



Farmer Brothers®

Investor Presentation



March 2021

Safe Harbor

Certain statements contained in this presentation are not based on historical fact and are forward-looking statements within the meaning of federal securities laws and regulations. These statements are based on management's current expectations, assumptions, estimates and observations of future events and include any statements that do not directly relate to any historical or current fact. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "could," "assumes" and other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. The Company intends these forward-looking statements to speak only at the time of this press release and does not undertake to update or revise these statements as more information becomes available except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission ("SEC"). Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, duration of the COVID-19 pandemic's disruption to the Company's business and customers, levels of consumer confidence in national and local economic business conditions, the duration and magnitude of the pandemic's impact on unemployment rates, the success of the Company's strategy to recover from the effects of the pandemic, the success of the Company's turnaround strategy, the execution of the five key initiatives, the impact of capital improvement projects, the adequacy and availability of capital resources to fund the Company's existing and planned business operations and the Company's capital expenditure requirements, the relative effectiveness of compensation-based employee incentives in causing improvements in Company performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of Company business and achievement of financial metrics related to those plans, the success of the Company to retain and/or attract qualified employees, the success of the Company's adaptation to technology and new commerce channels, the effect of the capital markets as well as other external factors on stockholder value, fluctuations in availability and cost of green coffee, competition, organizational changes, the effectiveness of our hedging strategies in reducing price and interest rate risk, changes in consumer preferences, our ability to provide sustainability in ways that do not materially impair profitability, changes in the strength of the economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, as well as other risks described in this report and other factors described from time to time in our filings with the SEC. The results of one period are not necessarily indicative of the results that may be expected for any future period.

Cultivating Connections Through the Love Of Coffee

Farmer Brothers is a leading manufacturer, wholesaler & distributor of regular & specialty coffee, tea, and other allied products in the United States.

Built over 100+ years, Farmer Brothers operates one of the largest, wholly-owned, coffee & tea distribution & servicing network in the U.S. with over 200 routes⁽¹⁾ & nearly 100 branches nation wide.

Farmer Bros. is also a leading coffee wholesaler, roaster & manufacturer, with a total potential roasting capacity of more than 125 million pounds of coffee per year.



At-A-Glance

(1) Pre-COVID: more than 400 routes

Why Now?

Poised for Growth & Margin Expansion as COVID-19 Recedes

Large & Growing Demand

- Coffee is a **\$76 billion industry** growing at 3-5% annually⁽¹⁾
- 63% of American adults drink coffee **at least once a day**⁽²⁾
- **Favorable consumer trends are emerging** as innovation & new products continue to enter the market
- **Specialty coffee** makes up 25% of the market & is forecasted to grow at 12.5% per year through 2021⁽³⁾

New Management Executing on Turnaround Strategy

- **New team embarked on comprehensive turnaround** in 2019, which was accelerated during the COVID-19 pandemic
- Rationalized distribution; improved margin profile; implemented new distribution initiatives & technologies; all of which are **set to improve margins & increase growth** in a post-pandemic environment

Significant Fixed-Cost Leverage Opportunity

- Built over 100+ years; operates one of the **largest distribution & equipment service networks in America**
- **Leading manufacturing & roasting capabilities** leverage DSD network to cost-effectively (pilot) launch new products
- **One of the largest & most skilled equipment servicing fleets in the country** keeps us “sticky” & provides a strategic advantage

(1) Technomic AFH Beverage Study 2016 RSE, 2014-2016 CAGR

(2) Statistic 2020

(3) Nielsen XAOC latest 52 weeks; WE 1/27/18



Business Overview

Established National Footprint

Products in Over 50,000 Establishments Across All 50 States

3 Roasting Plants

Portland, OR (x2)
New Headquarters: Northlake, TX



4 Distribution Centers

Northlake, TX
Northlake, IL
Moonachie, NJ
Opened Early 2021: Rialto, CA

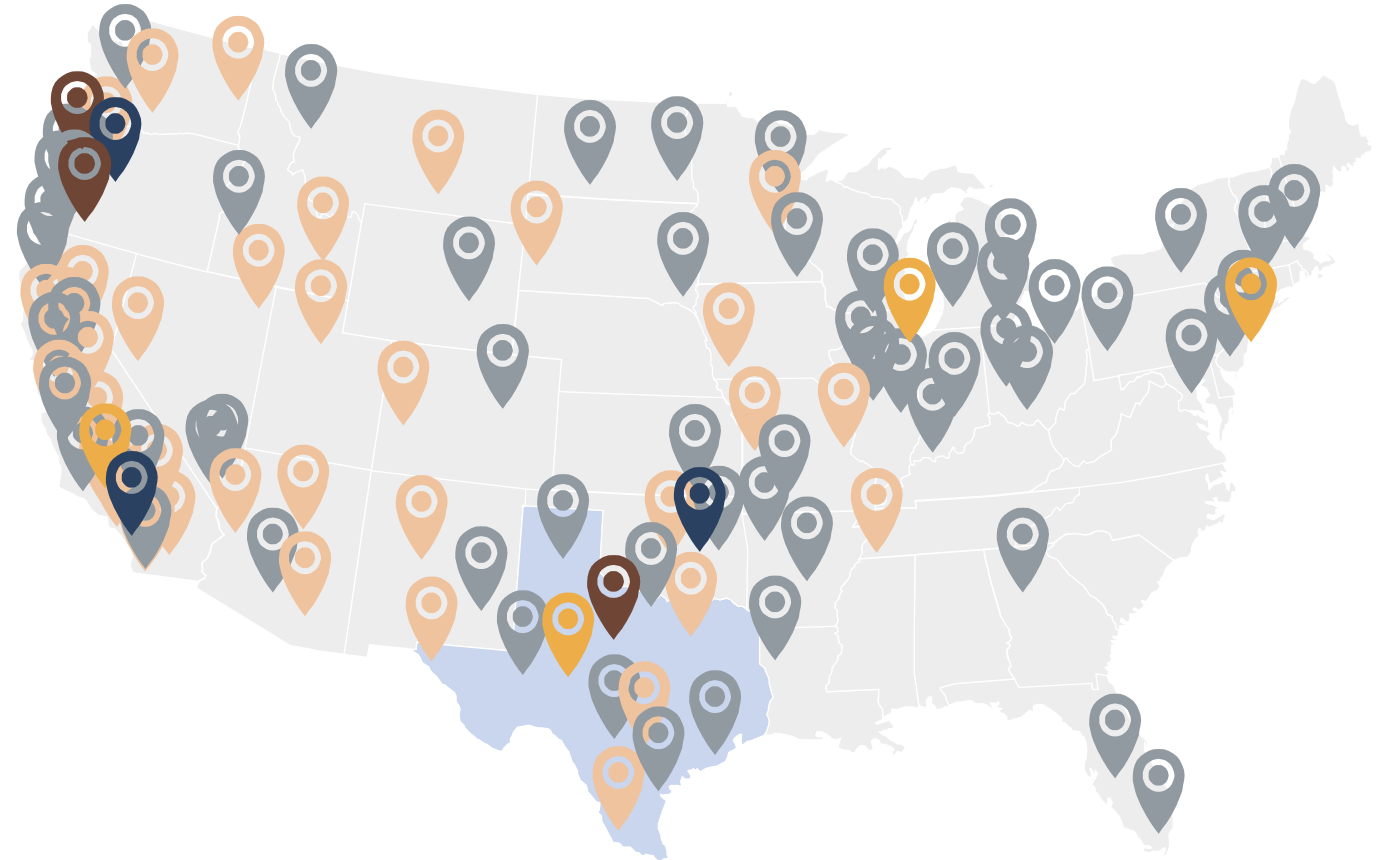


3 Equipment Refurbishing Centers⁽¹⁾

Oklahoma City, OK
Los Angeles, CA
Portland, OR



99 Branches⁽²⁾ & 212 Wholly-Owned Routes⁽³⁾



(1) Supports our Coffee Brewing Equipment, or CBE, business
(2) Pink flags indicate owned branches; grey flags indicate leased branches
(3) Pre-COVID: more than 400 routes

Multi-Channel Sales Strategy

Omni-Channel Integration Increasingly Providing New Opportunities

Direct-Store-Delivery (“DSD”)

- Sells coffee, tea, culinary spices, other beverages & breakfast/brunch daypart products to independent & regional outlets⁽¹⁾
- Distributes products through our wholly-owned DSD network of 99 branches & 212 fleet routes⁽²⁾
- Delivers “white glove” & CBE services through our Route Sales Representatives (“RSRs”) & technicians
- Higher margin business with more than 50k points-of-delivery annually

Direct-Ship (“DS”)

- Sells mostly wholesale coffee & private label products to large national players & private label brand
- Leading roasting & manufacturing capabilities
- Usually ships product directly from our DC⁽³⁾ to customer’s DC via third-party carriers
- Distributes roughly 2/3rds of all coffee we roast & services 670 ship-to-locations

eCommerce

- Provides high-growth opportunities for all our products, including services, as we integrate cross-channel capabilities (B2C, B2B, DTC)
- Launched 2 sites for our wholly-owned brands to-date, providing a replicable model going forward
- Offers exposure to new revenue models, such as subscription-based
- Currently a small percentage of total revenue but growing

Innovating in DS; low-cost pilot launching via DSD



Increasingly selling DS products via eComm



(1) Includes restaurants, hotels, casinos, convenience stores, fast food chains, coffee shops, universities, etc.
(2) Pre-COVID: more than 400 routes
(3) Distribution center

DSD: Well-balanced National Business⁽¹⁾

Sales by Customer Type



- Restaurants
- Convenience Stores & Hotels
- Healthcare, Casinos, Coffee Shops & All Other

DSD Sales by Region



- West
- Northwest
- South
- North
- East

DSD Product Sales



- Coffee
- Tea, Culinary, Allied

(1) As of 3/31/2020

Network Supports Coffee & Much More

We Produce Over 80 Million Pounds of Coffee a Year & Offer More Than 1,000 Different Products

Coffee Accounts for Roughly⁽¹⁾:

~50% of our DSD Revenue

Other DSD products include:

- Non-coffee beverages, such as teas & cocoa
- Allied, or non-coffee products, such as spices, pancake & biscuit mixes, gravy & sauce mixes, soup bases, dressings, syrups & sauces
- Coffee & tea equipment & other ancillary products
- Equipment maintenance & refurbishing services

~95% of our DS Revenue

Other DS products include:

- Specialty private labeling & consumer branding, including flavor design, packaging, artwork, etc.



Some of Our Brands

The Farmer Brothers Advantage

If It's Coffee, We Do it: Vertically Integrated Source-to-Consumption Model

- **Specialty manufacturing coffee capabilities:** roasting, packaging, design & launch of new & private label products
- Our manufacturing capabilities are **leverageable via partnerships & our wholly-owned brands**

Leverageable Wholly-Owned, Integrated National DSD network

- Developed over 109 years; we distribute via our 99 branches & 212 fleet routes⁽¹⁾
- Provides **unique opportunities to launch new products with low logistic & distribution expenses**

White Glove & CBE Services Provide Customer Retention

White Glove Servicing

- **Experienced frontline** of RSRs with an **average tenure of more than 20 years**
- Established long-term relationships; we manage our customers inventory & write their orders
- Leverage network & existing capabilities to improve customer experience

Coffee Brewing Equipment Servicing (CBE)

- Operator of the one of the **largest national field service fleets in the industry** with more than 100 highly trained technicians⁽²⁾
- **Offers full repair & refurbishment** for a wide array of coffee & tea related equipment
- **Manages equipment lifecycle;** routinely cleans & inspects stations & provides skilled preventative maintenance

Attractive Industry & Competitive Landscape

- Consolidated industry with high-barriers to entry provides potentially attractive M&A valuations
- High volume & consumer consumption frequency
- **Limited relevant competition at scale, even fewer with national reach & sophisticated manufacturing capabilities**



(1) Pre-COVID: more than 400 routes
(2) Pre-COVID more than 175 technicians

Community & Sustainably Driven

We View Social Involvement & Sustainability as Part of Our Responsibility

Sustainability Leadership Abroad

- Dedicated staffing focused on sustainability; 9-year history of sustainability reporting with yearly reports
- Co-founding member of World Coffee Research (WCR); supports research in origin countries to increase sustainability
- Project Direct; work with growers in pursuit of shared value; 11-year-old sourcing history in El Salvador & Nicaragua
- Public goal of responsibly sourcing 100% of our green coffee by 2025; currently at 35%

Environmentally-Focused at Home

- Refurbishing facilities repurpose ~9,000 units/year; 6,744 fewer units purchased in 2020; costs saving of \$9.9 million over 2019
- Driving towards zero-waste status in roasting & distribution facilities; companywide, 76% of waste diverted from landfills
- 100% of our roasting facilities have achieved zero waste status; 90% diversion from landfill since 2018; currently at 92% diversion
- Northlake, IL, distribution center is zero waste (95% diversion); 10% of our branches are zero waste
- Recognized by Newsweek as one of America's Most Responsible Companies of 2021
- First coffee-focused company to adopt the Science Based Targets Initiative (SBTi) with a 1.5°C scenario
- Top 7% on CDP Worldwide's 2020 Supplier Engagement Leaderboard on Climate Change; only 400 companies recognized out of 9,600 worldwide; scored into the CDP Leadership band (meaning A or A-) since 2017
- HQ office & Portland facility are LEED® Silver certified



Turnaround & Optimization Strategy

Turnaround Timeline



Problem (~2018)

- Relocated corporate headquarters from CA to TX (loss of innate knowledge/experience)
- Previous management team prioritized & invested heavily in capacity
- Cash flow began to deteriorate as acquisitions at questionable valuations were integrated; inventory built up
- The combination of financial & operational challenges lead to liquidity issues

New Management Team (2019-2020)

- Begins to form in late 2019; experienced in turnarounds, specifically in coffee, DSD, distribution & manufacturing
- Laid out comprehensive “5 E’s” turnaround strategy

Our “5 E” Plan (2019-2020)

- Execute optimization, Elevate innovation, Enrich customer relationships, Enhance process, Empower talent

Optimization Execution: COVID Disruptions & Recent Strategy Acceleration (2020-2021)

- *Defend*: stabilized balance sheet by mid 2020; implemented cost-savings; enhanced working capital position; implemented capital spending controls; amended revolver to improve liquidity flexibility
- *Optimize*: executed operational initiatives by late 2020; optimized product portfolio; closed inefficient manufacturing plant; opened new distribution center closer to our highest concentrated markets
- *Offense*: leverage manufacturing & distribution network via partnerships, cross-channel selling, and innovation

Looking Forward: Turn to Offense (2021+)

- Positioned to drive margin expansion & growth as COVID recedes & volumes increase

Execution on 5 E's

Execute Optimization

- Rebalanced volumes across roasting facilities; opened West Coast distribution center & closed Houston facility
- Consolidated many & continue to consolidate SKU's categorically to improve product portfolio & sustainability
- Improved demand planning by collecting & using better data instead of forecasting; reduced variability & cost

Elevate Innovation

- Launched eComm sites for two of our wholly-owned retail brands (*Boyd's* & *Public Domain*) using a replicable model
- Omni-channel (cross) integration gives customers the products they need in whatever way is most convenient to them
- Bringing the latest in new products to our network via partnerships & innovation

Enrich Customer Relationships

- Revamped marketing & sales strategies; rolled-out handheld devices with pre-sale capabilities (*HighJump*) across DSD network
- Implemented & scaled new digital technologies: eComm platform & advanced CRM
- Launched tailored customer loyalty programs & deployed dedicated Sales Ambassador's to high-volume markets
- Trained RSR's in basic equipment repair

Enhance Processes

- Implemented analytics software to capture more profitability & data (*PowerBI* in DSD)
- HighJump rollout provides more reliable data for sales & inventory in real-time
- Enhancing our processes & systems will elevate the execution of our team & customer service

Empowering Talent

- Migrated from 6 disparate/HR systems to 2 and transitioned to an employee life cycle model
 - Deployed new training tools, aligned incentives & created a new Leadership Development Program
- Implemented several wellness and D&I initiatives



Revamped Management Team



Deverl Maserang, President & CEO – *Joined September 2019*

- Over 35 years of leadership in turnarounds & global supply-chain transformations in coffee, food & distribution arenas
- Previously CEO & President at Earthbound Farm Organics, where he led the turnaround & returned the Company to profitability in 18-months; prior to that, held executive committee roles at Starbucks & Chiquita/Fresh Express, and held several other senior roles Pepsi Cola, United Parcel Service & various start-ups



Scott Drake, Chief Financial Officer & Treasurer – *Joined March 2020*

- Over 20 years of financial executive and strategy experience in the food & beverage & retail industries
- Previously Sr. VP and VP of GameStop & 7-Eleven



Maurice Moragne, Chief Sales Officer – *Joined June 2020*

- Over 30 years of success & change management experience in food/agriculture, tobacco & cosmetics industries
- Unique scope of experience spanning sales, trade marketing, brand management, & general management across a wide array of industries & distribution channels



Rueben Inofuentes, Chief Supply Officer – *Joined November 2019*

- Over 20 years of experience in operations & supply chain
- Previously COO for JR286, a global leader in the sporting goods industry



Nathalie Fontanilla Oetzel, VP of Product Marketing & Innovation – *Joined December 2019*

- Over 20 years in the food industry having worked on various food categories
- Previously VP of Marketing, Research Development & Innovation at Danone North America's, working for the Earthbound Farm business unit; member of executive leadership team, led Earthbound Farm's marketing & innovation programs

Stabilized Balance Sheet & Right-Sized Cost Structure

Amended Debt Revolver

- From credit facility to ABL structure to better leverage significant collateral package with real estate holdings & equipment
- Eliminated leverage & interest coverage covenants & provided liquidity flexibility to execute on key strategic initiatives

Addressed Pension Overhang

- Consolidated three defined benefit plans into two frozen plans
- Terminated Retiree Medical Plan, eliminating over \$14 million of obligations

Optimized Cost Structure Across Business

- Rationalized customer strategy; implemented tiers & prioritized most profitable customers
- Reduced product portfolio & implemented cost-saving technologies
- Improved working capital position; reduced AR, balanced inventory & added CAPEX spending controls
- Restructured workforce hierarchy; improved department reporting & reduced headcount
- Rebalanced manufacturing & production capabilities across national network



Millions in Annual Savings

Rebalanced Manufacturing & Production Capabilities

Closed: Houston Manufacturing Facility

- Shut down oldest manufacturing facility, which was inefficient, inflexible & costly to operate
- Rebalanced volumes to nearby and newly improved DFW facility & to Portland facilities

Improved: Dallas-Fort Worth Facility (DFW)

- Relocated best equipment from Houston; added new NEPTUNE roaster; operationalized new retail packaging lines
- Currently roasting & packaging >50 million lbs. of coffee per year; at full capacity (req. addl. investment), can do more than 100 million lbs./yr.

Opened: West Coast Distribution Center

- Established premier distribution center in Rialto, CA
- More than 40% of our customers are located on the West Coast
- Facility includes a refurbishing center for our CBE business & newly added equipment to enhance specialty & flavoring capabilities

Dallas-Fort Worth Facility



West Coast Distribution Center



COVID-19: Accelerating Our Strategy

Reduced Volumes Provided Deeper Business Insights; Optimized Business from Ground Up

The Impact

Direct-Store-Delivery (DSD)

- Experienced YoY downdraws of ~70% at trough
- As of 2020 calendar year end, was down ~40% on a YoY basis; has posted consistent month-to-month improvements YTD

Direct Ship (DS)

- Experienced YoY downdraws of ~15% at trough
- As of 2020 yearend; was down ~10% on a YoY basis (removed some unprofitable customers)

The Response

- Conducted a detailed audit of our product portfolio & rationalized our business
 - Tier-ranked our customers & developed new targeting strategies for top-tier buckets
 - Cut unprofitable accounts & optimized SKUs
- Strengthened our balance sheet & liquidity position
 - Implemented \$6.5 million monthly savings goals; exceeded throughout 4Q20
 - Improved working capital position
- Improved production & distribution structure
 - Restructured sales team: added Chief Sales Office & Sales Ambassadors
 - Rationalized service regions; reduced regions from 9 to 4
- Modernized business by implementing several new technologies; added pre-sale capabilities
 - Improved inventory reporting from 2 days to 60 minutes



Forward-Looking Growth Initiatives

Further Unlock 109-Year-Old National Distribution Network

- Leverage network to become the premier specialty distribution company
- Build market-expanding partnerships that expose us to industry innovation; cost-effectively test & scale new products

Innovate & Integrate: eComm (DTC), B2C & B2B

- Invest in infrastructure & operational upgrades, such as a fully automated back office, which is underway
- Leverage cross-channel synergies to test & launch new allied & coffee products
- Continue to roll-out eComm sites across our business; two sites launched to-date

Improve Go-to-Market Sales Approaches

- Improve pre-sale strategies; phone/online to remote/low volume customers allows route drivers more time to sell
- Leverage fully dedicated Sales Ambassadors to pursue new customers
- Continue to improve customer support; already added a 24/7 call center

Leverage Internal & External Contract Manufacturing Capabilities

- Become a contract manufacturer for both our institutional food service & retail channels
- Run efficiently & near capacity; continue to utilize partnerships & cross-channel integration

Move Closer to Customers

- White glove services; keep our customers in-stock & expand our base (typically, we are our customers sole coffee provider)
- CBE business; piloting third-party maintenance & repairs opportunities



Takeaways

..... New Management

Quickly established & executed on turnaround initiatives

..... Stabilized the Business

Strengthened balance sheet; right-sized cost structure & improved working capital

..... Optimized Supply Chain

Exited Houston; re-entered CA; improved DFW; effectively rebalancing volumes

..... Accelerate Growth Initiatives

Leverage structure & innovate; partnerships; eComm & Omni-channel; allied; specialty; etc.



Financials

Selected Income Data⁽¹⁾

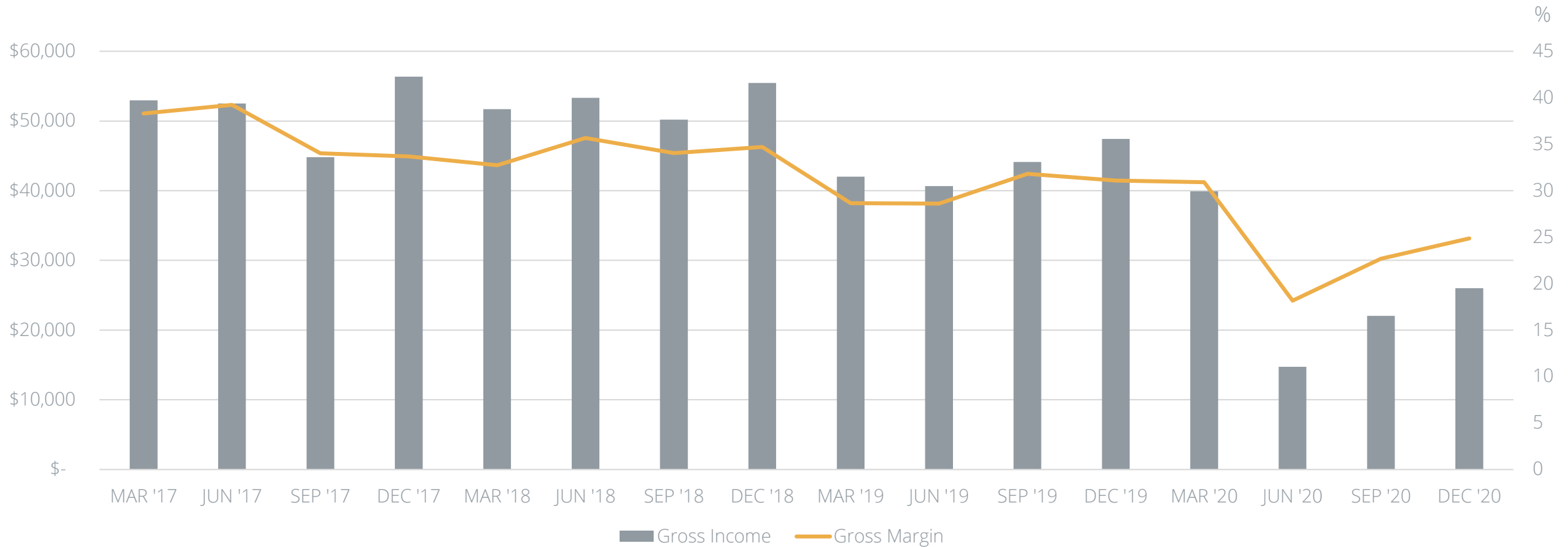
(\$ in thousands, except per share data)

	FY 2017	FY 2018	FY 2019	FY 2020	FY21 Q1 (Sep)	FY21 Q2 (Dec)
Net Revenue	541,500	606,544	595,942	501,320	97,270	104,571
GOGS	354,622	399,502	416,840	363,198	74,851	78,321
Gross Profit	186,878	207,042	179,102	138,122	22,419	26,250
Selling Expenses	133,534	153,391	139,647	121,762	23,498	24,769
G&A Expenses	42,945	49,429	48,959	42,569	9,746	11,570
Restructuring & Other Expenses	11,016	662	4,733	-	-	-
Impairment of Goodwill, Intangible & Fixed Assets	-	3,820	-	42,030	-	1,243
Net Lossess/(Gains): Sale of Assets	(39,578)	(966)	465	(25,237)	618	(1,168)
Operating Expenses	147,700	205,918	193,804	181,124	33,862	36,414
Operating Income/(Loss)	38,934	1,053	(14,702)	(43,002)	(11,443)	(10,164)
Total Other (Expense)/Income	(1,812)	(2,091)	(18,782)	5,720	5,315	6,142
Income Before Provision for Income Taxes	37,366	(967)	(33,484)	(37,282)	(6,128)	(4,022)
Provision for Income Taxes	14,815	17,313	40,111	(195)	142	13,703
Net Income	22,551	(18,280)	(73,595)	(37,087)	(6,270)	(17,725)
Preferred Stock Dividends	-	390	535	554	142	143
Net Income Attr. to Common Stockholders	22,551	(18,670)	(74,130)	(37,641)	(6,412)	(17,868)
EPS (GAAP)	1.34	(1.11)	(4.36)	(2.19)	(0.37)	(1.02)
Diluted S/O	16,786	16,760	16,996	17,206	17,420	17,532

(1) Unaudited

Gross Income & Margin⁽¹⁾

Cost Improvements Reflected in Gross Margins Are Accelerating
Historical Gross Margins ~35%



(1) Source: FactSet

Adjusted EBITDA⁽¹⁾

(\$ in thousands)

	FY 2017	FY 2018	FY 2019	FY 2020	FY21 Q1 (Sep)	FY21 Q2 (Dec)
Depreciation & Amortization	22,968	30,464	31,065	29,896	7,041	7,308
EBITDA	62,519	32,674	14,565	(7,556)	2,906	5,294
Adjusted EBITDA	42,979	47,563	31,883	18,740	5,693	8,274
Reconciliation						
Net Income/(Loss)	22,551	(18,280)	(73,595)	(37,087)	(6,270)	(17,725)
Income Tax Expense	14,815	17,313	40,111	(195)	142	13,703
Interest Expense	2,185	3,177	6,036	5,590	1,993	2,002
D&A Expense	22,968	30,464	31,065	29,896	7,041	7,308
ESOP & Stock-based Comp Expense	3,959	3,822	3,723	4,328	1,155	794
Net Losses/(Gains) from Sale of Assets	(39,578)	(966)	465	(25,238)	618	(1,168)
Income from ST Investments	(1,856)	(19)	-	-	-	-
Non-Recurring Proxy Contest-Related Expenses	5,185	-	-	463	-	-
Impairment Losses on Goodwill & Intangible Assets	-	3,820	-	42,030	-	1,243
Restructuring, Strategic & Other Non-Recurring	12,750	8,232	13,130	4,713	1,014	2,117
Pension/Postretirement One-Time Expense	-	-	10,948	(5,760)	-	-
Adjusted EBITDA	42,979	47,563	31,883	18,740	5,693	8,274

Common Size & Margin Profile⁽¹⁾

	FY 2017	FY 2018	FY 2019	FY 2020	<i>FY21 Q1 (Sep)</i>	<i>FY21 Q2 (Dec)</i>
Gross Margin	34.5%	34.1%	30.1%	27.6%	<i>23.0%</i>	<i>25.1%</i>
Selling Expenses	24.6%	25.5%	23.4%	24.3%	<i>24.2%</i>	<i>23.7%</i>
G&A Expenses	7.9%	7.9%	8.2%	8.5%	<i>10.0%</i>	<i>11.1%</i>
Operating Margin	7.2%	0.2%	-2.5%	-8.6%	<i>-11.8%</i>	<i>-9.7%</i>
EBITDA Margin	11.5%	5.4%	2.4%	-1.5%	<i>3.0%</i>	<i>5.1%</i>
Adjusted EBITDA Margin	7.9%	7.8%	5.4%	3.7%	<i>5.9%</i>	<i>7.9%</i>
Profit Margin	4.2%	-3.0%	-12.3%	-7.4%	<i>-6.4%</i>	<i>-17.0%</i>

Selected Balance Sheet Data⁽¹⁾

(\$ in thousands)	FY 2017	FY 2018	FY 2019	FY 2020	FY21 Q1 (Sep)	FY21 Q2 (Dec)
Cash & Cash Equivalents	6,609	2,438	6,983	60,013	11,025	5,857
Accounts Receivable	46,446	58,498	55,155	40,882	42,115	41,864
Inventory	56,251	104,431	87,910	67,408	71,729	80,617
Goodwill & Intangibles	29,614	67,739	65,102	20,662	20,059	19,457
Accounts Payable	39,784	56,603	72,771	36,987	50,038	49,797
Current Portion of LT Debt	27,621	89,787	-	-	-	-
LT Debt Excl. Lease Obligations	-	-	92,000	122,000	69,800	82,000
Lease Obligations	237	58	(2)	15,637	21,818	20,770
Accrued Postretirement Benefits	19,788	20,473	23,024	9,993	10,151	10,309
Accrued Pension Liabilities	51,281	40,380	47,216	58,772	59,097	56,358
Stockholder's Equity	215,135	229,055	157,494	111,913	103,628	96,193

Contact Us

