# 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 September 30, 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 October 11, 2024, there were approximately 27,565,000 shares of Common Stock, without par value, outstanding.

**LANCASTER COLONY CORPORATION AND SUBSIDIARIES**
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## 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) | September 30, 2024 | June 30, 2024 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and equivalents | **$ 135,058** | $ 163,443 |
| Receivables | **101,505** | 95,560 |
| Inventories: | | |
| Raw materials | **40,061** | 38,212 |
| Finished goods | **153,602** | 135,040 |
| Total inventories | **193,663** | 173,252 |
| Other current assets | **22,361** | 11,738 |
| Total current assets | **452,587** | 443,993 |
| **Property, Plant and Equipment:** | | |
| Property, plant and equipment-gross | **893,157** | 877,526 |
| Less accumulated depreciation | **412,767** | 399,830 |
| Property, plant and equipment-net | **480,390** | 477,696 |
| **Other Assets:** | | |
| Goodwill | **208,371** | 208,371 |
| Operating lease right-of-use assets | **52,663** | 55,128 |
| Other noncurrent assets | **22,199** | 21,743 |
| **Total** | **$ 1,216,210** | $ 1,206,931 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Accounts payable | **$ 109,236** | $ 118,811 |
| Accrued liabilities | **63,941** | 65,158 |
| Total current liabilities | **173,177** | 183,969 |
| **Noncurrent Operating Lease Liabilities** | **42,258** | 44,557 |
| **Other Noncurrent Liabilities** | **14,203** | 15,357 |
| **Deferred Income Taxes** | **41,520** | 37,276 |
| **Commitments and Contingencies** | | |
| **Shareholders' Equity:** | | |
| Preferred stock-authorized 3,050,000 shares; outstanding-none | | |
| Common stock-authorized 75,000,000 shares; outstanding-September-27,565,702 shares; June-27,527,090 shares | **154,434** | 153,616 |
| Retained earnings | **1,584,477** | 1,564,642 |
| Accumulated other comprehensive loss | **(8,573)** | (8,640) |
| Common stock in treasury, at cost | **(785,286)** | (783,846) |
| Total shareholders' equity | **945,052** | 925,772 |
| **Total** | **$ 1,216,210** | $ 1,206,931 |

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 September 30, 2024 | 2023 |
|---|---|---|
| **Net Sales** | **$ 466,558** | $ 461,572 |
| **Cost of Sales** | **355,734** | 352,850 |
| **Gross Profit** | **110,824** | 108,722 |
| **Selling, General and Administrative Expenses** | **54,960** | 51,947 |
| **Operating Income** | **55,864** | 56,775 |
| **Other, Net** | **2,019** | 857 |
| **Income Before Income Taxes** | **57,883** | 57,632 |
| **Taxes Based on Income** | **13,182** | 13,681 |
| **Net Income** | **$ 44,701** | $ 43,951 |
| **Net Income Per Common Share:** | | |
| Basic | **$ 1.62** | $ 1.60 |
| Diluted | **$ 1.62** | $ 1.59 |
| | | |
| **Weighted Average Common Shares Outstanding:** | | |
| Basic | **27,457** | 27,449 |
| Diluted | **27,478** | 27,473 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended September 30, | |
|---|---|---|
| (Amounts in thousands) | **2024** | 2023 |
| **Net Income** | **$ 44,701** | $ 43,951 |
| **Other Comprehensive Income:** | | |
| **Defined Benefit Pension and Postretirement Benefit Plans:** | | |
| Amortization of loss, before tax | **132** | 144 |
| Amortization of prior service credit, before tax | **(45)** | (45) |
| **Total Other Comprehensive Income, Before Tax** | **87** | 99 |
| **Tax Attributes of Items in Other Comprehensive Income:** | | |
| Amortization of loss, tax | **(30)** | (34) |
| Amortization of prior service credit, tax | **10** | 11 |
| **Total Tax Expense** | **(20)** | (23) |
| **Other Comprehensive Income, Net of Tax** | **67** | 76 |
| **Comprehensive Income** | **$ 44,768** | $ 44,027 |

See accompanying notes to condensed consolidated financial statements.

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

| (Amounts in thousands) | Three Months Ended September 30, 2024 | 2023 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Net income | **$ 44,701** | $ 43,951 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Impacts of noncash items: | | |
| Depreciation and amortization | **14,357** | 13,592 |
| Deferred income taxes and other changes | **4,740** | 5,765 |
| Stock-based compensation expense | **2,369** | 2,569 |
| Pension plan activity | **142** | (64) |
| Changes in operating assets and liabilities: | | |
| Receivables | **(5,945)** | (5,109) |
| Inventories | **(20,411)** | (19,543) |
| Other current assets | **(10,623)** | (1,870) |
| Accounts payable and accrued liabilities | **(9,438)** | (3,676) |
| Net cash provided by operating activities | **19,892** | 35,615 |
| **Cash Flows From Investing Activities:** | | |
| Payments for property additions | **(17,635)** | (18,331) |
| Other-net | **(2,281)** | (1,412) |
| Net cash used in investing activities | **(19,916)** | (19,743) |
| **Cash Flows From Financing Activities:** | | |
| Payment of dividends | **(24,866)** | (23,445) |
| Purchase of treasury stock | **(1,440)** | (6,650) |
| Tax withholdings for stock-based compensation | **(1,551)** | — |
| Principal payments for finance leases | **(504)** | (504) |
| Net cash used in financing activities | **(28,361)** | (30,599) |
| Net change in cash and equivalents | **(28,385)** | (14,727) |
| Cash and equivalents at beginning of year | **163,443** | 88,473 |
| Cash and equivalents at end of period | **$ 135,058** | $ 73,746 |
| **Supplemental Disclosure of Operating Cash Flows:** | | |
| Net cash payments for income taxes | **$ 15,594** | $ 6,231 |

See accompanying notes to condensed consolidated financial statements.

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

| (Amounts in thousands, except per share data) | Three Months Ended September 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock Outstanding | | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total Shareholders' Equity |
| | Shares | Amount | | | | |
| Balance, June 30, 2024 | 27,527 | $ 153,616 | $ 1,564,642 | $ (8,640) | $ (783,846) | $ 925,772 |
| **Net income** | | | **44,701** | | | **44,701** |
| **Net pension and postretirement benefit gains, net of $20 tax effect** | | | | **67** | | **67** |
| **Cash dividends - common stock ($0.90 per share)** | | | **(24,866)** | | | **(24,866)** |
| **Purchase of treasury stock** | **(7)** | | | | **(1,440)** | **(1,440)** |
| **Stock-based plans** | **46** | **(1,551)** | | | | **(1,551)** |
| **Stock-based compensation expense** | | **2,369** | | | | **2,369** |
| **Balance, September 30, 2024** | **27,566** | **$ 154,434** | **$ 1,584,477** | **$ (8,573)** | **$ (785,286)** | **$ 945,052** |

| (Amounts in thousands, except per share data) | Three Months Ended September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock Outstanding | | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total Shareholders' Equity |
| | 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 |

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 2024 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, 2025 refers to fiscal 2025, which is the period from July 1, 2024 to June 30, 2025.

***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:

| | September 30, | |
|---|---|---|
| | **2024** | 2023 |
| Construction in progress in Accounts Payable | **$ 4,165** | $ 10,165 |

***Accrued Compensation and Employee Benefits***

Accrued compensation and employee benefits included in Accrued Liabilities was $21.4 million and $31.6 million at September 30, 2024 and June 30, 2024, 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 September 30, | |
|---|---|---|
| | **2024** | 2023 |
| Net income | **$ 44,701** | $ 43,951 |
| Net income available to participating securities | **(124)** | (136) |
| Net income available to common shareholders | **$ 44,577** | $ 43,815 |
| | | |
| Weighted average common shares outstanding – basic | **27,457** | 27,449 |
| Incremental share effect from: | | |
| Nonparticipating restricted stock | **4** | 3 |
| Stock-settled stock appreciation rights (1) | **3** | 11 |
| Performance units | **14** | 10 |
| Weighted average common shares outstanding – diluted | **27,478** | 27,473 |
| | | |
| Net income per common share – basic | **$ 1.62** | $ 1.60 |
| Net income per common share – diluted | **$ 1.62** | $ 1.59 |

(1) Excludes the impact of 0.1 million weighted average stock-settled stock appreciation rights outstanding for the three months ended September 30, 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 September 30, | |
|---|---|---|
| | **2024** | 2023 |
| Accumulated other comprehensive loss at beginning of period | **$ (8,640)** | $ (9,365) |
| Defined Benefit Pension Plan Items: | | |
| Amortization of unrecognized net loss | **147** | 159 |
| Postretirement Benefit Plan Items: | | |
| Amortization of unrecognized net gain | **(15)** | (15) |
| Amortization of prior service credit | **(45)** | (45) |
| Total other comprehensive income, before tax | **87** | 99 |
| Total tax expense | **(20)** | (23) |
| Other comprehensive income, net of tax | **67** | 76 |
| Accumulated other comprehensive loss at end of period | **$ (8,573)** | $ (9,289) |

***Significant Accounting Policies***

There were no changes to our Significant Accounting Policies from those disclosed in our 2024 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 September 30, 2024 and June 30, 2024, we had an unsecured credit facility ("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. The 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 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 indebtedness, 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 Facility.

At September 30, 2024 and June 30, 2024, we had no borrowings outstanding under the Facility. At September 30, 2024 and June 30, 2024, we had $2.6 million and $2.2 million, respectively, of standby letters of credit outstanding, which reduced the amount available for borrowing under the Facility. We paid no interest for the three months ended September 30, 2024 and 2023.

**Note 3 – Commitments and Contingencies**

At September 30, 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.

**Note 4 – Goodwill**

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

**Note 5 – Income Taxes**

Prepaid federal income taxes of $8.1 million and $0.8 million were included in Other Current Assets at September 30, 2024 and June 30, 2024, respectively. Accrued state and local income taxes of $1.0 million and $0.3 million were included in Accrued Liabilities at September 30, 2024 and June 30, 2024, respectively.

**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 products typically marketed in the shelf-stable section of the grocery store, which include licensed sauces and dressings, along with our own branded salad dressings and croutons. Within the frozen food section of the grocery store, we sell yeast rolls and garlic breads. We also have placement of products in grocery produce departments through our refrigerated salad dressings, licensed dressings, vegetable dips and fruit dips.

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 sauces, salad dressings, 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 September 30, 2024 is generally consistent with that of June 30, 2024.

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

| | Three Months Ended September 30, | |
|---|---|---|
| | **2024** | 2023 |
| **Net Sales** | | |
| Retail | **$ 239,571** | $ 242,184 |
| Foodservice | **226,987** | 219,388 |
| Total | **$ 466,558** | $ 461,572 |
| **Operating Income** | | |
| Retail | **$ 56,175** | $ 53,124 |
| Foodservice | **24,309** | 26,633 |
| Corporate Expenses | **(24,620)** | (22,982) |
| Total | **$ 55,864** | $ 56,775 |

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

| | Three Months Ended September 30, | |
|---|---|---|
| | **2024** | 2023 |
| **Retail** | | |
| Shelf-stable dressings, sauces and croutons | **$ 101,025** | $ 98,581 |
| Frozen breads | **83,899** | 79,630 |
| Refrigerated dressings, dips and other | **54,647** | 63,973 |
| Total Retail net sales | **$ 239,571** | $ 242,184 |
| **Foodservice** | | |
| Dressings and sauces | **$ 170,339** | $ 165,271 |
| Frozen breads and other | **56,648** | 54,117 |
| Total Foodservice net sales | **$ 226,987** | $ 219,388 |
| Total net sales | **$ 466,558** | $ 461,572 |

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

| | Three Months Ended September 30, | |
|---|---|---|
| | **2024** | 2023 |
| **Foodservice** | | |
| National accounts | **$ 175,947** | $ 171,586 |
| Branded and other | **51,040** | 47,802 |
| Total Foodservice net sales | **$ 226,987** | $ 219,388 |

**Note 7 – Stock-Based Compensation**

There have been no changes to our stock-based compensation plan as disclosed in our 2024 Annual Report on Form 10-K.

Our restricted stock compensation expense was $1.4 million and $1.2 million for the three months ended September 30, 2024 and 2023, respectively. At September 30, 2024, there was $9.4 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 $1.0 million and $1.1 million for the three months ended September 30, 2024 and 2023, respectively. At September 30, 2024, there was $8.0 million of unrecognized compensation expense related to performance units that we will recognize over a weighted-average period of 2 years.

Our stock-settled stock appreciation rights (“SSSARs”) compensation expense was $0.3 million for the three months ended September 30, 2023. At September 30, 2024, there was no unrecognized compensation expense related to SSSARs.

**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, 2025 refers to fiscal 2025, which is the period from July 1, 2024 to June 30, 2025.*

*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 2024 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;
- demonstrated success with strategic licensing programs in Retail through both new and established relationships in the foodservice industry;
- 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; 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 September 30, 2024 | 2023 | Change | |
|---|---|---|---|---|
| Net Sales | **$ 466,558** | $ 461,572 | **$ 4,986** | **1.1 %** |
| Cost of Sales | **355,734** | 352,850 | **2,884** | **0.8 %** |
| Gross Profit | **110,824** | 108,722 | **2,102** | **1.9 %** |
| Gross Margin | **23.8 %** | 23.6 % | | |
| Selling, General and Administrative Expenses | **54,960** | 51,947 | **3,013** | **5.8 %** |
| Operating Income | **55,864** | 56,775 | **(911)** | **(1.6)%** |
| Operating Margin | **12.0 %** | 12.3 % | | |
| Other, Net | **2,019** | 857 | **1,162** | **135.6 %** |
| Income Before Income Taxes | **57,883** | 57,632 | **251** | **0.4 %** |
| Taxes Based on Income | **13,182** | 13,681 | **(499)** | **(3.6)%** |
| Effective Tax Rate | **22.8 %** | 23.7 % | | |
| Net Income | **$ 44,701** | $ 43,951 | **$ 750** | **1.7 %** |
| Diluted Net Income Per Common Share | **$ 1.62** | $ 1.59 | **$ 0.03** | **1.9 %** |

***Net Sales***

Consolidated net sales for the three months ended September 30, 2024 increased 1.1% to a first quarter record $466.6 million versus $461.6 million last year, reflecting higher net sales for the Foodservice segment as partially offset by lower net sales for the Retail segment. The increase in Foodservice segment net sales was driven primarily by volume gains. The decline in Retail segment net sales reflects the impact of prior-year sales attributed to the perimeter-of-the-store bakery product lines we exited in March 2024. Breaking down the 1.1% increase in consolidated net sales, approximately 2.4% is attributed to volume/mix impacts partially offset by net pricing, including a higher level of trade spending in Retail. Consolidated sales volumes, measured in pounds shipped, increased 2.1% for the three months ended September 30, 2024. Excluding the impact of all sales attributed to the perimeter-of-the-store bakery product lines, consolidated sales volumes increased 2.7%.

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 September 30, 2024 increased $2.1 million to a first quarter record $110.8 million driven by volume growth and our cost savings programs. Our pricing net of commodity costs, or PNOC, was close to neutral.

***Selling, General and Administrative Expenses***

Selling, general and administrative ("SG&A") expenses for the three months ended September 30, 2024 increased 5.8% to $55.0 million compared to $51.9 million in the prior-year period. This increase reflects higher expenditures to support the continued growth of our business, including investments in personnel and IT, in addition to higher legal costs, as partially offset by prior-year expenses for Project Ascent.

Expenses attributed to Project Ascent, our ERP initiative, were included within Corporate Expenses and classified separately through 2024. A portion of the costs classified as Project Ascent expenses represent ongoing costs that have continued subsequent to the completion of our ERP implementation in 2024. Beginning in 2025, these ongoing costs are no longer classified separately as Project Ascent expenses.

***Operating Income***

Operating income decreased $0.9 million to $55.9 million for the three months ended September 30, 2024 due to the higher SG&A expenses, as partially offset by the increase in gross profit.

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

***Taxes Based on Income***

Our effective tax rate was 22.8% and 23.7% for the three months ended September 30, 2024 and 2023, respectively. For the three months ended September 30, 2024 and 2023, our effective tax rate varied from the statutory federal income tax rate as a result of the following factors:

| | Three Months Ended September 30, | |
|---|---|---|
| | **2024** | 2023 |
| Statutory rate | **21.0 %** | 21.0 % |
| State and local income taxes | **1.5** | 2.6 |
| Net windfall tax benefits - stock-based compensation | **(0.1)** | — |
| Other | **0.4** | 0.1 |
| **Effective rate** | **22.8 %** | 23.7 % |

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, vesting of restricted stock awards and vesting of performance units. For the three months ended September 30, 2024 and 2023, the impact of net windfall tax benefits from stock-based compensation reduced our effective tax rate by 0.1% and less than 0.1%, respectively.

***Earnings Per Share***

As influenced by the factors discussed above, diluted net income per share for the first quarter of 2025 totaled $1.62, as compared to $1.59 per diluted share in the prior year.

Diluted weighted average common shares outstanding have remained relatively stable for the current and prior-year periods ended September 30.

**RESULTS OF OPERATIONS - SEGMENTS**

***Retail Segment***

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| **(Dollars in thousands)** | **2024** | 2023 | **Change** | |
| **Net Sales** | **$ 239,571** | $ 242,184 | **$ (2,613)** | **(1.1)%** |
| **Operating Income** | **$ 56,175** | $ 53,124 | **$ 3,051** | **5.7 %** |
| **Operating Margin** | **23.4 %** | 21.9 % | | |

For the three months ended September 30, 2024, Retail segment net sales decreased 1.1% to $239.6 million from the prior-year total of $242.2 million. The decrease in Retail segment net sales reflects the impact of sales attributed to the perimeter-of-the-store bakery product lines we exited in March 2024, in addition to a higher and more normalized level of trade spending as we invested more to support our brands and launch new items. Excluding the perimeter-of-the-store bakery product lines we exited, Retail net sales increased 1.4%. Retail segment net sales include volume gains for our licensing program led by our recently introduced Subway® sauces and expanding distribution for Texas Roadhouse® dinner rolls following a successful pilot test. Our Reames® frozen egg noodles also contributed to volume growth. Retail segment sales volumes, measured in pounds shipped, increased 0.3%. Excluding the impact of all sales attributed to our perimeter-of-the-store bakery product lines, Retail sales volumes increased 1.9%.

For the three months ended September 30, 2024, Retail segment operating income increased 5.7% to $56.2 million due to a more favorable sales mix and our cost savings programs.

***Foodservice Segment***

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| **(Dollars in thousands)** | **2024** | 2023 | **Change** | |
| **Net Sales** | **$ 226,987** | $ 219,388 | **$ 7,599** | **3.5 %** |
| **Operating Income** | **$ 24,309** | $ 26,633 | **$ (2,324)** | **(8.7)%** |
| **Operating Margin** | **10.7 %** | 12.1 % | | |

For the three months ended September 30, 2024, Foodservice segment net sales grew 3.5% to $227.0 million compared to $219.4 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. Foodservice segment sales volumes, measured in pounds shipped, increased 3.1%.

For the three months ended September 30, 2024, Foodservice segment operating income decreased 8.7% to $24.3 million driven by higher supply chain costs, investments in customer programs, and increased brokerage expenses, as partially offset by the beneficial impact of the higher sales volumes.

***Corporate Expenses***

For the three months ended September 30, 2024 and 2023, corporate expenses totaled $24.6 million and $23.0 million, respectively. This increase primarily reflects investments in personnel, as well as higher legal expenses.

**LOOKING FORWARD**

Looking forward to our fiscal second quarter and the remainder of our fiscal year, we anticipate Retail segment sales will continue to benefit from our growing licensing program, driven by our new product introductions, including Subway sauces and Texas Roadhouse dinner rolls. Our newly launched New York BRAND® Bakery gluten-free garlic bread will also add to the Retail segment's sales. In the Foodservice segment, we anticipate continued volume gains from select quick-service restaurant customers in our mix of national chain restaurant accounts, while external factors, including U.S. economic performance and consumer behavior, will likely impact demand. With respect to our input costs, in aggregate we do not foresee significant impacts from commodity cost inflation or deflation.

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 three months ended September 30, 2024, net cash provided by operating activities totaled $19.9 million, as compared to $35.6 million in the prior-year period. This decrease was primarily due to the year-over-year changes in net working capital, particularly accounts payable and other current assets. The current-year period reflected the unfavorable cash flow impacts of both lower accounts payable and higher prepaid federal income taxes while the prior-year period benefited from an increase in accounts payable. Changes in accounts payable were impacted by the timing of payments.

Cash used in investing activities for the three months ended September 30, 2024 of $19.9 million was comparable to $19.7 million in the prior year.

Cash used in financing activities for the three months ended September 30, 2024 of $28.4 million decreased from the prior-year total of $30.6 million. This decrease reflects lower levels of share repurchases, as partially offset by higher tax withholdings for stock-based compensation and higher dividend payments.

***Liquidity and Capital Resources***

Under our unsecured revolving credit facility ("Facility"), we may borrow up to a maximum of $150 million at any one time. We had no borrowings outstanding under the Facility at September 30, 2024. At September 30, 2024, we had $2.6 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 September 30, 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 September 30, 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 2025 could total between $70 and $80 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 September 30, 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 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 2024 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;
- changes in demand for our products, which may result from changes in consumer behavior or loss of brand reputation or customer goodwill;
- the impact of customer store brands on our branded retail volumes;
- the impact of any regulatory matters affecting our food business, including any additional requirements imposed by the FDA or any state or local government;
- 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;
- capacity constraints that may affect our ability to meet demand or may increase our costs;
- dependence on contract manufacturers, distributors and freight transporters, including their operational capacity and financial strength in continuing to support our business;
- 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 that could create unforeseen business disruptions and impact the cost or availability of raw materials and energy;
- 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;
- 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 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 2024 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 2024 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 September 30, 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 2024 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 1,124,291 common shares remained authorized for future repurchases at September 30, 2024. This share repurchase authorization does not have a stated expiration date. In the first 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 |
|---|---|---|---|---|
| July 1-31, 2024 | — | $ — | — | 1,131,564 |
| August 1-31, 2024[1] | 7,257 | $ 198.02 | 7,257 | 1,124,307 |
| September 1-30, 2024[1] | 16 | $ 181.11 | 16 | 1,124,291 |
| **Total** | 7,273 | $ 197.98 | 7,273 | 1,124,291 |

(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 |
|---|---|
| 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 |
| 104[a] | The cover page of Lancaster Colony Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 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: October 31, 2024

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

Date: October 31, 2024

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