Risk Factors Comparison 2024-02-16 to 2023-02-13 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our business, financial condition, and results of operations are and will remain subject to numerous risks and uncertainties. In addition to the factors discussed elsewhere in this Report, investors should carefully consider the following risk factors, which may have materially affected or could materially affect us, including impacting our business, financial condition, results of operations, cash flows, stock price, credit rating, or reputation. These are not the only risks we face. Additional risks and uncertainties not presently known to the Company or other unknown events or factors or risks that we do not currently consider to be material may also impair the Company' s business, financial condition, results of operations, cash flows, stock price, credit rating, or reputation. Business and Operating Risks Disruption of our supply chain or distribution capabilities could have an adverse effect on our business, financial condition, and results of operations. Our ability to manufacture, move, and sell products is critical to our success. We are subject to damage or disruption to raw material supplies or our manufacturing or distribution capabilities (in particular, to the extent that our raw materials are sourced globally) due to weather, including any potential effects of climate change, natural disaster, fire, terrorism, war, adverse geopolitical events such as ~~a~~ **the** Russia- Ukraine war **and conflict in the Middle East** , pandemics and public health crises ~~(such as the COVID- 19 pandemic)~~ , strikes, labor shortages, freight transportation availability and transport capacity constraints, disruption in logistics, import restrictions, or other factors that impair our ability to manufacture **, move,** or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, adversely affect our business, financial condition, and results of operations, as well as require additional resources to restore our supply chain. We are dependent upon third party suppliers and manufacturers for the manufacturing and packaging of our products. Our operating results are adversely affected if we do not manage our supply chain effectively. The success of our business depends, in part, on maintaining a strong sourcing and manufacturing platform. The inability of any supplier of raw materials or packaging, independent co- packer, or third- party distributor to deliver or perform for us in a timely or cost- effective manner **, while also meeting quality standards,** could cause our operating costs to increase and our profit margins to decrease, especially as it relates to our products that have a short shelf life. We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet consumer demand as well as having too much inventory on hand that may reach its expiration date and become unsaleable. **Additionally, the potential for the consolidation of our suppliers increases the risk that adverse changes in their business operations or financial performance will have a corresponding material adverse effect on our operating results.** If we are unable to attract, hire or retain key employees or a highly skilled and diverse global workforce, it could have an adverse impact on our business, financial condition, and results of operations. The competitive environment requires us to attract, hire, retain and develop key employees, including our executive officers and senior management team, and maintain a highly skilled and diverse global workforce. We compete to attract and hire highly skilled employees and our own employees are highly sought after by our competitors and other companies in part as a result of the ongoing labor shortages occurring in the U. S. economy. Competition could cause us to lose talented employees, and unplanned turnover could deplete our institutional knowledge and result in increased costs such as our recent implementation of retention programs due to increased competition for employees. Our results of operations are adversely affected by labor shortages, turnover, and labor cost increases. Inflationary pressures, shortages in the labor market, and increased competition within and outside our industry for talented employees have increased our labor costs, which have negatively impacted our profitability. Labor shortages or lack of skilled labor have led to increases in costs to meet demand as we pay overtime and roll out incremental programs to attract and retain talent. Labor shortages may also negatively impact us from servicing all demand or operating our manufacturing and distribution facilities efficiently. Pandemics or public health crises ~~(such as the COVID- 19 pandemic)~~ have caused illness as well as travel and government restrictions that have negatively impacted our operations by causing labor shortages and shutdowns of manufacturing facilities. Further, we distribute our products and receive materials through the freight transportation market, and reduced trucking capacity due to shortages of drivers can increase costs and reduce service levels due to lack of freight transportation availability. Additionally, an inability to enhance ~~or develop~~ robotic technology to automate processes in our manufacturing and distribution facilities could make us dependent on a labor force in tighter markets. Any substantial increase in these costs negatively impact on our profitability. We operate in the highly competitive and rapidly changing food industry. The food industry is highly competitive, and faces increased competition as a result of consolidation, channel proliferation, and the growth of online food retailers and new market participants. We face competition across our product lines from other companies that have varying abilities to withstand changes in market conditions. Some of our competitors have substantial financial, marketing **, technological** , and other resources, and competition with them in our various business segments and product lines could cause us to reduce prices, increase capital, marketing or other expenditures, or lose sales, which could have a material adverse effect on our business and financial results. Category sales and growth could also be adversely impacted if we are not successful in **monitoring trends and** introducing new products. Some customer buying decisions are based on a periodic bidding process in which the successful bidder is reasonably assured of the sale of its selected product to the food retailer, super center, mass merchandiser, or food- away- from- home distributors, until the next bidding process. Our sales volume may decrease significantly if our offer is too high and we lose the ability to sell products through these channels, even temporarily. Alternatively, we risk reducing our margins if our offer is successful but below our desired price point. Either of these outcomes may adversely affect our results of operations. Additionally, competition can impact our ability to pass on increased costs or otherwise increase prices. As new and evolving distribution channels acquire greater attention with consumers, we will need to evaluate whether our business methods and processes can be utilized or adopted in a manner that permits us to successfully serve these distribution channels. Our inability to offer competitive **and innovative** products to these customer segments could have an adverse impact on our results of operations. As we are dependent upon a limited number of customers, the loss of a significant customer or consolidation of our customer base could adversely affect our operating results. A limited number of customers represent a large percentage of our consolidated net sales. Our operating results are contingent on our ability to maintain our sales to these customers. The competition to supply products to these high- volume customers is very strong. We expect that a significant portion of our net sales will continue to arise from a small number of customers, consisting primarily of traditional grocery retailers, mass merchandisers, and foodservice operators. For the year ended December 31, ~~2022~~ **2023** , our ten largest customers accounted for approximately 56. ~~6~~ **7** % of our consolidated net sales from continuing operations, and our largest customer, Walmart Inc. and its affiliates, accounted for approximately 22. ~~1~~ **4** % of our consolidated net sales from continuing operations. No other customer accounted for 10 % or more of the Company' s consolidated net sales. These customers typically do not enter into written contracts with fixed purchase commitments, and the contracts that they do enter into generally are terminable at will. Our customers make purchase decisions based on a combination of price, product quality, and customer service performance. **Our customers may also consider opportunities for dual sourcing, resulting in additional competition and a potential decline in sales.** If our product sales to one or more of these customers decline, this reduction may have a material adverse effect on our business, results of operations, and financial condition. Further, over the past several years, the retail grocery and foodservice industries have experienced a consolidation trend, which has resulted in mass merchandisers and non- traditional grocers, such as e-commerce grocers with direct- to- consumer channels, gaining market share. As our customer base continues to consolidate, we expect competition to intensify as we compete for the business of the remaining consolidated customers. As this consolidation trend continues and such customers grow larger, they may seek to leverage their growth and position to improve their profitability through improved efficiency, lower pricing, or increased promotional programs. If we are unable to use our scale, product innovation, and category leadership positions to respond to these demands, our profitability or volume growth could be negatively impacted. Additionally, if the surviving entity of a consolidation or similar transaction is not a current customer of the Company, we may lose significant business once held with the acquired retailer. Consolidation also increases the risk that adverse changes in our customers' business operations or financial performance will have a corresponding material adverse effect on us. For example, if our customers cannot access sufficient funds or financing, then they may delay, decrease, or cancel purchases of our products, or delay or fail to pay us for previous purchases. Our business operations could be disrupted if our information technology systems fail to perform adequately or are breached. The efficient operation of our business depends on our information technology systems. We rely on our information technology systems, including the internet, to effectively manage our business data, communications, supply chain, order entry and fulfillment, and other business processes. These information technology systems, some of which are dependent on services provided by third parties, are susceptible to damage, invasions, disruptions, or shutdowns due to hardware failures, computer viruses, hacker attacks, and other cybersecurity risks, telecommunication failures, user errors, employee error or malfeasance, catastrophic events, natural disasters, fire or other factors. **Also, the rapid evolution and increased adoption of artificial intelligence technologies may intensify our cybersecurity risks.** Additionally, as a result of state- sponsored cyber threats including those stemming from the Russia-Ukraine war, we may face increased cybersecurity risks as companies based in the United States and its allied countries have become targets of malicious cyber activity. If we are unable to prevent, anticipate or adequately respond to and resolve these breaches, disruptions or failures, our business may be materially disrupted, and we may suffer other adverse consequences such as significant data loss, financial or reputational damage or penalties, legal claims or proceedings, remediation costs, or the loss of sales or customers. Moreover, if our data management systems, including our SAP enterprise resource planning system, do not effectively collect, store, process, and report relevant data for the operation of our business (whether due to equipment malfunction or constraints, software deficiencies, cybersecurity attack, and / or human error), our ability to effectively plan, forecast, and execute our business plan and comply with applicable laws and regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, cash flows, and the timeliness with which we report our internal and external operating results. We have invested and expect to continue to invest in technology security initiatives, information technology risk management, and disaster recovery plans. The cost and operational consequences of implementing, maintaining, and enhancing further data or system protection measures could increase significantly to overcome increasingly frequent, complex, and sophisticated cyber threats. Despite our best efforts, we are at risk from data breaches and system disruptions. Although to date we are unaware of any material data breach or system disruption, including a cyber- attack, we cannot provide any assurances that such events and impacts will not be material in the future. Our efforts to deter, identify, mitigate, and / or eliminate future breaches may require significant additional effort and expense and may not be successful. Potential liabilities and costs from litigation could adversely affect our business. There is no guarantee that we will be successful in defending ourselves in civil, criminal, or regulatory actions, including under general, commercial, employment, environmental, data privacy or security, intellectual property, food quality and safety, anti- trust and trade, advertising and claims, and environmental laws and regulations, or in asserting our rights under various laws. For example, our Company could face allegations of false or deceptive advertising or other criticisms which could end up in litigation and result in potential liabilities or costs. In addition, we could incur substantial costs and fees in defending ourselves **and our customers** or in asserting our rights in these actions or meeting new legal requirements. The costs and other effects of potential and pending litigation and administrative actions against us, and new legal requirements, cannot be determined with certainty and may differ from expectations. We are subject to product liability claims for misbranded, adulterated, contaminated, or spoiled food products. We sell food products for human consumption, which involves risks such as product contamination or spoilage, misbranding, product tampering, and other adulteration of food products. Consumption of a misbranded, adulterated, contaminated, or spoiled product may result in personal illness or injury. We could be subject to claims or lawsuits relating to an actual or alleged illness or injury, and we could incur liabilities that are not insured or that exceed our insurance coverage. Even if product liability claims against us are not successful or fully pursued, these claims could be costly and time consuming, and may require management to divert time and resources from business operations to defending such claims. A product that has been actually or allegedly misbranded or becomes adulterated could result in product withdrawals, product recalls **, product rework** , destruction of product inventory, negative publicity, temporary plant closings, and substantial costs of compliance or remediation. Any of these events, including a significant product liability judgment against us, could result in a loss of confidence in our food products, which could have an adverse effect on our financial condition, results of operations, or cash flows. Our private label and regionally branded products may not be able to compete successfully with nationally branded products. For sales of private label products to retailers, the principal competitive factors are price, product quality, and quality of service. For sales of private label products to consumers, the principal competitive factors are price and product quality. In many cases, competitors with nationally branded products have a competitive advantage over private label products due to name recognition. In addition, when branded competitors focus on price and promotion, the environment for private label producers becomes more challenging because the price differential between private label products and branded products may become less significant. Competition to obtain shelf space for our branded products with retailers is primarily based on the expected or historical performance of our product sales relative to our competitors. The principal competitive factors for sales of our branded products to consumers are brand recognition and loyalty, product quality, promotion, and price. Some of our branded competitors have significantly greater resources and brand recognition than we do. **There can be no assurance that retailers will provide sufficient, or any, shelf space for our products. Even if we obtain shelf space or preferable shelf placement, our new and existing products may fail to achieve the sales expectations set by our retailers, potentially causing these retailers to remove our products from their shelves.** Competitive pressures or other factors could cause us to lose sales, which may require us to lower prices, increase the use of discounting or promotional programs, or increase marketing expenditures, each of which would adversely affect our margins and could result in a decrease in our operating results and profitability. The recognition of impairment charges on goodwill or long- lived assets adversely impact our financial reporting and results of operations. As of December 31, ~~2022~~ **2023** , we have $ 1, ~~817~~ **824** . ~~6~~ **7** million of goodwill and $ ~~296~~ **257** . ~~0~~ **4** million of other intangible assets. Additionally, we have $ ~~666~~ **737** . ~~5~~ **6** million of property, plant, and equipment and $ ~~184~~ **193** . ~~4~~ **0** million of operating lease right- of- use assets as of December 31, ~~2022~~ **2023** . We perform an annual impairment assessment for goodwill and our indefinite- lived intangible assets, and as necessary, for other long- lived assets. If the results of such assessments were to show that the fair value of these assets were less than the carrying values, we could be required to recognize a charge for impairment of goodwill or long- lived assets, and the amount of the impairment charge could be material. Factors which could result in an impairment include, but are not limited to, (i) reduced demand for our products, (ii) higher commodity prices, (iii) lower prices for our products or increased marketing as a result of increased competition, and (iv) significant disruptions to our operations as a result of both internal and external events. ~~For the year ended December 31, 2021, on a continuing operations basis, we incurred a total of $ 9. 2 million of non- cash impairment charges related to the Bars asset group. These impairments and future~~ **Future** impairments on goodwill or long- lived assets ~~have adversely impacted and~~ could impact our future financial position and results of operations. Multiemployer pension plans could adversely affect our business. We participate in various multiemployer pension plans administered by labor unions representing some of our employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. Our required contributions to these funds could increase because of a shrinking contribution base as a result of the insolvency or withdrawal of other companies that currently contribute to these funds, inability or failure of withdrawing companies to pay their withdrawal liability, lower than expected returns on pension fund assets or other funding deficiencies. In the event that we withdraw from participation in one of these plans, then applicable law could require us to make an additional lump- sum contribution (" withdrawal liability") to the plan, and we would have to reflect that as an expense in our results of operations. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan' s funding of vested benefits. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that maintain these plans, we may decide to discontinue participation in a plan, and in that event, we could face a withdrawal liability. Our business could be harmed by strikes or work stoppages by our employees. Currently, collective bargaining agreements cover a significant number of our full- time distribution, production, and maintenance employees. A dispute with a union or employees represented by a union could result in production interruptions caused by work stoppages. If a strike or work stoppage were to occur, our results of operations could be adversely affected. Market and Other External Risks Increases in input costs, such as ingredients, packaging materials, and fuel costs, adversely affect earnings. The costs of raw materials, packaging materials, and fuel have varied widely in recent years and future changes in such costs may cause our results of operations and our operating margins to fluctuate significantly. We are also subject to delays caused by interruptions in production of raw materials based on conditions not within our control. Such conditions include job actions, labor shortages or strikes by employees of suppliers, weather, crop conditions, transportation shortages and interruptions, natural disasters, sustainability issues, pandemics and public health crises ~~(such as the COVID- 19 pandemic)~~ , geopolitical events, or other catastrophic events. While ~~individual~~ **we have seen some commodities move lower relative to recent all- time highs, many of our ingredients and packaging** ~~input~~ **inputs still remain elevated** ~~cost changes varied throughout the year, with certain costs increasing and others decreasing, input costs were in the aggregate unfavorable in 2022~~ compared to ~~2021~~ **historical levels** . The Federal Reserve has ~~recently~~ **previously** taken ~~action~~ **actions** to reduce domestic inflation by raising interest rates. However, input costs could continue ~~with~~ **to be** ~~volatility~~ **volatile** due to other external events such as the ~~invasion of~~ **Russia-** Ukraine ~~by Russia~~ **war, conflict in the Middle East,** or any other geopolitical conflicts. Although we have no direct exposure to Russia ~~or~~ **,** Ukraine **, or the Middle East** , our supply chain ~~has been, and~~ may ~~continue to~~ be ~~,~~ adversely impacted by the Russia- Ukraine war **and conflict in the Middle East** . We continue to face other challenges and risks arising from the war including added costs to existing inflationary pressures through increased fuel and raw material prices and labor costs. We manage the impact of increases in the costs of raw materials, wherever possible, by locking in prices on quantities required to meet our production requirements. During ~~2021 and~~ 2022 **and 2023**, the overall global economy has experienced significant inflation in packaging materials, fuel, energy, and across several agricultural commodities, and there can be no assurance that our hedging activities will result in the optimal price. When feasible, we attempt to offset the effect of such increases by raising prices to our customers. However, changes in the prices of our products may lag behind changes in the costs of our materials. Competitive pressures may also limit our ability to quickly raise prices in response to increased raw materials, packaging, and fuel costs. Accordingly, if we are unable to increase our prices to offset increasing raw material, packaging, and fuel costs, our operating profits and margins could be materially affected. In conditions of increasing input cost inflation, the ability to produce realistic, relevant and reliable forecast information could be materially affected which may result in misleading guidance leading to reputational damage. In addition, in instances of declining input costs, customers may look for price reductions in situations where we have locked into purchases at higher costs. We may be unable to anticipate changes in consumer preferences, which may result in decreased demand for our products. Our success depends in part on our ability to anticipate the tastes, quality demands, eating habits, and overall purchasing trends of consumers and to offer products that appeal to their preferences. Purchasing trends are influenced by macro environment factors ~~, particularly during the COVID- 19 pandemic~~. These include, but are not limited to, at- home vs. food- away- from home consumption, consumer income and government stimulus, inflation, and unemployment. Consumer preferences change from time to time, and our failure to timely anticipate, identify, or react to these changes could result in reduced demand for our products, which would adversely affect our operating results and profitability. **Additionally, the increased use and / or prevalence of certain weight loss drugs, which may suppress a person’ s appetite and / or impact a person' s preferences, may impact the demand or consumption patterns for certain of our products.** New laws or regulations or changes in existing laws or regulations could adversely affect our business. The food industry is subject to a variety of federal, state, local, and foreign laws and regulations, including, but not limited to, those related to food safety, food labeling, and environmental matters. Governmental regulations also affect taxes and levies, healthcare costs, energy usage, international trade, immigration, and other labor issues, all of which may have a direct or indirect effect on our business or those of our customers or suppliers. Changes in these laws or regulations, or the introduction of new laws or regulations, could increase the costs of doing business for the Company, our customers, or suppliers, or restrict our actions, causing our results of operations to be adversely affected. Our indebtedness and our ability to service our debt adversely affect our business and financial condition. As of December 31, ~~2022~~ **2023**, we had $ 1, ~~406~~ **405**. ~~2~~ **6** million of outstanding indebtedness, including a $ 588. 6 million term loan (" Term Loan A- 1") maturing on March 26, 2026, a $ 316. 4 million term loan (" Term Loan A" and, together with Term Loan A- 1, the" Term Loans") maturing on March 26, 2028, $ 500. 0 million of 4. 0 % notes due September 1, 2028 (the" 2028 Notes"), and $ ~~1~~ **0**. ~~2~~ **6** million of finance lease obligations. The Revolving Credit Facility (as defined in Note 13) and the Term Loans are known collectively as the" Credit Agreement." The degree to which we are leveraged could have adverse consequences to us, limiting management' s choices in responding to business, economic, regulatory, and other competitive conditions. In addition, our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures, dispose of material assets or operations, seek additional debt or equity capital, or restructure or refinance our indebtedness. We may not be able to ~~effect~~ **affect** any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. In addition, we and our subsidiaries may incur significant additional indebtedness in the future. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. If new debt is added to our current debt levels, the risks described herein would increase. The terms of the agreements governing our indebtedness restrict our current and future operations. The agreements governing our indebtedness contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long- term best interest, including restrictions on our ability to: incur additional indebtedness and guarantee indebtedness; pay dividends or make other distributions or repurchase or redeem our capital stock; prepay, redeem, or repurchase certain subordinated debt; issue certain preferred stock or similar equity securities; make loans and investments; sell assets; incur liens; enter into transactions with affiliates; enter into agreements restricting our subsidiaries’ ability to pay dividends; and consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets. In addition, our Credit Agreement requires us to maintain a certain consolidated net leverage ratio tested on a quarterly basis. Our ability to meet these financial covenants can be affected by events beyond our control, and we may be unable to meet the required ratio. A breach of the covenants or restrictions under the agreements governing our indebtedness could result in an event of default under the applicable indebtedness. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross acceleration or cross default provision applies. In addition, an event of default under the Credit Agreement may permit our lenders to terminate all commitments to extend further credit under those facilities. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be: • limited in how we conduct our business; • unable to raise additional debt or equity financing to operate during general economic or business downturns; or • unable to compete effectively or to take advantage of new business opportunities. These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, substantial indebtedness and credit ratings could materially adversely affect the availability and terms of our financing. ~~Our note receivable may have collectibility risk. On October 3, 2022, the Company completed the sale of a significant portion of the Company' s Meal Preparation business. A portion of the consideration transferred came in the form of a note receivable. A $ 425. 9 million five- year Secured Promissory Note (the" Seller Note Credit Agreement") was issued by Rushmore Investment II LLC (" Holdings"), Rushmore Investment III LLC (" US Buyer") and 1373978 B. C. The Seller Note Credit Agreement sets forth the terms of the Seller Promissory Note and the loan evidenced thereby (the" Seller Loan"). The Seller Loan matures on October 1, 2027 and is guaranteed by Holdings and certain subsidiaries of US Buyer (collectively with Holdings and US Buyer, the" Loan Parties") and secured by a first- priority lien on substantially all of the Loan Parties' assets (subject to customary exceptions and limitations, including in connection with an asset- based revolving credit facility entered into by Holdings, US Buyer, certain of its subsidiaries and Bank of America, N. A., as administrative agent). See Note 8 of the Consolidated Financial Statements for additional information. While we believe the Seller Loan is collectible, deterioration in the liquidity of the Loan Parties could impact the collectibility of this Seller Loan note receivable. Disruptions in the financial markets could impair our ability to fund our operations or limit our ability to expand our business. United States capital credit markets have experienced volatility, dislocations, and liquidity disruptions that caused tightened access to capital markets and other sources of funding. Capital and credit markets and the U. S. and global economies have been affected by additional volatility and negative economic conditions, including inflation, rising interest rates and lower consumer confidence, and the impacts of the ongoing conflict in Ukraine. These events have affected and could continue to affect the credit markets and have an adverse effect on other financial markets in the United States, which may make it more difficult or costly for us to raise capital through the issuance of common stock or other equity securities. There can be no assurance that future volatility or disruption in the capital and credit markets will not impair our liquidity or increase our costs of borrowing. Our business could also be negatively impacted if our suppliers or customers experience disruptions resulting from tighter capital and credit markets, or a slowdown in the general economy. Any of these risks could impair our ability to fund our operations or limit our ability to expand our business and could possibly increase our interest expense, which could have a material adverse effect on our financial results.~~ Increases in interest rates may negatively affect earnings. As of December 31, ~~2022~~ **2023** , the aggregate principal amount of our debt instruments with exposure to interest rate risk was approximately $ 905. 0 million, based on the outstanding debt balance of our Credit Agreement. As a result, higher interest rates will increase the cost of servicing our financial instruments with exposure to interest rate risk, and could reduce our profitability and cash flows. As of December 31, ~~2022~~ **2023** , the Company had entered into ~~$ 875. 0 million of~~ long- term interest rate swap agreements to ~~lock into a fixed LIBOR interest rate base~~ **mitigate its variable debt exposures. The notional amount of these agreements is $ 1, 175. 0 million as of December 31, 2023 and $ 875. 0 million as of December 31, 2022** . Our variable- rate debt is nearly fully hedged **through 2025** with our fixed rate interest rate swaps, but rising interest rates can impact other areas of the business, including, but not limited to, our pension plans or our suppliers. Each one percentage point change in ~~LIBOR~~ **SOFR** rates would result in an approximate $ 0. 3 million change in the annual cash interest expense, before any principal payment, on our financial instruments with exposure to interest rate risk, including the impact of the ~~$ 875. 0 million in~~ interest rate swap agreements that were effective in ~~2022. Certain of our variable rate debt currently uses LIBOR as a benchmark for establishing the interest rate. LIBOR is the subject of recent proposals for reform. In July 2017, the head of the United Kingdom' s Financial Conduct Authority (" FCA") announced its intention to phase out the use of LIBOR by the end of 2021; in March 2021, the FCA extended the transition dates of certain LIBOR tenors to June 30,~~ 2023 ~~, after which LIBOR reference rates will cease to be provided~~ . Fluctuations in foreign currencies may adversely affect earnings. The Company is exposed to fluctuations in foreign currency exchange rates. The Company' s foreign subsidiaries purchase and sell various inputs that are based in U. S. dollars; accordingly, the profitability of the foreign subsidiaries ~~are~~ **is** subject to foreign currency transaction gains and losses that affect earnings. We manage the impact of foreign currency fluctuations related to raw material purchases and sales of finished foods using foreign currency contracts. We are also exposed to fluctuations in the value of our foreign currency investment in our Canadian subsidiaries, which includes Canadian dollar denominated intercompany notes. We translate the Canadian assets, liabilities, revenues, and expenses into U. S. dollars at applicable exchange rates. Accordingly, we are exposed to volatility in the translation of foreign currency denominated earnings due to fluctuations in the values of the Canadian dollar, which may negatively impact the Company' s results of operations and financial position. Changes in weather conditions, natural disasters, geopolitical events, and other catastrophic events beyond our control could adversely affect our results of operations. Changes in weather conditions or climate changes, natural disasters such as floods, droughts, frosts, earthquakes, hurricanes, tornados, fires, or pestilence, geopolitical events such as ~~a~~ **the** Russia- Ukraine war **and conflict in the Middle East** , and other catastrophic events may affect the cost and supply of commodities and raw materials. Additionally, these events could result in reduced supplies of raw materials or availability of critical utilities, such as power. Our competitors may be affected differently by weather conditions and natural disasters depending on the location of their suppliers and operations. Further, changes in weather could impact consumer demand and our earnings may be affected by seasonal factors including the seasonality of our supplies and such changes in consumer demand. Damage or disruption to our production or distribution capabilities due to weather, natural disaster, fire, terrorism, war, pandemic, strikes, or other reasons could impair our ability to manufacture or sell our products. Failure to take adequate steps to reduce the likelihood or mitigate the potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single location, could adversely affect our business and results of operations, as well as require additional resources to restore our supply chain. Climate change, including increasingly stringent legal and market measures to address climate change, presents challenges to our business and could materially adversely affect our businesses, reputation, operations and supply chain. The effects of climate change expose us to both physical and transition risk and create financial and operational risks to our business, both directly and indirectly. There is a general consensus that carbon dioxide and other greenhouse gas (" GHG") emissions are linked to global climate change, impact global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters, and that these emissions must be reduced dramatically to avert the worst effects of climate change. Regulation of GHG emissions exposes us to costs. In addition, increased public awareness and concern regarding global climate change will likely result in more regulations designed to reduce GHG emissions. These climate changes have a negative effect on agricultural productivity, and we ~~are~~ **may be** subject to decreased availability or less favorable pricing for certain raw materials that are necessary for our products, including, but not limited to, coconut oil, coffee, corn and corn syrup, cucumbers, fruit, oats, palm oil, peppers, rice, soybean oil, sugar, tea, and wheat. In addition, increases in the frequency and severity of extreme weather and natural disasters may result in material damage and disruptions to our manufacturing operations and distribution channels or our third party manufacturers' operations, particularly where a product is primarily sourced from a single location. This may require us to make additional unplanned capital expenditures, increase the prices of our raw materials due to sourcing from other locations, increase our cost of transporting and storing raw materials, or disrupt our production schedules. Also, the impacts of these climate events may cause unpredictable water availability or exacerbate water scarcity. Water is critical to our businesses, including the businesses of the suppliers on whom we depend upon, and the lack of available water of acceptable quality may lead to, among other things, adverse effects on our operations. The increasing concern over climate change and related environmental sustainability matters also has and is likely to continue to result in more federal, state, local and foreign legal requirements, including requirements to reduce or mitigate the effects of greenhouse gases or conserve and replenish water. Depending on the nature of such laws, we may experience significant increases in our compliance costs, capital expenditures, and other financial obligations to adapt our business and operations to meet new regulations and standards. We depend upon natural gas, diesel fuel, and electricity in the manufacturing and distribution of our products. Legislation or regulation affecting these inputs could materially affect our profitability. Further, our businesses could be adversely affected if we are unable to effectively address increased concerns from the media, shareholders and other stakeholders on climate change and related environmental sustainability and governance matters. **At the same time, stakeholders and regulators have increasingly expressed or pursued opposing views, legislation, and investment expectations with respect to sustainability initiatives, including the enactment or proposal of " anti- ESG " legislation or policies.** In addition, over the years we have made public commitments regarding our intended reduction of carbon emissions and other near- and mid- term environmental sustainability goals. Although we intend to meet these goals, we may be required to expend significant resources to do so, which could significantly increase our operational costs. Further, there can be no assurance of the extent to which any of our goals or ambitions will be achieved, or that any future investments we make in furtherance of achieving such goals will meet investor expectations or any binding or non- binding legal standards regarding sustainability performance. Moreover, we may determine that it is in the best interest of our Company and our shareholders to prioritize other business, social, governance or sustainable investments over the achievement of our current commitments based on economic, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders. Any failure **, or perceived failure,** to achieve the goals and commitments we have and may in the future set with respect to reducing our impact on the environment or perception of a failure to act responsibly with respect to the environment, could, in addition to regulatory and legal risks related to compliance, lead to adverse publicity, which could damage our reputation, which in turn could adversely impact our results of operations. As a result, climate change, including legal and market pressures to address climate change, could have a material adverse ~~affect~~ **effect** to our businesses, financial condition, capital expenditures, results of operations, cash flows, and supply chain. Shareholder activism has caused us to incur significant expense, caused disruption to our business, and impacted our stock price. We ~~have recently been subject to shareholder activism and~~ may be subject to ~~such~~ **shareholder** activism in the future, which could result in substantial costs and divert management' s and our Board' s attention and resources from our business. Additionally, such shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with our employees, customers or service providers, and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant fees and other expenses related to activist shareholder matters, including for third- party advisors. Our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism. Strategic Risks Our inability to execute our business strategy could adversely affect our business. **We** ~~As we roll- out and execute on our business strategy, we~~ have redesigned our operating model to deliver our growth objectives. We expect that the execution of our strategy **, which includes disciplined capital allocation strategy in deploying proceeds to drive long term growth based on our new strategy,** will require change management activities to align our operating model for our new portfolio following the ~~sale~~ **divestitures** of **the Snack Bars business and** a significant portion of the Company' s Meal Preparation business **and the acquisitions of the Coffee Roasting Capability and the Seasoned Pretzel Capability** ~~. Our capital investment plan to drive long term growth will be based on our new strategy~~ . Our strategic ambition to be a leader in consumer trending food and beverage categories may divert the organization' s attention from other business issues. Our success is partly dependent upon properly executing, and realizing cost savings or other benefits from, these often- complex initiatives. Any failure to implement our initiatives could adversely affect our ability to grow margins. If we are unsuccessful in implementing or executing one or more of our business strategies, our business could be adversely affected. ~~The~~ **Our operations are subject to the general risks associated with acquisitions,** ~~divestiture~~ **divestitures , and** ~~of a significant portion of the~~ **other strategic transactions** ~~Meal Preparation business could negatively impact our performance~~ . ~~On October 3, 2022, we completed the sale~~ **We have made several acquisitions and divestitures in recent years that align with our strategic initiative** of **delivering long- term value to shareholders** ~~a significant portion of the Company' s Meal Preparation business~~ . See Note 7 of the Consolidated Financial Statements for additional information. ~~This~~ **Potential risks associated with these transactions include the inability to consummate a**

transaction on favorable terms, the diversion of management' s attention from other business ~~was~~ **concerns, the potential loss of key employees and customers of current or acquired companies, the inability to** ~~integrated~~ - **integrate** ~~with our~~ - **or** ~~continuing~~ **divest** operations **successfully** , **potential stranded costs following** ~~including, but not limited to, certain information technology systems, procurement and order processing, customer service, human resources, and our distribution network. The Company entered into~~ a Transition Services Agreement (" TSA") ~~with the Buyer designed to ensure and facilitate an orderly transfer of business operations. These services terminate at various times up to twenty- four months from the date of sale and certain services can be renewed with a maximum of an additional twelve- month period. We continue to work to fully separate from this divestiture, and we will incur additional costs to complete this transition that we may not be able to fully pass on to the Buyer. These TSA activities will divert resources from our business during the TSA period. Further, inefficiencies may result if such separation is delayed or not implemented effectively, and unforeseen difficulties and expenditures that may arise as a result, including potential stranded costs. These matters could have a negative impact on our financial performance. Our operations are subject to the general risks associated with acquisitions, divestitures, and other strategic transactions. We have made several acquisitions and divestitures in recent years that align with our strategic initiative of delivering long- term value to shareholders. See Note 7 of the Consolidated Financial Statements for additional information. Potential risks associated with these transactions include the inability to consummate a transaction on favorable terms, the diversion of management' s attention from other business concerns, the potential loss of key employees and customers of current or acquired companies, the inability to integrate or divest operations successfully~~ , the possible assumptions of unknown liabilities, potential disputes with buyers or sellers, potential impairment charges or losses if purchase assumptions are not achieved or if a business is expected to be divested at a loss, restructuring and other disposal charges, and the inherent risks in entering markets or lines of business in which the Company has limited or no prior experience. Any or all of these risks could impact the Company' s financial results and business reputation. We may not realize some or all of the anticipated benefits of our growth, reinvestment, and restructuring programs in the anticipated time frame or at all. We depend on our ability to evolve and grow, and as changes in our business environments occur, we may adjust our business plans by introducing new growth, reinvestment, and restructuring programs, from time to time, to meet these changes, such as our Strategic Growth Initiatives, a growth and reinvestment strategy ~~, Structure to Win, an operating expense improvement program, and TreeHouse 2020, a long- term growth and margin improvement strategy involving plants and distribution locations~~ . During ~~2022~~ **2023** , the Company incurred approximately $ ~~85~~ **46** . 1 million in growth, reinvestment, and restructuring program costs from continuing operations. See Note 3 of the Consolidated Financial Statements for additional information. Growth, reinvestment, and restructuring programs often require a substantial amount of management and operational resources, which may divert the Company' s attention from existing core businesses, potentially disrupting our operations and adversely affecting our relationships with suppliers and customers. In addition, events and circumstances, such as financial or strategic difficulties, delays and unexpected costs may occur that could result in our not realizing all or any of the anticipated benefits on our expected timetable or at all, and there can be no assurance that any benefits we realize from these efforts will be sufficient to offset the expenses and costs that we expect to incur from these programs.