

Farmer Brothers®

110  
*years*

CULTIVATING CONNECTIONS  
THROUGH THE LOVE OF COFFEE



Investor Presentation

December 2022

# 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; actual results may differ materially due in part to the risk factors set forth in our risk factors in our most recent Annual Report on Form 10-K. 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. We intend these forward-looking statements to speak only at the time of this communication and do 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 SEC.

Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the duration and magnitude of the disruption to our business and customers from the COVID-19 pandemic (including the effects of emerging and novel variants of the virus and any virus containment measures such as stay-at-home orders or government mandates) and severe winter weather, levels of consumer confidence in national and local economic business conditions, the duration and magnitude of the pandemic's impact on labor conditions, the success of our strategy to recover from the effects of the pandemic, the success of our turnaround strategy, the execution of our five strategic initiatives, the impact of capital improvement projects, the adequacy and availability of capital resources to fund our existing and planned business operations and our capital expenditure requirements, the relative effectiveness of compensation-based employee incentives in causing improvements in our performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of our business and achievement of financial metrics related to those plans, our success in retaining and/or attracting qualified employees, our success in adapting 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, including any effects from inflation, 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 communication and other factors described from time to time in our filings with the SEC.

Results from one period are not necessarily indicative of the results that may be expected for any future period.

# Farmer Brothers: Investment Highlights

-  Leading distributor of coffee and related products with valuable nationwide network
-  Coffee is a solid and resilient growth category
-  Large, diverse customer base including national accounts, broad category exposure
-  Multiple growth vectors drive attractive revenue growth opportunity
-  Two-year business turnaround and optimization creates operating leverage and earnings growth potential in recovering economy





# Business Overview

# If It's Coffee, We Do It

Farmer Brothers is a Leading Manufacturer, Wholesaler, Distributor & Equipment Servicer of Regular & Specialty Coffee, Tea & Other Allied<sup>(1)</sup> Products in The U.S.

- At Farmer Bros., We...
  - Roast, produce and package more than 75 million lbs. of coffee annually
  - Operate one of the oldest coffee distribution networks in the U.S.
  - Offer 1,000+ products across many categories, leveraging our network
- Our National Network...
  - Enables us to launch new products and services quickly, through company innovation and partnerships
  - Features one the largest & most skilled technician fleets in the country
  - Keeps us “sticky” while providing cross & up-sell opportunities



(1) Allied products consist of all our non-coffee or coffee-supplementary products

# Coffee is an Attractive Growth Industry

- Coffee is a \$104 billion industry that is projected to grow at 4.5% annually<sup>(1)</sup>
- 63% of American adults drink coffee at least once a day<sup>(2)</sup>
- Specialty coffee trend provides growth tailwind
  - Ready to drink (RTD) coffee volume grew 46.1% from 2016-2021. Expected to stabilize near 8% growth annually through 2026<sup>(3)</sup>
  - Millennials & Gen Z increasingly preferring dairy alternatives & frozen/cold coffee<sup>(3)</sup>
- Consolidated industry with high-barriers-to-entry
- Limited relevant competition at-scale, even fewer competitors with national reach & sophisticated manufacturing



## Our Brands

Farmer Brothers®

**BOYD'S**  
COFFEE

**cain's**  
BY FARMER BROTHERS

**Superior**  
Coffee

**METROPOLITAN**  
BY FARMER BROTHERS

**ac**  
ARTISAN COLLECTION™

**CHINAMIST.**

(1) Verified Market Research: Global Coffee Market 2020, 2020-2028 CAGR  
(2) Statistic 2020  
(3) Euromonitor 2022

Farmer Brothers®



# Operating Across Four Complementary Verticals



## Direct-Store-Delivery ("DSD")

- Sells coffee, tea, spices, beverages & breakfast /brunch products<sup>(1)</sup>
- Distributes products through wholly-owned DSD network
- Delivers "White Glove" service

- *Higher-margin business with more than 45k points of delivery annually*
- *Coffee is ~50% of DSD Revenue*

## Direct-Ship ("DS")

- Creates & sells wholesale & private label coffee products for large, national accounts
- Leading roaster & manufacturer
- Ships most products directly from our distribution centers via third-party carriers

- *Distributes ~2/3rds of all coffee we roast & service*
- *Coffee is ~95% of DS Revenue*

## eCommerce ("eComm")

- Creates cross-channel growth opportunities for our products & services
- Operates eComm sites for our wholly-owned brands

- *Provides exposure to new revenue models, such as subscription-based*
- *Future growth opportunity*

## Coffee Brewing Equipment & Service ("Revive")

- Provides installation, repair and refurbishment through 130+ technicians across the US
- National Footprint: 70%+ coverage across the US and adding new markets monthly
- Fully branded technicians and vehicles with distinct digital presence

- *Unlocks margin expansion and revenue management*
- *Robust pipeline of equipment manufacturers and large national convenience store chains*

Revive & Omni-Channel Integration Increasingly Providing New Opportunities

(1) Includes restaurants, hotels, casinos, convenience stores, fast food chains, coffee shops, universities, etc.

# Established Distribution & Servicing Network

Nation's Largest Independent Network Serving Over 45,000+ Establishments Across All 50 States

## 2 Roasting Plants

Portland, OR  
Headquarters: Northlake, TX



## 5 Distribution Centers

Northlake, TX  
Northlake, IL  
Portland, OR  
Moonachie, NJ  
Rialto, CA

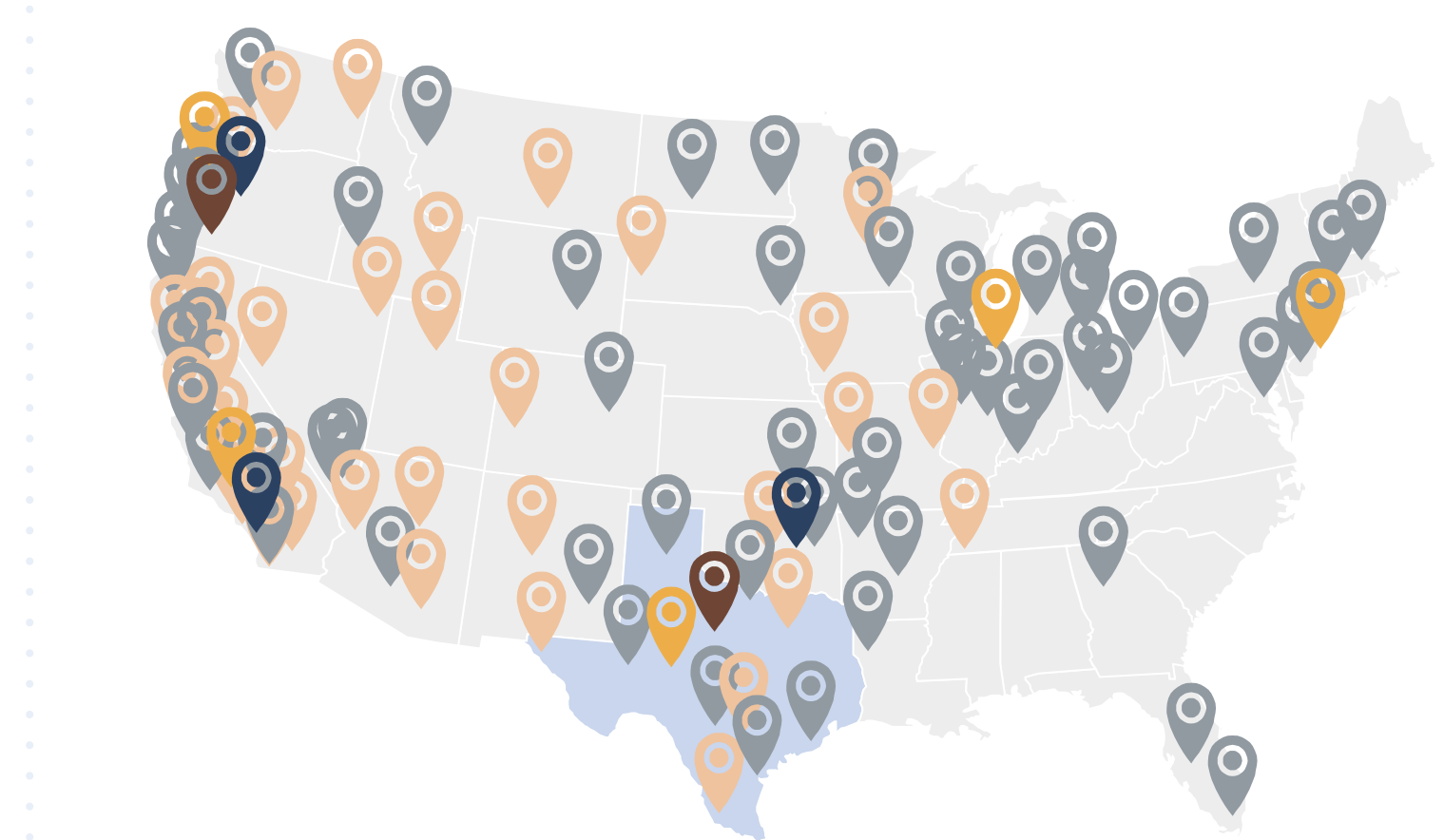


## 3 Equipment Refurbishing Centers<sup>(1)</sup>

Oklahoma City, OK  
Los Angeles, CA<sup>(2)</sup>  
Portland, OR



80 Independent Branches,  
239 Wholly-Owned Routes<sup>(3)</sup>  
& 130 Service Tech Routes



Over \$230M in asset value including 31 owned properties, fleet, machinery & equipment

(1) Supports our Coffee Brewing Equipment, or CBE, business  
(2) Completion expected in 2023  
(3) Pre-COVID: more than 400 routes



# Three Distinct Advantages Built Over 110 Years

## **Vertically-Integrated** Source-to-Consumption Model

- One of the largest, nation-wide coffee & tea distribution & servicing networks in the U.S.
- Established, long-tenured relationships with leading global green coffee & allied suppliers
- Sustainably-focused & community-driven (see slide 20)



## Owns & Operates **One of The Largest, Fully-Integrated DSD Networks** in The U.S.

- One of the largest & most skilled fleets in the country
- Experienced frontline personnel with average tenure of 15+ years
- Established long-term relationships; we manage our customers' inventory & write their orders



## Equipment Servicing Supports **Sticky Customer Relationships** & Cross/Upsell Opportunities

- Revive Service & Restoration<sup>(1)</sup> – an industry-leading national field service fleet
- Offers full repair & refurbishment for a wide array of coffee & tea related equipment
- Manages equipment lifecycle; routinely cleans & inspects stations & provides skilled preventative maintenance



# Experienced Leadership Team

Scott Drake  
CFO & Treasurer



Deverl Maserang  
President & CEO



Amber Jefferson  
Chief Human Resources Officer



Maurice Moragne  
Chief Sales Officer



Ruben Inofuentes  
Chief Supply Officer



Nathalie Fontanilla Oetzel  
VP of Product Marketing & Innovation



Dilip Lillaney  
Chief Information Officer



Farmer Brothers®





# Business Update



# Near-Term Operating Priorities

## Cash Optimization

- Network can adjust product flow across marine, rail & truck transportation as conditions change
- “Project Green” focus on inventory to cash and improved processes, reporting, etc. entity-wide

## Margin Improvement

- Price increases in DSD and Direct Ship
- Better pricing and fee analysis / process (minimum floors, outlier SKUs / customers, delivery fees, etc.)
- Cost savings programs (manufacturing, distribution, procurement, ops, etc.)
- Lower differential / coffee prices over time

## Growth Engines

- Expansion of Revive Service & Restoration; improving infrastructure & marketing
- Distribution efficiencies across our DSD network; increased production and packing capacity at North Lake facility; efficiency boost in West Coast region with new distribution center
- New products / partnerships (Shott, Lotus, coffee concentrates, etc.)
- New customer acquisition and customer retention along with adding route capacities where needed

# Near-Term Operating Priorities, cont.

## Technology Deficit

- IT Roadmap progress and planning
- Cyber Security remediation

These operating priorities will follow common guiding principles including:

## Remain Agile & Logistically Nimble

- Network can adjust product flow across marine, rail & truck transportation as conditions change
  - Proven ability to effectively re-route volume from West Coast into Gulf & East Coast

## Operate with a Cost Avoidance Mentality

- Continuing to find new ways to mitigate macro challenges via:
  - Procurement improvements & streamlining product flow across the network
  - Rationalizing truck fleet departures & routes; shipping directly to branches/DCs instead of through DFW first
  - Continued SKU count & product portfolio optimization & rationalization efforts

## Pay Down Debt While Delivering Adjusted EBITDA Growth

- Strengthen the balance sheet & position post-COVID capital structure to support longer-term growth

# Comprehensive Turnaround

## Under New Leadership – 2020-2022

### Fixed Inefficient Footprint

- Exited inefficient Houston facility
- Expanded Dallas/Ft. Worth facility (“DFW”)
  - Roasting and packing capacity increased from ~25 to ~50 million pounds annually
- Re-opened West Coast distribution center
- Built robust IT & digital platform roadmap

### Optimized Operations & Increased Output

- Increased business efficiencies
- Increased manufacturing throughput at both DFW & Portland facilities
- Expanded co-manufacturing network
- Upgraded sales function (strategy, structure, and tools)
- Launched e-comm sites for three of our wholly-owned retail brands
  - *Boyd’s, West Coast Coffee and China Mist*
- Re-establishing innovation & commercialization pipeline





# Driving Fundamental Execution

Reduced Volumes = Deeper Business Insights = Ground-Up Optimization

## Conducted Detailed Audit of Our Product Portfolio & Rationalized Our Business

- Developed new targeting strategies, tiered DSD customers & national DS accounts
- Refined our SKU rationalization process
- Right-sized our cost structure relative to volumes

## Strengthened Our Balance Sheet & Improved Working Capital

- Exceeded \$6.5 million monthly savings goals
- Improved technology & processes around A/R
- Amended & replaced existing credit facility

## Improved Sales, Production & Distribution Structures

- Restructured sales team & added Chief Sales Officer & Sales Ambassador positions
- Rationalized focus regions from 9 to 5

## Modernized Operations & Infrastructure via Technological Upgrades

- Implemented *HighJump*<sup>(1)</sup> across our DSD routes; improved inventory & selling infrastructure
- Launched new eComm websites for 3 of our brands



(1) HighJump is a route handheld technology, providing us with pre-sale capabilities, such as accepting credit cards payments on our DSD routes

# Turnaround Taking Hold With Growth Acceleration In Sight

## Operating Efficiency Initiatives Are Taking Hold As More Normalized Business Conditions Return

- Successfully completed key initiatives within the Company's optimization strategy, including:
  - Increased production and packaging capacity at the Northlake, Texas facility;
  - Efficiently served West Coast network from the newly opened Rialto, California distribution center;
  - Optimized DSD network for revenue growth and distribution optimization; and
  - Launched Revive Service and Restoration for equipment installation & maintenance
- Recovery from COVID impacts well underway; managing carefully through lingering pressures
- Navigating recent near-term macroeconomic headwinds through working capital and systems improvement initiatives
- Focused now on executing on recovery based and catalytic growth opportunities







Positioning For Growth



# The Path Forward

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## Next Steps in Business Optimization

- Implement working capital and systems improvement plan
- Drive companywide cultural focus on delivering to financial goals
- Execute on recovery and catalytic growth initiatives
- Continue to selectively optimize asset portfolio
- Return business to +30% gross margins
- Install board committee focused on capital allocation and strategic alternatives



Improve cash flows, drive growth & margin, manage our real estate assets, maximize value

# FY 2023 Growth in Focus



## Recovery-based Growth

- New customer wins
- Partnerships, that allow us to reach consumer demand at scale with lower price points
- Offering lower-cost SKUs including coffee blends
- Recent pricing increases with large national accounts beginning to roll out

## Early Wins

- Several customer wins in the convenience and QSR spaces
- Flurry of customer renewals in recent months
- Robust pipeline of new customer opportunities

## Catalytic Growth

- Higher-growth extensions and adjacencies that leverage our network
- Building out alternative beverage platform, including syrups & other functional coffee & tea additives
- Grow Revive including building espresso programs at existing customers and expanding services business
- Developing & launching Ambient Coffee Solutions

## Early Wins

- Flavoring/extract partnership supplying leading Club Store chain
- Revive: Mid 7-figure revenue run rate exiting FY22
- SHOTT syrups & Lotus plant energy

# New Growth Vector: Revive™

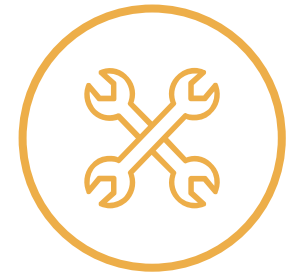


Revive™ Equipment Service is a commercial beverage solutions partner offering nationwide managed service and installation programs



## Driving the Strategic Opportunity

- Revive fully operational and ready to expand nationwide
- Underserved market with enormous demand and large TAM
- Provides valuable synergies with customers and drives stickiness
- Demand validated, customer interest accelerating
- Operating at mid-single digit \$M ARR exiting fiscal 2022
- Hiring plan in place to double the number of technicians in the next 12 months





# Additional Catalytic Growth Initiatives

## Lotus (3Q23)

- Lotus is a natural caffeine-alternative to traditional energy drinks on the market today.
- Flavor-infused energy drinks appeal to non-coffee drinkers helping capture beverage areas with less representation.



## SHOTT (4Q23)

- SHOTT is a shelf stable syrup concentrates that uses disruptive technology to lock in the authentic flavor.
- SHOTT is a premium product that can be sold through to our network as an upgrade.



## Ambient Liquid Coffee Innovations (2023)

- Espresso strength cold brew and RTD coffee innovations.
- Expand key offerings for a new generation of coffee drinkers.
- Products grow coffee's role across multiple craft beverage segments.



Opportunity Within Catalytic High-Growth Adjacencies That Leverage Our Broad Network

# Community & Sustainably Driven

We View Social Involvement & Sustainability as Part of Our Responsibility

## OUR SUSTAINABILITY INITIATIVES

*real, measurable change*



**100%**

**responsibly sourced coffee by 2025**

to help safeguard a long-lasting supply of high quality coffee



**REVITALIZING EQUIPMENT**

**a key component of building a circular economy** that aims to eliminate waste and prolong the life-cycle of everything we use



**SCIENCE BASED TARGETS**

**FIRST**

**coffee-focused company** to adopt SBTs with a 1.5°C scenario to reduce Greenhouse Gases (GHGs), and among only 10 food & beverage companies in the United States to do so



**2 LEED Silver certified facilities**

Northlake, TX headquarters and Portland, OR roasting facility are designed to be energy and resource efficient



**90% or more**

**waste diverted from the landfill company-wide by 2025**



**10**

**consecutive years of sustainability reporting** a vital component of shareholder, employee, and stakeholder relations

## THE GROWERS *we work with*

**Without coffee producers, where would we be?** That's an easy answer. We established our first Direct Trade relationships in 2010. Since then, we've also launched our own Project D.I.R.E.C.T. These programs ensure we establish a direct relationship with coffee producers in key regions. Through our investment in these direct relationships, local coffee-producing communities benefit from local projects that they choose and implement, with support if needed.

**Meet just a handful of the dedicated and talented coffee producers with whom we have direct relationships. We are extremely grateful for their partnership.**

## *Planting a* **SUSTAINABLE FUTURE**

**Sustainability is not something we do. It's who we are.** The first Farmer Brothers Sustainability Report was published back in 2012, but sustainability has been woven into the way we approach business for much longer than that. We're proud of our progress — taking great care with our world's precious resources and working toward mutually beneficial relationships with our suppliers. But every day we see so much more to be done to achieve balance between natural capital, human capital, and economic capital. Through Farmer Brothers sustainability, stewardship, and environmental efforts, and leadership we not only commit to serving the finest products available, but also insist on their sustainable cultivation, manufacture and distribution whenever possible.

IMAGE: Panoramic of Jinotega mountains near La Virgen Community in Nicaragua. Photo credit: Oscar Leiva.





# Financials

# Financial Highlights & Update

## Income Statement

- Long-term cost savings materializing in COGS
- Commitment to more efficient SG&A cost structure going forward
- Expect sales recovery in key segments (COVID & labor shortages are primary hurdles)



## Balance Sheet

- Improving working capital management via processes & technology
- Recapitalized debt structure provides needed flexibility to support growth
- Reduced liabilities strengthen balance sheet

## Cash Flows

- Optimizing capital investment (increased refurbished coffee & tea equipment versus purchased new)
- Increased gross margins + cost containment = improved EBITDA dollars & margins

In Strong Position to Deliver Operating Leverage as Volumes Return in Economic Recovery



# Near-Term Environment

## Sales trends remain positive despite macro deterioration

- COVID recovery holding
- Farmer is adding customers

## Near-term consumption & demand volatility

- Recessionary conditions have impacted near-term consumption patterns
- Some COVID impact remains with labor shortages
- Demand indicators suggest large buyers working down inventories
- Strong harvest predicted, could lead to further coffee price declines in early calendar 2023
- Gross margins anticipated to recover in upcoming quarters; short-term FQ1 impacts reflect:
  - Contractual price increases in place with national accounts, but will begin to benefit P&L in December quarter
  - Seasonal lows in manufacturing volumes
  - Higher average coffee and differential costs

## Operating costs remain in check; team is executing with discipline



# Selected Income Data<sup>(1)</sup>

	MAR '21	JUN '21	SEP '21	DEC '21	MAR '22	JUN '22	SEP '22
(\$ in thousands, except per share data)							
Sales	93,152	102,857	108,362	118,445	119,398	122,988	121,380
Cost of Goods Sold (COGS) incl. D&A	70,257	74,831	78,828	87,163	83,383	88,080	94,783
Gross Profit	22,895	28,026	29,534	31,282	35,560	34,908	26,597
SG&A Expense	31,952	33,893	37,226	39,061	27,477	12,376	10,487
EBIT (Operating Income)	(9,057)	(5,867)	(7,692)	(7,779)	(3,938)	(4,338)	(4,298)
Pretax Income	(13,744)	(4,161)	(2,362)	(5,294)	(3,950)	(18)	(3,033)
Net Income Available to Common Stockholders	(13,828)	(4,117)	(2,571)	(5,568)	(4,165)	(3,927)	(7,374)
GAAP EPS (diluted)	(0.78)	(0.24)	(0.14)	(0.31)	(0.23)	(0.21)	(0.39)
Diluted S/O (M)	17.76	17.34	17.97	18.11	18.29	18.20	18.94

# Adjusted EBITDA<sup>(1)(2)</sup>

(\$ in thousands)	MAR '21	JUN '21	SEP '21	DEC '21	MAR '22	JUN '22	SEP '22
GAAP EBITDA <sup>(2)</sup>	(4,800)	8,089	6,089	2,389	2,577	2,891	1,796
Restructuring charge	1,793	1,134	590	352	-	-	-
Gain/loss on asset sale	488	(532)	(4,582)	153	426	1,098	(7,182)
Asset impairments	-	-	-	-	-	-	-
Stock option expense	1,611	1,019	1,392	1,605	2,018	1,974	2,362
Pension settlement charges	-	(6,359)	-	-	-	-	-
Other adjustments	149	52	-	-	-	-	-
Non-GAAP EBITDA <sup>(2)</sup>	(759)	3,403	3,489	4,499	5,021	6,050	(4,873)

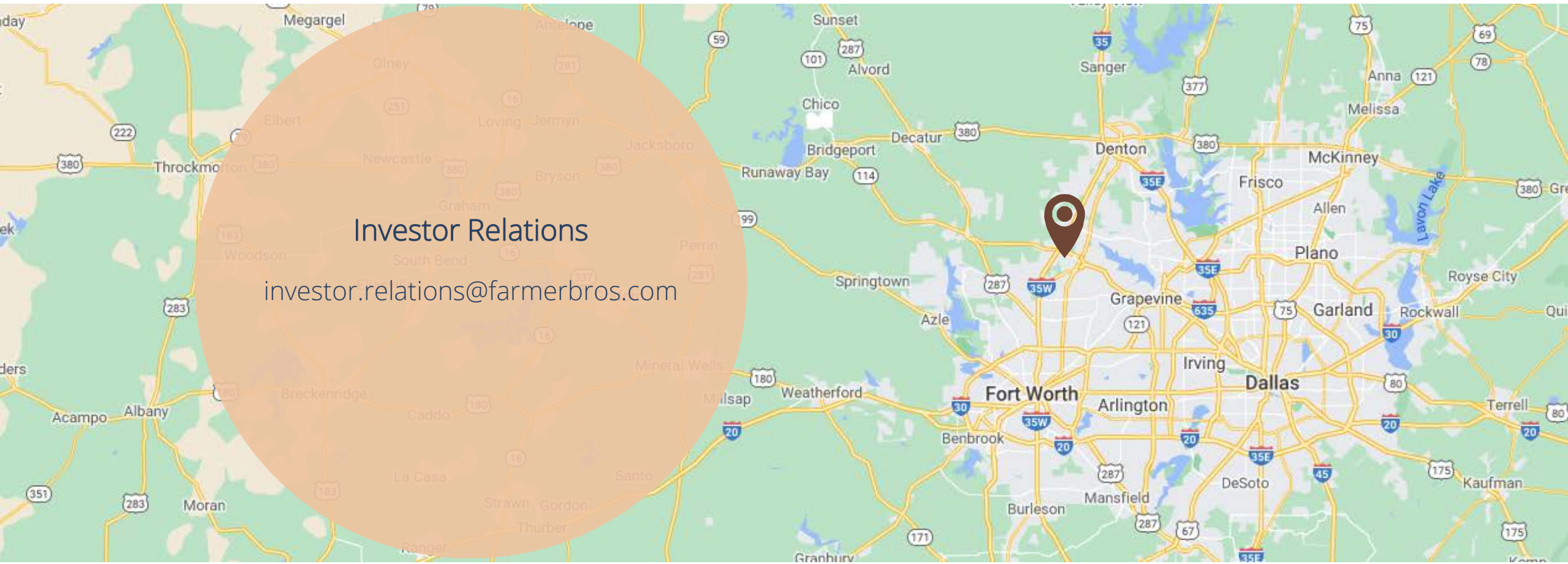
(1) Unaudited.  
(2) As defined by, and per FactSet data as of 3/10/22. Full reconciliation can be found in our latest SEC filings.



# Selected Balance Sheet Data<sup>(1)</sup>

(\$ in thousands)	MAR '21	JUN '21	SEP '21	DEC '21	MAR '22	JUN '22	SEP' 22
Cash & Short-Term Investments	8,474	10,438	6,189	3,799	10,378	9,994	7,738
Accounts Receivables, Net	35,846	36,883	41,989	46,461	47,443	46,935	47,316
Inventories	75,151	76,791	83,862	87,221	100,645	99,618	95,759
Intangible Assets	18,854	18,252	17,649	17,050	16,456	15,863	15,271
Property, Plant & Equipment, Net	162,588	176,345	175,836	172,577	141,614	138,150	135,741
<b>Total Assets</b>	<b>340,261</b>	<b>423,140</b>	<b>345,736</b>	<b>346,658</b>	<b>358,789</b>	<b>350,071</b>	<b>339,278</b>
ST Debt & Current Portion LT Debt	6,229	7,404	9,001	10,042	11,111	11,521	10,889
Accounts Payable	44,610	45,703	52,816	54,346	63,059	52,877	45,700
Long-Term Debt excl. Lease Obligations	88,000	87,828	84,932	86,124	95,394	103,123	109,849
Capital & Operating Lease Obligations	20,363	20,612	22,976	22,089	21,175	20,762	19,907
<b>Total Liabilities</b>	<b>258,272</b>	<b>318,181</b>	<b>237,703</b>	<b>241,348</b>	<b>258,059</b>	<b>245,323</b>	<b>242,429</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>340,261</b>	<b>423,140</b>	<b>345,736</b>	<b>346,658</b>	<b>358,789</b>	<b>350,071</b>	<b>339,278</b>

# Contact Us



# Appendix





# Our History At-a-Glance: Turnaround

## Pre-2019: Events That Led to Management Change:

### Operational Inefficiencies

- Relocated corporate headquarters from CA to TX
- New DFW facility lacked manufacturing capacity build-out
- Closed Torrance & *Boyd's* distribution & manufacturing facilities in the West

### Underperforming Boyd's Acquisition

- Incomplete integration
- Poor customer & SKU performance
- Excessive write-downs & expenses

### Cash Flow Deterioration

- Inventory buildup & waste
- Resulting in liquidity issues

