

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 November 27, 2021

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

(State or other jurisdiction of incorporation or organization)

82-1038121

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

As of January 3, 2022, there were 96,132,194 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 NOVEMBER 27, 2021

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PART I. Financial Information

Item 1. Financial Statements (Unaudited)

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

	November 27, 2021	August 28, 2021
Assets		
Current assets:		
Cash	\$ 35,447	\$ 75,345
Accounts receivable, net	125,195	111,456
Inventories	112,433	97,269
Prepaid expenses	4,893	4,902
Other current assets	9,669	9,694
Total current assets	287,637	298,666
Long-term assets:		
Property and equipment, net	17,416	16,584
Intangible assets, net	1,135,068	1,139,041
Goodwill	543,134	543,134
Other long-term assets	60,081	54,792
Total assets	<u>\$ 2,043,336</u>	<u>\$ 2,052,217</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 44,811	\$ 59,713
Accrued interest	—	60
Accrued expenses and other current liabilities	35,665	53,606
Current maturities of long-term debt	289	285
Total current liabilities	80,765	113,664
Long-term liabilities:		
Long-term debt, less current maturities	427,017	451,269
Deferred income taxes	100,499	93,755
Warrant liability	177,152	159,835
Other long-term liabilities	48,296	44,890
Total liabilities	833,729	863,413
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, 96,130,441 and 95,882,908 shares issued at November 27, 2021 and August 28, 2021, respectively	961	959
Treasury stock, 98,234 shares at cost at November 27, 2021 and August 28, 2021	(2,145)	(2,145)
Additional paid-in-capital	1,084,690	1,085,001
Retained earnings	126,959	105,807
Accumulated other comprehensive loss	(858)	(818)
Total stockholders' equity	1,209,607	1,188,804
Total liabilities and stockholders' equity	<u>\$ 2,043,336</u>	<u>\$ 2,052,217</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Thirteen Weeks Ended	
	November 27, 2021	November 28, 2020
Net sales	\$ 281,265	\$ 231,152
Cost of goods sold	164,710	137,111
Gross profit	116,555	94,041
Operating expenses:		
Selling and marketing	30,527	25,195
General and administrative	23,702	25,415
Depreciation and amortization	4,320	4,244
Total operating expenses	58,549	54,854
Income from operations	58,006	39,187
Other income (expense):		
Interest income	1	3
Interest expense	(6,371)	(8,372)
(Loss) gain in fair value change of warrant liability	(17,317)	20,453
(Loss) gain on foreign currency transactions	(353)	9
Other income	9	47
Total other (expense) income	(24,031)	12,140
Income before income taxes	33,975	51,327
Income tax expense	12,823	8,374
Net income	\$ 21,152	\$ 42,953
Other comprehensive income:		
Foreign currency translation adjustments	\$ (40)	\$ (45)
Comprehensive income	\$ 21,112	\$ 42,908
Earnings per share from net income:		
Basic	\$ 0.22	\$ 0.45
Diluted	\$ 0.22	\$ 0.23
Weighted average shares outstanding:		
Basic	95,856,845	95,538,111
Diluted	97,861,573	99,763,119

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Thirteen Weeks Ended	
	November 27, 2021	November 28, 2020
Operating activities		
Net income	\$ 21,152	\$ 42,953
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,741	4,513
Amortization of deferred financing costs and debt discount	821	1,077
Stock compensation expense	2,605	1,110
Loss (gain) in fair value change of warrant liability	17,317	(20,453)
Estimated credit losses	15	—
Unrealized loss on foreign currency transactions	353	9
Deferred income taxes	6,687	4,400
Amortization of operating lease right-of-use asset	1,643	1,182
Loss on operating lease right-of-use asset impairment	—	354
Gain on lease termination	(30)	—
Other	(27)	402
Changes in operating assets and liabilities:		
Accounts receivable, net	(13,993)	(8,604)
Inventories	(15,331)	(18,138)
Prepaid expenses	—	(558)
Other current assets	(98)	2,874
Accounts payable	(14,220)	8,216
Accrued interest	(60)	(240)
Accrued expenses and other current liabilities	(17,902)	(5,127)
Other assets and liabilities	(1,002)	1,227
Net cash (used in) provided by operating activities	<u>(7,329)</u>	<u>15,197</u>
Investing activities		
Purchases of property and equipment	(2,691)	(93)
Issuance of note receivable	(1,500)	—
Proceeds from sale of business	—	5,800
Investments in intangible and other assets	(186)	(114)
Net cash (used in) provided by investing activities	<u>(4,377)</u>	<u>5,593</u>
Financing activities		
Proceeds from option exercises	274	157
Tax payments related to issuance of restricted stock units and performance stock units	(3,188)	(201)
Payments on finance lease obligations	(78)	(78)
Principal payments of long-term debt	(25,000)	(25,000)
Net cash used in financing activities	<u>(27,992)</u>	<u>(25,122)</u>
Cash and cash equivalents		
Net decrease in cash	(39,698)	(4,332)
Effect of exchange rate on cash	(200)	(39)
Cash at beginning of period	75,345	95,847
Cash and cash equivalents at end of period	<u>\$ 35,447</u>	<u>\$ 91,476</u>

	Thirteen Weeks Ended	
	November 27, 2021	November 28, 2020
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 5,731	\$ 7,535
Cash paid for taxes	\$ 8,775	\$ 282
Non-cash investing and financing transactions		
Non-cash proceeds from sale of business	\$ —	\$ 3,000
Operating lease right-of-use assets exchanged for operating lease liabilities	\$ 5,551	\$ 306

See accompanying notes to the unaudited condensed consolidated financial statements.

The Simply Good Foods Company and Subsidiaries
Condensed 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 28, 2021	95,882,908	\$ 959	98,234	\$ (2,145)	\$ 1,085,001	\$ 105,807	\$ (818)	\$ 1,188,804
Net income	—	—	—	—	—	21,152	—	21,152
Stock-based compensation	—	—	—	—	2,605	—	—	2,605
Foreign currency translation adjustments	—	—	—	—	—	—	(40)	(40)
Shares issued upon vesting of restricted stock units and performance stock units	227,729	2	—	—	(3,190)	—	—	(3,188)
Exercise of options to purchase common stock	19,804	—	—	—	274	—	—	274
Balance at November 27, 2021	96,130,441	\$ 961	98,234	\$ (2,145)	\$ 1,084,690	\$ 126,959	\$ (858)	\$ 1,209,607

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance at August 29, 2020	95,751,845	\$ 958	98,234	\$ (2,145)	\$ 1,076,472	\$ 64,927	\$ (879)	\$ 1,139,333
Net income	—	—	—	—	—	42,953	—	42,953
Stock-based compensation	—	—	—	—	1,110	—	—	1,110
Foreign currency translation adjustments	—	—	—	—	—	—	(45)	(45)
Shares issued upon vesting of restricted stock units	53,908	—	—	—	(201)	—	—	(201)
Exercise of options to purchase common stock	13,118	—	—	—	157	—	—	157
Balance at November 28, 2020	95,818,871	\$ 958	98,234	\$ (2,145)	\$ 1,077,538	\$ 107,880	\$ (924)	\$ 1,183,307

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to Unaudited Condensed 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. 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 Atkins®, Atkins Indulge®, and Quest® 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: Atkins® for those following a low-carb lifestyle and Quest® for consumers seeking a variety of protein-rich foods and beverages that also limit sugars and simple carbs. 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 Condensed Consolidated Financial Statements

The unaudited interim condensed 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 condensed consolidated financial statements and related notes of the Company and its subsidiaries are unaudited. The unaudited interim condensed 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 condensed 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 condensed 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 28, 2021, included in the Company’s Annual Report on Form 10-K (“Annual Report”) filed with the SEC on October 26, 2021.

The Company remains uncertain of the ultimate effect COVID-19 could have on its business notwithstanding the distribution of several U.S. government approved vaccines, the availability of booster inoculations and the easing of movement restrictions relative to the onset of COVID-19. This uncertainty stems from the potential for, among other things, (i) the rise of COVID-19 mutations that have resulted in increased rates of reported cases for which currently approved vaccines are or may not be as effective, (ii) unexpected supply chain disruptions, including disruptions resulting from labor shortages or other human capital challenges, (iii) changes to customer operations, (iv) a reversal in recently improving consumer purchasing and consumption behavior, and (v) the closure of or reduced access to customer establishments.

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, which provides optional guidance for a limited period of time to ease the potential burden in accounting for reference rate reform on financial reporting. The amendments in this ASU are effective for all entities and 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, 2022. The amendments of this ASU should be applied on a prospective basis. The Company will continue to monitor the effects of rate reform, if any, on any new or amended contracts through December 31, 2022. The Company does not anticipate the amendments in this ASU will be material to its consolidated financial statements.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which amends existing guidance related to the accounting for income taxes. This ASU was intended to simplify the accounting for income taxes by removing certain exceptions to the general principles of accounting for income taxes and to improve the consistent application of GAAP for other areas of accounting for income taxes by clarifying and amending existing guidance. The Company adopted this ASU as of the first day of fiscal year 2022. The adoption of this ASU did not have a material effect on the consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, Codification Improvements, which provided updates for technical corrections, clarifications to guidance, simplifications to wording or structure of guidance, and other minor improvements across various areas of accounting within GAAP. The Company adopted this ASU as of the first day of fiscal year 2022 on a prospective basis. The adoption of this ASU did not have a material effect on the 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 core brands:

<i>(In thousands)</i>	Thirteen Weeks Ended	
	November 27, 2021	November 28, 2020
North America ⁽¹⁾		
Atkins	\$ 133,794	\$ 122,761
Quest ⁽²⁾	138,294	95,769
Total North America	272,088	218,530
International	9,177	12,622
Total net sales	<u>\$ 281,265</u>	<u>\$ 231,152</u>

⁽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.

⁽²⁾ Quest net sales are primarily in North America.

Charges related to credit loss on accounts receivables from transactions with external customers were immaterial for the thirteen weeks ended November 27, 2021 and approximately \$0.1 million for the thirteen weeks ended November 28, 2020. As of November 27, 2021 and August 28, 2021, the allowances for doubtful accounts related to these accounts receivable were \$1.2 million and \$1.1 million, respectively.

4. Goodwill and Intangibles

As of November 27, 2021 and August 28, 2021, *Goodwill* in the Condensed Consolidated Balance Sheets was \$543.1 million. There were no impairment charges related to goodwill during the thirteen weeks ended November 27, 2021 or since the inception of the Company.

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

<i>(In thousands)</i>	Useful life	November 27, 2021		
		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	33,003	140,997
Licensing agreements	13 years	22,000	7,144	14,856
Proprietary recipes and formulas	7 years	7,000	4,381	2,619
Software and website development costs	3 - 5 years	5,863	3,267	2,596
		<u>\$ 1,182,863</u>	<u>\$ 47,795</u>	<u>\$ 1,135,068</u>

<i>(In thousands)</i>	Useful life	August 28, 2021		
		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	30,103	143,897
Licensing agreements	13 years	22,000	6,664	15,336
Proprietary recipes and formulas	7 years	7,000	4,131	2,869
Software and website development costs	3 - 5 years	5,560	2,924	2,636
Intangible assets in progress	3 - 5 years	303	—	303
		<u>\$ 1,182,863</u>	<u>\$ 43,822</u>	<u>\$ 1,139,041</u>

Changes in *Intangible assets, net* during the thirteen weeks ended November 27, 2021 were primarily related to recurring amortization expense. Amortization expense related to intangible assets was \$4.0 million and \$3.9 million for the thirteen weeks ended November 27, 2021 and November 28, 2020, respectively. There were no impairment charges related to intangible assets during the thirteen weeks ended November 27, 2021 and November 28, 2020.

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

<i>(In thousands)</i>	Amortization
Remainder of 2022	\$ 11,867
2023	15,602
2024	14,917
2025	13,517
2026	13,517
2027 and thereafter	91,648
Total	<u>\$ 161,068</u>

5. Long-Term Debt and Line of Credit

On July 7, 2017, the Company 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 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. The interest rate per annum 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 Euro-currency rate applicable for an interest period of one month plus 1.00% plus (x) 3.00% margin for the Term Loan or (y) 2.00% margin for the Revolving Credit Facility, or (ii) London Interbank Offered Rate (“LIBOR”) adjusted for statutory reserve requirements plus (x) 4.00% margin for the Term Loan subject to a floor of 1.00% or (y) 3.00% margin for the Revolving Credit Facility. 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.

On March 16, 2018 (the “Amendment Date”), the Company entered into an amendment (the “Repricing Amendment”) to the Credit Agreement. As a result of the Repricing Amendment, the interest rate on the Term Loan was reduced and, as of the Amendment Date, such loans had an interest rate equal to, at the Company’s option, either LIBOR plus an applicable margin of 3.50%, or a base rate plus an applicable margin of 2.50%. The Repricing Amendment did not change the interest rate on the Revolving Credit Facility. The Revolving Credit Facility continued to bear interest based upon the Company’s consolidated net leverage ratio as of the last financial statements delivered to the administrative agent. No additional debt was incurred or any proceeds received by the Company in connection with the Repricing Amendment. The incremental fees paid to the administrative agent are reflected as additional debt discount and are amortized over the terms of the long-term financing agreements using the effective-interest method.

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) and as of the Amendment No. 2 Effective Date (as defined in the Incremental Facility Amendment), the Initial Term Loans bear interest at a rate equal to, at the Company’s option, either LIBOR plus an applicable margin of 3.75%, or a base rate plus an applicable margin of 2.75%. 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 provides 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 maturity date of the Initial Term Loans on July 7, 2024 and (ii) December 16, 2026.

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 financial covenants as of November 27, 2021 and August 28, 2021, respectively.

Long-term debt consists of the following:

<i>(In thousands)</i>	November 27, 2021	August 28, 2021
Term Facility (effective rate of 4.8% at November 27, 2021)	431,500	456,500
Finance lease liabilities (effective rate of 5.6% at November 27, 2021)	620	690
Less: Deferred financing fees	4,814	5,636
Total debt	427,306	451,554
Less: Current finance lease liabilities	289	285
Long-term debt, net of deferred financing fees	<u>\$ 427,017</u>	<u>\$ 451,269</u>

The Company is not required to make principal payments on the Term Facility over the twelve months following the period ended November 27, 2021. The outstanding balance of the Term Facility is due upon its maturity in July 2024.

As of November 27, 2021, the Company had letters of credit in the amount of \$3.5 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 at November 27, 2021.

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 November 27, 2021 and August 28, 2021, 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.

Level 3 Measurements

The Company has outstanding liability-classified Private Warrants that allow holders to purchase 6,700,000 shares of the Company's common stock. Such Private Warrants are held by Conyers Park Sponsor, LLC, a related party. The Company utilizes the Black-Scholes model to estimate the fair value of the Private Warrants at each reporting date. The application of the Black-Scholes model utilizes significant assumptions, including volatility. Significant judgment is required in determining the expected volatility, historically the key assumption, of the Private Warrants. In order to determine the most accurate measure of this volatility, the Company measured expected volatility based on several inputs, including considering a peer group of publicly traded companies, the Company's implied volatility based on traded options, the implied volatility of comparable warrants, and the implied volatility of any outstanding public warrants during the periods they were outstanding. As a result of the unobservable inputs that were used to determine the expected volatility of the Private Warrants, the fair value measurement of these warrants reflects a Level 3 measurement within the fair value measurement hierarchy.

There were 6,700,000 Private Warrants outstanding as of November 27, 2021 and November 28, 2020. The table below summarizes the inputs used to calculate the fair value of the warrant liability at each of the following reporting dates:

	November 27, 2021	November 28, 2020
Exercise Price	\$ 11.50	\$ 11.50
Stock Price	\$ 37.93	\$ 22.36
Dividend Yield	— %	— %
Expected Term (in Years)	0.61	1.60
Risk-Free Interest Rate	0.15 %	0.14 %
Expected Volatility	27.34 %	25.60 %
Per Share Value of Warrants	\$ 26.44	\$ 10.92

The periodic remeasurement of the warrant liability is reflected in *(Loss) gain in fair value change of warrant liability* within the Condensed Consolidated Statements of Operations and Comprehensive Income. The adjustments for the thirteen weeks ended November 27, 2021 and November 28, 2020 were a loss of \$17.3 million and a gain of \$20.5 million, respectively. The adjustments resulted in a total warrant liability at November 27, 2021 and November 28, 2020 of \$177.2 million and \$73.2 million, respectively.

7. Income Taxes

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

<i>(In thousands)</i>	Thirteen Weeks Ended	
	November 27, 2021	November 28, 2020
Income before income taxes	\$ 33,975	\$ 51,327
Income tax expense	\$ 12,823	\$ 8,374
Effective tax rate	37.7 %	16.3 %

The effective tax rate for the thirteen weeks ended November 27, 2021 was 21.4% greater than the effective tax rate for the thirteen weeks ended November 28, 2020, which was primarily driven by the non-cash change in the fair value of the warrant liability and other permanent differences.

8. Leases

The components of lease expense were as follows:

<i>(In thousands)</i>	Statements of Operations Caption	Thirteen Weeks Ended	
		November 27, 2021	November 28, 2020
Operating lease cost:			
Lease cost	<i>Cost of goods sold and General and administrative</i>	\$ 2,255	\$ 1,498
Variable lease cost ⁽¹⁾	<i>Cost of goods sold and General and administrative</i>	653	398
Total operating lease cost		2,908	1,896
Finance lease cost:			
Amortization of right-of-use assets	<i>Cost of goods sold</i>	68	68
Interest on lease liabilities	<i>Interest expense</i>	9	13
Total finance lease cost		77	81
Total lease cost		\$ 2,985	\$ 1,977

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

In conjunction with the Company's restructuring activities as discussed in Note 13, Restructuring and Related Charges, the Company recorded an immaterial gain on lease termination related to its lease in the Netherlands in the thirteen weeks ended November 27, 2021 and a \$0.4 million impairment charge related to its operating lease right-of-use asset for its lease in Toronto, Ontario in the thirteen weeks ended November 28, 2020. The effect of these restructuring activities has been included within *General and administrative* on the Condensed Consolidated Statements of Operations and Comprehensive Income. Refer to Note 13, Restructuring and Related Charges, for additional information regarding restructuring activities.

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

<i>(In thousands)</i>	Balance Sheets Caption	November 27, 2021	August 28, 2021
Assets			
Operating lease right-of-use assets	<i>Other long-term assets</i>	\$ 50,116	\$ 46,197
Finance lease right-of-use assets	<i>Property and equipment, net</i>	571	640
Total lease assets		<u>\$ 50,687</u>	<u>\$ 46,837</u>
Liabilities			
Current:			
Operating lease liabilities	<i>Accrued expenses and other current liabilities</i>	\$ 4,774	\$ 3,788
Finance lease liabilities	<i>Current maturities of long-term debt</i>	289	285
Long-term:			
Operating lease liabilities	<i>Other long-term liabilities</i>	48,297	44,892
Finance lease liabilities	<i>Long-term debt, less current maturities</i>	331	405
Total lease liabilities		<u>\$ 53,691</u>	<u>\$ 49,370</u>

Future maturities of lease liabilities as of November 27, 2021 were as follows:

<i>(In thousands)</i>	Operating Leases	Finance Leases
Fiscal year ending:		
Remainder of 2022	\$ 5,490	\$ 235
2023	8,349	278
2024	9,212	145
2025	8,462	—
2026	6,655	—
Thereafter	26,063	—
Total lease payments	64,231	658
Less: Interest	(11,160)	(38)
Present value of lease liabilities	<u>\$ 53,071</u>	<u>\$ 620</u>

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

	November 27, 2021	August 28, 2021
Weighted-average remaining lease term (in years)		
Operating leases	7.83	8.38
Finance leases	2.20	2.44
Weighted-average discount rate		
Operating leases	4.8 %	4.9 %
Finance leases	5.6 %	5.6 %

Supplemental and other information related to leases was as follows:

<i>(In thousands)</i>	Thirteen Weeks Ended	
	November 27, 2021	November 28, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 2,054	\$ 1,811
Operating cash flows from finance leases	\$ 148	\$ 7
Financing cash flows from finance leases	\$ 78	\$ 78

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.

As of November 27, 2021 and August 28, 2021, the Company had \$0.7 million reserved for potential settlements.

Other

The Company has entered into endorsement contracts with certain celebrity figures and social media influencers to promote and endorse the Atkins and Quest 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 November 27, 2021, the Company will be required to make payments of \$2.1 million over the next year.

10. Stockholders' Equity

Warrants to Purchase Common Stock

As of November 27, 2021, the Company has outstanding liability-classified Private Warrants that allow holders to purchase 6,700,000 shares of the Company's common stock. Such Private Warrants are held by Conyers Park Sponsor, LLC, a related party. Each whole warrant entitles the holder to purchase one share of the Company's common stock at a price of \$11.50 per share. The warrants expire on July 7, 2022 or earlier upon redemption or liquidation, as applicable.

As discussed in Note 6, Fair Value of Financial Instruments, the liability-classified warrants are remeasured on a recurring basis, primarily based on observable market data while the related theoretical private warrant volatility assumption within the Black-Scholes model represents a Level 3 measurement within the fair value measurement hierarchy. The periodic remeasurement of the warrant liability is reflected in *(Loss) gain in fair value change of warrant liability* within the Condensed Consolidated Statements of Operations and Comprehensive Income.

Stock Repurchase Program

On November 13, 2018, the Company announced that its Board of Directors had adopted a \$50.0 million stock repurchase program. 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.

During the thirteen weeks ended November 27, 2021 and November 28, 2020, the Company did not repurchase any shares of common stock. As of November 27, 2021, approximately \$47.9 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. In periods in which the Company has a net loss, diluted earnings 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.

As of November 27, 2021, the Company has outstanding liability-classified Private Warrants to purchase 6,700,000 shares of the Company's common stock. During periods when the effect is dilutive, the Company assumes share settlement of the instruments as of the beginning of the reporting period and adjusts the numerator to remove the change in fair value of the warrant liability and adjusts the denominator to include the dilutive shares, calculated using the treasury stock method. During periods when the impact is anti-dilutive, the share settlement is excluded.

The following table reconciles the numerators and denominators used in the computations of both basic and diluted earnings per share:

<i>(In thousands, except per share data)</i>	Thirteen Weeks Ended	
	November 27, 2021	November 28, 2020
Basic earnings per share computation:		
Numerator:		
Net income available to common stockholders	\$ 21,152	\$ 42,953
Denominator:		
Weighted average common shares outstanding - basic	95,856,845	95,538,111
Basic earnings per share from net income	\$ 0.22	\$ 0.45
Diluted earnings per share computation:		
Numerator:		
Net income available for common stockholders	\$ 21,152	\$ 42,953
Gain in fair value change of warrant liability	—	(20,453)
Numerator for diluted earnings per share	\$ 21,152	\$ 22,500
Denominator:		
Weighted average common shares outstanding - basic	95,856,845	95,538,111
Private Warrants	—	3,216,252
Employee stock options	1,652,577	899,375
Non-vested shares	352,151	109,381
Weighted average common shares - diluted	97,861,573	99,763,119
Diluted earnings per share from net income	\$ 0.22	\$ 0.23

The diluted earnings per share calculation for the thirteen weeks ended November 27, 2021 excluded 4.6 million shares, issuable upon exercise of Private Warrants, that would have been anti-dilutive. Diluted earnings per share calculations for the thirteen weeks ended November 27, 2021 and November 28, 2020 excluded 0.2 million and 0.7 million shares of common stock issuable upon exercise of stock options, respectively, that would have been anti-dilutive. An immaterial number of non-vested restricted stock units that would have been anti-dilutive were excluded from diluted earnings per share calculations for the thirteen weeks ended November 27, 2021 and November 28, 2020.

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 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 the recipient's other compensation is reported.

The Company recorded stock-based compensation expense of \$2.6 million and \$1.1 million in the thirteen weeks ended November 27, 2021 and November 28, 2020, respectively.

Stock Options

The following table summarizes stock option activity for the thirteen weeks ended November 27, 2021:

	Shares underlying options	Weighted average exercise price	Weighted average remaining contractual life (years)
Outstanding as of August 28, 2021	2,993,163	\$ 16.31	
Granted	138,479	40.88	
Exercised	(19,804)	13.83	
Forfeited	(2,300)	19.89	
Outstanding as of November 27, 2021	3,109,538	\$ 17.42	6.73
Vested and expected to vest as of November 27, 2021	3,109,538	\$ 17.42	6.73
Exercisable as of November 27, 2021	2,494,944	\$ 14.13	6.10

As of November 27, 2021, the Company had \$6.5 million of total unrecognized compensation cost related to stock option plans that will be recognized over a weighted average period of 2.3 years. During the thirteen weeks ended November 27, 2021 and November 28, 2020, the Company received \$0.3 million and \$0.2 million in cash from stock option exercises, respectively.

Restricted Stock Units

The following table summarizes restricted stock unit activity for the thirteen weeks ended November 27, 2021:

	Units	Weighted average grant-date fair value
Non-vested as of August 28, 2021	496,334	\$ 24.56
Granted	129,423	39.54
Vested	(139,459)	22.13
Forfeited	(10,675)	25.72
Non-vested as of November 27, 2021	475,623	\$ 29.34

As of November 27, 2021, the Company had \$12.1 million of total unrecognized compensation cost related to restricted stock units that will be recognized over a weighted average period of 2.0 years.

Performance Stock Units

During the thirteen weeks ended November 27, 2021, the Board of Directors granted performance stock units under the Company's 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 thirteen weeks ended November 27, 2021:

	Units	Weighted average grant-date fair value
Non-vested as of August 28, 2021	380,097	\$ 19.31
Granted	50,212	63.42
Vested	(166,688)	11.93
Forfeited	(6,350)	16.48
Non-vested as of November 27, 2021	257,271	\$ 32.77

As of November 27, 2021, the Company had \$5.7 million of total unrecognized compensation cost related to performance stock units that will be recognized over a weighted average period of 1.8 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 has been met. SARs cliff vest three years from the date of grant and must be exercised within ten years.

The following table summarizes SARs activity for the thirteen weeks ended November 27, 2021:

	Shares underlying SARs	Weighted average exercise price	Weighted average remaining contractual life (years)
Outstanding as of August 28, 2021	150,000	\$ 24.20	
Granted	—	—	
Exercised	—	—	
Forfeited	—	—	
Outstanding as of November 27, 2021	150,000	\$ 24.20	7.93
Vested and expected to vest as of November 27, 2021	150,000	\$ 24.20	7.93
Exercisable as of November 27, 2021	—	\$ —	0.00

As of November 27, 2021, the Company had \$0.1 million of total unrecognized compensation cost related to its SARs that will be recognized over a weighted average period of 0.9 years.

13. Restructuring and Related Charges

In May 2020, the Company announced certain restructuring activities in conjunction with the implementation of the Company’s future-state organization design, which created a fully integrated organization with its completed acquisition of Quest Nutrition, LLC on November 7, 2019. The new organization design became effective on August 31, 2020. These restructuring plans primarily include workforce reductions, changes in management structure, and the relocation of business activities from one location to another.

The one-time termination benefits and employee severance costs to be incurred in relation to these restructuring activities are accounted for in accordance with ASC Topic 420, Exit or Disposal Cost Obligations, and ASC Topic 712, Compensation - Nonretirement Postemployment Benefits, respectively. The Company recognizes a liability and the related expense for these restructuring costs when the liability is incurred and can be measured. Restructuring accruals are based upon management estimates at the time and can change depending upon changes in facts and circumstances subsequent to the date the original liability was recorded.

Changes to the restructuring liability during the thirteen weeks ended November 27, 2021 were as follows:

(In thousands)	Termination benefits and severance	Other	Restructuring liability
Balance as of August 28, 2021	\$ 851	\$ —	\$ 851
Charges	44	28	72
Cash payments	(748)	(28)	(776)
Balance as of November 27, 2021	\$ 147	\$ —	\$ 147

In addition to the restructuring costs shown above, the Company recorded an immaterial gain on lease termination related to its lease in the Netherlands in the thirteen weeks ended November 27, 2021. As a result, the Company’s total restructuring and restructuring-related costs incurred in the thirteen weeks ended November 27, 2021 were immaterial. The Company incurred a total of \$2.5 million in restructuring and restructuring-related costs in the thirteen weeks ended November 28, 2020. The effect of these restructuring activities has been included within *General and administrative* on the Condensed Consolidated Statements of Operations and Comprehensive Income.

Since the restructuring activities were announced in May 2020, the Company has incurred aggregate restructuring and restructuring-related costs of \$9.9 million. Overall, the Company expects to incur a total of approximately \$10.1 million in restructuring and restructuring-related costs, which are to be paid through the second quarter of fiscal year 2022.

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, the effect of the COVID-19 pandemic on our business, financial condition and results of operations, our expectations regarding our supply chain, including but not limited to, raw materials and logistics costs, and the effect of price increases. 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. 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 28, 2021 ("Annual Report") and our unaudited condensed 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. 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 Atkins®, Atkins Endulge®, and Quest® 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.

Our nutritious snacking platform consists of brands that specialize in providing products for consumers that follow certain nutritional philosophies and health-and-wellness trends: Atkins® for those following a low-carb lifestyle and Quest® for consumers seeking a variety of protein-rich foods and beverages that also limit sugars and simple carbs. 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.

Effects of COVID-19

For the thirteen weeks ended November 27, 2021, our business improved from the end of fiscal year 2021, driven in part by the increasing normalization of consumer mobility and shopper traffic patterns in brick and mortar retailers versus prior periods that were pressured by COVID-19 movement restrictions. The improvement in consumer mobility and shopper traffic patterns however remains fragile and there continues to be uncertainty related to the sustainability and longevity of these trends. In addition, these positive trends could be negatively affected by an increase in the number and rate of reported positive cases of COVID-19, especially resulting from new variants of the virus, along with any government actions to reimpose mobility restrictions. During fiscal year 2022, we expect our business performance will continue to be affected by the level of consumer mobility, which includes the rate at which consumers return to working outside the home.

We have actively engaged with the various elements of our value chain, including our retail customers, contract manufacturers, and logistics and transportation providers, to meet demand for our products and to remain informed of any challenges within our value chain. Although consumer consumption habits have become steadier, inventory levels remain variable. Based on information available to us as of the date of this Report, we believe we will be able to deliver products at acceptable levels to fulfil customer orders on a timely basis; therefore, we expect our products will continue to be available for purchase to meet consumer meal replacement and snacking needs

for the foreseeable future. We continue to monitor customer and consumer demand along with our logistics capabilities and intend to adapt our plans as needed to continue to drive our business and meet our obligations during the continuing and evolving COVID-19 situation.

We remain uncertain of the ultimate effect COVID-19 could have on our business notwithstanding the distribution of several U.S. government approved vaccines, the availability of booster inoculations and the easing of movement restrictions relative to the onset of COVID-19. This uncertainty stems from the potential for, among other things, (i) the rise of COVID-19 mutations that have resulted in increased rates of reported cases for which currently approved vaccines are or may not be as effective, (ii) unexpected supply chain disruptions, including disruptions resulting from labor shortages or other human capital challenges, (iii) changes to customer operations, (iv) a reversal in recently improving consumer purchasing and consumption behavior, and (v) the closure of or reduced access to customer establishments.

Restructuring and Related Charges

In May 2020, we announced certain restructuring activities in conjunction with the implementation of our future-state organization design, which created a fully integrated organization with our completed acquisition of Quest Nutrition, LLC on November 7, 2019. The new organization design became effective on August 31, 2020. These restructuring plans primarily include workforce reductions, changes in management structure, and the relocation of business activities from one location to another.

Total restructuring and restructuring-related costs incurred in the thirteen weeks ended November 27, 2021 were immaterial. We incurred a total of \$2.5 million in restructuring and restructuring-related costs in the thirteen weeks ended November 28, 2020. The effect of these restructuring activities has been included within *General and administrative* on the Condensed Consolidated Statements of Operations and Comprehensive Income. Since the restructuring activities were announced in May 2020, we have incurred aggregate restructuring and restructuring-related costs of \$9.9 million. Overall, we expect to incur a total of approximately \$10.1 million in restructuring and restructuring-related costs, including the \$9.9 million previously incurred, and the balance of which will be paid through the second quarter of fiscal year 2022. As of November 27, 2021, the outstanding restructuring liability was \$0.1 million. Refer to Note 13, Restructuring and Related Charges, of our Notes to Unaudited Condensed Consolidated Financial Statements in this Report for additional information regarding restructuring activities.

SimplyProtein Sale

Effective September 24, 2020, we sold the assets exclusively related to our SimplyProtein® brand of products for approximately \$8.8 million of consideration, including cash of \$5.8 million and a note receivable for \$3.0 million, to a newly formed entity led by the Company's former Canadian-based management team who had been responsible for this brand prior to the sale transaction (the "SimplyProtein Sale"). In addition to purchasing these assets, the buyer assumed certain liabilities related to the SimplyProtein® brand's business. There was no gain or loss recognized as a result of the SimplyProtein Sale. The transaction has enabled our management to focus its full time and resources on our core Atkins® and Quest® branded businesses and other strategic initiatives.

Supply Chain

We expect higher raw material and logistics costs in fiscal year 2022. As a result, we instituted a price increase effective in September 2021, the first month of our fiscal year 2022. Management believes the price increase and cost savings initiatives will enable us to continue to invest in projects that drive growth.

We have begun to see logistics challenges, which we believe have contributed to lower retail and e-commerce sales of our products due to out-of-stock situations, delayed recognition of sales and higher than historical inventory levels. In addition, we could experience additional lost sale opportunities at our retail and e-commerce customers if our products are not available for purchase as a result of disruptions in our supply chain relating to an inability to obtain ingredients or packaging, labor challenges at our logistics providers or our contract manufacturers, or if our customers experience delays in stocking our products.

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, 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, 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.

Results of Operations

Sales and earnings growth improved for both the Atkins® and Quest® brands during the thirteen weeks ended November 27, 2021, driven by improving consumer mobility and shopper trips compared to the thirteen weeks ended November 28, 2020, as well as increasing household penetration and innovation that continues to resonate with consumers. As a result of the price increase effective in September 2021 as well as favorable product form and retail channel mix, we were able to more than offset the unfavorable effects of higher raw material costs, logistics costs, and supply chain challenges in the thirteen weeks ended November 27, 2021 and achieve gross margin expansion and earnings growth. As previously discussed above in “Supply Chain,” we continue to expect to have higher raw material and logistics costs in fiscal year 2022 as compared to fiscal year 2021.

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, the 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 November 27, 2021 and the Thirteen Weeks Ended November 28, 2020

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

<i>(In thousands)</i>	Thirteen Weeks Ended		Thirteen Weeks Ended	
	November 27, 2021	% of Sales	November 28, 2020	% of Sales
Net sales	\$ 281,265	100.0 %	\$ 231,152	100.0 %
Cost of goods sold	164,710	58.6 %	137,111	59.3 %
Gross profit	116,555	41.4 %	94,041	40.7 %
Operating expenses:				
Selling and marketing	30,527	10.9 %	25,195	10.9 %
General and administrative	23,702	8.4 %	25,415	11.0 %
Depreciation and amortization	4,320	1.5 %	4,244	1.8 %
Total operating expenses	58,549	20.8 %	54,854	23.7 %
Income from operations	58,006	20.6 %	39,187	17.0 %
Other income (expense):				
Interest income	1	— %	3	— %
Interest expense	(6,371)	(2.3)%	(8,372)	(3.6)%
(Loss) gain in fair value change of warrant liability	(17,317)	(6.2)%	20,453	8.8 %
(Loss) gain on foreign currency transactions	(353)	(0.1)%	9	— %
Other income	9	— %	47	— %
Total other (expense) income	(24,031)	(8.5)%	12,140	5.3 %
Income before income taxes	33,975	12.1 %	51,327	22.2 %
Income tax expense	12,823	4.6 %	8,374	3.6 %
Net income	<u>\$ 21,152</u>	<u>7.5 %</u>	<u>\$ 42,953</u>	<u>18.6 %</u>
Other financial data:				
Adjusted EBITDA ⁽¹⁾	<u>\$ 65,615</u>	<u>23.3 %</u>	<u>\$ 48,697</u>	<u>21.1 %</u>

⁽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 \$281.3 million represented an increase of \$50.1 million, or 21.7%, for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020. The increase was primarily attributable to retail sales volume growth and e-commerce growth for both the Atkins® and Quest® brands, which increased our North America net sales by 24.5% in the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020. Additionally, we instituted a price increase effective in September 2021, the first month of our fiscal year 2022. The increase in net sales was partially offset by a 27.3% decline in our international business due to the European exit. The European exit represented a 1.6% headwind to total Company net sales growth.

Cost of goods sold. Cost of goods sold increased \$27.6 million, or 20.1%, for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020. The cost of goods sold increase was driven by the sales volume growth for both the Atkins® and Quest® brands, as discussed above. Additionally, our cost of goods sold for the thirteen weeks ended November 27, 2021 was unfavorably affected by higher raw material costs, logistics costs, and supply chain challenges. As previously discussed above in “Supply Chain,” we continue to expect to have higher raw material and logistics costs in fiscal year 2022 as compared to fiscal year 2021.

Gross profit. Gross profit increased \$22.5 million, or 23.9%, for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020, which was primarily driven by the sales volume growth for both the Quest® and Atkins®

brands as discussed above. Gross profit of \$116.6 million, or 41.4% of net sales, for the thirteen weeks ended November 27, 2021 increased 70 basis points from 40.7% of net sales for the thirteen weeks ended November 28, 2020. The increase in gross profit margin was primarily the result of the price increase which became effective in September 2021 as well as favorable product form and retail channel mix given higher shopper traffic volume within brick and mortar retailers. The increase in gross profit margin was partially offset by the unfavorable effects of higher raw material costs, logistics costs, and supply chain challenges in the thirteen weeks ended November 27, 2021 as previously discussed.

Operating expenses. Operating expenses increased \$3.7 million, or 6.7%, for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020 due to the following:

- **Selling and marketing.** Selling and marketing expenses increased \$5.3 million, or 21.2%, for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020. The increase was primarily related to additional brand building initiatives for both Atkins® and Quest® in the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020.
- **General and administrative.** General and administrative expenses decreased \$1.7 million, or 6.7%, for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020. The decrease was primarily attributable to reductions in costs related to business integration activities of \$1.2 million and restructuring charges of \$2.5 million in the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020. These decreases were partially offset by an increase in incentive compensation, including an increase of stock-based compensation of \$1.5 million, in the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020.
- **Depreciation and amortization.** Depreciation and amortization expenses remained approximately flat at \$4.3 million for the thirteen weeks ended November 27, 2021 and \$4.2 million for the November 28, 2020.

Interest income. Interest income was nominal for each of the thirteen weeks ended November 27, 2021 and November 28, 2020.

Interest expense. Interest expense decreased \$2.0 million for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020, primarily due to principal payments reducing the outstanding balance of the Term Facility (as defined below) to \$431.5 million as of November 27, 2021 from \$581.5 million as of November 28, 2020. Additionally, interest expense related to the amortization of deferred financing costs and debt discount decreased \$0.3 million for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020.

(Loss) gain in fair value change of warrant liability. During thirteen weeks ended November 27, 2021 and November 28, 2020, we recorded a non-cash loss of \$17.3 million and a non-cash gain of \$20.5 million, respectively, related to changes in valuation of our liability-classified warrants issued through a private placement (“Private Warrants”), which is primarily driven by movements in our stock price.

(Loss) gain on foreign currency transactions. A loss of \$0.4 million in foreign currency transactions was recorded for the thirteen weeks ended November 27, 2021 compared to an immaterial foreign currency gain for the thirteen weeks ended November 28, 2020. The variance primarily relates to changes in foreign currency rates related to our international operations.

Income tax expense. Income tax expense increased \$4.4 million for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020. The increase in our income tax expense is primarily driven by higher income from operations, partially offset by changes in permanent differences.

Net income. Net income was \$21.2 million for the thirteen weeks ended November 27, 2021, a decrease of \$21.8 million compared to net income of \$43.0 million for the thirteen weeks ended November 28, 2020. The decrease in net income was primarily driven by the non-cash fair value loss of \$17.3 million in the thirteen weeks ended November 27, 2021 compared to a non-cash fair value gain of \$20.5 million in the thirteen weeks ended November 28, 2020 related to the measurement of our liability-classified Private Warrants, which was partially offset by increased income from operations driven by the Atkins® and Quest® brand sales volume growth as discussed above.

Adjusted EBITDA. Adjusted EBITDA increased \$16.9 million, or 34.7% for the thirteen weeks ended November 27, 2021 compared to the thirteen weeks ended November 28, 2020, driven primarily by sales volume growth for the Atkins® and Quest® brands as discussed above. 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). Simply Good Foods 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, integration costs, restructuring costs, gain or loss in fair value change of warrant liability, 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 Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in its industry. 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 weeks ended November 27, 2021 and November 28, 2020:

<i>(In thousands)</i>	Thirteen Weeks Ended	
	November 27, 2021	November 28, 2020
Net income	\$ 21,152	\$ 42,953
Interest income	(1)	(3)
Interest expense	6,371	8,372
Income tax expense	12,823	8,374
Depreciation and amortization	4,741	4,513
EBITDA	45,086	64,209
Stock-based compensation expense	2,605	1,110
Integration of Quest	55	1,246
Restructuring	42	2,519
Loss (gain) in fair value change of warrant liability	17,317	(20,453)
Other ⁽¹⁾	510	66
Adjusted EBITDA	\$ 65,615	\$ 48,697

⁽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, and acquisition opportunities.

We had \$35.4 million in cash as of November 27, 2021. 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 Condensed 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 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 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. The interest rate per annum 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 Euro-currency rate applicable for an interest period of one month plus 1.00% plus (x) 3.00% margin for the Term Loan or (y) 2.00% margin for the Revolving Credit Facility, or (ii) London Interbank Offered Rate (“LIBOR”) adjusted for statutory reserve requirements plus (x) 4.00% margin for the Term Loan subject to a floor of 1.00% or (y) 3.00% margin for the Revolving Credit Facility. 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 our 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.

On March 16, 2018 (the “Amendment Date”), we entered into an amendment (the “Repricing Amendment”) to the Credit Agreement. As a result of the Repricing Amendment, the interest rate on the Term Loan was reduced and, as of the Amendment Date, such loans had an interest rate equal to, at our option, either LIBOR plus an applicable margin of 3.50% or a base rate plus an applicable margin of 2.50%. The Repricing Amendment did not change the interest rate on the Revolving Credit Facility. The Revolving Credit Facility continued to bear interest based upon our consolidated net leverage ratio as of the last financial statements delivered to the administrative agent. No additional debt was incurred or any proceeds received by us in connection with the Repricing Amendment. The incremental fees paid to the administrative agent are reflected as additional debt discount and are amortized over the terms of the long-term financing agreements using the effective-interest method.

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) and as of the Amendment No. 2 Effective Date (as defined in the Incremental Facility Amendment), the Initial Term Loans bear interest at a rate equal to, at our option, either LIBOR plus an applicable margin of 3.75% or a base rate plus an applicable margin of 2.75%. 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 provides 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 maturity date of the Initial Term Loans on July 7, 2024 and (ii) December 16, 2026.

The Applicable Rate per annum applicable to the loans under the Credit Agreement Amendment is, with respect to any Initial Term Loan that is an ABR Loan (as defined in the Credit Agreement), 2.75% per annum, and with respect to any Initial Term Loan that is a Eurodollar Loan, 3.75% per annum. The incremental term loans will mature on the maturity date applicable to the Initial Term Loans, which is July 7, 2024.

The Credit Agreement contains certain financial and other covenants that limit our 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. We were in compliance with all financial covenants as of November 27, 2021 and August 28, 2021, respectively.

At November 27, 2021, the outstanding balance of the Term Facility was \$431.5 million. We are not required to make principal payments on the Term Facility over the twelve months following the period ended November 27, 2021. The outstanding balance of the Term Facility is due upon its maturity in July 2024. As of November 27, 2021, there were no amounts drawn against the Revolving Credit Facility.

Private Warrants to Purchase Common Stock

As of November 27, 2021, we have outstanding liability-classified Private Warrants that allow holders to purchase 6,700,000 shares of the Company's common stock. Such Private Warrants are held by Conyers Park Sponsor, LLC, a related party. Each whole warrant entitles the holder to purchase one share of the Company's common stock at a price of \$11.50 per share. If all Private Warrants are exercised at the \$11.50 exercise price per warrant, our cash would increase by \$77.1 million. The warrants expire on July 7, 2022 or earlier upon redemption or liquidation, as applicable.

Cash Flows

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

	Thirteen Weeks Ended	
	November 27, 2021	November 28, 2020
Net cash (used in) provided by operating activities	\$ (7,329)	\$ 15,197
Net cash (used in) provided by investing activities	\$ (4,377)	\$ 5,593
Net cash used in financing activities	\$ (27,992)	\$ (25,122)

Operating activities. Our net cash (used in) provided by operating activities decreased \$22.5 million to \$7.3 million cash used in operating activities for the thirteen weeks ended November 27, 2021 compared to cash provided by operating activities of \$15.2 million for the thirteen weeks ended November 28, 2020. The decrease in cash provided by operating activities was primarily attributable to changes in working capital, including \$14.0 million of accounts receivable, net, \$14.2 million of accounts payable and \$17.9 million of accrued expenses and other current liabilities due to timing of payments and receipts during the thirteen weeks ended November 27, 2021. Additionally, seasonal building of inventory levels contributed to \$15.3 million of negative working capital changes in inventory for the thirteen weeks ended November 27, 2021. These decreases in cash provided by operating activities were partially offset by the \$18.8 million increase in income from operations primarily attributable to retail sales volume growth and e-commerce growth for both the Atkins® and Quest® brands as discussed in "Results of Operations" above.

Investing activities. Our net cash used in investing activities was \$4.4 million for the thirteen weeks ended November 27, 2021 compared to net cash provided by investing activities of \$5.6 million for the thirteen weeks ended November 28, 2020. Our net cash used in investing activities for the thirteen weeks ended November 27, 2021 primarily comprised \$2.7 million of purchases of property and equipment and the issuance of a \$1.5 million note receivable. The \$5.6 million of net cash provided by investing activities for the thirteen weeks ended November 28, 2020 primarily comprised the \$5.8 million of cash proceeds received from the SimplyProtein Sale.

Financing activities. Our net cash used in financing activities was \$28.0 million for the thirteen weeks ended November 27, 2021 compared to \$25.1 million for the thirteen weeks ended November 28, 2020. Net cash used in financing activities for the thirteen weeks ended November 27, 2021 primarily consisted of \$25.0 million in principal payments on the Term Facility and \$3.2 million of tax payments related to issuance of restricted stock units and performance stock units. Net cash used in financing activities for the thirteen weeks ended November 28, 2020 primarily consisted of \$25.0 million in principal payments on the Term Facility.

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 November 27, 2021. We continue to expect to experience logistics challenges in our supply chain as well as higher raw material and logistics costs in fiscal year 2022. We instituted a price increase effective in September 2021, the first month of our fiscal year 2022, which management believes, along with productivity initiatives, will enable us to continue to invest in projects that drive growth. We are continuing to assess available alternatives to mitigate potential input cost inflation for fiscal year 2022. 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 November 27, 2021, 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 November 27, 2021 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. 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.

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

None.

Item 6. Exhibits

Exhibit No.	Document
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.
10.1	Amendment No. 3 (Extension Amendment), dated as of December 16, 2021, by and 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 and the financial institutions party thereto as Consenting Lenders and the Replacement Lender and Barclays Bank PLC, as administrative agent.
101.INS	XBRL Instance 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).

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: January 5, 2022

Name: Timothy A. Matthews

Title: Vice President, Controller, and Chief Accounting Officer
(Principal Accounting Officer)

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, Joseph E. Scalzo, 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: January 5, 2022 By: /s/ Joseph E. Scalzo

Name: _____
Joseph E. Scalzo

Title: Chief Executive Officer, President and Director
(Principal Executive Officer)

**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 November 27, 2021 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: January 5, 2022 By: /s/ Joseph E. Scalzo
Name: Joseph E. Scalzo
Title: Chief Executive Officer, President and Director
(Principal Executive Officer)

Date: January 5, 2022 By: /s/ Todd E. Cunfer
Name: Todd E. Cunfer
Title: Chief Financial Officer
(Principal Financial Officer)