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 May 25, 2024

OR

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

For the transition period from _______ to _______

Commission File Number: 001-38115

The Simply Good Foods Company

(Exact name of registrant as specified in its charter)

Delaware	**82-1038121**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1225 17th Street, Suite 1000
Denver, CO 80202
(Address of principal executive offices and zip code)
(303) 633-2840
(Registrant's telephone number, including area code)

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	SMPL	Nasdaq

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 Date 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 June 24, 2024, there were 100,135,854 shares of common stock, par value $0.01 per share, issued and outstanding.

THE SIMPLY GOOD FOODS COMPANY AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTER ENDED MAY 25, 2024

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PART I. Financial Information

Item 1. Financial Statements (Unaudited)

The Simply Good Foods Company and Subsidiaries
Consolidated Balance Sheets
(Unaudited, dollars in thousands, except share and per share data)

	May 25, 2024	August 26, 2023
Assets		
Current assets:		
Cash	$ 208,681	$ 87,715
Accounts receivable, net	146,281	145,078
Inventories	105,921	116,591
Prepaid expenses	8,645	6,294
Other current assets	11,823	15,974
Total current assets	481,351	371,652
Long-term assets:		
Property and equipment, net	22,037	24,861
Intangible assets, net	1,096,538	1,108,119
Goodwill	543,134	543,134
Other long-term assets	42,570	49,318
Total assets	$ 2,185,630	$ 2,097,084
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 56,504	$ 52,712
Accrued interest	1,372	1,940
Accrued expenses and other current liabilities	34,823	35,062
Current maturities of long-term debt	2	143
Total current liabilities	92,701	89,857
Long-term liabilities:		
Long-term debt, less current maturities	237,661	281,649
Deferred income taxes	128,549	116,133
Other long-term liabilities	33,407	38,346
Total liabilities	492,318	525,985
See commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 100,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value, 600,000,000 shares authorized, 102,500,950 and 101,929,868 shares issued at May 25, 2024 and August 26, 2023, respectively	1,025	1,019
Treasury stock, 2,365,100 shares and 2,365,100 shares at cost at May 25, 2024 and August 26, 2023, respectively	(78,451)	(78,451)
Additional paid-in-capital	1,315,005	1,303,168
Retained earnings	457,974	347,956
Accumulated other comprehensive loss	(2,241)	(2,593)
Total stockholders' equity	1,693,312	1,571,099
Total liabilities and stockholders' equity	$ 2,185,630	$ 2,097,084

See accompanying notes to the unaudited consolidated financial statements.

The Simply Good Foods Company and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income
(Unaudited, dollars in thousands, except share and per share data)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	May 25, 2024	May 27, 2023	May 25, 2024	May 27, 2023
Net sales	$ 334,757	$ 324,792	$ 955,634	$ 922,254
Cost of goods sold	201,131	205,546	590,020	589,284
Gross profit	133,626	119,246	365,614	332,970
Operating expenses:				
Selling and marketing	36,464	30,168	103,097	88,650
General and administrative	31,543	30,510	88,426	82,085
Depreciation and amortization	4,142	4,363	12,711	13,035
Business transaction costs	2,703	—	2,703	—
Total operating expenses	74,852	65,041	206,937	183,770
Income from operations	58,774	54,205	158,677	149,200
Other income (expense):				
Interest income	881	407	2,895	660
Interest expense	(5,028)	(7,649)	(16,658)	(23,201)
(Loss) gain on foreign currency transactions	(12)	180	191	74
Other income	102	4	108	10
Total other expense	(4,057)	(7,058)	(13,464)	(22,457)
Income before income taxes	54,717	47,147	145,213	126,743
Income tax expense	13,383	11,716	35,195	29,810
Net income	$ 41,334	$ 35,431	$ 110,018	$ 96,933
Other comprehensive income:				
Foreign currency translation, net of reclassification adjustments	95	(262)	352	(431)
Comprehensive income	$ 41,429	$ 35,169	$ 110,370	$ 96,502
Earnings per share from net income:				
Basic	$ 0.41	$ 0.36	$ 1.10	$ 0.98
Diluted	$ 0.41	$ 0.35	$ 1.09	$ 0.96
Weighted average shares outstanding:				
Basic	100,024,230	99,518,546	99,852,203	99,404,174
Diluted	101,270,163	100,909,972	101,240,471	100,847,970

See accompanying notes to the unaudited consolidated financial statements.

The Simply Good Foods Company and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited, dollars in thousands)

	Thirty-Nine Weeks Ended	
	May 25, 2024	May 27, 2023
Operating activities		
Net income	$ 110,018	$ 96,933
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,871	15,044
Amortization of deferred financing costs and debt discount	1,213	2,011
Stock compensation expense	13,209	10,456
Estimated credit (gains) losses	(167)	206
Unrealized loss on foreign currency transactions	(191)	(74)
Deferred income taxes	12,416	11,696
Amortization of operating lease right-of-use asset	5,265	5,018
Other	2,329	759
Changes in operating assets and liabilities:		
Accounts receivable, net	(716)	(13,334)
Inventories	9,423	19,444
Prepaid expenses	(2,309)	(745)
Other current assets	2,248	(1,595)
Accounts payable	3,370	(16,115)
Accrued interest	(568)	(117)
Accrued expenses and other current liabilities	(705)	(15,030)
Other assets and liabilities	(3,951)	(4,145)
Net cash provided by operating activities	166,755	110,412
Investing activities		
Purchases of property and equipment	(1,838)	(10,108)
Investments in intangible and other assets	(507)	(338)
Net cash used in investing activities	(2,345)	(10,446)
Financing activities		
Proceeds from option exercises	4,292	5,035
Tax payments related to issuance of restricted stock units and performance stock units	(4,818)	(2,755)
Payments on finance lease obligations	(143)	(217)
Cash received on repayment of note receivable	2,100	—
Repurchase of common stock	—	(16,448)
Principal payments of long-term debt	(45,000)	(81,500)
Deferred financing costs	—	(2,694)
Net cash used in financing activities	(43,569)	(98,579)
Cash and cash equivalents		
Net increase in cash	120,841	1,387
Effect of exchange rate on cash	125	(87)
Cash at beginning of period	87,715	67,494
Cash and cash equivalents at end of period	$ 208,681	$ 68,794

	Thirty-Nine Weeks Ended	
	May 25, 2024	May 27, 2023
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 16,013	$ 21,295
Cash paid for taxes	$ 23,801	$ 19,542
Non-cash investing and financing transactions		
Non-cash credits for repayment of note receivable	$ 564	$ 221
Non-cash additions to property and equipment	$ 100	$ —
Non-cash additions to intangible assets	$ —	$ 120

See accompanying notes to the unaudited consolidated financial statements.

The Simply Good Foods Company and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Unaudited, dollars in thousands, except share data)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance at August 26, 2023	101,929,868	$ 1,019	2,365,100	$ (78,451)	$ 1,303,168	$ 347,956	$ (2,593)	$ 1,571,099
Net income	—	—	—	—	—	35,561	—	35,561
Stock-based compensation	—	—	—	—	3,888	—	—	3,888
Foreign currency translation adjustments	—	—	—	—	—	—	272	272
Repurchase of common stock	—	—	—	—	—	—	—	—
Shares issued upon vesting of restricted stock units and performance stock units	245,365	3	—	—	(3,645)	—	—	(3,642)
Exercise of options to purchase common stock	—	—	—	—	—	—	—	—
Balance at November 25, 2023	102,175,233	$ 1,022	2,365,100	$ (78,451)	$ 1,303,411	$ 383,517	$ (2,321)	$ 1,607,178
Net income	—	—	—	—	—	33,123	—	33,123
Stock-based compensation	—	—	—	—	4,288	—	—	4,288
Foreign currency translation adjustments	—	—	—	—	—	—	(15)	(15)
Repurchase of common stock	—	—	—	—	—	—	—	—
Shares issued upon vesting of restricted stock units	5,285	—	—	—	(107)	—	—	(107)
Exercise of options to purchase common stock	173,100	2	—	—	3,013	—	—	3,015
Balance at February 24, 2024	102,353,618	$ 1,024	2,365,100	$ (78,451)	$ 1,310,605	$ 416,640	$ (2,336)	$ 1,647,482
Net income	—	—	—	—	—	$ 41,334	—	41,334
Stock-based compensation	—	—	—	—	4,193	—	—	4,193
Foreign currency translation adjustments	—	—	—	—	—	—	95	95
Repurchase of common stock	—	—	—	—	—	—	—	—
Shares issued upon vesting of restricted stock units	63,553	—	—	—	(1,070)	—	—	(1,070)
Exercise of options to purchase common stock	83,779	1	—	—	1,277	—	—	1,278
Balance at May 25, 2024	102,500,950	1,025	2,365,100	(78,451)	1,315,005	457,974	(2,241)	1,693,312

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance at August 27, 2022	101,322,834	$ 1,013	1,818,754	$ (62,003)	$ 1,287,224	$ 214,381	$ (1,951)	$ 1,438,664
Net income	—	—	—	—	—	35,860	—	35,860
Stock-based compensation	—	—	—	—	3,237	—	—	3,237
Foreign currency translation adjustments	—	—	—	—	—	—	(222)	(222)
Repurchase of common stock	—	—	546,346	(16,448)	—	—	—	(16,448)
Shares issued upon vesting of restricted stock units and performance stock units	180,342	2	—	—	(2,300)	—	—	(2,298)
Exercise of options and stock appreciation rights to purchase common stock	353,281	4	—	—	4,559	—	—	4,563
Balance at November 26, 2022	101,856,457	$ 1,019	2,365,100	$ (78,451)	$ 1,292,720	$ 250,241	$ (2,173)	$ 1,463,356
Net income	—	—	—	—	—	25,642	—	25,642
Stock-based compensation	—	—	—	—	2,739	—	—	2,739
Foreign currency translation adjustments	—	—	—	—	—	—	53	53
Repurchase of common stock	—	—	—	—	—	—	—	—
Shares issued upon vesting of restricted stock units	4,584	—	—	—	(103)	—	—	(103)
Exercise of options to purchase common stock	12,130	—	—	—	228	—	—	228
Balance at February 25, 2023	101,873,171	$ 1,019	2,365,100	$ (78,451)	$ 1,295,584	$ 275,883	$ (2,120)	$ 1,491,915
Net income	—	—	—	—	—	35,431	—	35,431
Stock-based compensation	—	—	—	—	3,844	—	—	3,844
Repurchase of common stock	—	—	—	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	(262)	(262)
Shares issued upon vesting of restricted stock units	18,960	1	—	—	(355)	—	—	(354)
Exercise of options to purchase common stock	20,395	(1)	—	—	245	—	—	244
Balance at May 27, 2023	101,912,526	1,019	2,365,100	(78,451)	1,299,318	311,314	(2,382)	1,530,818

See accompanying notes to the unaudited consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements
(Unaudited, dollars in thousands, except for share and per share data)

1. Nature of Operations and Principles of Consolidation

Description of Business

The Simply Good Foods Company ("Simply Good Foods" or the "Company") is a consumer packaged food and beverage company that aims to lead the nutritious snacking movement with trusted brands that offer a variety of convenient, innovative, great-tasting, better-for-you snacks and meal replacements, and other product offerings. The product portfolio the Company develops, markets and sells consists primarily of protein bars, ready-to-drink ("RTD") shakes, sweet and salty snacks and confectionery products marketed under the Quest® and Atkins® brand names. Simply Good Foods is poised to expand its wellness platform through innovation and organic growth along with acquisition opportunities in the nutritional snacking space.

The Company's nutritious snacking platform consists of brands that specialize in providing products for consumers that follow certain nutritional philosophies and health-and-wellness trends: Quest® for consumers seeking a variety of protein-rich foods and beverages that also limit sugars and simple carbs and Atkins® for those following a low-carb lifestyle. The Company distributes its products in major retail channels, primarily in North America, including grocery, club, and mass merchandise, as well as through e-commerce, convenience, specialty, and other channels. The Company's portfolio of nutritious snacking brands gives it a strong platform with which to introduce new products, expand distribution, and attract new consumers to its products.

The common stock of Simply Good Foods is listed on the Nasdaq Capital Market under the symbol "SMPL."

Unaudited Interim Consolidated Financial Statements

The unaudited interim consolidated financial statements include the accounts of Simply Good Foods and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. Unless the context otherwise requires, "we," "us," "our" and the "Company" refer to Simply Good Foods and its subsidiaries.

The Company maintains its accounting records on a 52/53-week fiscal year, ending on the last Saturday in August of each year.

The interim consolidated financial statements and related notes of the Company and its subsidiaries are unaudited. The unaudited interim consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and the rules and regulations of the Securities and Exchange Commission (the "SEC"). The unaudited interim consolidated financial statements reflect all adjustments and disclosures which are, in the Company's opinion, necessary for a fair presentation of the results of operations, financial position and cash flows for the indicated periods. All such adjustments were of a normal and recurring nature unless otherwise disclosed. The year-end balance sheet data was derived from the audited financial statements and, in accordance with the instructions to Form 10-Q, certain information and footnote disclosures required by GAAP have been condensed or omitted. The results reported in these unaudited interim consolidated financial statements are not necessarily indicative of the results that may be reported for the entire fiscal year and should be read in conjunction with the Company's consolidated financial statements for the fiscal year ended August 26, 2023, included in the Company's Annual Report on Form 10-K ("Annual Report") filed with the SEC on October 24, 2023.

2. Summary of Significant Accounting Policies

Refer to Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements included in the Annual Report for a description of significant accounting policies.

Recently Issued and Adopted Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2020, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2020-04, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASU 2020-04”), which provides optional guidance for a limited period of time to ease the potential burden in accounting for reference rate reform on financial reporting. Additionally, in December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848), Deferral of the Sunset Date of Topic 848, which extended the period of time for which ASU 2020-04 could be applied. As a result, the amendments in ASU 2020-04 can be applied to contract modifications due to rate reform and eligible existing and new hedging relationships entered into between March 12, 2020 and December 31, 2024. The amendments of these ASUs are effective for all entities and are applied on a prospective basis.

On January 21, 2022, the Company entered into a repricing amendment (the “2022 Repricing Amendment”) to its credit agreement with Barclays Bank PLC and other parties (as amended to date, the “Credit Agreement”), as described in Note 5, Long-Term Debt and Line of Credit. In addition to replacing the London Interbank Offered Rate (“LIBOR”) as the Credit Agreement’s reference rate with the Secured Overnight Financing Rate (“SOFR”), the 2022 Repricing Amendment contemporaneously modified other terms that changed, or had the potential to change, the amount or timing of contractual cash flows as contemplated by the guidance in ASU 2020-04. As such, the contract modifications related to the 2022 Repricing Amendment were outside of the scope of the optional guidance in ASU 2020-04. The Company will continue to monitor the effects of rate reform, if any, on any new or amended contracts through December 31, 2024. The Company does not anticipate the amendments in this ASU will be material to its consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”), which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the provisions of the amendments and the effect on its future consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740), Improvements to Income Tax Disclosures (“ASU 2023-09”), which updates disclosures required in the footnotes to the financial statements to further aid investors in understanding how to analyze income tax reporting. The amendments are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available. The amendments should be applied on a prospective basis, however, retrospective application is permitted. The Company is currently evaluating the provisions of the amendments and the effect on its future consolidated financial statements.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material effect on the Company’s consolidated financial statements.

3. Revenue Recognition

Revenue from transactions with external customers for each of the Company’s products would be impracticable to disclose and management does not view its business by product line. The following is a summary of revenue disaggregated by geographic area and brands:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
(In thousands)	May 25, 2024	May 27, 2023	May 25, 2024	May 27, 2023
North America [1]				
Atkins	$ 128,602	$ 142,057	$ 370,855	$ 408,153
Quest	198,096	174,477	560,433	490,547
Total North America	326,698	316,534	931,288	898,700
International	8,059	8,258	24,346	23,554
Total net sales	$ 334,757	$ 324,792	$ 955,634	$ 922,254

[1] The North America geographic area consists of net sales substantially related to the United States and there is no individual foreign country to which more than 10% of the Company’s net sales are attributed or that is otherwise deemed individually material.

Charges related to credit losses on accounts receivable from transactions with external customers were immaterial and $(0.2) million for the thirteen and thirty-nine weeks ended May 25, 2024, respectively. Charges related to credit losses on accounts receivables from transactions with external customers were $0.2 million and $0.4 million for the thirteen and thirty-nine weeks ended May 27, 2023, respectively. As of May 25, 2024, and August 26, 2023, the allowance for credit losses related to accounts receivable was $0.6 million and $1.9 million, respectively.

4. Goodwill and Intangibles

As of May 25, 2024, and August 26, 2023, *Goodwill* in the Consolidated Balance Sheets was $543.1 million. There were no impairment charges related to goodwill during the thirteen and thirty-nine weeks ended May 25, 2024, or since the inception of the Company.

Intangible assets, net in the Consolidated Balance Sheets consists of the following:

		May 25, 2024		
(In thousands)	Useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible assets with indefinite life:				
Brands and trademarks	Indefinite life	$ 974,000	$ —	$ 974,000
Intangible assets with finite lives:				
Customer relationships	15 years	174,000	62,003	111,997
Licensing agreements	13 years	22,000	11,936	10,064
Proprietary recipes and formulas	7 years	7,000	6,881	119
Software and website development costs	3 - 5 years	4,909	4,909	—
Intangible assets in progress	3 - 5 years	358	—	358
		$ 1,182,267	$ 85,729	$ 1,096,538

		August 26, 2023		
(In thousands)	Useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible assets with indefinite life:				
Brands and trademarks	Indefinite life	$ 974,000	$ —	$ 974,000
Intangible assets with finite lives:				
Customer relationships	15 years	174,000	53,303	120,697
Licensing agreements	13 years	22,000	10,498	11,502
Proprietary recipes and formulas	7 years	7,000	6,131	869
Software and website development costs	3 - 5 years	6,328	5,356	972
Intangible assets in progress	3 - 5 years	79	—	79
		$ 1,183,407	$ 75,288	$ 1,108,119

Changes in *Intangible assets, net* during the thirty-nine weeks ended May 25, 2024, were primarily related to recurring amortization expense. Amortization expense related to intangible assets was $3.7 million and $3.9 million for the thirteen weeks ended May 25, 2024, and May 27, 2023, respectively, and $11.4 million and $11.8 million for the thirty-nine weeks ended May 25, 2024, and May 27, 2023, respectively. During the thirteen weeks ended May 25, 2024, the Company conducted a quantitative impairment assessment over the Atkins brand indefinite lived intangible asset. Based on our testing, the asset had an excess fair value well over its respective carrying value, resulting in no impairment. There were no impairment charges related to its finite-lived intangible assets during the thirteen and thirty-nine weeks ended May 25, 2024 and May 27, 2023.

Estimated future amortization for each of the next five fiscal years and thereafter is as follows:

(In thousands)	Amortization
Remainder of 2024	$ 3,814
2025	13,517
2026	13,517
2027	13,517
2028	13,517
2029 and thereafter	64,298
Total	$ 122,180

5. Long-Term Debt and Line of Credit

On July 7, 2017, the Company (through certain of its subsidiaries) entered into the Credit Agreement. The Credit Agreement at that time provided for (i) a term facility of $200.0 million ("Term Facility") with a seven-year maturity and (ii) a revolving credit facility of up to $75.0 million (the "Revolving Credit Facility") with a five-year maturity. Substantially concurrent with the consummation of the business combination which formed the Company between Conyers Park Acquisition Corp. and NCP-ATK Holdings, Inc. on July 7, 2017, the full $200.0 million of the Term Facility (the "Term Loan") was drawn.

On November 7, 2019, the Company entered into a second amendment (the "Incremental Facility Amendment") to the Credit Agreement to increase the principal borrowed on the Term Facility by $460.0 million. The Term Facility together with the incremental borrowing make up the Initial Term Loans (as defined in the Incremental Facility Amendment). The Incremental Facility Amendment was executed to partially finance the acquisition of Quest Nutrition, LLC on November 7, 2019. No amounts under the Term Facility were repaid as a result of the execution of the Incremental Facility Amendment.

Effective as of December 16, 2021, the Company entered into a third amendment (the "Extension Amendment") to the Credit Agreement. The Extension Amendment provided for an extension of the stated maturity date of the Revolving Commitments and Revolving Loans (each as defined in the Credit Agreement) from July 7, 2022, to the earlier of (i) 91 days prior to the then-effective maturity date of the Initial Term Loans and (ii) December 16, 2026.

On January 21, 2022, the Company entered into the "2022 Repricing Amendment" to the Credit Agreement. The 2022 Repricing Amendment, among other things, (i) reduced the interest rate per annum applicable to the Initial Term Loans outstanding under the Credit Agreement immediately prior to the effective date of the 2022 Repricing Amendment, (ii) reset the prepayment premium for the existing Initial Term Loans to apply to Repricing Transactions (as defined in the Credit Agreement) that occur within six months after the effective date of the 2022 Repricing Amendment, and (iii) implemented SOFR and related replacement provisions for LIBOR.

On April 25, 2023, the Company entered into the "2023 Repricing Amendment" to the Credit Agreement. The 2023 Repricing Amendment, (i) reduced the interest rate per annum applicable to the Initial Term Loans outstanding under the Credit Agreement immediately prior to April 25, 2023, and (ii) provided for an extension of the maturity date of the Initial Term Loans from July 7, 2024, to March 17, 2027.

The 2023 Repricing Amendment did not change the interest rate on the Revolving Credit Facility, which continues to bear interest based upon the Company's consolidated net leverage ratio as of the end of the fiscal quarter for which consolidated financial statements are delivered to the Administrative Agent under the Credit Agreement. No additional debt was incurred, or any proceeds received by the Company in connection with the 2023 Repricing Amendment. No amounts under the Term Facility were repaid as a result of the execution of the 2023 Repricing Amendment.

Effective as of the 2023 Repricing Amendment, the interest rate per annum for the Initial Term Loans is based on either:

i. A base rate equaling the higher of (a) the "prime rate," (b) the federal funds effective rate plus 0.50%, or (c) the Adjusted Term SOFR Rate (as defined in the Credit Agreement) applicable for an interest period of one month plus 1.00% plus (x) 1.50% margin for the Term Loan or (y) 2.00% margin for the Revolving Credit Facility; or

ii. SOFR plus a credit spread adjustment equal to 0.10% for one-month SOFR, 0.15% for up to three-month SOFR and 0.25% for up to six-month SOFR, subject to a floor of 0.50%, plus (x) 2.50% margin for the Term Loan or (y) 3.00% margin for the Revolving Credit Facility.

In connection with the closing of the 2023 Repricing Amendment, the Company expensed $2.4 million primarily for third-party fees and capitalized an additional $2.7 million primarily for the payment of upfront lender fees (original issue discount).

The Simply Good Foods Company is not a borrower under the Credit Agreement and has not provided a guarantee of the Credit Agreement. Simply Good Foods USA, Inc., is the administrative borrower and certain other subsidiary holding companies are co-borrowers under the Credit Agreement. Each of the Company's domestic subsidiaries that is not a named borrower under the Credit Agreement has provided a guarantee on a secured basis. As security for the payment or performance of the debt under the Credit Agreement, the borrowers and the guarantors have pledged certain equity interests in their respective subsidiaries and granted the lenders a security interest in substantially all of their domestic assets. All guarantors other than Quest Nutrition, LLC are holding companies with no assets other than their investments in their respective subsidiaries.

The Credit Agreement contains certain financial and other covenants that limit the Company's ability to, among other things, incur and/or undertake asset sales and other dispositions, liens, indebtedness, certain acquisitions and investments, consolidations, mergers, reorganizations and other fundamental changes, payment of dividends and other distributions to equity and warrant holders, and prepayments of material subordinated debt, in each case, subject to customary exceptions materially consistent with credit facilities of such type and size. The Revolving Credit Facility has a maximum total net leverage ratio equal to or less than 6.00:1.00 contingent on credit extensions in excess of 30% of the total amount of commitments available under the Revolving Credit Facility. Any failure to comply with the restrictions of the credit facilities may result in an event of default. The Company was in compliance with all covenants as of May 25, 2024 and August 26, 2023, respectively.

Long-term debt consists of the following:

(In thousands)	May 25, 2024	August 26, 2023
Term Facility (effective rate of 7.9% at May 25, 2024)	$ 240,000	$ 285,000
Finance lease liabilities (effective rate of 5.6% at May 25, 2024)	2	143
Less: Deferred financing fees	2,339	3,351
Total debt	237,663	281,792
Less: Current finance lease liabilities	2	143
Long-term debt, net of deferred financing fees	$ 237,661	$ 281,649

The Company is not required to make principal payments on the Term Facility over the twelve months following the period ended May 25, 2024. The outstanding balance of the Term Facility is due upon its maturity in March 2027.

As of May 25, 2024, the Company had letters of credit in the amount of $3.2 million outstanding. These letters of credit offset against the $75.0 million availability of the Revolving Credit Facility and exist to support three of the Company's leased buildings and insurance programs relating to workers' compensation. No amounts were drawn against these letters of credit as of May 25, 2024.

The Company utilizes market approaches to estimate the fair value of certain outstanding borrowings by discounting anticipated future cash flows derived from the contractual terms of the obligations and observable market interest and foreign exchange rates. The Company carries debt at historical cost and discloses fair value. As of May 25, 2024, and August 26, 2023, the book value of the Company's debt approximated fair value. The estimated fair value of the Term Loan is valued based on observable inputs and classified as Level 2 in the fair value hierarchy.

6. Fair Value of Financial Instruments

Fair value is defined 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. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is used:

Level 1 – Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 – Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Components of the balance sheet such as accounts receivable, cash and cash equivalents and others approximated fair value as of May 25, 2024.

7. Income Taxes

The tax expense and the effective tax rate resulting from operations were as follows:

(In thousands)	Thirty-Nine Weeks Ended May 25, 2024	Thirty-Nine Weeks Ended May 27, 2023
Income before income taxes	$ 145,213	$ 126,743
Provision for income taxes	$ 35,195	$ 29,810
Effective tax rate	24.2 %	23.5 %

The effective tax rate for the thirty-nine weeks ended May 25, 2024, was 0.7% greater than the effective tax rate for the thirty-nine weeks ended May 27, 2023, which was primarily driven by permanent differences.

8. Leases

The components of lease expense were as follows:

		Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
(In thousands)	Statements of Operations Caption	May 25, 2024	May 27, 2023	May 25, 2024	May 27, 2023
Operating lease cost:					
Lease cost	*Cost of goods sold and General and administrative*	$ 2,256	$ 2,245	$ 6,770	$ 6,745
Variable lease cost [1]	*Cost of goods sold and General and administrative*	1,049	1,047	2,799	2,565
Total operating lease cost		3,305	3,292	9,569	9,310
Finance lease cost:					
Amortization of right-of-use assets	*Cost of goods sold*	18	58	123	189
Interest on lease liabilities	*Interest expense*	—	3	2	12
Total finance lease cost		18	61	125	201
Total lease cost		$ 3,323	$ 3,353	$ 9,694	$ 9,511

[1] Variable lease cost primarily consists of common area maintenance, such as cleaning and repairs.

The right-of-use assets and corresponding liabilities related to both operating and finance leases are as follows:

(In thousands)	Balance Sheets Caption	May 25, 2024	August 26, 2023
Assets			
Operating lease right-of-use assets	*Other long-term assets*	$ 34,756	$ 40,022
Finance lease right-of-use assets	*Property and equipment, net*	2	125
Total lease assets		$ 34,758	$ 40,147
Liabilities			
Current:			
Operating lease liabilities	*Accrued expenses and other current liabilities*	$ 7,770	$ 7,566
Finance lease liabilities	*Current maturities of long-term debt*	2	143
Long-term:			
Operating lease liabilities	*Other long-term liabilities*	31,492	37,272
Total lease liabilities		$ 39,264	$ 44,981

Future maturities of lease liabilities as of May 25, 2024, were as follows:

(In thousands)	Operating Leases	Finance Leases
Fiscal year ending:		
Remainder of 2024	2,396	2
2025	8,750	—
2026	6,952	—
2027	7,110	—
2028	6,447	—
Thereafter	13,496	—
Total lease payments	45,151	2
Less: Interest	(5,889)	—
Present value of lease liabilities	$ 39,262	$ 2

The weighted-average remaining lease terms and weighted-average discount rates for operating and finance leases were as follows:

	May 25, 2024	August 26, 2023
Weighted-average remaining lease term (in years)		
Operating leases	5.77	6.24
Finance leases	0.17	0.61
Weighted-average discount rate		
Operating leases	4.5 %	4.4 %
Finance leases	5.6 %	5.6 %

Supplemental and other information related to leases was as follows:

	Thirty-Nine Weeks Ended	
(In thousands)	May 25, 2024	May 27, 2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 9,141	$ 7,905
Operating cash flows from finance leases	$ 539	$ 394
Financing cash flows from finance leases	$ 143	$ 217

9. Commitments and Contingencies

Litigation

The Company is a party to certain litigation and claims that are considered normal to the operations of the business. From time to time, the Company has been and may again become involved in legal proceedings arising in the ordinary course of business. The Company is not presently a party to any litigation that it believes to be material, and the Company is not aware of any pending or threatened litigation against it that its management believes could have a material adverse effect on its business, operating results, financial condition or cash flows.

Other

The Company has entered into endorsement contracts with certain celebrity figures and social media influencers to promote and endorse the Quest® and Atkins® brands and product lines. These contracts contain endorsement fees, which are expensed ratably over the life of the contract, and performance fees, that are recognized at the time of achievement. Based on the terms of the contracts in place and achievement of performance conditions as of May 25, 2024, the Company will be required to make payments of $1.2 million over the next year.

10. Stockholders' Equity

Stock Repurchase Program

The Company adopted a $50.0 million stock repurchase program on November 13, 2018. On April 13, 2022, and October 21, 2022, the Company announced that its Board of Directors had approved the addition of $50.0 million and $50.0 million, respectively, to its stock repurchase program, resulting in authorized stock repurchases of up to an aggregate of $150.0 million. Under the stock repurchase program, the Company may repurchase shares from time to time in the open market or in privately negotiated transactions. The stock repurchase program does not obligate the Company to acquire any specific number of shares or acquire shares over any specific period of time. The stock repurchase program may be suspended or discontinued at any time by the Company and does not have an expiration date.

The Company did not repurchase any shares of common stock during the thirty-nine weeks ended May 25, 2024. During the thirty-nine weeks ended May 27, 2023, the Company repurchased 546,346 shares of common stock at an average share price of $30.11 per share. As of May 25, 2024, approximately $71.5 million remained available under the stock repurchase program.

11. Earnings Per Share

Basic earnings or loss per share is based on the weighted average number of common shares issued and outstanding. In computing diluted earnings per share, basic earnings per share is adjusted for the assumed issuance of all potentially dilutive securities, including the Company's employee stock options and non-vested stock units.

In periods in which the Company has a net loss, diluted loss per share is based on the weighted average number of common shares issued and outstanding as the effect of including common stock equivalents outstanding would be anti-dilutive. The following table reconciles the numerators and denominators used in the computations of both basic and diluted earnings per share:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
(In thousands, except per share data)	May 25, 2024	May 27, 2023	May 25, 2024	May 27, 2023
Basic earnings per share computation:				
Numerator:				
Net income available to common stockholders	$ 41,334	$ 35,431	$ 110,018	$ 96,933
Denominator:				
Weighted average common shares outstanding - basic	100,024,230	99,518,546	99,852,203	99,404,174
Basic earnings per share from net income	$ 0.41	$ 0.36	$ 1.10	$ 0.98
Diluted earnings per share computation:				
Numerator:				
Net income available for common stockholders	$ 41,334	$ 35,431	$ 110,018	$ 96,933
Numerator for diluted earnings per share	$ 41,334	$ 35,431	$ 110,018	$ 96,933
Denominator:				
Weighted average common shares outstanding - basic	100,024,230	99,518,546	99,852,203	99,404,174
Employee stock options	1,055,882	1,228,922	1,143,855	1,256,898
Non-vested stock units	190,051	162,504	244,413	186,898
Weighted average common shares - diluted	101,270,163	100,909,972	101,240,471	100,847,970
Diluted earnings per share from net income	$ 0.41	$ 0.35	$ 1.09	$ 0.96

Diluted earnings per share calculations for the thirteen and thirty-nine weeks ended May 25, 2024 both excluded 0.8 million shares of common stock issuable upon exercise of stock options that would have been anti-dilutive. Diluted earnings per share calculations for the thirteen and thirty-nine weeks ended and May 27, 2023, excluded 0.7 million and 0.6 million shares of common stock issuable upon exercise of stock options, respectively, that would have been anti-dilutive.

Diluted earnings per share calculations for the thirteen and thirty-nine weeks ended May 25, 2024 and May 27, 2023 excluded an immaterial number of non-vested stock units that would have been anti-dilutive, respectively.

12. Omnibus Incentive Plan

Stock-based compensation includes stock options, restricted stock units, performance stock unit awards and stock appreciation rights, which are awarded to employees, directors, and consultants of the Company. Stock-based compensation expense for equity-classified awards is recognized on a straight-line basis over the requisite service period of the award based on their grant date fair value. Stock-based compensation expense is included within *General and administrative* expense, which is the same financial statement caption where recipient's other compensation is reported.

The Company recorded stock-based compensation expense of $4.5 million and $4.1 million in the thirteen weeks ended May 25, 2024, and May 27, 2023, respectively, and $13.2 million and $10.5 million in the thirty-nine weeks ended May 25, 2024, and May 27, 2023, respectively.

Stock Options

The following table summarizes stock option activity for the thirty-nine weeks ended May 25, 2024:

	Shares underlying options	Weighted average exercise price	Weighted average remaining contractual life (years)
Outstanding as of August 26, 2023	2,668,462	$ 20.41	5.56
Granted	17,633	33.02	
Exercised	(256,879)	16.71	
Forfeited	(9,954)	39.38	
Outstanding as of May 25, 2024	2,419,262	$ 20.82	4.91
Vested and expected to vest as of May 25, 2024	2,419,262	$ 20.82	4.91
Exercisable as of May 25, 2024	1,934,142	$ 16.70	4.13

As of May 25, 2024, the Company had $3.1 million of total unrecognized compensation cost related to stock options that will be recognized over a weighted average period of 1.0 year. During the thirty-nine weeks ended May 25, 2024, and May 27, 2023, the Company received $4.3 million and $5.0 million in cash from stock option exercises, respectively.

Restricted Stock Units

The following table summarizes restricted stock unit activity for the thirty-nine weeks ended May 25, 2024:

	Units	Weighted average grant-date fair value
Non-vested as of August 26, 2023	514,498	$ 35.59
Granted	251,100	36.82
Vested	(251,841)	32.64
Forfeited	(11,471)	38.77
Non-vested as of May 25, 2024	502,286	$ 37.61

As of May 25, 2024, the Company had $12.3 million of total unrecognized compensation cost related to restricted stock units that will be recognized over a weighted average period of 1.6 years.

Performance Stock Units

During the thirty-nine weeks ended May 25, 2024, the Company granted performance stock units under its equity compensation plan. Performance stock units vest in a range between 0% and 200% based upon certain performance criteria in a three-year period. Performance stock units were valued using a Monte Carlo simulation.

The following table summarizes performance stock unit activity for the thirty-nine weeks ended May 25, 2024:

	Units	Weighted average grant-date fair value
Non-vested as of August 26, 2023	191,779	$ 42.41
Granted	181,853	38.77
Vested	(189,884)	21.52
Forfeited	(1,008)	57.43
Non-vested as of May 25, 2024	182,740	$ 59.06

As of May 25, 2024, the Company had $5.9 million of total unrecognized compensation cost related to performance stock units that will be recognized over a weighted average period of 1.7 years.

Stock Appreciation Rights

Stock appreciation rights ("SARs") permit the holder to participate in the appreciation of the Company's common stock price and are awarded to non-employee consultants of the Company. The Company's SARs settle in shares of its common stock once the applicable vesting criteria have been met. The SARs outstanding as of May 25, 2024, cliff vest two years from the date of grant and must be exercised within five years.

The following table summarizes SARs activity for the thirty-nine weeks ended May 25, 2024:

	Shares underlying SARs	Weighted average exercise price
Outstanding as of August 26, 2023	150,000	$ 37.67
Granted	—	—
Exercised	—	—
Forfeited	—	—
Outstanding as of May 25, 2024	150,000	$ 37.67

The SARs exercised during the thirty-nine weeks ended May 27, 2023, resulted in a net issuance of 38,850 shares of the Company's common stock. The SARs granted during the thirty-nine weeks ended May 27, 2023, are liability-classified; therefore the related stock-based compensation expense is based on the vesting provisions and the fair value of the awards.

Note 13. Subsequent Events

Only What You Need, Inc. Acquisition

On April 29, 2024, the Company entered into a stock purchase agreement (the "Purchase Agreement") to acquire Only What You Need, Inc. ("OWYN"), a plant-based protein food company (the "Acquisition"), for approximately $280.0 million. On June 13, 2024, pursuant to the Purchase Agreement, the Company completed the acquisition of OWYN for approximately $280.0 million, subject to certain customary adjustments for levels of cash, indebtedness, net working capital, purchase price adjustments and transaction related expenses as of the closing date.

On June 13, 2024, the Company entered into a sixth amendment (the "2024 Incremental Facility Amendment") to the Credit Agreement to increase the principal borrowed on the Term Facility by $250.0 million. The terms of the incremental borrowing are the same as the terms of the outstanding borrowings under the Term Facility. The 2024 Incremental Facility Amendment was executed to partially finance the acquisition of OWYN on June 13, 2024. No amounts under the Term Facility were repaid as a result of the execution of the 2024 Incremental Facility Amendment.

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

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements. When used anywhere in this Report, the words "expect," "believe," "anticipate," "estimate," "intend," "plan" and similar expressions are intended to identify forward-looking statements. These statements relate to future events or our future financial or operational performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These statements include, but are not limited to, our expectations regarding our supply chain, including but not limited to, raw materials and logistics costs, the effect of price increases, inflationary pressure on us and our contract manufacturers, and the unforeseen business disruptions or other effects due to current global geopolitical tension. We disclaim any undertaking to publicly update or revise any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except as required by applicable law. These statements reflect our current views with respect to future events and are based on assumptions subject to risks and uncertainties. Such risks and uncertainties include those related to our ability to sell our products.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended August 26, 2023 ("Annual Report") and our unaudited consolidated financial statements and the related notes appearing elsewhere in this Report. In addition to historical information, the following discussion contains forward-looking statements, including, but not limited to, statements regarding the Company's expectation for future performance, liquidity and capital resources that involve risks, uncertainties and assumptions that could cause actual results to differ materially from the Company's expectations. The Company's actual results may differ materially from those contained in or implied by any forward-looking statements. Factors that could cause such differences include those identified in Item 1A. "Risk Factors" of our Annual Report. The Company assumes no obligation to update any of these forward-looking statements.

Unless the context requires otherwise in this Report, the terms "we," "us," "our," the "Company" and "Simply Good Foods" refer to The Simply Good Foods Company and its subsidiaries.

Overview

The Simply Good Foods Company is a consumer packaged food and beverage company that aims to lead the nutritious snacking movement with trusted brands that offer a variety of convenient, innovative, great-tasting, better-for-you snacks and meal replacements, and other product offerings. The product portfolio we develop, market and sell consists primarily of protein bars, ready-to-drink ("RTD") shakes, sweet and salty snacks and confectionery products marketed under the Quest®, Atkins®, and OWYN™ brand names. We believe Simply Good Foods is poised to expand its wellness platform through innovation and organic growth along with acquisition opportunities in the nutritional snacking space.

On April 29, 2024, we entered into a stock purchase agreement (the "Purchase Agreement") to acquire Only What You Need, Inc. ("OWYN"), a plant-based protein food company (the "Acquisition"), for approximately $280.0 million. On June 13, 2024, pursuant to the Purchase Agreement, we completed the acquisition of OWYN for approximately $280.0 million, subject to certain customary adjustments for levels of cash, indebtedness, net working capital, purchase price adjustments and transaction related expenses as of the closing date. The addition of OWYN introduces a third complementary plant-based, ready-to-drink brand within our portfolio.

Our nutritious snacking platform consists of brands that specialize in providing products for consumers that follow certain nutritional philosophies and health-and-wellness trends: Quest® for consumers seeking a variety of protein-rich foods and beverages that also limit sugars and simple carbs, Atkins® for those following a low-carb lifestyle and OWYN™ for those looking for a plant-based ready-to-drink protein shake offering. We distribute our products in major retail channels, primarily in North America, including grocery, club, and mass merchandise, as well as through e-commerce, convenience, specialty, and other channels. Our portfolio of nutritious snacking brands gives us a strong platform with which to introduce new products, expand distribution, and attract new consumers to our products.

Business Trends

During fiscal 2023, the Company was affected by the unfavorable effects of higher raw material costs, higher co-manufacturing costs, and supply chain challenges, including supply chain disruptions resulting from labor shortages and disruptions in ingredients.

During the thirteen and thirty-nine weeks ended May 25, 2024, our business performance improved as strong Quest sales volume more than offset continued softness in Atkins. The Company benefited from lower ingredient and packaging costs which resulted in gross margin expansion versus fiscal 2023. The Company continues to engage and have discussions with its contract manufacturers and logistics and transportation providers to have its cost structure reflect lower market prices. The Company is monitoring key ingredient inflation which may affect profitability, however we believe the Company's strategy and positioning will continue to drive profitable growth for our product offerings and growth within the growing nutritional snacking category.

Key Financial Definitions

Net sales. Net sales consist primarily of product sales less the cost of promotional activities, slotting fees and other sales credits and adjustments, including product returns.

Cost of goods sold. Cost of goods sold consists primarily of the costs we pay to our contract manufacturing partners to produce the products sold. These costs include the purchase of raw ingredients, packaging, shipping and handling, warehousing, depreciation of warehouse equipment, and a tolling charge for the contract manufacturer. Cost of goods sold includes products provided at no charge as part of promotions and the non-food materials provided with customer orders.

Operating expenses. Operating expenses consist primarily of selling and marketing, general and administrative, and depreciation and amortization, and business transaction costs. The following is a brief description of the components of operating expenses:

- *Selling and marketing.* Selling and marketing expenses comprise broker commissions, customer marketing, media and other marketing costs.
- *General and administrative.* General and administrative expenses comprise expenses associated with corporate and administrative functions that support our business, including employee compensation, stock-based compensation, professional services, executive transition costs, integration costs, restructuring costs, insurance and other general corporate expenses.
- *Depreciation and amortization.* Depreciation and amortization costs consist of costs associated with the depreciation of fixed assets and capitalized leasehold improvements and amortization of intangible assets.
- *Business Transaction Costs.* Business transaction costs are comprised of legal, due diligence, consulting and accounting firm expenses associated with the process of actively pursuing potential and completed business combinations, including the Acquisition of OWYN.

Results of Operations

During the thirteen weeks ended May 25, 2024, our net sales increased to $334.8 million compared to $324.8 million for the thirteen weeks ended May 27, 2023, driven by Quest volume growth, which more than offset continued softness in Atkins net sales, resulting in a 3.2% increase in our aggregate North America net sales. Gross profit and gross profit margin improved driven by higher sales volumes and lower ingredient and packaging costs.

In assessing the performance of our business, we consider a number of key performance indicators used by management and typically used by our competitors, including the non-GAAP measures EBITDA and Adjusted EBITDA. 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. See “Reconciliation of EBITDA and Adjusted EBITDA” below for a reconciliation of EBITDA and Adjusted EBITDA to net income for each applicable period.

Comparison of Unaudited Results for the Thirteen Weeks Ended May 25, 2024, and the Thirteen Weeks Ended May 27, 2023

The following unaudited table presents, for the periods indicated, selected information from our Consolidated Statements of Operations and Comprehensive Income, including information presented as a percentage of net sales:

(In thousands)	Thirteen Weeks Ended May 25, 2024	% of Net Sales	Thirteen Weeks Ended May 27, 2023	% of Net Sales
Net sales	$ 334,757	100.0 %	$ 324,792	100.0 %
Cost of goods sold	201,131	60.1 %	205,546	63.3 %
Gross profit	133,626	39.9 %	119,246	36.7 %
Operating expenses:				
Selling and marketing	36,464	10.9 %	30,168	9.3 %
General and administrative	31,543	9.4 %	30,510	9.4 %
Depreciation and amortization	4,142	1.2 %	4,363	1.3 %
Business transaction costs	2,703	0.8 %	—	— %
Total operating expenses	74,852	22.4 %	65,041	20.0 %
Income from operations	58,774	17.6 %	54,205	16.7 %
Other income (expense):				
Interest income	881	0.3 %	407	0.1 %
Interest expense	(5,028)	(1.5)%	(7,649)	(2.4)%
(Loss) gain on foreign currency transactions	(12)	— %	180	0.1 %
Other income	102	— %	4	— %
Total other expense	(4,057)	(1.2)%	(7,058)	(2.2)%
Income before income taxes	54,717	16.3 %	47,147	14.5 %
Income tax expense	13,383	4.0 %	11,716	3.6 %
Net income	$ 41,334	12.3 %	$ 35,431	10.9 %
Other financial data:				
Adjusted EBITDA [1]	$ 71,874	21.5 %	$ 66,635	20.5 %

[1] Adjusted EBITDA is a non-GAAP financial metric. See "Reconciliation of EBITDA and Adjusted EBITDA" below for a reconciliation of net income to EBITDA and Adjusted EBITDA for each applicable period.

Net sales. Net sales were $334.8 million for the thirteen weeks ended May 25, 2024, compared to $324.8 million for the thirteen weeks ended May 27, 2023, representing an increase of $10.0 million, driven primarily by Quest volume growth which offset Atkins softness. North America net sales increased 3.2% in the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023, and International net sales decreased 2.4% during the same period.

Cost of goods sold. Cost of goods sold decreased $4.4 million, or 2.1%, for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023. The cost of goods sold decrease was primarily driven by lower ingredient and packaging costs in the thirteen weeks ended May 25, 2024.

Gross profit. Gross profit increased by $14.4 million, or 12.1%, for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023. Additionally, gross profit of $133.6 million, or 39.9% of net sales, for the thirteen weeks ended May 25, 2024, increased 320 basis points from 36.7% of net sales for the thirteen weeks ended May 27, 2023. The increase in gross profit margin was primarily driven by lower ingredient and packaging costs.

Operating expenses. Operating expenses increased $9.8 million, or 15.1%, for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023 due to the following:

- *Selling and marketing.* Selling and marketing expenses increased $6.3 million, or 20.9%, for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023, due to increased expenses related to growth initiatives and higher advertising costs.
- *General and administrative.* General and administrative expenses increased $1.0 million, or 3.4%, for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023. The increase in general and administrative expenses was primarily attributable to an increase of $1.9 million in employee-related costs, $0.3 million in stock-based compensation, and higher corporate expenses and other costs. These increases were partially offset by $2.4 million in term loan transaction fees incurred in the prior year.
- *Depreciation and amortization.* Depreciation and amortization expense was $4.1 million for the thirteen weeks ended May 25, 2024 and $4.4 million for the thirteen weeks ended May 27, 2023, respectively.
- *Business transaction costs.* Business transaction costs were $2.7 million for the thirteen weeks ended May 25, 2024 and were comprised of expenses related to the Acquisition of OWYN.

Interest income. Interest income increased by $0.5 million for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023, due to higher cash balances than the prior year period and the increase in interest rates.

Interest expense. Interest expense decreased $2.6 million for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023, primarily due to the effect of principal payments reducing the outstanding balance of the Term Facility (as defined below) to $240.0 million as of May 25, 2024, from $325.0 million as of May 27, 2023. Additionally, interest expense related to the amortization of deferred financing costs and debt discount decreased $0.6 million for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023.

(Loss) gain on foreign currency transactions. Foreign currency transactions resulted in an immaterial loss and a gain of $0.2 million for the thirteen weeks ended May 25, 2024, and May 27, 2023, respectively. The variance is attributable to changes in foreign currency rates related to our international operations.

Income tax expense. Income tax expense increased $1.7 million for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023. The increase in our income tax expense was primarily driven by changes in permanent differences.

Net income. Net income was $41.3 million for the thirteen weeks ended May 25, 2024, an increase of $5.9 million compared to net income of $35.4 million for the thirteen weeks ended May 27, 2023. Net income was benefited by higher gross profit, higher interest income, and lower interest expense, partially offset by growth in marketing expenses, higher stock-based compensation expense, and recently incurred business transaction costs.

Adjusted EBITDA. Adjusted EBITDA increased $5.2 million, or 7.9%, for the thirteen weeks ended May 25, 2024, compared to the thirteen weeks ended May 27, 2023, driven primarily by higher gross profit, partially offset by growth in marketing expenses. For a reconciliation of Adjusted EBITDA to its most directly comparable GAAP measure, see “Reconciliation of EBITDA and Adjusted EBITDA” below.

Comparison of Unaudited Results for the Thirty-Nine Weeks Ended May 25, 2024, and the Thirty-Nine Weeks Ended May 27, 2023

The following unaudited table presents, for the periods indicated, selected information from our Consolidated Statements of Operations and Comprehensive Income, including information presented as a percentage of net sales:

(In thousands)	Thirty-Nine Weeks Ended May 25, 2024	% of Net Sales	Thirty-Nine Weeks Ended May 27, 2023	% of Net Sales
Net sales	$ 955,634	100.0 %	$ 922,254	100.0 %
Cost of goods sold	590,020	61.7 %	589,284	63.9 %
Gross profit	365,614	38.3 %	332,970	36.1 %
Operating expenses:				
Selling and marketing	103,097	10.8 %	88,650	9.6 %
General and administrative	88,426	9.3 %	82,085	8.9 %
Depreciation and amortization	12,711	1.3 %	13,035	1.4 %
Business transaction costs	2,703	0.3 %	—	— %
Total operating expenses	206,937	21.7 %	183,770	19.9 %
Income from operations	158,677	16.6 %	149,200	16.2 %
Other income (expense):				
Interest income	2,895	0.3 %	660	0.1 %
Interest expense	(16,658)	(1.7)%	(23,201)	(2.5)%
Gain on foreign currency transactions	191	— %	74	— %
Other income	108	— %	10	— %
Total other expense	(13,464)	(1.4)%	(22,457)	(2.4)%
Income before income taxes	145,213	15.2 %	126,743	13.7 %
Income tax expense	35,195	3.7 %	29,810	3.2 %
Net income	$ 110,018	11.5 %	$ 96,933	10.5 %
Other financial data:				
Adjusted EBITDA [(1)]	$ 191,679	20.1 %	$ 178,301	19.3 %

[(1)] Adjusted EBITDA is a non-GAAP financial metric. See “Reconciliation of EBITDA and Adjusted EBITDA” below for a reconciliation of net income to EBITDA and Adjusted EBITDA for each applicable period.

Net sales. Net sales of $955.6 million represented an increase of $33.4 million, or 3.6%, for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023. The increase in sales was primarily driven by Quest volume growth which offset Atkins softness. North America and International net sales increased 3.6% and 3.4%, respectively, versus last year.

Cost of goods sold. Cost of goods sold increased $0.7 million, or 0.1%, for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023. The cost of goods sold increase was primarily driven by higher sales volumes in the thirty-nine weeks ended May 25, 2024.

Gross profit. Gross profit increased $32.6 million, or 9.8%, for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023. Additionally, gross profit of $365.6 million, or 38.3% of net sales, for the thirty-nine weeks ended May 25, 2024 increased 220 basis points from 36.1% of net sales for the thirty-nine weeks ended May 27, 2023, due primarily to lower ingredient and packaging costs.

Operating expenses. Operating expenses increased $23.2 million, or 12.6%, for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023, due to the following:

- *Selling and marketing.* Selling and marketing expenses increased $14.4 million, or 16.3%, for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023, primarily due to increased expenses related to growth initiatives and higher advertising costs.
- *General and administrative.* General and administrative expenses increased $6.3 million, or 7.7%, for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023. The increase in general and administrative expense was primarily attributable to an increase to an increase of $4.3 million in employee-related costs, $2.5 million in stock-based compensation, and higher corporate expenses and other costs in the thirty-nine weeks ended May 25, 2024. These increases were partially offset by $2.4 million in term loan transaction fees incurred in the prior year.
- *Depreciation and amortization.* Depreciation and amortization expenses were $12.7 million and $13.0 million for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023, respectively.
- *Business transaction costs.* Business transaction costs were $2.7 million for the thirty-nine weeks ended May 25, 2024 and were comprised of expenses related to the Acquisition of OWYN.

Interest income. Interest income increased by $2.2 million for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023, due to higher cash balances, the increase in interest rates, and other sources of interest income.

Interest expense. Interest expense decreased $6.5 million for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023, primarily due to the effect of principal payments reducing the outstanding balance of the Term Facility (as defined below) to $240.0 million as of May 25, 2024, from $325.0 million as of May 27, 2023. Additionally, interest expense related to the amortization of deferred financing costs and debt discount decreased $0.8 million for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023.

Gain on foreign currency transactions. Foreign currency transactions resulted in a gain of $0.2 million and $0.1 million, respectively, for the thirty-nine weeks ended May 25, 2024, and May 27, 2023. The variance is attributable to changes in foreign currency rates related to our international operations.

Income tax expense. Income tax expense increased $5.4 million for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023. The increase in our income tax expense was primarily driven by higher income from operations and changes in permanent differences.

Net income. Net income was $110.0 million for the thirty-nine weeks ended May 25, 2024, an increase of $13.1 million compared to net income of $96.9 million for the thirty-nine weeks ended May 27, 2023. Net income was benefited by higher gross profit, higher interest income, and lower interest expense, and was partially offset by growth in marketing expenses, higher stock-based compensation expenses, recently incurred business transaction costs. and higher income tax expense.

Adjusted EBITDA. Adjusted EBITDA increased $13.4 million, or 7.5% for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023, driven primarily by higher net gross profit, partially offset by investments in growth initiatives and higher advertising costs. For a reconciliation of Adjusted EBITDA to its most directly comparable GAAP measure, see “Reconciliation of EBITDA and Adjusted EBITDA” below.

Reconciliation of EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP financial measures commonly used in our industry and should not be construed as alternatives to net income as an indicator of operating performance or as alternatives to cash flow provided by operating activities as a measure of liquidity (each as determined in accordance with GAAP). The Company defines EBITDA as net income or loss before interest income, interest expense, income tax expense, depreciation and amortization, and Adjusted EBITDA as further adjusted to exclude the following items: stock-based compensation expense, executive transition costs, business transaction costs, term loan transaction fees, and other non-core expenses. The Company believes that EBITDA and Adjusted EBITDA, when used in conjunction with net income, are useful to provide additional information to investors. Management of the Company uses EBITDA and Adjusted EBITDA to supplement net income because these measures reflect operating results of the on-going operations, eliminate items that are not directly attributable to the Company's underlying operating performance, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to the key metrics the Company's management uses in its financial and operational decision making. The Company also believes that EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in its industry. EBITDA and Adjusted EBITDA may not be comparable to other similarly titled captions of other companies due to differences in the non-GAAP calculation.

The following unaudited table provides a reconciliation of EBITDA and Adjusted EBITDA to its most directly comparable GAAP measure, which is net income, for the thirteen and thirty-nine weeks ended May 25, 2024, and May 27, 2023:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
(In thousands)	May 25, 2024	May 27, 2023	May 25, 2024	May 27, 2023
Net income	$ 41,334	$ 35,431	$ 110,018	$ 96,933
Interest income	(881)	(407)	(2,895)	(660)
Interest expense	5,028	7,649	16,658	23,201
Income tax expense	13,383	11,716	35,195	29,810
Depreciation and amortization	5,079	5,140	15,871	15,044
EBITDA	63,943	59,529	174,847	164,328
Stock-based compensation expense	4,473	4,124	13,209	10,456
Executive transition costs	355	737	721	1,158
Business transaction costs	2,703	—	2,703	—
Term loan transaction fees	—	2,423	—	2,423
Other [1]	400	(178)	199	(64)
Adjusted EBITDA	$ 71,874	$ 66,635	$ 191,679	$ 178,301

[1] Other items consist principally of exchange impact of foreign currency transactions and other expenses.

Liquidity and Capital Resources

Overview

We have historically funded our operations with cash flow from operations and, when needed, with borrowings under our Credit Agreement (as defined below). Our principal uses of cash have been working capital, debt service, repurchases of our common stock, and acquisition opportunities.

We had $208.7 million in cash as of May 25, 2024. We believe our sources of liquidity and capital will be sufficient to finance our continued operations, growth strategy and additional expenses we expect to incur for at least the next twelve months. As circumstances warrant, we may issue debt and/or equity securities from time to time on an opportunistic basis, dependent upon market conditions and available pricing. We make no assurance that we can issue and sell such securities on acceptable terms or at all.

Our material future cash requirements from contractual and other obligations relate primarily to our principal and interest payments for our Term Facility, as defined and discussed below, and our operating and finance leases. Refer to Note 5, Long-Term Debt and Line of Credit, and Note 8, Leases, of the Notes to Unaudited Consolidated Financial Statements in this Report for additional information related to the expected timing and amount of payments related to our contractual and other obligations.

Debt and Credit Facilities

On July 7, 2017, we (through certain of our subsidiaries) entered into a credit agreement with Barclays Bank PLC and other parties (as amended to date, the “Credit Agreement”). The Credit Agreement at that time provided for (i) a term facility of $200.0 million (“Term Facility”) with a seven-year maturity and (ii) a revolving credit facility of up to $75.0 million (the “Revolving Credit Facility”) with a five-year maturity. Substantially concurrent with the consummation of the business combination which formed the Company between Conyers Park Acquisition Corp. and NCP-ATK Holdings, Inc. on July 7, 2017, the full $200.0 million of the Term Facility (the “Term Loan”) was drawn.

On November 7, 2019, we entered into a second amendment (the “Incremental Facility Amendment”) to the Credit Agreement to increase the principal borrowed on the Term Facility by $460.0 million. The Term Facility together with the incremental borrowing make up the Initial Term Loans (as defined in the Incremental Facility Amendment). The Incremental Facility Amendment was executed to partially finance the acquisition of Quest Nutrition, LLC on November 7, 2019. No amounts under the Term Facility were repaid as a result of the execution of the Incremental Facility Amendment.

Effective as of December 16, 2021, we entered into a third amendment (the “Extension Amendment”) to the Credit Agreement. The Extension Amendment provided for an extension of the stated maturity date of the Revolving Commitments and Revolving Loans (each as defined in the Credit Agreement) from July 7, 2022 to the earlier of (i) 91 days prior to the then-effective maturity date of the Initial Term Loans and (ii) December 16, 2026.

On January 21, 2022, the Company entered into the “2022 Repricing Amendment” to the Credit Agreement. The 2022 Repricing Amendment, among other things, (i) reduced the interest rate per annum applicable to the Initial Term Loans outstanding under the Credit Agreement immediately prior to the effective date of the 2022 Repricing Amendment, (ii) reset the prepayment premium for the existing Initial Term Loans to apply to Repricing Transactions (as defined in the Credit Agreement) that occur within six months after the effective date of the 2022 Repricing Amendment, and (iii) implemented SOFR and related replacement provisions for LIBOR.

On April 25, 2023, the Company entered into the “2023 Repricing Amendment” to the Credit Agreement. The 2023 Repricing Amendment, (i) reduced the interest rate per annum applicable to the Initial Term Loans outstanding under the Credit Agreement immediately prior to April 25, 2023, and (ii) provided for an extension of the maturity date of the Initial Term Loans from July 7, 2024, to March 17, 2027.

The 2023 Repricing Amendment did not change the interest rate on the Revolving Credit Facility, which continues to bear interest based upon the Company’s consolidated net leverage ratio as of the end of the fiscal quarter for which consolidated financial statements are delivered to the Administrative Agent under the Credit Agreement. No additional debt was incurred, or any proceeds received by the Company in connection with the 2023 Repricing Amendment. No amounts under the Term Facility were repaid as a result of the execution of the 2023 Repricing Amendment.

Effective as of the 2023 Repricing Amendment, the interest rate per annum for the Initial Term Loans is based on either:

i. A base rate equaling the higher of (a) the “prime rate,” (b) the federal funds effective rate plus 0.50%, or (c) the Adjusted Term SOFR Rate (as defined in the Credit Agreement) applicable for an interest period of one month plus 1.00% plus (x) 1.50% margin for the Term Loan or (y) 2.00% margin for the Revolving Credit Facility; or

ii. SOFR plus a credit spread adjustment equal to 0.10% for one-month SOFR, 0.15% for up to three-month SOFR and 0.25% for up to six-month SOFR, subject to a floor of 0.50%, plus (x) 2.50% margin for the Term Loan or (y) 3.00% margin for the Revolving Credit Facility.

In connection with the closing of the 2023 Repricing Amendment, the Company expensed $2.4 million primarily for third-party fees and capitalized an additional $2.7 million primarily for the payment of upfront lender fees (original issue discount).

The Simply Good Foods Company is not a borrower under the Credit Agreement and has not provided a guarantee of the Credit Agreement. Simply Good Foods USA, Inc., is the administrative borrower and certain other subsidiary holding companies are co-borrowers under the Credit Agreement. Each of the Company's domestic subsidiaries that is not a named borrower under the Credit Agreement has provided a guarantee on a secured basis. As security for the payment or performance of the debt under the Credit Agreement, the borrowers and the guarantors have pledged certain equity interests in their respective subsidiaries and granted the lenders a security interest in substantially all of their domestic assets. All guarantors other than Quest Nutrition, LLC are holding companies with no assets other than their investments in their respective subsidiaries.

The Credit Agreement contains certain financial and other covenants that limit the Company's ability to, among other things, incur and/or undertake asset sales and other dispositions, liens, indebtedness, certain acquisitions and investments, consolidations, mergers, reorganizations and other fundamental changes, payment of dividends and other distributions to equity and warrant holders, and prepayments of material subordinated debt, in each case, subject to customary exceptions materially consistent with credit facilities of such type and size. The Revolving Credit Facility has a maximum total net leverage ratio equal to or less than 6.00:1.00 contingent on credit extensions in excess of 30% of the total amount of commitments available under the Revolving Credit Facility. Any failure to comply with the restrictions of the credit facilities may result in an event of default. The Company was in compliance with all covenants as of May 25, 2024, and August 26, 2023, respectively.

At May 25, 2024, the outstanding balance of the Term Facility was $240.0 million. We are not required to make principal payments on the Term Facility over the twelve months following the period ended May 25, 2024. The outstanding balance of the Term Facility is due upon its maturity in March 2027. As of May 25, 2024, there were no amounts drawn against the Revolving Credit Facility.

Acquisition Financing

On April 29, 2024, the Company entered into a Purchase Agreement to acquire OWYN, a plant-based protein food company, for approximately $280.0 million. On June 13, 2024, pursuant to the Purchase Agreement, the Company completed the acquisition of OWYN for approximately $280.0 million, subject to certain customary adjustments for levels of cash, indebtedness, net working capital, purchase price adjustments and transaction related expenses as of the closing date.

On June 13, 2024, the Company entered into a sixth amendment (the "2024 Incremental Facility Amendment") to the Credit Agreement to increase the principal borrowed on the Term Facility by $250.0 million. The terms of the incremental borrowing are the same as the terms of the outstanding borrowing under the Term Facility. The 2024 Incremental Facility Amendment was executed to partially finance the acquisition of OWYN on June 13, 2024. No amounts under the Term Facility were repaid as a result of the execution of the 2024 Incremental Facility Amendment.

Stock Repurchase Program

On October 21, 2022, we announced that our Board of Directors approved the addition of $50.0 million to our stock repurchase program, resulting in authorized stock repurchases of up to an aggregate of $150.0 million. The Company did not repurchase any shares of common stock during the thirty-nine weeks ended May 25, 2024. During the thirty-nine weeks ended May 27, 2023, the Company repurchased 546,346 shares of common stock at an average share price of $30.11 per share.

As of May 25, 2024, approximately $71.5 million remained available for repurchases under our $150.0 million stock repurchase program. Refer to Note 10, Stockholders' Equity, of the Notes to Unaudited Consolidated Financial Statements in this Report for additional information related to our stock repurchase program.

Cash Flows

The following table sets forth the major sources and uses of cash for each of the periods set forth below (in thousands):

	Thirty-Nine Weeks Ended	
	May 25, 2024	May 27, 2023
Net cash provided by operating activities	$ 166,755	$ 110,412
Net cash used in investing activities	$ (2,345)	$ (10,446)
Net cash used in financing activities	$ (43,569)	$ (98,579)

Operating activities. Our net cash provided by operating activities increased $56.3 million to $166.8 million for the thirty-nine weeks ended May 25, 2024, compared to $110.4 million for the thirty-nine weeks ended May 27, 2023. The increase in cash provided by operating activities was primarily attributable to changes in working capital for the thirty-nine weeks ended May 25, 2024, as compared to the thirty-nine weeks ended May 27, 2023. Changes in working capital, comprised of changes in accounts receivable, net, inventories, prepaid expenses, other current assets, accounts payable, accrued interest, accrued expenses and other current liabilities, and other assets and liabilities, which are driven by the timing of payments and receipts and seasonal building of inventory, generated cash of $6.8 million in the thirty-nine weeks ended May 25, 2024 compared to $31.6 million of cash consumed in the thirty-nine weeks ended May 27, 2023, an improvement of $38.4 million. Income from operations increased by $9.5 million to $158.7 million for the thirty-nine weeks ended May 25, 2024, as compared to $149.2 million for the thirty-nine weeks ended May 27, 2023. Additionally, cash paid for interest was $16.0 million in the thirty-nine weeks ended May 25, 2024, which was a decrease of $5.3 million as compared to the $21.3 million paid for interest in the thirty-nine weeks ended May 27, 2023. Interest income increased by $2.2 million for the thirty-nine weeks ended May 25, 2024, compared to the thirty-nine weeks ended May 27, 2023, due to higher cash balances, the increase in interest rates, and other sources of interest income.

Investing activities. Our net cash used in investing activities was $2.3 million for the thirty-nine weeks ended May 25, 2024 compared to $10.4 million for the thirty-nine weeks ended May 27, 2023. Our net cash used in investing activities for the thirty-nine weeks ended May 25, 2024, primarily comprised $1.8 million of purchases of property and equipment. The $10.4 million of net cash used in investing activities for the thirty-nine weeks ended May 27, 2023, primarily comprised $10.1 million of purchases of property and equipment.

Financing activities. Our net cash used in financing activities was $43.6 million for the thirty-nine weeks ended May 25, 2024, compared to $98.6 million for the thirty-nine weeks ended May 27, 2023. Net cash used in financing activities for the thirty-nine weeks ended May 25, 2024, primarily consisted of $45.0 million in principal payments on the Term Facility, and $4.8 million in tax payments related to issuance of restricted stock units and performance stock units, partially offset by $4.3 million of cash proceeds received from option exercises, and $2.1 million of cash proceeds received from the partial repayment of an outstanding note receivable. Net cash used in financing activities for the thirty-nine weeks ended May 27, 2023, primarily consisted of $16.4 million in repurchases of common stock, $81.5 million in principal payments on the Term Facility, and $2.8 million in tax payments related to issuance of restricted stock units and performance stock units, partially offset by $5.0 million of cash proceeds received from option exercises.

New Accounting Pronouncements

For a description of critical accounting policies that affect our significant judgments and estimates used in the preparation of our consolidated financial statements, refer to our Annual Report. Refer to Note 2, Summary of Significant Accounting Policies, of our unaudited interim consolidated financial statements in this Report for further information regarding recently issued accounting standards.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes in our market risk exposure during the thirteen-week period ended May 25, 2024. For a discussion of our market risks, see “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of our Annual Report.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosures.

Management, including the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation (pursuant to Rule 13a-15(b) under the Exchange Act) of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of May 25, 2024, the Company’s disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended May 25, 2024, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Inherent Limitations on Effectiveness of Controls

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. Other Information

Item 1. Legal Proceedings

From time to time, we have been and may again become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any litigation that we believe to be material and we are not aware of any pending or threatened litigation against us that we believe could have a material adverse effect on our business, operating results, financial condition or cash flows.

Item 1A. Risk Factors

Readers should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report, which could materially affect our business, financial condition, cash flows or future results. Except as set forth below, there have been no material changes in our risk factors included in our Annual Report. The risks described in our Annual Report are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or future results.

We intend to grow through acquisitions or joint ventures and we may not successfully integrate, operate or realize the anticipated benefits of such business combinations.

As part of our strategic initiatives, we intend to pursue acquisitions or joint ventures, such as our acquisition of OWYN. Our acquisition strategy is based on identifying and acquiring brands with products that complement our existing products and identifying and acquiring brands in new categories and new geographies to expand our platform of nutritional snacks and potentially other food products. Although we regularly evaluate multiple acquisition candidates, we cannot be certain that we can successfully identify suitable acquisition candidates, negotiate acquisitions of identified candidates on favorable terms, or integrate acquisitions we complete.

Acquisitions involve numerous risks and uncertainties, including intense competition for suitable acquisition targets, which could increase target prices and/or materially and adversely affect our ability to consummate deals on favorable terms, the potential unavailability of financial resources necessary to consummate acquisitions, the risk we improperly value and price a target, the potential inability to identify all of the risks and liabilities inherent in a target company or assets notwithstanding our diligence efforts, the diversion of management's attention from the day-to-day operations of our business and additional strain on our existing personnel, increased leverage resulting from the additional debt financing that may be required to complete an acquisition, dilution of our net current book value per share if we issue additional equity securities to finance an acquisition, difficulties in identifying suitable acquisition targets or in completing any transactions identified on sufficiently favorable terms and the need to obtain regulatory or other governmental approvals that may be necessary to complete acquisitions.

Any future acquisitions may pose risks associated with entry into new geographic markets, including outside the United States and our current international markets, distribution channels, lines of business or product categories, where we may not have significant prior experience and where we may not be as successful or profitable as we are in businesses and geographic regions where we have greater familiarity and brand recognition. Potential acquisitions may entail significant transaction costs and require significant management time and distraction from our core business, even where we cannot consummate or decide not to pursue a particular transaction.

Besides the risks above, even when acquisitions are completed, integration of acquired entities can involve significant difficulties. These include failure to achieve financial or operating objectives regarding an acquisition, systems, operational and managerial controls and procedures, the need to modify systems or to add management resources, difficulties in the integration and retention of consumers or personnel and the integration and effective deployment of operations or technologies, amortization of acquired assets (which would reduce future reported earnings), possible adverse short-term effects on cash flows or operating results, the integration of personnel with diverse backgrounds and organizational cultures, the coordination of sales and marketing functions and failure to obtain and retain key personnel of an acquired business. Failure to manage these acquisition growth risks could have an adverse effect on our business.

We may not realize the expected benefits of the OWYN acquisition we completed in June 2024, because of integration difficulties and other challenges.

The success of the OWYN acquisition will depend, in part, on our ability to realize all or some of the anticipated benefits from integrating OWYN's business with our existing businesses. The integration process may be complex, costly and time-consuming. The difficulties of integrating the operations of OWYN's business include, among others:

- failure to implement our business plan for the combined business;
- unanticipated issues in integrating co-manufacturing, logistics, information, communications and other systems;

- possible inconsistencies in standards, controls, procedures and policies, and compensation structures between OWYN’s structure and our structure;
- failure to retain key employees, customers and suppliers;
- unanticipated changes in applicable laws and regulations;
- the complexities associated with integrating personnel from another company;
- operating risks inherent in OWYN’s business and our business;
- diversion of management's attention from other business concerns;
- increasing the scope, geographic diversity and complexity of our operations; and
- unanticipated issues, expenses and liabilities.

We may not be able to maintain the levels of net sales, earnings or operating efficiency that each company had achieved historically or might achieve separately. In addition, we may not accomplish the integration of OWYN’s business smoothly, successfully or within the anticipated costs or time-frame. If we experience difficulties with the integration process, the anticipated benefits of the acquisition may not be realized fully, or at all, or may take longer to realize than expected.

Our indebtedness could materially and adversely affect our financial condition and ability to operate our company, and we may incur additional debt.

As of June 27, 2024, we had approximately $490.0 million in outstanding indebtedness and a revolving credit facility of $75 million. Our current and future debt level and the terms of our debt arrangements could materially and adversely affect our financial condition and limit our ability to successfully implement our growth strategies. In addition, under the credit facilities governing our indebtedness, we have granted the lenders a security interest in substantially all of our assets, including the assets of our subsidiaries and an affiliate.

Our ability to meet our debt service obligations will depend on our future performance, which will be affected by the other risk factors described herein. If we do not generate enough cash flow to pay our debt service obligations, we may have to refinance all or part of our existing debt, sell our assets, borrow more money or raise equity. We may not be able to take any of these actions timely, on terms satisfactory to us, or at all.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

In the three months ended May 25, 2024, no directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Document
2.1	Stock Purchase Agreement, dated as of April 29, 2024, by and among Simply Good Foods USA, Inc., a New York corporation, Only What You Need, Inc., a Delaware corporation, and Safe Brands, LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on April 30, 2024).
10.1	The Simply Good Foods Company Second Amended and Restated Executive Severance Compensation Plan, dated April 16, 2024 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 22, 2024).
10.2	The Simply Good Foods Company 2017 Omnibus Incentive Plan, as amended from time to time Policy Regarding Treatment of Awards in the Event of an Awardee's Retirement, Approved as of April 16, 2024 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on April 22, 2024).
10.3	Amendment No. 6 (Incremental Facility Amendment), dated as of June 13, 2024, among Atkins Intermediate Holdings, LLC, a Delaware limited liability company, Conyers Park Acquisition Corp., a Delaware corporation, Simply Good Foods USA, Inc., a New York corporation, Atkins Nutritionals Holdings, Inc., a Delaware corporation, Atkins Nutritionals Holdings II, Inc., a Delaware corporation, NCP-ATK Holdings, Inc., a Delaware corporation, the lenders party thereto and Barclays Bank PLC, as administrative agent (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on June 17, 2024).
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act.
101.INS*	XBRL Instance Document (the instance document does not appear on the Interactive Data File because the XBRL tags are embedded within the Inline XBRL document)
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

THE SIMPLY GOOD FOODS COMPANY

		By:	/s/ Timothy A. Matthews
Date:	June 27, 2024	Name:	Timothy A. Matthews
		Title:	Vice President, Controller, and Chief Accounting Officer
			(Duly Authorized Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE U.S. SECURITIES EXCHANGE ACT OF 1934
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Geoff E. Tanner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Simply Good Foods Company (the "registrant");

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: June 27, 2024	By:	/s/ Geoff E. Tanner
	Name:	Geoff E. Tanner
	Title:	Chief Executive Officer, President and Director
		(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE U.S. SECURITIES EXCHANGE ACT OF 1934
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Shaun Mara, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Simply Good Foods Company (the "registrant");

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: June 27, 2024	By:	/s/ Shaun P. Mara
	Name:	Shaun P. Mara
	Title:	Chief Financial Officer
		(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of The Simply Good Foods Company (the "Company") on Form 10-Q for the fiscal period ended May 25, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company covered by the Report.

This certificate is being furnished solely for the purposes of 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Date: June 27, 2024	By:	/s/ Geoff E. Tanner
	Name:	Geoff E. Tanner
	Title:	Chief Executive Officer, President and Director
		(Principal Executive Officer)

Date: June 27, 2024	By:	/s/ Shaun P. Mara
	Name:	Shaun P. Mara
	Title:	Chief Financial Officer
		(Principal Financial Officer)