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

Form10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

or

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

For the transition period from to

Commission file number 000-04065

Lancaster Colony Corporation

(Exact name of registrant as specified in its charter)

Ohio	**13-1955943**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
380 Polaris Parkway Suite 400 Westerville Ohio	**43082**
(Address of principal executive offices)	**(Zip Code)**

(614) 224-7141

(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, without par value	LANC	NASDAQ Global Select Market

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

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

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

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

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

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

As of April 12, 2024, there were approximately 27,527,000 shares of Common Stock, without par value, outstanding.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES
TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION		3
Item 1.	Condensed Consolidated Financial Statements (unaudited):	
	Condensed Consolidated Balance Sheets – March 31, 2024 and June 30, 2023	3
	Condensed Consolidated Statements of Income – Three and Nine Months Ended March 31, 2024 and 2023	4
	Condensed Consolidated Statements of Comprehensive Income – Three and Nine Months Ended March 31, 2024 and 2023	5
	Condensed Consolidated Statements of Cash Flows – Nine Months Ended March 31, 2024 and 2023	6
	Condensed Consolidated Statements of Shareholders' Equity – Nine Months Ended March 31, 2024 and 2023	7
	Notes to Condensed Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	22
PART II – OTHER INFORMATION		23
Item 1.	Legal Proceedings	23
Item 1A.	Risk Factors	23
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 6.	Exhibits	23
SIGNATURES		25

PART I – FINANCIAL INFORMATION

Item 1. ***Condensed Consolidated Financial Statements***

LANCASTER COLONY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Amounts in thousands, except share data)	March 31, 2024	June 30, 2023
ASSETS		
Current Assets:		
Cash and equivalents	**$ 164,756**	$ 88,473
Receivables	**102,637**	114,967
Inventories:		
Raw materials	**41,758**	40,761
Finished goods	**119,330**	117,504
Total inventories	**161,088**	158,265
Other current assets	**12,250**	12,758
Total current assets	**440,731**	374,463
Property, Plant and Equipment:		
Property, plant and equipment-gross	**873,976**	853,709
Less accumulated depreciation	**390,314**	371,503
Property, plant and equipment-net	**483,662**	482,206
Other Assets:		
Goodwill	**208,371**	208,371
Other intangible assets-net	**—**	4,840
Operating lease right-of-use assets	**18,839**	24,743
Other noncurrent assets	**20,409**	18,371
Total	**$ 1,172,012**	$ 1,112,994
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 120,528**	$ 111,758
Accrued liabilities	**69,258**	56,994
Total current liabilities	**189,786**	168,752
Noncurrent Operating Lease Liabilities	**11,508**	16,967
Other Noncurrent Liabilities	**15,218**	17,683
Deferred Income Taxes	**42,648**	47,325
Commitments and Contingencies		
Shareholders' Equity:		
Preferred stock-authorized 3,050,000 shares; outstanding-none		
Common stock-authorized 75,000,000 shares; outstanding-March-27,527,412 shares; June-27,527,550 shares	**151,178**	143,870
Retained earnings	**1,554,635**	1,503,963
Accumulated other comprehensive loss	**(9,139)**	(9,365)
Common stock in treasury, at cost	**(783,822)**	(776,201)
Total shareholders' equity	**912,852**	862,267
Total	**$ 1,172,012**	$ 1,112,994

See accompanying notes to condensed consolidated financial statements.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Amounts in thousands, except per share data)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	**2024**	2023
Net Sales	**$ 471,446**	$ 464,935	**$ 1,418,934**	$ 1,367,866
Cost of Sales	**366,952**	370,698	**1,084,250**	1,072,472
Gross Profit	**104,494**	94,237	**334,684**	295,394
Selling, General and Administrative Expenses	**57,211**	64,829	**164,872**	165,361
Restructuring and Impairment Charges	**12,137**	—	**12,137**	—
Operating Income	**35,146**	29,408	**157,675**	130,033
Other, Net	**1,748**	607	**4,030**	815
Income Before Income Taxes	**36,894**	30,015	**161,705**	130,848
Taxes Based on Income	**8,544**	5,460	**37,920**	28,728
Net Income	**$ 28,350**	$ 24,555	**$ 123,785**	$ 102,120
Net Income Per Common Share:				
Basic and Diluted	**$ 1.03**	$ 0.89	**$ 4.50**	$ 3.71
Weighted Average Common Shares Outstanding:				
Basic	**27,436**	27,465	**27,437**	27,462
Diluted	**27,451**	27,487	**27,455**	27,479

See accompanying notes to condensed consolidated financial statements.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
(Amounts in thousands)	**2024**	2023	**2024**	2023
Net Income	**$ 28,350**	$ 24,555	**$ 123,785**	$ 102,120
Other Comprehensive Income:				
Defined Benefit Pension and Postretirement Benefit Plans:				
Amortization of loss, before tax	**143**	170	**430**	510
Amortization of prior service credit, before tax	**(45)**	(45)	**(135)**	(136)
Total Other Comprehensive Income, Before Tax	**98**	125	**295**	374
Tax Attributes of Items in Other Comprehensive Income:				
Amortization of loss, tax	**(34)**	(39)	**(101)**	(119)
Amortization of prior service credit, tax	**11**	11	**32**	32
Total Tax Expense	**(23)**	(28)	**(69)**	(87)
Other Comprehensive Income, Net of Tax	**75**	97	**226**	287
Comprehensive Income	**$ 28,425**	$ 24,652	**$ 124,011**	$ 102,407

See accompanying notes to condensed consolidated financial statements.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended March 31,	
(Amounts in thousands)	**2024**	2023
Cash Flows From Operating Activities:		
Net income	**$ 123,785**	$ 102,120
Adjustments to reconcile net income to net cash provided by operating activities:		
Impacts of noncash items:		
Depreciation and amortization	**41,894**	36,665
Deferred income taxes and other changes	**(2,616)**	13,714
Stock-based compensation expense	**8,921**	6,924
Restructuring and impairment charges	**12,137**	—
Pension plan activity	**256**	(166)
Changes in operating assets and liabilities:		
Receivables	**12,330**	5,490
Inventories	**(2,823)**	(10,051)
Other current assets	**483**	(11,511)
Accounts payable and accrued liabilities	**23,087**	40,966
Net cash provided by operating activities	**217,454**	184,151
Cash Flows From Investing Activities:		
Payments for property additions	**(52,008)**	(78,847)
Proceeds from sale of property	**50**	1,209
Other-net	**(5,400)**	(1,283)
Net cash used in investing activities	**(57,358)**	(78,921)
Cash Flows From Financing Activities:		
Payment of dividends	**(73,113)**	(68,946)
Purchase of treasury stock	**(7,621)**	(9,188)
Tax withholdings for stock-based compensation	**(1,613)**	(2,700)
Principal payments for finance leases	**(1,466)**	(1,818)
Net cash used in financing activities	**(83,813)**	(82,652)
Net change in cash and equivalents	**76,283**	22,578
Cash and equivalents at beginning of year	**88,473**	60,283
Cash and equivalents at end of period	**$ 164,756**	$ 82,861
Supplemental Disclosure of Operating Cash Flows:		
Net cash payments for income taxes	**$ 29,151**	$ 26,371

See accompanying notes to condensed consolidated financial statements.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

	Nine Months Ended March 31, 2024					
	Common Stock Outstanding		Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
(Amounts in thousands, except per share data)	Shares	Amount				
Balance, June 30, 2023	27,528	$ 143,870	$ 1,503,963	$ (9,365)	$ (776,201)	$ 862,267
Net income			**43,951**			**43,951**
Net pension and postretirement benefit gains, net of $23 tax effect				**76**		**76**
Cash dividends - common stock ($0.85 per share)			**(23,445)**			**(23,445)**
Purchase of treasury stock	**(40)**				**(6,650)**	**(6,650)**
Stock-based plans	**29**	**—**				**—**
Stock-based compensation expense		**2,569**				**2,569**
Balance, September 30, 2023	**27,517**	**$ 146,439**	**$ 1,524,469**	**$ (9,289)**	**$ (782,851)**	**$ 878,768**
Net income			**51,484**			**51,484**
Net pension and postretirement benefit gains, net of $23 tax effect				**75**		**75**
Cash dividends - common stock ($0.90 per share)			**(24,810)**			**(24,810)**
Purchase of treasury stock	**—**				**(42)**	**(42)**
Stock-based plans	**4**	**(3)**				**(3)**
Stock-based compensation expense		**2,854**				**2,854**
Balance, December 31, 2023	**27,521**	**$ 149,290**	**$ 1,551,143**	**$ (9,214)**	**$ (782,893)**	**$ 908,326**
Net income			**28,350**			**28,350**
Net pension and postretirement benefit gains, net of $23 tax effect				**75**		**75**
Cash dividends - common stock ($0.90 per share)			**(24,858)**			**(24,858)**
Purchase of treasury stock	**(5)**				**(929)**	**(929)**
Stock-based plans	**11**	**(1,610)**				**(1,610)**
Stock-based compensation expense		**3,498**				**3,498**
Balance, March 31, 2024	**27,527**	**$ 151,178**	**$ 1,554,635**	**$ (9,139)**	**$ (783,822)**	**$ 912,852**

See accompanying notes to condensed consolidated financial statements.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)
(UNAUDITED)

	Nine Months Ended March 31, 2023					
(Amounts in thousands, except per share data)	Common Stock Outstanding		Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
	Shares	Amount				
Balance, June 30, 2022	27,520	$ 137,814	$ 1,485,045	$ (11,172)	$ (767,000)	$ 844,687
Net income			37,592			37,592
Net pension and postretirement benefit gains, net of $29 tax effect				95		95
Cash dividends - common stock ($0.80 per share)			(22,067)			(22,067)
Purchase of treasury stock	—				(84)	(84)
Stock-based plans	34	(617)				(617)
Stock-based compensation expense		2,465				2,465
Balance, September 30, 2022	27,554	$ 139,662	$ 1,500,570	$ (11,077)	$ (767,084)	$ 862,071
Net income			39,973			39,973
Net pension and postretirement benefit gains, net of $30 tax effect				95		95
Cash dividends - common stock ($0.85 per share)			(23,462)			(23,462)
Purchase of treasury stock	(1)				(125)	(125)
Stock-based plans	18	(1,801)				(1,801)
Stock-based compensation expense		2,799				2,799
Balance, December 31, 2022	27,571	$ 140,660	$ 1,517,081	$ (10,982)	$ (767,209)	$ 879,550
Net income			24,555			24,555
Net pension and postretirement benefit gains, net of $28 tax effect				97		97
Cash dividends - common stock ($0.85 per share)			(23,417)			(23,417)
Purchase of treasury stock	(47)				(8,979)	(8,979)
Stock-based plans	(1)	(282)				(282)
Stock-based compensation expense		1,660				1,660
Balance, March 31, 2023	27,523	$ 142,038	$ 1,518,219	$ (10,885)	$ (776,188)	$ 873,184

See accompanying notes to condensed consolidated financial statements.

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Lancaster Colony Corporation and our wholly-owned subsidiaries, collectively referred to as "we," "us," "our," "registrant" or the "Company" and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and SEC Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, the interim condensed consolidated financial statements reflect all adjustments necessary for a fair presentation of the results of operations and financial position for such periods. All such adjustments reflected in the interim condensed consolidated financial statements are considered to be of a normal recurring nature. Intercompany transactions and accounts have been eliminated in consolidation. The results of operations for any interim period are not necessarily indicative of results for the full year. Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in our 2023 Annual Report on Form 10-K. Unless otherwise noted, the term "year" and references to a particular year pertain to our fiscal year, which begins on July 1 and ends on June 30; for example, 2024 refers to fiscal 2024, which is the period from July 1, 2023 to June 30, 2024.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, except for those acquired as part of a business combination, which are recorded at fair value at the time of purchase. We use the straight-line method of computing depreciation for financial reporting purposes based on the estimated useful lives of the corresponding assets. Purchases of property, plant and equipment included in Accounts Payable and excluded from the property additions and the change in accounts payable in the Condensed Consolidated Statements of Cash Flows were as follows:

	March 31,	
	2024	2023
Construction in progress in Accounts Payable	**$ 4,144**	$ 9,281

In the three months ended March 31, 2024, we recorded an impairment charge of $6.2 million for certain property, plant and equipment related to Angelic Bakehouse and Flatout. This charge resulted from our decision to exit our perimeter-of-the-store bakery product lines, which triggered impairment testing, and represents the excess of the carrying value over the fair value. The fair value was based on estimated selling prices for the real estate and manufacturing equipment at the Angelic Bakehouse sprouted grain bakery facility in Cudahy, Wisconsin and the Flatout flatbread facility in Saline, Michigan, which represents a Level 3 measurement within the fair value hierarchy. The impairment charge was reflected in Restructuring and Impairment Charges and was not allocated to our two reportable segments due to its unusual nature.

Accrued Compensation and Employee Benefits

Accrued compensation and employee benefits included in Accrued Liabilities was $30.1 million and $26.3 million at March 31, 2024 and June 30, 2023, respectively.

Earnings Per Share

Earnings per share ("EPS") is computed based on the weighted average number of shares of common stock and common stock equivalents (restricted stock, stock-settled stock appreciation rights and performance units) outstanding during each period. Unvested shares of restricted stock granted to employees are considered participating securities since employees receive nonforfeitable dividends prior to vesting and, therefore, are included in the earnings allocation in computing EPS under the two-class method. Basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing income available to common shareholders by the diluted weighted average number of common shares outstanding during the period, which includes the dilutive potential common shares associated with nonparticipating restricted stock, stock-settled stock appreciation rights and performance units.

Basic and diluted net income per common share were calculated as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	**2024**	2023
Net income	**$ 28,350**	$ 24,555	**$ 123,785**	$ 102,120
Net income available to participating securities	**(65)**	(43)	**(333)**	(246)
Net income available to common shareholders	**$ 28,285**	$ 24,512	**$ 123,452**	$ 101,874
Weighted average common shares outstanding – basic	**27,436**	27,465	**27,437**	27,462
Incremental share effect from:				
Nonparticipating restricted stock	**2**	1	**3**	2
Stock-settled stock appreciation rights (1)	**4**	19	**7**	12
Performance units	**9**	2	**8**	3
Weighted average common shares outstanding – diluted	**27,451**	27,487	**27,455**	27,479
Net income per common share – basic and diluted	**$ 1.03**	$ 0.89	**$ 4.50**	$ 3.71

(1) Excludes the impact of 0.1 million weighted average stock-settled stock appreciation rights outstanding for the nine months ended March 31, 2024 and 2023 because their effect was antidilutive.

Accumulated Other Comprehensive Loss

The following table presents the amounts reclassified out of accumulated other comprehensive loss by component:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	**2024**	2023
Accumulated other comprehensive loss at beginning of period	**$ (9,214)**	$ (10,982)	**$ (9,365)**	$ (11,172)
Defined Benefit Pension Plan Items:				
Amortization of unrecognized net loss	**158**	181	**475**	544
Postretirement Benefit Plan Items:				
Amortization of unrecognized net gain	**(15)**	(11)	**(45)**	(34)
Amortization of prior service credit	**(45)**	(45)	**(135)**	(136)
Total other comprehensive income, before tax	**98**	125	**295**	374
Total tax expense	**(23)**	(28)	**(69)**	(87)
Other comprehensive income, net of tax	**75**	97	**226**	287
Accumulated other comprehensive loss at end of period	**$ (9,139)**	$ (10,885)	**$ (9,139)**	$ (10,885)

Significant Accounting Policies

There were no changes to our Significant Accounting Policies from those disclosed in our 2023 Annual Report on Form 10-K.

Recent Accounting Standards

In November 2023, the Financial Accounting Standards Board ("FASB") issued new accounting guidance related to the disclosure requirements for reportable segments. The new guidance requires enhanced disclosures about significant segment expenses. Additionally, all current annual disclosures about a reportable segment's profit or loss and assets will also be required in interim periods. The new guidance also requires disclosure of the title and position of the Chief Operating Decision Maker ("CODM") and explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. The amendments should be applied retrospectively to all prior periods presented in the financial statements. This guidance will be effective for our annual disclosures in fiscal 2025 and for our interim-period disclosures in fiscal 2026. As the guidance only relates to disclosures, there will be no impact on our financial position or results of operations.

In December 2023, the FASB issued new accounting guidance related to the disclosure requirements for income taxes. The new guidance requires annual disclosures in the rate reconciliation table to be presented using both percentages and reporting currency amounts, and this table must include disclosure of specific categories. Additional information will also be required for reconciling items that meet a quantitative threshold. The new guidance also requires enhanced disclosures of income taxes paid, including the amount of income taxes paid disaggregated by federal, state and foreign taxes and the amount of income taxes paid disaggregated by individual jurisdictions that exceed a quantitative threshold. The amendments should be applied on a prospective basis, but retrospective application is permitted. This guidance will be effective for our annual disclosures in fiscal 2026. As the guidance only relates to disclosures, there will be no impact on our financial position or results of operations.

Note 2 – Long-Term Debt

At June 30, 2023, we had an unsecured credit facility under which we could borrow, on a revolving credit basis, up to a maximum of $150 million at any one time, with potential to expand the total credit availability to $225 million based on consent of the issuing banks and certain other conditions.

On March 6, 2024, in the ordinary course of business, we entered into a new unsecured revolving credit facility ("New Credit Facility"), replacing the facility discussed above which was to expire in March 2025. The material terms and covenants of the New Credit Facility are substantially similar to our previous credit facility.

The New Credit Facility provides that we may borrow, on a revolving credit basis, up to a maximum of $150 million at any one time, with potential to expand the total credit availability to $225 million based on consent of the issuing banks and certain other conditions. The New Credit Facility expires on March 6, 2029, and all outstanding amounts are then due and payable. Interest is variable based upon formulas tied to SOFR or an alternate base rate defined in the New Credit Facility. We must also pay facility fees that are tied to our then-applicable consolidated leverage ratio. Loans may be used for general corporate purposes. Due to the nature of its terms, when we have outstanding borrowings under the New Credit Facility, they will be classified as long-term debt.

The New Credit Facility contains certain restrictive covenants, including limitations on liens, asset sales and acquisitions. There are two principal financial covenants: an interest expense test that requires us to maintain an interest coverage ratio not less than 2.5 to 1 at the end of each fiscal quarter; and an indebtedness test that requires us to maintain a consolidated leverage ratio not greater than 3.5 to 1, subject to certain exceptions. The interest coverage ratio is calculated by dividing Consolidated EBIT by Consolidated Interest Expense, and the leverage ratio is calculated by dividing Consolidated Net Debt by Consolidated EBITDA. All financial terms used in the covenant calculations are defined more specifically in the New Credit Facility.

At March 31, 2024 and June 30, 2023, we had no borrowings outstanding under these facilities. At March 31, 2024 and June 30, 2023, we had $2.2 million and $2.8 million, respectively, of standby letters of credit outstanding, which reduced the amount available for borrowing under these facilities. We paid no interest for the three and nine months ended March 31, 2024 and 2023.

Note 3 – Commitments and Contingencies

At March 31, 2024, we were a party to various claims and litigation matters arising in the ordinary course of business. Such matters did not have a material effect on the current-year results of operations and, in our opinion, their ultimate disposition is not expected to have a material effect on our consolidated financial statements.

We have a lease commitment with fixed cash payments totaling $42.8 million for a warehouse lease that had not commenced as of March 31, 2024. In accordance with accounting guidance for leases, this commitment is properly excluded from the Condensed Consolidated Balance Sheet as of March 31, 2024. A right-of-use asset and lease liability will be recorded based on the present value of the lease payments when the lease commences.

Note 4 – Goodwill and Other Intangible Assets

Goodwill attributable to the Retail and Foodservice segments was $157.4 million and $51.0 million, respectively, at March 31, 2024 and June 30, 2023.

The following table summarizes our identifiable other intangible assets:

	March 31, 2024	June 30, 2023
Tradenames (20 to 30-year life)		
Gross carrying value	$ —	$ 4,100
Accumulated amortization	—	(181)
Net carrying value	$ —	$ 3,919
Customer Relationships (10-year life)		
Gross carrying value	$ —	$ 287
Accumulated amortization	—	(190)
Net carrying value	$ —	$ 97
Technology / Know-how (10-year life)		
Gross carrying value	$ —	$ 2,450
Accumulated amortization	—	(1,626)
Net carrying value	$ —	$ 824
Total net carrying value	$ —	$ 4,840

In the three months ended March 31, 2024, we recorded an impairment charge of $4.5 million to write off the net carrying value of the intangible assets related to Angelic Bakehouse and Flatout based on our decision to exit our perimeter-of-the-store bakery product lines. The impairment charge represents the excess of the carrying value over the fair value of estimated discounted cash flows specific to the remaining useful lives of the related intangible assets. The impairment charge was reflected in Restructuring and Impairment Charges and was not allocated to our two reportable segments due to its unusual nature. As the fair value measurements were based on significant inputs not observable in the market, they represent Level 3 measurements within the fair value hierarchy.

Amortization expense for our other intangible assets, which is reflected in Selling, General and Administrative Expenses, was as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Amortization expense	$ 88	$ 629	$ 352	$ 1,886

Note 5 – Income Taxes

Accrued federal income taxes of $8.8 million and accrued state and local income taxes of $0.6 million were included in Accrued Liabilities at March 31, 2024. Prepaid federal income taxes of $3.3 million and prepaid state and local income taxes of $0.8 million were included in Other Current Assets at June 30, 2023.

Note 6 – Business Segment Information

Our financial results are presented as two reportable segments: Retail and Foodservice. Costs that are directly attributable to either Retail or Foodservice are charged directly to the appropriate segment. Costs that are deemed to be indirect, excluding corporate expenses and other unusual significant transactions, are allocated to the two reportable segments using a reasonable methodology that is consistently applied.

Retail - The vast majority of the products we sell in the Retail segment are sold through sales personnel, food brokers and distributors in the United States. We have placement of products in grocery produce departments through our refrigerated salad dressings, vegetable dips and fruit dips. We also have products typically marketed in the shelf-stable section of the grocery store, which include salad dressings, slaw dressing, sauces and croutons. Within the frozen food section of the grocery store, we sell yeast rolls and garlic breads.

Foodservice - The vast majority of the products we sell in the Foodservice segment are sold through sales personnel, food brokers and distributors in the United States. Most of the products we sell in the Foodservice segment are custom-formulated and include salad dressings, sandwich and dipping sauces, frozen breads and yeast rolls. The majority of our Foodservice sales are products sold under private label to national chain restaurant accounts. We also manufacture and sell various branded Foodservice products to distributors.

As many of our products are similar between our two segments, our procurement, manufacturing, warehousing and distribution activities are substantially integrated across our operations in order to maximize efficiency and productivity. Consequently, we do not prepare, and our Chief Operating Decision Maker does not review, separate balance sheets for the reportable segments. As such, our external reporting does not include the presentation of identifiable assets by reportable segment. The composition of our identifiable assets at March 31, 2024 is generally consistent with that of June 30, 2023.

We evaluate our Retail and Foodservice segments based on net sales and operating income which follow:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	**2024**	2023
Net Sales				
Retail	**$ 248,054**	$ 247,208	**$ 754,230**	$ 729,187
Foodservice	**223,392**	217,727	**664,704**	638,679
Total	**$ 471,446**	$ 464,935	**$ 1,418,934**	$ 1,367,866
Operating Income				
Retail	**$ 47,313**	$ 36,943	**$ 159,958**	$ 129,195
Foodservice	**24,334**	22,405	**78,112**	81,030
Nonallocated Restructuring and Impairment Charges (1)	**(12,137)**	—	**(12,137)**	—
Corporate Expenses	**(24,364)**	(29,940)	**(68,258)**	(80,192)
Total	**$ 35,146**	$ 29,408	**$ 157,675**	$ 130,033

(1) Reflects restructuring and impairment charges related to our decision to exit our perimeter-of-the-store bakery product lines; these charges were not allocated to our two reportable segments due to their unusual nature.

The following table sets forth net sales disaggregated by class of similar products for the Retail and Foodservice segments:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	**2024**	2023
Retail				
Shelf-stable dressings, sauces and croutons	**$ 113,569**	$ 116,246	**$ 307,318**	$ 301,995
Frozen breads	**82,459**	85,165	**283,785**	275,447
Refrigerated dressings, dips and other	**52,026**	45,797	**163,127**	151,745
Total Retail net sales	**$ 248,054**	$ 247,208	**$ 754,230**	$ 729,187
Foodservice				
Dressings and sauces	**$ 165,779**	$ 163,851	**$ 493,780**	$ 475,766
Frozen breads and other	**57,613**	53,876	**170,924**	162,913
Total Foodservice net sales	**$ 223,392**	$ 217,727	**$ 664,704**	$ 638,679
Total net sales	**$ 471,446**	$ 464,935	**$ 1,418,934**	$ 1,367,866

The following table provides an additional disaggregation of Foodservice net sales by type of customer:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	**2024**	2023
Foodservice				
National accounts	**$ 173,066**	$ 172,304	**$ 515,536**	$ 504,310
Branded and other	**50,326**	45,423	**149,168**	134,369
Total Foodservice net sales	**$ 223,392**	$ 217,727	**$ 664,704**	$ 638,679

Note 7 – Stock-Based Compensation

There have been no changes to our stock-based compensation plan as disclosed in our 2023 Annual Report on Form 10-K.

Our stock-settled stock appreciation rights ("SSSARs") compensation expense was $0.4 million and $0.3 million for the three months ended March 31, 2024 and 2023, respectively. Year-to-date SSSARs compensation expense was $1.0 million for the current-year period compared to $1.7 million for the prior-year period. At March 31, 2024, there was no unrecognized compensation expense related to SSSARs.

Our restricted stock compensation expense was $1.5 million and $0.4 million for the three months ended March 31, 2024 and 2023, respectively. Year-to-date restricted stock compensation expense was $4.2 million for the current-year period compared to $3.2 million for the prior-year period. At March 31, 2024, there was $6.9 million of unrecognized compensation expense related to restricted stock that we will recognize over a weighted-average period of 2 years.

Our performance units compensation expense was $1.6 million and $0.9 million for the three months ended March 31, 2024 and 2023, respectively. Year-to-date performance units compensation expense was $3.7 million for the current-year period compared to $2.0 million for the prior-year period. At March 31, 2024, there was $6.0 million of unrecognized compensation expense related to performance units that we will recognize over a weighted-average period of 2 years.

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

Our fiscal year begins on July 1 and ends on June 30. Unless otherwise noted, references to "year" pertain to our fiscal year; for example, 2024 refers to fiscal 2024, which is the period from July 1, 2023 to June 30, 2024.

The following discussion should be read in conjunction with our condensed consolidated financial statements and the notes thereto, all included elsewhere in this report, and our 2023 Annual Report on Form 10-K. The forward-looking statements in this section and other parts of this report involve risks, uncertainties and other factors, including statements regarding our plans, objectives, goals, strategies, and financial performance. Our actual results could differ materially from the results anticipated in these forward-looking statements due to these factors. For more information, see the section below entitled "Forward-Looking Statements."

OVERVIEW

Business Overview

Lancaster Colony Corporation is a manufacturer and marketer of specialty food products for the retail and foodservice channels.

Our financial results are presented as two reportable segments: Retail and Foodservice. Costs that are directly attributable to either Retail or Foodservice are charged directly to the appropriate segment. Costs that are deemed to be indirect, excluding corporate expenses and other unusual significant transactions, are allocated to the two reportable segments using a reasonable methodology that is consistently applied.

Over 95% of our products are sold in the United States. Foreign operations and export sales have not been significant in the past and are not expected to be significant in the future based upon existing operations. We do not have any fixed assets located outside of the United States.

Our business has the potential to achieve future growth in sales and profitability due to attributes such as:

- leading Retail market positions in several product categories with a high-quality perception;
- recognized innovation in Retail products;
- a broad customer base in both Retail and Foodservice accounts;
- well-regarded culinary expertise among Foodservice customers;
- long-standing Foodservice customer relationships that help to support strategic licensing opportunities in Retail;
- recognized leadership in Foodservice product development;
- experience in integrating complementary business acquisitions; and
- historically strong cash flow generation that supports growth opportunities.

Our goal is to grow both Retail and Foodservice segment sales over time by:

- introducing new products and expanding distribution;
- leveraging the strength of our Retail brands to increase current product sales;
- expanding Retail growth through strategic licensing agreements;
- continuing to rely upon the strength of our reputation in Foodservice product development and quality; and
- acquiring complementary businesses.

With respect to long-term growth, we continually evaluate the future opportunities and needs for our business specific to our plant infrastructure, IT platforms and other initiatives to support and strengthen our operations. Recent examples of resulting investments include:

- a significant capacity expansion project for our Marzetti dressing and sauce facility in Horse Cave, Kentucky that reached substantial completion in March 2023;
- a capacity expansion project for one of our Marzetti dressing and sauce facilities in Columbus, Ohio that was completed in January 2022;
- a significant infrastructure improvement and capacity expansion project for our frozen pasta facility in Altoona, Iowa that was completed in March 2022; and
- our enterprise resource planning system ("ERP") project and related initiatives, Project Ascent, that reached completion of the implementation phase in August 2023.

Project Ascent entailed the replacement of our primary customer and manufacturing transactional systems, warehousing systems, and financial systems with an integrated SAP S/4HANA system. Implementation of this system began in July 2022 and continued throughout fiscal 2023. Customer fulfillment levels remained strong before and after the initial system cutover with no unplanned disruptions in receiving orders, producing products or shipping orders. During fiscal 2023, we progressed through our ERP implementation with no major disruptions. We completed the final wave of the implementation phase in August 2023 as planned and have shifted our focus towards leveraging the capabilities of our new ERP system.

RESULTS OF CONSOLIDATED OPERATIONS

(Dollars in thousands, except per share data)	Three Months Ended March 31,				Nine Months Ended March 31,			
	2024	2023	Change		2024	2023	Change	
Net Sales	**$ 471,446**	$ 464,935	**$ 6,511**	**1.4 %**	**$ 1,418,934**	$ 1,367,866	**$ 51,068**	**3.7 %**
Cost of Sales	**366,952**	370,698	**(3,746)**	**(1.0)%**	**1,084,250**	1,072,472	**11,778**	**1.1 %**
Gross Profit	**104,494**	94,237	**10,257**	**10.9 %**	**334,684**	295,394	**39,290**	**13.3 %**
Gross Margin	**22.2 %**	20.3 %			**23.6 %**	21.6 %		
Selling, General and Administrative Expenses	**57,211**	64,829	**(7,618)**	**(11.8)%**	**164,872**	165,361	**(489)**	**(0.3)%**
Restructuring and Impairment Charges	**12,137**	—	**12,137**	**N/M**	**12,137**	—	**12,137**	**N/M**
Operating Income	**35,146**	29,408	**5,738**	**19.5 %**	**157,675**	130,033	**27,642**	**21.3 %**
Operating Margin	**7.5 %**	6.3 %			**11.1 %**	9.5 %		
Other, Net	**1,748**	607	**1,141**	**188.0 %**	**4,030**	815	**3,215**	**394.5 %**
Income Before Income Taxes	**36,894**	30,015	**6,879**	**22.9 %**	**161,705**	130,848	**30,857**	**23.6 %**
Taxes Based on Income	**8,544**	5,460	**3,084**	**56.5 %**	**37,920**	28,728	**9,192**	**32.0 %**
Effective Tax Rate	**23.2 %**	18.2 %			**23.5 %**	22.0 %		
Net Income	**$ 28,350**	$ 24,555	**$ 3,795**	**15.5 %**	**$ 123,785**	$ 102,120	**$ 21,665**	**21.2 %**
Diluted Net Income Per Common Share	**$ 1.03**	$ 0.89	**$ 0.14**	**15.7 %**	**$ 4.50**	$ 3.71	**$ 0.79**	**21.3 %**

Net Sales

Consolidated net sales for the three months ended March 31, 2024 increased 1.4% to a third quarter record $471.4 million versus $464.9 million last year, reflecting higher net sales for both the Retail and Foodservice segments driven primarily by volume gains. Deflationary pricing was a headwind to Foodservice segment sales growth. Breaking down the 1.4% increase in consolidated net sales, approximately 2.9% is attributed to volume/mix impacts offset by a combination of deflationary pricing in Foodservice and increased trade spending in Retail. Consolidated sales volumes, measured in pounds shipped, increased 2.9% for the three months ended March 31, 2024.

Consolidated net sales for the nine months ended March 31, 2024 increased 3.7% to $1,418.9 million versus $1,367.9 million last year, reflecting higher net sales for both the Retail and Foodservice segments driven primarily by volume gains. Deflationary pricing was a headwind to Foodservice segment sales growth. Sales in the prior year were unfavorably impacted by an estimated $25 million in net sales attributed to advance ordering that occurred near the end of fiscal 2022 ahead of our ERP go-live that commenced on July 1, 2022. Breaking down the 3.7% increase in consolidated net sales, approximately 1.8% is attributed to the ERP go-live sales shift, approximately 1.8% is attributed to volume/mix impacts and the remainder is net pricing. Consolidated sales volumes, measured in pounds shipped, increased 4.1% for the nine months ended March 31, 2024. Excluding the impact of last year's shift in sales due to our ERP go-live, consolidated sales volumes increased 2.0%.

See discussion of net sales by segment following the discussion of "Earnings Per Share" below.

Gross Profit

Consolidated gross profit for the three months ended March 31, 2024 increased $10.3 million to a third quarter record $104.5 million driven by continued favorability in pricing net of commodity costs, our cost savings programs and volume growth. In aggregate, the input costs for our commodity basket were below last year's level. Consolidated gross profit was unfavorably impacted by a $2.6 million inventory write-down resulting from our decision to exit our perimeter-of-the-store bakery product lines, specifically our Flatout® and Angelic Bakehouse® brands.

Consolidated gross profit for the nine months ended March 31, 2024 increased $39.3 million to $334.7 million as influenced by favorability in pricing net of commodity costs, the higher sales volumes and our cost savings programs. In the prior year, gross profit was unfavorably impacted by an estimated $5 million due to the aforementioned shift of net sales into the quarter ended June 30, 2022 ahead of our ERP go-live.

Selling, General and Administrative Expenses

(Dollars in thousands)	Three Months Ended March 31, 2024	2023	Change		Nine Months Ended March 31, 2024	2023	Change	
SG&A Expenses - Excluding Project Ascent	**$ 55,292**	$ 57,214	**$ (1,922)**	**(3.4)%**	**$ 157,148**	$ 141,076	**$ 16,072**	**11.4 %**
Project Ascent Expenses	**1,919**	7,615	**(5,696)**	**(74.8)%**	**7,724**	24,285	**(16,561)**	**(68.2)%**
Total SG&A Expenses	**$ 57,211**	$ 64,829	**$ (7,618)**	**(11.8)%**	**$ 164,872**	$ 165,361	**$ (489)**	**(0.3)%**

Selling, general and administrative ("SG&A") expenses for the three months ended March 31, 2024 decreased 11.8% to $57.2 million compared to $64.8 million in the prior-year period. This decline reflects lower expenditures for Project Ascent, our ERP initiative, and the impact of nonrecurring legal charges for closed operations in the prior-year quarter. Project Ascent expenses totaled $1.9 million in the current-year quarter versus $7.6 million last year.

SG&A expenses for the nine months ended March 31, 2024 decreased 0.3% to $164.9 million compared to $165.4 million in the prior year. This decline reflects lower expenditures for Project Ascent, largely offset by higher expenditures to support the continued growth of our business, including a more normalized level of consumer promotions, higher brokerage costs and investments in personnel. Project Ascent expenses totaled $7.7 million for the nine months ended March 31, 2024 compared to $24.3 million in the prior-year period.

Project Ascent expenses are included within Corporate Expenses. A portion of the costs classified as Project Ascent expenses represent ongoing costs that have continued subsequent to the completion of our ERP implementation.

Restructuring and Impairment Charges

In the quarter ended March 31, 2024, we committed to a plan to exit our perimeter-of-the-store bakery product lines and close our Flatout flatbread facility in Saline, Michigan and our Angelic Bakehouse sprouted grain bakery facility in Cudahy, Wisconsin. Due to a lack of scale and direct-to-store distribution capabilities for these products, we were not able to achieve the desired operational or financial performance. Production at these facilities ceased in March 2024, and we are now working to divest the real estate and manufacturing equipment at these locations. Certain facility clean-up and closure activities are continuing into the quarter ending June 30, 2024. The operations of these facilities have not been classified as discontinued operations as the closures do not represent a strategic shift that would have a major effect on our operations or financial results. For the three and nine months ended March 31, 2024, we recorded restructuring and impairment charges of $12.1 million related to these closures, as well as $2.6 million recorded in Cost of Sales for the write-down of inventories. The restructuring and impairment charges, which consisted of impairment charges for fixed assets and intangible assets, one-time termination benefits and other closing costs, were not allocated to our two reportable segments due to their unusual nature whereas the $2.6 million write-down of inventories was recorded in our Retail segment.

Operating Income

Operating income increased $5.7 million to $35.1 million for the three months ended March 31, 2024 driven by the increase in gross profit and lower SG&A expenses, as partially offset by the restructuring and impairment charges.

Operating income increased $27.6 million to $157.7 million for the nine months ended March 31, 2024 driven by the increase in gross profit, as partially offset by the restructuring and impairment charges.

See discussion of operating results by segment following the discussion of "Earnings Per Share" below.

Taxes Based on Income

Our effective tax rate was 23.5% and 22.0% for the nine months ended March 31, 2024 and 2023, respectively. For the nine months ended March 31, 2024 and 2023, our effective tax rate varied from the statutory federal income tax rate as a result of the following factors:

	Nine Months Ended March 31, 2024	2023
Statutory rate	**21.0 %**	21.0 %
State and local income taxes	**2.3**	2.1
Net windfall tax benefits - stock-based compensation	**—**	(0.4)
Other	**0.2**	(0.7)
Effective rate	**23.5 %**	22.0 %

We include the tax consequences related to stock-based compensation within the computation of income tax expense. We may experience increased volatility to our income tax expense and resulting net income dependent upon, among other variables, the price of our common stock and the timing and volume of share-based payment award activity such as employee exercises of stock-settled stock appreciation rights and vesting of restricted stock awards. For the nine months ended March 31, 2024 and 2023, the impact of net windfall tax benefits from stock-based compensation reduced our effective tax rate by less than 0.1% and 0.4%, respectively.

Earnings Per Share

As influenced by the factors discussed above, diluted net income per share for the third quarter of 2024 totaled $1.03, as compared to $0.89 per diluted share in the prior year. For the three months ended March 31, 2024, costs related to our decision to exit our perimeter-of-the-store bakery product lines reduced diluted earnings per share by a total of $0.41. These exit costs included restructuring and impairment charges, which reduced diluted earnings per share by $0.34, and the inventory write-down, which reduced diluted earnings per share by $0.07. Expenditures for Project Ascent reduced diluted earnings per share by $0.05 and $0.21 for the three months ended March 31, 2024 and 2023, respectively. Diluted earnings per share in the prior-year quarter benefited from final adjustments related to the filing of tax returns for fiscal 2022, including a favorable adjustment related to closed operations.

For the nine months ended March 31, 2024, diluted net income per share totaled $4.50, as compared to $3.71 per diluted share in the prior year. For the nine months ended March 31, 2024, costs related to our decision to exit our perimeter-of-the-store bakery product lines reduced diluted earnings per share by a total of $0.41. These exit costs included restructuring and impairment charges, which reduced diluted earnings per share by $0.34, and the inventory write-down, which reduced diluted earnings per share by $0.07. Expenditures for Project Ascent reduced diluted earnings per share by $0.22 and $0.68 for the nine months ended March 31, 2024 and 2023, respectively.

Diluted weighted average common shares outstanding have remained relatively stable for the current and prior-year periods ended March 31.

RESULTS OF OPERATIONS - SEGMENTS

Retail Segment

	Three Months Ended March 31,			Nine Months Ended March 31,		
(Dollars in thousands)	**2024**	2023	**Change**	**2024**	2023	**Change**
Net Sales	**$ 248,054**	$ 247,208	**$ 846 0.3 %**	**$ 754,230**	$ 729,187	**$ 25,043 3.4 %**
Operating Income	**$ 47,313**	$ 36,943	**$ 10,370 28.1 %**	**$ 159,958**	$ 129,195	**$ 30,763 23.8 %**
Operating Margin	**19.1 %**	14.9 %		**21.2 %**	17.7 %	

For the three months ended March 31, 2024, Retail segment net sales increased 0.3% to $248.1 million from the prior-year total of $247.2 million. The increase in Retail segment net sales was driven by volume gains for our licensing program, led by Chick-fil-A® sauces and dressings; our newly introduced Subway® sandwich sauces and Texas Roadhouse® steak sauces; and Olive Garden® dressings. Retail segment sales volumes, measured in pounds shipped, increased 1.5%, outpacing the sales dollar growth as we invested in trade spending that supported household penetration growth and new items. Excluding the impacts of a recent value engineering initiative and all sales attributed to our perimeter-of-the-store bakery product lines that we exited during the quarter ended March 31, 2024, Retail sales volumes increased 2.8%.

For the nine months ended March 31, 2024, Retail segment net sales increased 3.4% to $754.2 million compared to the prior-year total of $729.2 million, including the favorable impact of last year's pricing actions and higher sales volumes. Sales in the prior year were unfavorably impacted by advance orders accounting for an estimated $11 million in Retail net sales near the end of fiscal 2022 ahead of our ERP go-live, which commenced on July 1, 2022. Retail segment sales volumes for the nine months ended March 31, 2024, measured in pounds shipped, increased 1.8%. Retail sales volume growth was driven by the continued success of our program for licensed dressings and sauces. Our New York BRAND® Bakery frozen garlic bread products also contributed to the increase in the Retail sales volumes. Excluding the impact of last year's shift in sales due to our ERP go-live, in addition to the impacts of a recent value engineering initiative, our reduced commitment to private label bread and all sales attributed to our perimeter-of-the-store bakery product lines, Retail segment sales volumes increased 2.2%.

For the three months ended March 31, 2024, Retail segment operating income increased 28.1% to $47.3 million due to favorability in our pricing net of commodity costs, including pricing impacts from investments in trade spending; our cost savings programs; and the beneficial impact of higher sales volumes. These favorable factors were partially offset by the $2.6 million inventory write-down resulting from our decision to exit our perimeter-of-the-store bakery product lines.

For the nine months ended March 31, 2024, Retail segment operating income increased 23.8% to $160.0 million due to the same factors noted for the three months ended March 31, 2024.

Foodservice Segment

(Dollars in thousands)	Three Months Ended March 31, 2024	2023	Change		Nine Months Ended March 31, 2024	2023	Change	
Net Sales	**$ 223,392**	$ 217,727	**$ 5,665**	**2.6 %**	**$ 664,704**	$ 638,679	**$ 26,025**	**4.1 %**
Operating Income	**$ 24,334**	$ 22,405	**$ 1,929**	**8.6 %**	**$ 78,112**	$ 81,030	**$ (2,918)**	**(3.6)%**
Operating Margin	**10.9 %**	10.3 %			**11.8 %**	12.7 %		

For the three months ended March 31, 2024, Foodservice segment net sales grew 2.6% to $223.4 million compared to $217.7 million in the prior-year period driven by increased demand from several of our national chain restaurant account customers and growth for our Marzetti® branded Foodservice products. Deflationary pricing was a headwind to Foodservice segment sales growth. Foodservice segment sales volumes, measured in pounds shipped, increased 3.9%.

For the nine months ended March 31, 2024, Foodservice segment net sales increased 4.1% to $664.7 million from the prior-year total of $638.7 million driven by increased demand from several of our national chain restaurant account customers and growth for our branded Foodservice products. Deflationary pricing was a headwind to Foodservice segment sales growth. Sales in the prior year were unfavorably impacted by the advance ordering that occurred near the end of fiscal 2022 ahead of our ERP go-live, which reduced Foodservice net sales in the prior-year period by an estimated $14 million. Foodservice segment sales volumes, measured in pounds shipped, increased 5.7%. Excluding the impact of last year's shift in sales due to our ERP go-live, Foodservice segment sales volumes increased 3.3%.

For the three months ended March 31, 2024, Foodservice segment operating income increased 8.6% to $24.3 million driven by favorability in our pricing net of commodity costs and the beneficial impact of higher sales volumes.

For the nine months ended March 31, 2024, Foodservice segment operating income decreased 3.6% to $78.1 million driven by higher supply chain costs, as partially offset by favorability in our pricing net of commodity costs and the beneficial impact of higher sales volumes.

Corporate Expenses

For the three months ended March 31, 2024 and 2023, corporate expenses totaled $24.4 million and $29.9 million, respectively. This decrease primarily reflects a decline in Project Ascent expenses, as well as the impact of nonrecurring legal charges for closed operations in the prior-year quarter. Expenditures for Project Ascent totaled $1.9 million and $7.6 million for the three months ended March 31, 2024 and 2023, respectively.

For the nine months ended March 31, 2024 and 2023, corporate expenses totaled $68.3 million and $80.2 million, respectively. This decrease reflects lower expenditures for Project Ascent, as partially offset by higher expenditures to support the continued growth of our business, including investments in personnel. Expenditures for Project Ascent totaled $7.7 million and $24.3 million for the nine months ended March 31, 2024 and 2023, respectively.

LOOKING FORWARD

Looking forward to our fiscal fourth quarter, we project Retail sales will continue to benefit from our expanding licensing program, including incremental growth from the recent additions of Subway and Texas Roadhouse sauces. In the Foodservice segment, we expect continued volume growth from select quick-service restaurant customers and our branded Foodservice products, while deflationary pricing is projected to remain a headwind to Foodservice segment net sales. We anticipate reduced favorability in our pricing net of commodity costs when compared sequentially to our fiscal third quarter.

With respect to Project Ascent, we completed the final wave of the implementation phase in August 2023 as planned and have shifted towards leveraging the capabilities of our new ERP system to improve execution.

We will continue to periodically reassess our allocation of capital to ensure that we maintain adequate operating flexibility while providing appropriate levels of cash returns to our shareholders.

FINANCIAL CONDITION

Cash Flows

For the nine months ended March 31, 2024, net cash provided by operating activities totaled $217.5 million, as compared to $184.2 million in the prior-year period. This increase was primarily due to higher net income, as well as noncash restructuring and impairment charges in the current year.

Cash used in investing activities for the nine months ended March 31, 2024 was $57.4 million, as compared to $78.9 million in the prior year. This decrease primarily reflects a lower level of payments for property additions in the current year as the capacity expansion project at our dressing and sauce facility in Horse Cave, Kentucky reached substantial completion in March 2023.

Cash used in financing activities for the nine months ended March 31, 2024 of $83.8 million increased from the prior-year total of $82.7 million. This increase reflects higher dividend payments, as partially offset by lower levels of share repurchases and tax withholdings for stock-based compensation.

Liquidity and Capital Resources

Under our unsecured revolving credit facility ("Facility"), which we renewed in March 2024, we may borrow up to a maximum of $150 million at any one time. We had no borrowings outstanding under the Facility at March 31, 2024. At March 31, 2024, we had $2.2 million of standby letters of credit outstanding, which reduced the amount available for borrowing under the Facility. The Facility expires in March 2029, and all outstanding amounts are then due and payable. Interest is variable based upon formulas tied to SOFR or an alternate base rate defined in the Facility. We must also pay facility fees that are tied to our then-applicable consolidated leverage ratio. Loans may be used for general corporate purposes. Due to the nature of its terms, when we have outstanding borrowings under the Facility, they will be classified as long-term debt.

The Facility contains certain restrictive covenants, including limitations on liens, asset sales and acquisitions, and financial covenants relating to interest coverage and leverage. At March 31, 2024, we were in compliance with all applicable provisions and covenants of this facility, and we exceeded the requirements of the financial covenants by substantial margins. At March 31, 2024, there were no events that would constitute a default under this facility.

We currently expect to remain in compliance with the Facility's covenants for the foreseeable future. However, a default under the Facility could accelerate the repayment of any then outstanding indebtedness and limit our access to $75 million of additional credit available under the Facility. Such an event could require a reduction in or curtailment of cash dividends or share repurchases, reduce or delay beneficial expansion or investment plans, or otherwise impact our ability to meet our obligations when due.

We believe that cash provided by operating activities and our existing balances in cash and equivalents, in addition to that available under the Facility, should be adequate to meet our liquidity needs over the next 12 months, including the projected levels of capital expenditures and dividend payments. If we were to borrow outside of the Facility under current market terms, our average interest rate may increase and have an adverse effect on our results of operations. Based on our current plans and expectations, we believe our capital expenditures for 2024 will total an estimated $65 million.

Beyond the next 12 months, we expect that cash provided by operating activities will be the primary source of liquidity. This source, combined with our existing balances in cash and equivalents and amounts available under the Facility, is expected to be sufficient to meet our overall cash requirements.

We have various contractual and other obligations that are appropriately recorded as liabilities in our condensed consolidated financial statements. Certain other contractual obligations are not recognized as liabilities in our condensed consolidated financial statements. Examples of such obligations are commitments to purchase raw materials or packaging inventory that has not yet been received as of March 31, 2024, lease commitments that have not yet commenced as of March 31, 2024, and purchase orders and longer-term purchase arrangements related to the procurement of services, including IT service agreements, and property, plant and equipment. The majority of these obligations, other than lease commitments, is expected to be due within one year.

CRITICAL ACCOUNTING POLICIES

There have been no changes in critical accounting policies from those policies disclosed in our 2023 Annual Report on Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements and their impact on our consolidated financial statements are disclosed in Note 1 to the condensed consolidated financial statements.

FORWARD-LOOKING STATEMENTS

We desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"). This Quarterly Report on Form 10-Q contains various "forward-looking statements" within the meaning of the PSLRA and other applicable securities laws. Such statements can be identified by the use of the forward-looking words "anticipate," "estimate," "project," "believe," "intend," "plan," "expect," "hope" or similar words. These statements discuss future expectations; contain projections regarding future developments, operations or financial conditions; or state other forward-looking information. Such statements are based upon assumptions and assessments made by us in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. These forward-looking statements involve various important risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed in the forward-looking statements. Actual results may differ as a result of factors over which we have no, or limited, control including, without limitation, the specific influences outlined below. Management believes these forward-looking statements to be reasonable; however, one should not place undue reliance on such statements that are based on current expectations. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update such forward-looking statements, except as required by law.

Items which could impact these forward-looking statements include, but are not limited to:

- efficiencies in plant operations and our overall supply chain network;
- price and product competition;
- the impact of customer store brands on our branded retail volumes;
- adequate supply of labor for our manufacturing facilities;
- stability of labor relations;
- adverse changes in freight, energy or other costs of producing, distributing or transporting our products;
- the reaction of customers or consumers to pricing actions we take to offset inflationary costs;
- inflationary pressures resulting in higher input costs;
- fluctuations in the cost and availability of ingredients and packaging;
- dependence on contract manufacturers, distributors and freight transporters, including their operational capacity and financial strength in continuing to support our business;
- capacity constraints that may affect our ability to meet demand or may increase our costs;
- the impact of any regulatory matters affecting our food business, including any additional requirements imposed by the FDA or any state or local government;
- dependence on key personnel and changes in key personnel;
- cyber-security incidents, information technology disruptions, and data breaches;
- the potential for loss of larger programs or key customer relationships;
- failure to maintain or renew license agreements;
- geopolitical events, such as Russia's invasion of Ukraine, that could create unforeseen business disruptions and impact the cost or availability of raw materials and energy;
- significant shifts in consumer demand and disruptions to our employees, communities, customers, supply chains, production planning, operations, and production processes resulting from the impacts of epidemics, pandemics or similar widespread public health concerns and disease outbreaks;
- changes in demand for our products, which may result from changes in consumer behavior or loss of brand reputation or customer goodwill;
- the possible occurrence of product recalls or other defective or mislabeled product costs;
- the success and cost of new product development efforts;
- the lack of market acceptance of new products;
- the extent to which good-fitting business acquisitions are identified, acceptably integrated, and achieve operational and financial performance objectives;
- the effect of consolidation of customers within key market channels;
- maintenance of competitive position with respect to other manufacturers;
- the outcome of any litigation or arbitration;
- changes in estimates in critical accounting judgments;
- the impact of fluctuations in our pension plan asset values on funding levels, contributions required and benefit costs; and
- certain other factors, including the information disclosed in our discussion of risk factors under Item 1A of our 2023 Annual Report on Form 10-K.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Our market risks have not changed materially from those disclosed in our 2023 Annual Report on Form 10-K.

Item 4. ***Controls and Procedures***

(a) *Evaluation of Disclosure Controls and Procedures.* As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024 to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is 1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and 2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

(b) *Changes in Internal Control Over Financial Reporting.* No changes were made to our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are required to disclose certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that we reasonably believe will be in excess of an applied threshold not to exceed $1 million. We are using a threshold of $1 million as we believe this amount is reasonably designed to result in disclosure of such proceedings that are material to our business or financial condition. Applying this threshold, there are no environmental matters to disclose in this Form 10-Q.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed under Item 1A in our 2023 Annual Report on Form 10-K.

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

(c) In November 2010, our Board of Directors approved a share repurchase authorization of 2,000,000 common shares, of which 1,131,690 common shares remained authorized for future repurchases at March 31, 2024. This share repurchase authorization does not have a stated expiration date. In the third quarter, we made the following repurchases of our common stock:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet be Purchased Under the Plans
January 1-31, 2024 (1)	24	$ 166.39	24	1,136,330
February 1-29, 2024 (1)	4,629	$ 199.34	4,629	1,131,701
March 1-31, 2024 (1)	11	$ 204.02	11	1,131,690
Total	4,664	$ 199.18	4,664	1,131,690

(1) Represents shares that were repurchased in satisfaction of tax withholding obligations arising from the vesting of restricted stock granted to employees under the Lancaster Colony Corporation 2015 Omnibus Incentive Plan.

Item 6. Exhibits

See Index to Exhibits below.

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	Credit Agreement dated as of March 6, 2024 among Lancaster Colony Corporation, the Lenders, The Huntington National Bank as Syndication Agent and JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (000-04065), filed March 8, 2024)
31.1[a]	Certification of CEO under Section 302 of the Sarbanes-Oxley Act of 2002
31.2[a]	Certification of CFO under Section 302 of the Sarbanes-Oxley Act of 2002
32[b]	Certification of CEO and CFO under Section 906 of the Sarbanes-Oxley Act of 2002
101.INS[a]	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH[a]	Inline XBRL Taxonomy Extension Schema Document
101.CAL[a]	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF[a]	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB[a]	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE[a]	Inline XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit Number	Description
104[(a)]	The cover page of Lancaster Colony Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (included within Exhibit 101 attachments)

(a) Filed herewith

(b) Furnished herewith

SIGNATURES

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

LANCASTER COLONY CORPORATION
(Registrant)

Date: May 2, 2024

By: /s/ DAVID A. CIESINSKI
David A. Ciesinski
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 2, 2024

By: /s/ THOMAS K. PIGOTT
Thomas K. Pigott
Vice President, Chief Financial Officer and Assistant Secretary
(Principal Financial and Accounting Officer)