

As of March 28, 2020, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Commitments and Contractual Obligations

Our contractual obligations and commitments principally include obligations associated with our outstanding indebtedness, future purchase obligations, future operating lease obligations and future pension obligations. During the first quarter of 2020, there were no material changes outside the ordinary course of business in the specified contractual obligations set forth in the Commitments and Contractual Obligations table in our 2019 Annual Report on Form 10-K, except as described in Note 6, “Long-term Debt” to our unaudited consolidated interim financial statements in Part I, Item 1 of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our principal market risks are exposure to changes in commodity prices, interest rates on borrowings and foreign currency exchange rates and market fluctuation risks related to our defined benefit pension plans.

Commodity Prices and Inflation. The information under the heading “General—*Fluctuations in Commodity Prices and Production and Distribution Costs*” in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” is incorporated herein by reference.

Interest Rate Risk. In the normal course of operations, we are exposed to market risks relating to our long-term debt arising from adverse changes in interest rates. Market risk is defined for these purposes as the potential change in the fair value of a financial asset or liability resulting from an adverse movement in interest rates.

Changes in interest rates impact our fixed and variable rate debt differently. For fixed rate debt, a change in interest rates will only impact the fair value of the debt, whereas for variable rate debt, a change in the interest rates will

impact interest expense and cash flows. At March 28, 2020, we had \$1,450.0 million of fixed rate debt and \$548.9 million of variable rate debt.

Based upon our principal amount of long-term debt outstanding at March 28, 2020, a hypothetical 1.0% increase or decrease in interest rates would have affected our annual interest expense by approximately \$5.5 million.

The carrying values and fair values of our revolving credit loans, term loans and senior notes as of March 28, 2020 and December 28, 2019 were as follows (in thousands):

	March 28, 2020		December 28, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit loans	\$ 100,000	\$ 100,000 ⁽¹⁾	\$ —	\$ —
Tranche B term loans due 2026	446,766 ⁽²⁾	402,089 ⁽³⁾	447,820 ⁽²⁾	451,179 ⁽³⁾
5.25% senior notes due 2025	902,697 ⁽⁴⁾	884,643 ⁽³⁾	902,832 ⁽⁴⁾	929,917 ⁽³⁾
5.25% senior notes due 2027	\$ 550,000	\$ 530,750 ⁽³⁾	\$ 550,000	\$ 550,000 ⁽³⁾

- (1) Fair values are estimated based on Level 2 inputs, which were quoted prices for identical or similar instruments in markets that are not active.
- (2) The carrying value of the tranche B term loans includes a discount. At March 28, 2020 and December 28, 2019, the face amount of the tranche B term loans was \$448.9 million and \$450.0 million, respectively.
- (3) Fair values are estimated based on quoted market prices.
- (4) The carrying values of the 5.25% senior notes due 2025 include a premium. At March 28, 2020 and December 28, 2019, the face amount of the 5.25% senior notes due 2025 was \$900.0 million.

Cash and cash equivalents, trade accounts receivable, income tax receivable/payable, trade accounts payable, accrued expenses and dividends payable are reflected on our consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments.

For more information, see Note 6, “Long-Term Debt,” to our unaudited consolidated interim financial statements in Part I, Item 1 of this report.

Foreign Currency Risk. Our foreign sales are primarily to customers in Canada. Our sales to Canada are generally denominated in Canadian dollars and our sales for export to other countries are generally denominated in U.S. dollars. Our net sales to customers in foreign countries represented approximately 9.1% and 7.7% of our total net sales during the first quarter of 2020 and 2019, respectively. We also purchase certain raw materials from foreign suppliers. For example, we purchase a significant majority of our maple syrup requirements from suppliers in Québec, Canada. These purchases are made in Canadian dollars. A weakening of the U.S. dollar in relation to the Canadian dollar would significantly increase our future costs relating to the production of our maple syrup products to the extent we have not purchased Canadian dollars or otherwise entered into a currency hedging arrangement in advance of any such weakening of the U.S. dollar. Our purchases of raw materials from other foreign suppliers are generally denominated in U.S. dollars, but certain purchases of raw materials in Mexico are denominated in Mexican pesos.

As a result, certain revenues and expenses have been, and are expected to be, subject to the effect of foreign currency fluctuations, and these fluctuations may have an adverse impact on operating results.

Market Fluctuation Risks Relating to our Defined Benefit Pension Plans. See Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies; Use of Estimates” and Note 10, “Pension Benefits,” to our unaudited consolidated interim financial statements in Part I, Item 1 of this report for a discussion of the exposure of our defined benefit pension plan assets to risks related to market fluctuations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended, our management, including our chief executive officer and our chief financial officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures that we use that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure

controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting. As required by Rule 13a-15(d) under the Exchange Act, our management, including our chief executive officer and our chief financial officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change in our internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our chief executive officer and our chief financial officer concluded that there has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We transitioned the spices & seasonings business that we acquired in late 2016 to a new enterprise resource planning (ERP) system during the third quarter of 2017. Since then, we have been planning for and working on the transition of the remainder of our business to that new ERP system. Implementation, integration and transition efforts for the remainder of our business (other than our Mexican operations) continued during fiscal 2019 and was substantially completed during the second quarter of 2019. We plan to implement additional modules to the ERP system during the remainder of fiscal 2020 and we plan to transition our Mexican operations to the new ERP system by the end of 2021. In connection with the implementation, integration and transition, and resulting business process changes, we continue to review and enhance the design and documentation of our internal control over financial reporting processes to maintain effective controls over our financial reporting following the completion of the implementation, integration and transition. To date, the implementation, integration and transition have not materially affected and, upon completion we do not expect the implementation, integration and transition to have any material effect on, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls. Our company's management, including the chief executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. 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. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our 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. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under the heading "*Legal Proceedings*" in Note 12 to our unaudited consolidated interim financial statements in Part I, Item 1 of this quarterly report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

We do not believe there have been any material changes in our risk factors as previously disclosed in our 2019 Annual Report on Form 10-K, except that we are supplementing those risk factors with the following risk factors relating to pandemics and disease outbreaks, including the COVID-19 pandemic:

Pandemics or disease outbreaks, such as the COVID-19 pandemic, may disrupt our business, including among other things, our supply chain, our manufacturing operations and customer and consumer demand for our products, and could have a material adverse impact on our business.

The ultimate impact that the recent COVID-19 outbreak or any future pandemic or disease outbreak will have on our business and our consolidated results of operations is uncertain. To date we have seen increased customer and consumer demand for our products as the COVID-19 pandemic reached the United States and consumers began pantry loading and increasing their at-home consumption as a result of increased social distancing and stay-at-home mandates. Increases in net sales by our company to supermarkets, mass merchants, warehouse clubs, wholesalers and e-commerce customers have more than offset declines at foodservice customers. However, this increased customer and consumer demand may decrease in the coming months if and when the need for social distancing and stay-at-home mandates decreases, and we are unable to predict the nature and timing of when that impact may occur.

The spread of pandemics or disease outbreaks such as COVID-19 may also disrupt our third party business partners' ability to meet their obligations to us, which may negatively affect our operations. These third parties include those who supply our ingredients, packaging, and other necessary operating materials, contract manufacturers, distributors, and logistics and transportation providers. If a significant percentage of our workforce or the workforce of our third party business partners is unable to work, including because of illness or travel or government restrictions in connection with the COVID-19 pandemic or any future pandemic or disease outbreak, our operations may be negatively impacted. Pandemics or disease outbreaks could result in a widespread health crisis that could adversely affect economies and financial markets, consumer spending and confidence levels resulting in an economic downturn that could affect customer and consumer demand for our products.

Our efforts to manage and mitigate these factors may be unsuccessful, and the effectiveness of these efforts depends on factors beyond our control, including the duration and severity of any pandemic or disease outbreak, as well as third party actions taken to contain its spread and mitigate public health effects.

The ultimate impact of the COVID-19 pandemic on our business will depend on many factors, including, among others, the duration of social distancing and stay-at-home mandates and whether a second or third wave of COVID-19 will affect the United States and the rest of North America, our ability and the ability of our suppliers to continue to operate our and their manufacturing facilities and maintain the supply chain without material disruption, and the extent to which macroeconomic conditions resulting from the pandemic and the pace of the subsequent recovery may impact consumer eating habits. We cannot predict the duration or scope of the disruption. Therefore, the financial impact cannot be reasonably estimated at this time.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

EXHIBIT NO.	DESCRIPTION
31.1	<u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Executive Officer.</u>
31.2	<u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Financial Officer.</u>
32.1	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Chief Financial Officer.</u>
101	The following unaudited financial information from B&G Foods' Quarterly Report on Form 10-Q for the quarter ended March 28, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements, and (vii) document and entity information.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 28, 2020, formatted in iXBRL and contained in Exhibit 101.

SIGNATURE

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.

Dated: May 6, 2020

B&G FOODS, INC.

By: /s/ Bruce C. Wacha

Bruce C. Wacha

Executive Vice President of Finance

and Chief Financial Officer

(Principal Financial Officer and Authorized Officer)

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Kenneth G. Romanzi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of B&G Foods, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The 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.

Date: May 6, 2020

/s/ Kenneth G. Romanzi

Kenneth G. Romanzi
Chief Executive Officer

CERTIFICATION BY CHIEF FINANCIAL OFFICER

I, Bruce C. Wacha, certify that:

1. I have reviewed this quarterly report on Form 10-Q of B&G Foods, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The 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.

Date: May 6, 2020

/s/ Bruce C. Wacha

Bruce C. Wacha

Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.