



Farm Fresh Goodness Made Great

Seneca Foods Reports Sales and Earnings for the Three Months Ended July 2, 2022

FAIRPORT, N.Y. August 11, 2022 -- Seneca Foods Corporation (NASDAQ: SENE, SENE) today announced financial results for the three months ended July 2, 2022.

Executive Summary (vs. year-ago, year-to-date results):

- § Net sales for the first quarter of fiscal 2023 totaled \$265.2 million compared to \$235.0 million for the prior year. Of the \$30.2 million year-over-year increase in net sales, \$21.2 million resulted from higher selling prices/improved sales mix and \$9.0 million from increased sales volume.
- § Gross margin as a percentage of net sales for the three months ended July 2, 2022 was 8.6% as compared to 14.3% in the prior year. The year-over-year decrease is mainly due to a \$16.4 million increase in the LIFO charge.
- § FIFO EBITDA for the three months ended July 2, 2022 increased compared to the prior year by 18.4% from \$31.3 million to \$37.1 million.

Commenting on the results, Paul Palmby, President and Chief Executive Officer of Seneca Foods, stated, “First quarter results delivered strong sales growth mostly driven by pricing actions. However, historic inflation has created a significant non-cash LIFO charge of \$19.2 million in this quarter. On an adjusted net earnings basis, the Company continues to perform well and the Q1 financial results exceeded a robust prior year by approximately 20%. Finally, we had a solid start to our raw product pack that has helped increase our inventory levels. This increase in inventory is welcomed and will help us support steady customer demands and avoid the out of stock situations that plagued us over the past two years.”

About Seneca Foods Corporation

Seneca Foods is one of North America’s leading providers of packaged fruits and vegetables, with facilities located throughout the United States. Its high quality products are primarily sourced from over 1,400 American farms and are distributed to over 80 countries. Seneca holds a large share of the market for retail private label, food service, restaurant chains, international, contracting packaging, industrial, chips and cherry products. Products are also sold under the highly regarded brands of Libby’s®, Aunt Nellie’s®, Green Valley®, CherryMan®, READ®, and Seneca labels, including Seneca snack chips. Seneca’s common stock is traded on the Nasdaq Global Select Market under the symbols “SENEA” and “SENEB”. SENE is included in the S&P SmallCap 600, Russell 2000 and Russell 3000 indices.

Non-GAAP Financial Measures

Adjusted net earnings is calculated on a FIFO basis and excludes the impact of the Company's loss on equity investment. The Company believes this non-GAAP financial measure provides for a better comparison of year over year operating performance. The Company does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP. Set forth below is a reconciliation of reported net earnings to adjusted net earnings.

	Three Months Ended	
	July 2, 2022	July 3, 2021
	(In thousands)	
Earnings before income taxes, as reported	\$ 6,732	\$ 18,605
LIFO charge	19,223	2,837
Loss on equity investment	-	156
Adjusted earnings before income taxes	25,955	21,598
Income taxes at effective tax rates	6,281	5,184
Adjusted net earnings	<u>\$ 19,674</u>	<u>\$ 16,414</u>

Set forth below is a reconciliation of reported net earnings to EBITDA and FIFO EBITDA (earnings before interest, income taxes, depreciation, amortization and non-cash charges related to the LIFO inventory valuation method). The Company does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

EBITDA and FIFO EBITDA:	Three Months Ended	
	July 2, 2022	July 3, 2021
	(In thousands)	
Net earnings	\$ 5,103	\$ 14,136
Income tax expense	1,629	4,469
Interest expense, net of interest income	1,390	1,342
Depreciation and amortization	9,788	8,581
Interest amortization	(60)	(60)
EBITDA	17,850	28,468
LIFO charge	19,223	2,837
FIFO EBITDA	<u>\$ 37,073</u>	<u>\$ 31,305</u>

Forward-Looking Information

This release contains “forward-looking statements” as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they address future events, developments, and results and do not relate strictly to historical facts. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “seeks,” “should,” “likely,” “targets,” “may,” “can” and variations thereof and similar expressions. Forward-looking statements are subject to known and unknown risks, uncertainties, and other important factors that could cause actual results to differ materially from those expressed. We believe important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- the effects of rising costs and availability of raw fruit and vegetables, steel, ingredients, packaging, other raw materials, distribution and labor;
- crude oil prices and their impact on distribution, packaging and energy costs;
- an overall labor shortage, ability to retain a sufficient seasonal workforce, lack of skilled labor, labor inflation or increased turnover impacting our ability to recruit and retain employees;
- climate and weather affecting growing conditions and crop yields;
- our ability to successfully implement sales price increases and cost saving measures to offset cost increases;
- the loss of significant customers or a substantial reduction in orders from these customers;
- effectiveness of our marketing and trade promotion programs;
- competition, changes in consumer preferences, demand for our products and local economic and market conditions;
- the impact of a pandemic on our business, suppliers, customers, consumers and employees;
- unanticipated expenses, including, without limitation, litigation or legal settlement expenses;
- product liability claims;
- the anticipated needs for, and the availability of, cash;
- the availability of financing;
- leverage and the ability to service and reduce debt;
- foreign currency exchange and interest rate fluctuations;
- the risks associated with the expansion of our business;
- the ability to successfully integrate acquisitions into our operations;
- our ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption;
- other factors that affect the food industry generally, including:
 - § recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and labeling laws and regulations and the possibility that consumers could lose confidence in the safety and quality of certain food products;
 - § competitors’ pricing practices and promotional spending levels;
 - § fluctuations in the level of our customers’ inventories and credit and other business risks related to our customers operating in a challenging economic and competitive environment; and
 - § the risks associated with third-party suppliers, including the risk that any failure by one or more of our third-party suppliers to comply with food safety or other laws and regulations may disrupt our supply of raw materials or certain finished goods products or injure our reputation; and
- changes in, or the failure or inability to comply with, U.S., foreign and local governmental regulations, including environmental and health and safety regulations.

Except for ongoing obligations to disclose material information as required by the federal securities laws, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of the filing of this report or to reflect the occurrence of unanticipated events.

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Seneca Foods Corporation
Unaudited Selected Financial Data

For the Periods Ended July 2, 2022 and July 3, 2021
(In thousands of dollars, except share data)

	Three Months Ended	
	July 2, 2022	July 3, 2021
Net sales	\$ 265,193	\$ 235,042
Other operating (income) , net (note 2)	\$ (1,995)	\$ (1,378)
Operating income (note 1)	\$ 6,596	\$ 17,727
Loss from equity investment	-	156
Other non-operating (income)	(1,526)	(2,376)
Interest expense, net	1,390	1,342
Earnings before income taxes	\$ 6,732	\$ 18,605
Income tax expense	1,629	4,469
Net earnings	\$ 5,103	\$ 14,136
Basic earnings per common share	\$ 0.62	\$ 1.56
Diluted earnings per common share	\$ 0.62	\$ 1.55

Note 1: The effect of the LIFO inventory valuation method on the first quarter pre-tax results decreased operating earnings by \$19.2 million and \$2.8 million for the three month periods ended July 2, 2022 and July 3, 2021, respectively.

Note 2: The Company had net other operating income of \$2.0 million during the three months ended July 2, 2022, which was driven primarily by the gain on the sale of various fixed assets. During the three months ended July 3, 2021, the Company had net other operating income of \$1.4 million, driven mostly by a gain from the sale of an aircraft from its Flight operation of \$1.2 million.

Note 3: The Company used the "two-class" method for basic earnings per share by dividing the earning attributable to common shareholders by the weighted average of common shares outstanding during the period.

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